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

**FORM 10-Q**

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

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

Commission File Number **000-55450**

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

| **Nevada** | **46-5289499** |
|---|---|
| (State or other jurisdiction of Incorporation or organization) | (I.R.S. Employer Identification No.) |

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

**(303) 371-0387**
(Issuer's Telephone Number)

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

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

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

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

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

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

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

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

As of November 13, 2020, the Registrant had 41,933,086 shares of Common Stock outstanding.

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## *CAUTIONARY NOTE ABOUT FORWARD-LOOKING INFORMATION*

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

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

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

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

Stockholders and potential investors should not place undue reliance on these forward-looking statements. Although we believe that our plans, intentions and expectations reflected in or suggested by the forward-looking statements in this report are reasonable, we cannot assure stockholders and potential investors that these plans, intentions or expectations will be achieved.

These forward-looking statements represent our intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors. Many of those factors are outside of our control and could cause actual results to differ materially from the results expressed or implied by those forward-looking statements. Considering these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than we have described. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q. All subsequent written and oral forward-looking statements concerning other matters addressed in this Quarterly Report on Form 10-Q and attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this Quarterly Report on Form 10-Q.

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

## Part I – FINANCIAL INFORMATION

**Item 1. Financial Statements**

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

| | September 30, 2020 (Unaudited) | December 31, 2019 (Audited) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | $ 2,981,688 | $ 11,853,627 |
| Accounts receivable, net of allowance for doubtful accounts | 812,212 | 313,317 |
| Accounts receivable – related party | 91,990 | 72,658 |
| Inventory | 2,151,612 | 684,940 |
| Notes receivable – related party | 283,849 | 767,695 |
| Prepaid expenses and other current assets | 254,602 | 529,416 |
| Prepaid acquisition costs (Note 11) | – | 1,347,462 |
| Total current assets | 6,575,953 | 15,569,115 |
| Non-current assets | | |
| Fixed assets, net of accumulated depreciation of $893,964 and $159,354, respectively | 2,719,154 | 239,078 |
| Goodwill | 17,445,843 | 12,304,306 |
| Intangible assets, net of accumulated amortization of $24,771 and $19,811, respectively | 70,329 | 75,289 |
| Investment | 527,575 | 406,774 |
| Accounts receivable – litigation | 3,063,968 | 3,063,968 |
| Deferred tax assets, net | 268,423 | 268,423 |
| Notes receivable – noncurrent, net | 247,272 | 241,711 |
| Operating lease right of use assets | 1,650,117 | 59,943 |
| Other assets | 127,999 | – |
| Total non-current assets | 26,120,680 | 16,659,492 |
| Total assets | $ 32,696,633 | $ 32,228,607 |
| | | |
| Liabilities and Stockholders' Equity | | |
| Current liabilities | | |
| Accounts payable | 2,957,390 | $ 699,961 |
| Accounts payable – related party | 127,694 | 15,372 |
| Accrued expenses | 1,426,315 | 1,091,204 |
| Derivative liabilities | 782,896 | 3,773,382 |
| Income taxes payable | – | 1,940 |
| Total current liabilities | 5,294,295 | 5,581,859 |
| Noncurrent liabilities | | |
| Lease liabilities | 1,684,005 | 66,803 |
| Total noncurrent liabilities | 1,684,005 | 66,803 |
| Total liabilities | 6,978,300 | 5,648,662 |
| | | |
| Commitments and contingencies (Note 11) | | – |
| | | |
| Shareholders' equity | | |
| Common stock $0.001 par value, 250,000,000 authorized, 42,194,878 shares issued and 41,762,146 shares outstanding at September 30, 2020, and 39,952,628 shares issued and outstanding at December 31, 2019. | 42,195 | 39,953 |
| Additional paid-in capital | 60,714,343 | 50,356,469 |
| Accumulated deficit | (33,705,705) | (22,816,477) |
| Common stock held in treasury, at cost, 432,732 shares held at September 30, 2020 and 257,732 shares held at December 31, 2019. | (1,332,500) | (1,000,000) |
| Total shareholders' equity | 25,718,333 | 26,579,945 |
| Total liabilities and stockholders' equity | $ 32,696,633 | $ 32,228,607 |

See accompanying notes to the financial statements

**MEDICINE MAN TECHNOLOGIES, INC.**
**CONDENSED STATEMENT OF COMPREHENSIVE (LOSS) AND INCOME**
*For the Three and Nine Months Ended September 30, 2020 and 2019*
*Expressed in U.S. Dollars*

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| **Operating revenues:** | | | | |
| Product sales, net | $ 7,094,896 | $ 2,147,182 | $ 14,292,374 | $ 4,743,391 |
| Product sales – related party, net | 314,823 | 613,014 | 484,930 | 893,084 |
| Consulting and licensing services | 20,655 | 781,021 | 1,267,587 | 1,657,286 |
| Litigation revenue | – | 1,782,457 | – | 1,782,457 |
| Other operating revenues | – | 15,195 | 12,946 | 23,946 |
| Total revenue | 7,430,374 | 5,338,869 | 16,057,837 | 9,100,164 |
| **Cost of goods and services:** | | | | |
| Cost of goods and services | 4,648,910 | 2,786,244 | 9,904,131 | 5,471,369 |
| Total cost of goods and services | 4,648,910 | 2,786,244 | 9,904,131 | 5,471,369 |
| **Gross profit** | 2,781,464 | 2,552,625 | 6,153,706 | 3,628,795 |
| **Operating expenses:** | | | | |
| Selling, general and administrative expenses | 1,298,693 | 718,990 | 3,054,091 | 1,092,702 |
| Professional services | 1,769,455 | 837,940 | 5,390,186 | 3,602,772 |
| Salaries, benefits and related expenses | 1,878,156 | 980,432 | 5,973,482 | 1,862,990 |
| Stock based compensation | 1,453,986 | 940,870 | 5,815,808 | 3,166,276 |
| Derivative expense – contingent compensation | – | – | – | 5,400,559 |
| Total operating expenses | 6,400,290 | 3,478,232 | 20,233,567 | 15,125,299 |
| **Income from operations (loss)** | (3,618,826) | (925,607) | (14,079,861) | (11,496,504) |
| **Other income (expense):** | | | | |
| Gain on forfeiture of contingent consideration | – | – | 1,462,636 | – |
| Interest income (expense), net | 10,131 | 36,462 | 46,726 | (155,815) |
| Other income (expense) | – | – | 32,621 | – |
| Unrealized gain (loss) on derivative liabilities | 684,422 | (197,526) | 1,527,850 | (452,090) |
| Unrealized gain (loss) on investments | 10,062 | (741,307) | 120,800 | (1,458,037) |
| Total other income (expense) | 704,615 | (902,371) | 3,190,633 | (2,065,942) |
| **Net income (loss)** | $ (2,914,211) | $ (1,827,978) | $ (10,889,228) | $ (13,562,446) |
| **Earnings (loss) per share attributable to common shareholders:** | | | | |
| Basic and diluted earnings (loss) per share | $ (0.07) | $ (0.05) | $ (0.26) | $ (0.44) |
| Weighted average number of shares outstanding - basic and diluted | 41,568,147 | 35,115,889 | 41,242,041 | 31,136,392 |
| Other comprehensive income (loss), net of tax | | | | |
| Total other comprehensive income (loss), net of tax | – | – | – | – |
| **Comprehensive income (loss)** | $ (2,914,211) | $ (1,827,978) | $ (10,889,228) | $ (13,562,446) |

See accompanying notes to the financial statements

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

| | Common Stock | | Additional Paid-in | Accumulated | Total Stockholders' |
|---|---|---|---|---|---|
| | Shares | Value | Capital | Deficit | Equity |
| Balance, December 31, 2018 | 27,753,310 | $ 27,875 | $22,886,624 | $ (5,840,735) | $ 17,073,764 |
| Net income (loss) | – | – | – | (13,562,446) | (13,562,446) |
| Issuance of common stock in connection with sales made under private or public offerings | 9,800,000 | 9,800 | 19,590,200 | – | 19,600,000 |
| Issuance of common stock in connection with the exercise of common stock purchase warrants | 452,426 | 452 | 601,274 | – | 601,726 |
| Issuance of common stock as compensation to employees, officers and/or directors | 1,190,000 | 1,190 | 2,723,710 | – | 2,724,900 |
| Issuance of common stock in exchange for consulting, professional and other services | 173,775 | 173 | 305,348 | – | 305,521 |
| Stock based compensation expense related to common stock options | – | – | 1,196,376 | – | 1,196,376 |
| Balance, September 30, 2019 | 39,369,511 | $ 39,490 | $47,303,532 | $ (19,403,181) | $ 27,939,841 |

| | Common Stock | | Additional Paid-in | Accumulated | Treasury Stock | | Total Stockholders' |
|---|---|---|---|---|---|---|---|
| | Shares | Value | Capital | Deficit | Shares | Cost | Equity |
| Balance at, December 31, 2019 | 39,952,628 | $ 39,953 | $50,356,469 | $ (22,816,477) | 257,732 | $(1,000,000) | $ 26,579,945 |
| Net income (loss) | – | – | – | (10,889,228) | – | – | (10,889,228) |
| Issuance of common stock as payment for Mesa | 2,554,750 | 2,555 | 4,167,253 | – | – | – | 4,169,808 |
| Return of common stock as compensation to employees, officers and/or directors | (500,000) | (500) | – | – | – | – | (500) |
| Issuance of common stock in connection with sales made under private or public offerings | 187,500 | 187 | 374,813 | – | – | – | 375,000 |
| Return of common stock | – | – | – | – | 175,000 | (332,500) | (332,500) |
| Stock based compensation expense related to common stock options | – | – | 5,815,808 | – | – | – | 5,815,808 |
| Balance, September 30, 2020 | 42,194,878 | $ 42,195 | 60,714,343 | $ (33,705,705) | 432,732 | $(1,332,500) | $ 25,718,333 |

See accompanying notes to the financial statements

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

| | Common Stock | | Additional Paid-in | Accumulated | Treasury Stock | | Total Stockholders' |
|---|---|---|---|---|---|---|---|
| | Shares | Value | Capital | Deficit | Shares | Cost | Equity |
| Balance at, June 30, 2019 | 31,769,511 | $ 31,890 | $31,170,261 | $ (17,575,203) | – | $ – | $ 13,626,948 |
| Net income (loss) | – | – | – | (1,827,978) | – | – | (1,827,978) |
| Issuance of common stock in connection with sales made under private of public offerings | 7,600,000 | 7,600 | 16,133,271 | – | – | – | 16,140,871 |
| Issuance of common stock in connection with the exercise of common stock purchase warrants | – | – | – | – | – | – | – |
| Issuance of common stock as compensation to employees, officers and/or directors | – | – | – | – | – | – | – |
| Issuance of common stock in exchange for consulting, professional, and other services | – | – | – | – | – | – | – |
| Stock based compensation expense related to common stock options | – | – | – | – | – | – | – |
| Balance, September 30, 2019 | 39,369,511 | $ 39,490 | $47,303,532 | $ (19,403,181) | – | $ – | $ 27,939,841 |

| | Common Stock | | Additional Paid-in | Accumulated | Treasury Stock | | Total Stockholders' |
|---|---|---|---|---|---|---|---|
| | Shares | Value | Capital | Deficit | Shares | Cost | Equity |
| Balance at, June 30, 2020 | 42,194,878 | $ 42,195 | $59,260,357 | $ (30,791,494) | 257,732 | $(1,000,000) | $ 27,511,058 |
| Net income (loss) | – | – | – | (2,914,211) | – | – | (2,914,211) |
| Issuance of common stock as payment for Mesa | – | – | – | – | – | – | – |
| Return of common stock as compensation to employees, officers and/or directors | – | – | – | – | – | – | – |
| Issuance of common stock in connection with sales made under private or public offerings | – | – | – | – | – | – | – |
| Return of common stock | – | – | – | – | 175,000 | (332,500) | (332,500) |
| Stock based compensation expense related to common stock options | – | – | 1,453,986 | – | – | – | 1,453,986 |
| Balance, September 30, 2020 | 42,194,878 | $ 42,195 | 60,714,343 | $ (33,705,705) | 432,732 | $(1,332,500) | $ 25,718,333 |

See accompanying notes to the financial statements

**MEDICINE MAN TECHNOLOGIES, INC.**
**STATEMENT OF CASH FLOWS**
*For the Nine months Ended September 30, 2020 and 2019*
*Expressed in U.S. Dollars*

| | 2020 | 2019 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income for the period | $ (10,889,228) | $ (13,562,446) |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Depreciation and amortization | 322,292 | 45,768 |
| Common stock issued in exchange for fees and services | – | 210,521 |
| Derivative expense | – | 5,400,559 |
| Loss on change in derivative liabilities | (2,990,486) | 452,091 |
| Loss on investment, net | (120,800) | 1,458,037 |
| Stock based compensation | 5,815,808 | 3,921,276 |
| Changes in operating assets and liabilities | | |
| Note receivable | – | – |
| Accounts receivable | 1,292,509 | (2,868,093) |
| Inventory | 271,305 | 81,530 |
| Prepaid expenses and other current assets | 274,814 | (629,032) |
| Other assets | (127,999) | – |
| Operating lease right of use assets and liabilities | 27,028 | (67,839) |
| Accounts payable and other liabilities | (177,295) | 878,066 |
| Income taxes payable | (1,940) | – |
| **Net cash used in operating activities** | (6,303,992) | (4,679,562) |
| | | |
| **Cash flows from investing activities** | | |
| Purchase of fixed assets | (976,685) | (7,312) |
| Cash consideration for acquisition of business | (2,609,500) | – |
| Cash acquired in acquisition of business | – | – |
| Repayment (issuance) of notes receivable | 478,285 | (632,053) |
| Investment proceeds | – | – |
| **Net cash used from investing activities** | (3,107,900) | (639,365) |
| | | |
| **Cash flows from financing activities** | | |
| Proceeds from issuance of common stock, net of issuance costs and returns | 42,000 | 19,600,000 |
| Proceeds from exercise of common stock purchase warrants, net of issuance costs | – | 601,726 |
| **Net cash earned for financing activities** | 42,000 | 20,201,726 |
| | | |
| Net decrease in cash and cash equivalents | (9,369,892) | 14,882,799 |
| Cash and cash equivalents - beginning of period | 12,351,580 | 321,788 |
| **Cash and cash equivalents - end of period** | $ 2,981,688 | $ 15,204,587 |

See accompanying notes to the financial statements

**Organization and Nature of Operations**

*Business Description – Business Activity*

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

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

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

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

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

1. **Liquidity and Capital Resources**

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

Cash and cash equivalents are carried at cost and represent cash on hand, deposits placed with banks or other financial institutions and all highly liquid investments with an original maturity of three months or less as of the purchase date. The Company had $2,981,688 and $11,853,627 classified as cash and cash equivalents as of September 30, 2020, and December 31, 2019, respectively. The Company anticipates it will need additional funds for the Star Buds acquisition and working capital and are exploring capital raising transactions in the form of equity and debt.

The Company maintains its cash balances with a high-credit-quality financial institutions. At times, such cash may be more than the insured limit of $250,000. As of September 30, 2020 and December 31, 2019 respectively, the cash balance was $1,682,475 and $486,101 over the insured limit. The Company has not experienced any losses in such accounts, and management believes the Company is not exposed to any significant credit risk on its cash and cash equivalents.

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

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| Deposits placed with banks | $ 2,981,688 | $ 736,101 |
| United States Treasury Bills | – | 11,117,526 |
| Total cash and cash equivalents | $ 2,981,688 | $ 11,853,627 |

2. **Critical Accounting Policies and Estimates**

*Management's Representation of Interim Financial Statements*

The accompanying unaudited consolidated financial statements have been prepared by the Company without audit pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") have been condensed or omitted as allowed by such rules and regulations, and management believes that the disclosures are adequate to make the information presented not misleading. These consolidated financial statements include all of the adjustments, which in the opinion of management are necessary to a fair presentation of financial position and results of operations. All such adjustments are of a normal and recurring nature. Interim results are not necessarily indicative of results for a full year. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements at December 31, 2019 and 2018, as presented in the Company's Annual Report on Form 10-K filed on March 30, 2020 with the SEC.

*Basis of Presentation*

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

*Use of Estimates*

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

*Reclassifications*

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

*Fair Value Measurements*

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

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

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

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

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

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

| | **September 30, 2020** | **December 31, 2019** |
|---|---|---|
| Level 1 – Marketable Securities Available-for-Sale – Recurring | $ 527,575 | $ 406,774 |

*Marketable Securities at Fair Value on a Recurring Basis*

Certain assets are measured at fair value on a recurring basis. The Level 1 position consists of an investment in equity securities held in Canada House Wellness Group, Inc. (CHV), a publicly-traded company whose securities are actively quoted on the Toronto Stock Exchange. At both September 30, 2020 and December 31, 2019, the Company owned 17,650,540 shares of CHV common stock. The closing share price of CHV's common stock on September 30, 2020 was CAD$0.040 per share.

*Fair Value of Financial Instruments*

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

*Accounts Receivable*

The Company extends unsecured credit to its customers in the ordinary course of business. Accounts receivable related to licensing and consulting revenues are recorded at the time the milestone result in the funds being due being achieved, services are delivered, and payment is reasonably assured. Licensing and consulting revenues are generally collected from 30 to 60 days after the invoice is sent.

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

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| Accounts receivable – trade | $ 889,457 | $ 384,202 |
| Accounts receivable – related party | 91,990 | 72,658 |
| Accounts receivable – litigation | 3,063,968 | 3,063,968 |
| Allowance for doubtful accounts | (77,245) | (70,885) |
| Total accounts receivable | $ 3,968,170 | $ 3,449,943 |

The Company establishes an allowance for doubtful accounts based on management's assessment of the collectability of trade receivables. A considerable amount of judgment is required in assessing the amount of the allowance. The Company makes judgments about the creditworthiness of each customer based on ongoing credit evaluations and monitors current economic trends that might impact the level of credit losses in the future. If the financial condition of the customers were to deteriorate, resulting in their inability to make payments, a specific allowance will be required. At September 30, 2020 and December 31, 2019, the Company recorded an allowance for doubtful accounts of $77,245 and $70,885, respectively. During the nine months ended September 30, 2020 and September 30, 2019, the Company recorded a bad debt expense of $28,074 and $0, respectively.

*Notes Receivable*

On July 17, 2018, the Company entered into an intellectual property license agreement with Abba Medix Corp. (AMC), a wholly owned subsidiary of publicly traded Canada House Wellness Group, Inc. (CHV). The Company agreed to provide a lending facility to AMC in CAD$125,000 increments of up to CAD$500,000. The lending facility is for a term of 36 months and bears interest at a rate of 2%. As of September 30, 2020 and December 31, 2019, the outstanding balance, including accrued interest, on the notes receivable with AMC totaled $245,485 and $241,711, respectively. The Company classified these loans as noncurrent notes receivable on its consolidated balance sheets as of September 30, 2020 and December 31, 2019, respectively.

On August 1, 2020, the Company entered into a Settlement Agreement and Mutual Release (the "Settlement Agreement") with MedPharm Holdings, Inc. ("MedPharm"). Pursuant to the terms of the Settlement Agreement, the Company and MedPharm agreed that the amount of the settlement to be furnished to the Company by MedPharm shall be $767,695 in principal and $47,161 in accrued interest. The Company received a $100,000 cash payment from MedPharm on August 1, 2020. On September 4, 2020, Andrew Williams, a member of the MedPharm Board of Directors and the Company's former Chief Executive Officer, returned 175,000 shares of the Company's common stock to the Company, as equity consideration at a price of $1.90 per share, a mutually agreed upon price per share. These shares are held in treasury. The remaining outstanding principal and interest of $285,636 due and payable by MedPharm under the Settlement Agreement will be paid out in bi-weekly installments of product by scheduled deliveries through March 31, 2021.

*Other Assets (Current and Non-Current)*

Other assets at September 30, 2020 and December 31, 2019 were $382,601 and $529,416, respectively. As of September 30, 2020, this balance included $254,602 in prepaid expenses and $127,999 in security deposits. At December 31, 2019, other assets included $480,881 in prepaid expenses, $21,085 in interest receivable and $27,450 in security deposits. Prepaid expenses were primarily comprised of insurance premiums, membership dues, conferences and seminars, and other general and administrative costs.

*Goodwill and Intangible Assets*

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

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

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

The Company performed its annual fair value assessment at December 31, 2019, on its subsidiaries with material goodwill and intangible asset amounts on their respective balance sheets and determined that no impairment exists. No additional factors or circumstances existed at September 30, 2020 that would indicate impairment.

*Long-Lived Assets*

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

The Company evaluated the recoverability of its long-lived assets on December 31, 2019 on its subsidiaries with material amounts on their respective balance sheets and determined that no impairment exists. No additional factors or circumstances existed at September 30, 2020 that would indicate impairment.

*Accounts Payable*

Accounts payable at September 30, 2020 and December 31, 2019 were $2,957,390 and $699,961, respectively and were comprised of trade payables for various purchases and services rendered during the ordinary course of business.

*Accrued Expenses and Other Liabilities*

Accrued expenses and other liabilities at September 30, 2020 and December 31, 2019 were $1,426,315 and $1,091,204, respectively. At September 30, 2020, this was comprised of customer deposits of $72,435, accrued payroll of $841,969, and operating expenses of $511,911. At December 31, 2019, accrued expenses and other liabilities was comprised of customer deposits of $148,109, accrued payroll of $714,220, and operating expenses of $228,875.

*Revenue Recognition and Related Allowances*

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

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

The Company has three main revenue streams: product sales; licensing and consulting fees; and other operating revenues from seminars, reimbursements and other miscellaneous sources.

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

Revenue from licensing and consulting services is recognized when the obligations to the client are fulfilled which is determined when milestones in the contract are achieved and target harvest yields are exceeded. At September 30, 2020, the Company had $7,500 in deferred revenue.

Revenue from seminar fees is related to one-day seminars and is recognized as earned upon the completion of the seminar. The Company also recognizes expense reimbursement from clients as revenue for expenses incurred during certain jobs.

*Costs of Goods and Services Sold*

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

*General and Administrative Expenses*

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

*Advertising and Marketing Costs*

Advertising and marketing costs are expensed as incurred and totaled $172,539 and $638,335 for the three and nine months ended September 30, 2020, respectively, as compared to $212,506 and $340,995, respectively, for the three and nine months ended September 30, 2019.

*Stock Based Compensation*

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

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

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

The Company recognized $1,453,986 and $5,815,808 in expense for stock-based compensation from common stock options issued to employees during the three and nine months ended September 30, 2020, and $940,870 and $3,166,276 in expenses for stock-based compensation from the issuance of common stock to employees, officers, directors and/or contractors during the three and nine months ended September 30, 2019.

*Income Taxes*

ASC 740, Income Taxes requires the use of the asset and liability method of accounting for income taxes. Under the asset and liability method of ASC 740, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

*Right of Use Assets and Lease Liabilities*

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

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

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

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

The Company computes net income (loss) per share in accordance with ASC 260, *"Earnings per Share"*. ASC 260 requires presentation of both basic and diluted earnings per share ("EPS") on the face of the income statement. Basic EPS is computed by dividing net income (loss) available to common stockholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. These potential dilutive shares include 4,130,750 shares from vested stock options and 9,987,500 stock purchase warrants. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti-dilutive.

## 3. Recent Accounting Pronouncements

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

*FASB ASU 2017-01, Clarifying the Definition of a Business (Topic 805)* – In January 2017, the FASB issued 2017-01. The new guidance that changes the definition of a business to assist entities with evaluating when a set of transferred assets and activities is a business. The guidance requires an entity to evaluate if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets; if so, the set of transferred assets and activities is not a business. The guidance also requires a business to include at least one substantive process and narrows the definition of outputs by more closely aligning it with how outputs are described in ASC 606. The ASU is effective for annual reporting periods beginning after December 15, 2017, and for interim periods within those years. Adoption of this ASU did not have a significant impact on the Company's consolidated results of operations, cash flows and financial position.

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

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

## 4. Property and Equipment

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

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| Furniture and fixtures | $ 175,680 | $ 98,903 |
| Leasehold improvements | 90,326 | 40,953 |
| Machinery and tools | 1,934,666 | 34,000 |
| Office equipment | 104,059 | 33,833 |
| Software | 994,744 | – |
| Work in process | 313,642 | 190,743 |
| | $ 3,613,118 | $ 398,432 |
| Less: Accumulated depreciation | (893,964) | (159,354) |
| Total property and equipment, net of depreciation | $ 2,719,154 | $ 239,078 |

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

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

Depreciation expense for the three and nine months ended September 30, 2020 was $226,358 and $317,332, respectively, compared to $15,265 and $40,881, respectively, for the three and nine months ended September 30, 2019.

## 5. Intangible Asset

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

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| License agreement | $ 5,300 | $ 5,300 |
| Product license and registration | 57,300 | 57,300 |
| Trade secret – intellectual property | 32,500 | 32,500 |
| Subtotal | $ 95,100 | $ 95,100 |
| Less: accumulated amortization | (24,771) | (19,811) |
| Total intangible assets, net of amortization | $ 70,329 | $ 75,289 |

Amortization expense for the three and nine months ended September 30, 2020 was $1,665 and $4,960, respectively, compared to $1,463 and $4,888, respectively, for the three and nine months ended September 30, 2019.

## 6. Derivative Liability

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

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

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

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

The Company accounts for derivative instruments in accordance with the US GAAP accounting guidance under ASC 815, *Derivatives and Hedging Activities*. The Company estimated the fair value of these derivatives at the respective balance sheet dates using the Black-Scholes option pricing model based upon the following inputs: (i) stock price on the date of grant ranging between $1.32 - $3.75, (ii) the contractual term of the derivative instrument ranging between 2.25 - 3 years, (iii) a risk-free interest rate ranging between 1.56% - 2.57% and (iv) an expected volatility of the price of the underlying common stock ranging between 136% - 158%.

As of September 30, 2020, the fair value of these derivative liabilities is $782,896. The change in the fair value of derivative liabilities for the three months ended September 30, 2020 was $(684,422), resulting in an aggregate unrealized loss on derivative liabilities. The change in the fair value of the derivative liabilities for the nine months ended September 30, 2020 was $(2,990,486), resulting in an aggregated unrealized loss on derivative liabilities.

## 7. Related Party Transactions

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

During the nine months ended September 30, 2020, the Company had sales from Medicine Man Denver totaling $484,930. There were no sales discounts during the nine months ended September 30, 2020. As of September 30, 2020, the Company had an accounts receivable balance with Medicine Man Denver totaling $79,520. The Company's former Chief Executive Officer, Andy Williams, maintains an ownership interest in Medicine Man Denver.

During the nine months ended September 30, 2020, the Company did not record any sales from MedPharm Holdings LLC ("MedPharm"). As of September 30, 2020, the Company had a net accounts receivable balance with MedPharm totaling $9,970. On August 1, 2020, the Company entered into a Settlement Agreement and Mutual Release (the "Settlement Agreement") with MedPharm Holdings, Inc. ("MedPharm"). Pursuant to the terms of the Settlement Agreement, the Company and MedPharm agreed that the amount of the settlement to be furnished to the Company by MedPharm shall be $767,695 in principal and $47,161 in accrued interest. The Company received a $100,000 cash payment from MedPharm on August 1, 2020. On September 4, 2020, Andrew Williams, a member of the MedPharm Board of Directors and the Company's former Chief Executive Officer, returned 175,000 shares of the Company's common stock to the Company, as equity consideration at a price of $1.90 per share, a mutually agreed upon price per share. These shares are held in treasury. The remaining outstanding principal and interest of $285,636 due and payable by MedPharm under the Settlement Agreement will be paid out in bi-weekly installments of product by scheduled deliveries through March 31, 2021.

During the nine months ended September 30, 2020, the Company recorded sales from Baseball 18, LLC ("Baseball") totaling $12,885, Farm Boy, LLC ("Farm Boy") totaling $14,405, Emerald Fields LLC ("Emerald Fields") totaling $14,885, and Los Sueños Farms (Los Sueños) totaling $15,117. During the nine months ended September 30, 2020, the Company had a net accounts payable balance of $31,250 with Baseball and $93,944 with Farm Boy. One of the Company's former directors, Robert DeGabrielle, owns the Colorado retail marijuana cultivation licenses for Farm Boy, Emerald Fields and Baseball, all doing business as Los Sueños Farms.

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

## 8. Inventory

As of September 30, 2020, and December 31, 2019, respectively, the Company had $2,151,612 and $684,940 of inventory. At December 31, 2019 all inventory was finished goods inventory. At September 30, 2020, $1,010,894 was finished goods inventory and $1,140,718 was raw materials. The Company uses the FIFO inventory valuation method. As of September 30, 2020 and December 31, 2019, the Company did not recognize any impairment for obsolescence within its inventory.

## 9. Goodwill

On April 20, 2020, the Company closed the acquisition of Mesa Organics, Ltd ("Mesa"). The aggregate purchase price after working capital adjustments was $2,609,500 of cash and 2,554,750 shares of the Company's common stock, par value $0.001 per share. The Company accounted for the transaction utilizing purchase price accounting stating that the book value approximates the fair market value of the assets acquired. The purchase price accounting resulted in the Company valuing the investment as $5,141,537 of goodwill. The purchase price allocation is preliminary. The purchase price allocation will continue to be preliminary until a third-party valuation is finalized and the fair value and useful life of the assets acquired is determined. The amounts from the final valuation may significantly differ from the preliminary allocation.

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

| | | |
|---|---|---|
| Balance, December 31, 2019 | $ | 12,304,306 |
| Acquisition of Mesa | | 5,141,537 |
| Balance, September 30, 2020 | $ | 17,445,843 |

## 10. Leases

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

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

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

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

*Balance Sheet Classification of Operating Lease Assets and Liabilities*

| | Balance Sheet Line | September 30, 2020 |
|---|---|---|
| **Asset** | | |
| Operating lease right of use assets | Noncurrent assets | $ 1,650,117 |
| **Liabilities** | | |
| Lease liabilities | Noncurrent liabilities | $ 1,684,005 |

*Lease Costs*

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

| | Nine Months Ended September 30, 2020 |
|---|---|
| Operating lease costs | $ 213,852 |

*Maturities of Lease Liabilities*

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

| | |
|---|---|
| 2020 fiscal year | $ 1,733,257 |
| Less: Interest | (49,252) |
| Present value of lease liabilities | $ 1,684,005 |

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

| | | |
|---|---|---|
| 2020 fiscal year | $ | 112,866 |
| 2021 fiscal year | | 451,464 |
| 2022 fiscal year | | 451,464 |
| 2023 fiscal year | | 410,232 |
| 2024 fiscal year | | 369,000 |
| 2025 fiscal year | | 123,000 |
| Total | $ | 1,918,026 |

11. **Commitments and Contingencies**

*Binding Term Sheets to Acquire Certain Businesses*

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

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

- FutureVision 2020, LLC and FutureVision Ltd., Inc. dba Medicine Man Denver (in the aggregate, "Medicine Man Denver"), owners of several licensed dispensaries and a cultivation facility in the Denver, Colorado metro area. It is also a leading cultivator, retailer and one of the best-known brands in the cannabis sector, winning over a dozen industry awards. Medicine Man Denver operates out of a 35,000 square foot cultivation operation and has four popular retail locations across the Denver metropolitan area. This term sheet expired on August 31, 2020 and the Company communicated it was terminating the term sheet on Friday, August 14, 2020;

- MedPharm Holdings, a company that develops and manages intellectual property related to the manufacture and formulation of products containing cannabinoid extracts. Management believes that this acquisition will bring world-class processing and pharmaceutical-grade products to the company. This term sheet expired on September 30, 2020 and was terminated accordingly; and

- MX LLC, the holder of the license that allow it to be a manufacturer of marijuana infused products in the Denver metro area. It also has a research license that has been issued by the state of Colorado and the local jurisdiction approval is in process. This term sheet expired on September 30, 2020 and was terminated accordingly.

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

On August 15, 2019, the Company entered into a binding term sheet with Medically Correct, LLC ("Medically Correct"), an edible, extract and topical company, setting forth the terms of the acquisition by the Company of 100% of the capital stock and assets of Medically Correct. As consideration, the Company shall pay a total purchase price of $17,250,000 consisting of $3,450,000 cash and 4,677,967 shares of its common stock, par value $0.001 per share. The 4,677,967 shares were determined by averaging the closing price of Company's common stock for the five (5) days prior to August 8, 2019. On July 27, 2020, the Company terminated the binding term sheet with Medically Correct.

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

On September 9, 2019, the Company entered into a binding term sheet with Canyon, LLC ("Canyon") and It Brand Enterprises, LLC ("It Brand") pursuant to which the Company will purchase 100% of the capital stock or assets of Canyon and certain assets of It Brand. As consideration, the Company shall pay a total purchase price of $5,130,000 consisting of (i) a cash component which in no case will be greater than $2,565,000, and (ii) an equity component, which will consist of shares of the Company's common stock, par value $0.001 per share, for the balance of the purchase price. The number of shares that make up the equity component will be determined by dividing the balance of the Purchase Price by the average closing price of Company's common stock for the five (5) days prior to September 7, 2019. On October 9, 2020, the Company received notice that the binding term sheet was terminated.

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

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

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

*Prepaid acquisition costs*

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

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

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

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

*Departure and Appointment of Officers*

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

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

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

On September 9, 2020 the Company appointed Nirup Krishnamurthy as Chief Operating Officer and appointed Jeff Garwood as a member of the Company's Board of Directors (the "Board"). Mr. Krishnamurthy and the Company entered an Employment Agreement effective March 1, 2020 (the "CIO Agreement"). Mr. Krishnamurthy and the Company will not enter into a separate agreement following his appointment to COO. The CIO Agreement provides that Mr. Krishnamurthy shall be paid a base salary of $264,000 per annum, in accordance with the Company's usual payroll practices (the "Salary"). In addition to the Salary, on the effective date of the CIO Agreement, the Company issued an aggregate of 600,000 options to purchase shares of Common Stock, at a purchase price equal to $1.71 per share (the "CIO Option"). The CIO Option shall vet one-fourth on an annual basis beginning on the first anniversary of the date of grant, such that the CIO Option shall vest and shall be exercisable in full on the fourth anniversary of the date of grant. Notwithstanding the foregoing, the CIO Option shall vest in full and become exercisable upon the occurrence of a "Change in Control" as defined in the CIO Agreement. All shares of Common Stock issuable upon exercise of the CIO Option are subject to a limitation whereby Mr. Krishnamurthy may sell no more than 5% of the preceding give day average volume of the Common Stock on any given trading day. In connection with Mr. Garwood's appointment, Mr. Garwood is expected to be granted an inaugural award of $50,000 value in shares of Common Stock within 90 days of board service.

12. **Stockholders' Equity**

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

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

*Preferred Stock*

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

*Common Stock*

The Company is authorized to issue 250,000,000 shares of common stock at a par value of $0.001 and had 42,194,878 shares of common stock issued and 41,762,146 shares of common stock outstanding as of September 30, 2020, and 39,952,628 shares of common stock issued and outstanding as of December 31, 2019.

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

During the nine months ended September 30, 2019, the Company issued 452,426 shares of common stock for proceeds of $601,726 under a series of stock warrant exercises with an exercise price of $1.33 per share.

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

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

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

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

On April 3, 2020, the Company cancelled 500,000 shares of common stock, with vesting conditions represented as derivative instruments. These shares were incorrectly issued as restricted shares instead of restricted stock units to an officer of the Company, Paul Dickman, on January 8, 2019. The return of these shares had no impact on EPS for the quarter ended September 30, 2020.

*Common Stock Issued as Payment for Acquisition*

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

*Warrants*

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

During the year ended December 31, 2019, the Company issued 9,800,000 common stock purchase warrants to various accredited investors with an exercise price of $3.50 per share with an expiration date of three years from the date of issuance. On May 20, 2020, the Company issued an additional 187,500 common stock purchase warrants with an exercise price of $3.50 per share with an expiration date of three years from the date of issuance. The Company estimated the fair value of these warrants at date of grant using the Black-Scholes option pricing model using the following inputs: (i) stock price on the date of grant of $3.50, (ii) the contractual term of the warrant of 3 years, (iii) a risk-free interest rate ranging between 0.21% - 1.84% and (iv) an expected volatility of the price of the underlying common stock ranging between 158% - 173%.

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

| | **Number of shares** |
|---|---|
| Balance as of January 1, 2020 | 9,800,000 |
| Warrants exercised | – |
| Warrants forfeited | – |
| Warrants issued | 187,500 |
| Balance as of September 30, 2020 | 9,987,500 |

13. **Segment Information**

The Company has three identifiable segments as of September 30, 2020; (i) products, (ii) consulting and licensing and (iii) corporate, infrastructure and other. The products segment sells merchandise directly to customers via e-commerce portals, through the Company's proprietary websites and retail location. The licensing and consulting segment sales derives its revenue from licensing and consulting agreements with cannabis related entities, in addition to fees from seminars and expense reimbursements included in other revenue on the Company's financial statements. The corporate, infrastructure and other segment represents new resources added in anticipation of various acquisition transactions and other corporate related costs.

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

| | For the Three Months Ended 30- September -2020 | | | | For the Three Months Ended 30-September -2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | Products | Consulting and Licensing | Corporate, Infrastructure, and Other | Total | Products | Consulting and Licensing | Corporate, Infrastructure, and Other | Total |
| Revenues | $ 7,409,719 | $ 20,655 | $ – | $ 7,430,374 | $ 4,560,989 | $ 777,879 | $ – | $ 5,338,868 |
| Cost of goods and services | $ (4,485,238) | $ (163,672) | $ – | $ (4,648,910) | $ (2,882,415) | $ 96,172 | $ – | $ (2,786,243) |
| Gross profit | $ 2,924,481 | $ (143,017) | $ – | $ 2,781,464 | $ 1,678,574 | $ 874,051 | $ – | $ 2,552,625 |
| Intangible assets amortization | $ 1,530 | $ 135 | $ – | $ 1,665 | $ 1,597 | $ 133 | $ – | $ 1,730 |
| Depreciation | $ 136,408 | $ 89,950 | $ – | $ 226,358 | $ 1,700 | $ 13,564 | $ – | $ 15,264 |
| Net income (loss) | $ 2,077,075 | $ (155,184) | $ (4,836,102) | $ (2,914,211) | $ 1,880,658 | $ 478,748 | $ (4,187,384) | $ (1,827,978) |
| Segment assets | $ 49,391 | $ (231,628) | $ (3,134,095) | $ (3,316,332) | $ 3,367,923 | $ 414,466 | $ 10,771,637 | $ 14,554,026 |

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

| | For the Nine Months Ended 30-September-2020 | | | | For the Nine Months Ended 30-September-2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | Products | Consulting and Licensing | Corporate, Infrastructure, and Other | Total | Products | Consulting and Licensing | Corporate, Infrastructure, and Other | Total |
| Revenues | 14,777,304 | 1,280,533 | – | 16,057,837 | 7,441,031 | 1,659,132 | – | 9,100,163 |
| COGS | (9,214,708) | (689,423) | – | (9,904,131) | (4,612,085) | (859,283) | – | (5,471,368) |
| Gross profit | 5,562,596 | 591,110 | – | 6,153,706 | 2,828,946 | 799,849 | – | 3,628,795 |
| Intangible assets amortization | 4,557 | 403 | – | 4,960 | 4,757 | 398 | – | 5,155 |
| Depreciation | 217,449 | 99,883 | – | 317,332 | 5,100 | 35,781 | – | 40,881 |
| Net income (loss) | 3,448,832 | 312,271 | (14,650,331) | (10,889,228) | 2,060,210 | 84,067 | (15,706,723) | (13,562,446) |
| Segment assets | 22,563,376 | 15,542 | 10,117,715 | 32,696,633 | 8,803,431 | 701,825 | 26,413,646 | 35,918,902 |

## 14. Tax Provision

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

The Company recorded no tax provision as of September 30, 2020. As of September 30, 2020, the Company had federal, state and local net operating loss carryforwards of approximately $12.3 million that are available to offset future liabilities for income taxes. The Company has generally established a valuation allowance against these carryforwards based on an assessment that it is more likely than not that these benefits will not be realized in future years. The federal and state net operating loss carryforwards expire in 2039.

## 15. Subsequent Events

In accordance with FASB ASC 855-10, *Subsequent Events*, the Company has analyzed its operations subsequent to September 30, 2020 to the date these consolidated financial statements were issued, and has determined that it does not have any material subsequent events to disclose in these consolidated financial statements, except as follows:

*Termination of Proposed Acquisitions*

On October 9, 2020 the Company terminated the term sheet with Canyon and It Brand, which term sheet had set forth the terms of the acquisition by the Company of 100% of the capital stock or assets of Canyon and certain assets of It Brand, respectively. The Canyon and It Brand Term Sheet was previously described in the Company's Current Report on Form 8-K filed on September 12, 2019, and incorporated herein by reference.

*Proof of Funds*

On June 5, 2020, the Company and SBUD, LLC entered into thirteen separate purchase agreements whereby the Purchaser agreed to purchase substantially all of the assets of the Star Buds Group from each individual Star Buds Company pursuant to the Agreements. The aggregate purchase price for the assets of the Star Buds Group is approximately $118 million. On November 5, 2020, the Company announced in the press release that Star Buds has acknowledged that the Company has met its proof of funds obligation under the Star Buds Asset Purchase Agreements, and the Company and Star Buds plans to work towards closing on a mutually acceptable timeframe.

*Securities Purchase Agreement*

On November 16, 2020, the Company entered into a Securities Purchase Agreement (the "SPA") with one investor to purchase shares of preferred stock of the Company in a private placement (the "Private Placement"). The Company is in negotiations with additional investors in connection with the Private Placement. The Private Placement provides for an minimum offering of $72 million and a maximum offering of $105 million, and will be made in reliance upon the exemption from securities registration afforded by Section 4(a)(2) of the Securities Act of 1933, as amended (the "1933 Act"), and Rule 506(b) of Regulation D ("Regulation D") as promulgated by the United States Securities and Exchange Commission (the "SEC") under the 1933 Act. The Company will use the proceeds from the Private Placement for the acquisition of Star Buds.

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

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

**Overview**

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

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

**Recent Developments**

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

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

**RESULTS OF OPERATIONS**

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

During the three months ended September 30, 2020, we generated revenues of $7,430,374 including (i) product sales of $7,409,719, and (ii) consulting and licensing services of $20,655 as compared with the three months ended September 30, 2019, where we generated revenues of $5,338,869 including (i) product sales of $2,760,196, (ii) consulting and licensing services of $2,563,478, of which includes $1,782,457 in revenue awarded in litigation, and (iii) other operating revenues of $15,195. Revenue for the three months ended September 30, 2020 increased by $2,091,505, or approximately 39%, over the three months ended September 30, 2019.

Cost of goods and services, consisting of expenses related to delivery of services and product procurement, was $4,648,910 during the three months ended September 30, 2020, compared to $2,786,244 during the comparable period in 2019. This increase was due to increased sales of product.

Operating expenses during the three months ended September 30, 2020, were $6,400,290, compared to operating expenses of $3,478,232 incurred during the three months ended September 30, 2019, an increase of $2,922,058. 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.

As a result, we generated a net loss of $2,914,211 during the three months ended September 30, 2020 (or a loss of approximately $0.07 per share), compared to net loss of $1,827,978 (or income of approximately $0.05 per share) during the three months ended September 30, 2019.

*Comparison of Results of Operations for the nine months ended September 30, 2020 and 2019*

During the nine months ended September 30, 2020, we generated revenues of $16,057,837 including (i) product sales of $14,777,304, (ii) consulting and licensing services of $1,267,587, and (iii) other operating revenues of $12,946 as compared with the nine months ended September 30, 2019, we generated revenues of $9,100,164 including (i) product sales of $5,636,475, (ii) consulting and licensing services of $3,439,743, of which includes $1,782,457 in revenue awarded in litigation, and (iii) other operating revenues of $23,946. Revenue for the nine months ended September 30, 2020 increased by $6,957,674, or approximately 76%, over the nine months ended September 30, 2019.

Cost of goods and services, consisting of expenses related to delivery of services and product procurement, was $9,904,131 during the nine months ended September 30, 2020, compared to $5,471,369 during the comparable period in 2019. This increase was due to increased sales of products.

Operating expenses during the nine months ended September 30, 2020, were $20,233,567, compared to operating expenses of $15,125,299 incurred during the nine months ended September 30, 2019, an increase of $5,108,268. 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.

As a result, we generated a net loss of $10,889,228 during the nine months ended September 30, 2020 (or a loss of approximately $0.26 per share), compared to net income of $13,562,446 during the nine months ended September 30, 2019 (or a loss of approximately $0.44 per share) during the nine months ended September 30, 2019.

**Liquidity and Capital Resources**

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

The Company had $2,981,688 and $15,204,562 in cash on hand at September 30, 2020 and September 30, 2019, respectively. The ($12,222,874) change in cash on hand was due to the following cash flow activities.

Net cash used in operating activities was $6,303,992 during the nine-month period ended September 30, 2020, compared to cash used in operating activities of $4,679,562 for the similar period in 2019, an increase of $1,624,460.

Cash flows used in investing activities was $3,107,900 during the nine-month period ended September 30, 2020, compared to cash used of $639,365 for the similar period in 2019, an increase of $2,468,535. $2,609,500 of the cash was used in the acquisition of Mesa.

Cash flows provided by financing activities was $42,000 during the nine-month period ended September 30, 2020, compared to $20,201,726 for the similar period in 2019. The Company received proceeds of $19,600,000 from the private sale of our common stock during the nine months ended September 30, 2019.

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

The Company had $2,981,688 and $11,853,627 in cash on hand at September 30, 2020 and December 31, 2019, respectively. The ($8,871,939) change in cash on hand was due to the following cash flow activities.

Net cash used in operating activities was $6,303,992 during the nine-month period ended September 30, 2020, compared to cash used in operating activities of $7,553,965 during the year ended December 31, 2019, a decrease of $1,249,973.

Cash flows used in investing activities was $3,107,900 during the nine-month period ended September 30, 2020, compared to cash used of $1,116,756 during the year ended December 31, 2019, an increase of $1,991,144. $2,609,500 of the cash was used in the acquisition of Mesa.

Cash flows provided by financing activities was $42,000 during the nine-month period ended September 30, 2020, compared to $20,202,560 for the year ended December 31, 2019. The Company received $375,000 in proceeds in connection with the exercise of common stock purchase warrants and stock, distributed $332,500 in proceeds for the return of common stock, and returned $500 in connection with cancellation of common stock during the nine-month period ended September 30, 2020. The Company received proceeds of $19,600,000 from the private sale of our common stock during the year ended December 31, 2019.

The Company anticipates it will need additional funds for the Star Buds acquisition and working capital. It has signed a subscription agreement with one group and is in negotiations with additional investors and a debt provider which has allowed the Company to provide Star Buds with proof of funds needed for the acquisition. The Company plans to close the Star Buds acquisitions in the fourth quarter of 2020. Upon successfully completion of the Star Buds acquisitions, we believe we will generate positive cash flow from operations, and we expect that we will not need to raise additional capital to execute ongoing business operations. This is because the revenue generated from the fully integrated acquisitions will be sufficient to allow us to implement the current business operations.

However, if we are unable to close the Star Buds transaction in the fourth quarter of 2020 or at all, do not generate positive cash flow, or we identify an acquisition which we believe will significantly impact our business operations in a positive manner, or unforeseen developments occur, we will need to raise additional capital, in the form of debt, equity or both. At this time, we are unable to predict how much capital we will need. As of the date of this Report, we have a commitment from one investor to provide us with funding and we are in negotiations with additional investors and a potential debt provider to be able to complete the Star Buds acquisition, but there is no assurance we will meet the requirements to close and there can be no assurances we will obtain such funding in the future. We have, and will continue to, explore sources of financing to fund our business operations and acquisition strategy. Failure to obtain this additional financing may have a material negative impact on our ability to generate profits on a regular basis in the future.

***Inflation***

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

***Off-Balance Sheet Arrangements***

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

***Contractual Obligations***

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

***Critical Accounting Estimates***

Our financial statements and accompanying notes have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires management to make estimates, judgments and assumptions that affect reported amounts of assets, liabilities, revenues and expenses. We continually evaluate the accounting policies and estimates used to prepare the condensed financial statements. The estimates are based on historical experience and assumptions believed to be reasonable under current facts and circumstances. Actual amounts and results could differ from these estimates made by management. Certain accounting policies that require significant management estimates and are deemed critical to our results of operations or financial position are discussed in our Annual Report on Form 10-K for the year ended December 31, 2019 in the Critical Accounting Policies section of Management's Discussion and Analysis of Financial Condition and Results of Operations.

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

Not applicable

**Item 4.** ***Controls and Procedures***

**Evaluation of Disclosure Controls and Procedures**

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

**Changes in Internal Control over Financial Reporting**

There have been no changes in our internal control over financial reporting during the last quarterly period covered by this report that have materially affected, or are reasonably likely to affect, our internal control over financial reporting.

## PART II – OTHER INFORMATION

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

On June 7, 2019, 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. On July 17, 2019, the parties stipulated to stay the case in favor of arbitration. On February 25, 2020 ACC filed a counterclaim alleging breach of contract, which the Company believes is without merit. Arbitration has been set for November 2, 2020. The Company discovered new facts that lead it to believe that a related entity not previously named as a party to the arbitration should be brought in as a party to the arbitration. Based upon the new facts, the Company filed a motion to amend the complaint to add new claims and the related entity as a party. On September 1, 2020, the court ruled in favor of the Company and permitted the Company to amend the complaint to add the related entity. On September 1, 2020, the Company filed an amended complaint naming the related entity a party and added intentional misrepresentation, fraudulent inducement, civil conspiracy, aiding and abetting, successor liability and fraudulent concealment claims. The Company began arbitration proceedings on November 2, 2020.

On July 6, 2018, the Company filed a complaint in the Eight Judicial Court, Clark County, Nevada against Vegas Valley Growers ("VVG"). In the complaint, the Company alleges breach by VVG of the Technologies License Agreement dated April 27, 2017 between the parties and seeks general, special and punitive damages in the amount of $3,876,850. On August 28, 2018, VVG filed an Answer and Counterclaim against the Company. On August 2, 2019, a jury found in favor of the Company and awarded the Company damages totaling $2,773,321. In March 2020, VVG filed its opening appeal brief. 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. Because a successful ruling on the Company's motion may strike portions of VVG's brief or require VVG to refile it, the Company asked the court for an extension of the deadline to file the Company's answering brief until the court renders its decision on the motion, which VVG did not oppose. The Company will have 30 days to file its answering brief once the court enters an order on the Motion to Strike or 30 days from when VVG files an amended opening brief and record. On August 27, 2020, the court ordered VVG to supplement its brief and the record. The Company filed its answering brief on October 15, 2020. 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 requested January 4, 2021 to file its Answer and VVG requested 30 days after the Answer to file the reply. The motion is pending with the Court.

On March 6, 2020, the Company's former Chief Operating Officer, Joe Puglise, issued an arbitration demand against the Company claiming breach of contract. While the Company believes it has meritorious defenses against the claim, the ultimate resolution of the matter, which is expected to occur within one year, could result in a loss of up to $3,500,000. The arbitration is scheduled to begin on January 25, 2021.

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

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

**Risks Related to Our Industry**

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

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

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

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

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

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

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

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

**Risks Related to our Common Stock**

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

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

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

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

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

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

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

None.

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

On November 16, 2020, the Company entered into a Securities Purchase Agreement (the "SPA") with one investor to purchase shares of preferred stock of the Company in a private placement (the "Private Placement"). The Company is in negotiations with additional investors in connection with the Private Placement. The Private Placement provides for an minimum offering of $72 million and a maximum offering of $105 million, and will be made in reliance upon the exemption from securities registration afforded by Section 4(a)(2) of the Securities Act of 1933, as amended (the "1933 Act"), and Rule 506(b) of Regulation D ("Regulation D") as promulgated by the United States Securities and Exchange Commission (the "SEC") under the 1933 Act. The Company will use the proceeds from the Private Placement for the acquisition of Star Buds.

The preceding description is a summary of the material terms of the Private Placement. Such summary is qualified in its entirety by reference to the SPA, which is filed as an Exhibit 10.1 to this Quarterly Report and is hereby incorporated by reference.

**Item 5.** ***Other Information***

None

**Item 6.** ***Exhibits***

| | |
|---|---|
| 10.1* | Securities Purchase Agreement |
| 31.1 * | Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer |
| 31.2 * | Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer |
| 32** | Principal Executive Officer and Principal Financial Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Schema Document |
| 101.CAL | XBRL Calculation Linkbase Document |
| 101.DEF | XBRL Definition Linkbase Document |
| 101.LAB | XBRL Label Linkbase Document |
| 101.PRE | XBRL Presentation Linkbase Document |

* Filed herewith.
** Furnished herewith.

**SIGNATURES**

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

Dated: November 16, 2020

**MEDICINE MAN TECHNOLOGIES, INC.**

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

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

Exhibit 10.1

**SECURITIES PURCHASE AGREEMENT**

**SECURITIES PURCHASE AGREEMENT** (this "**Agreement**"), dated as of November 16, 2020 by and between Medicine Man Technologies, Inc. a Nevada corporation (the "**Company**"), and each of the investors listed on the Schedule of Buyers attached hereto (each individually a "**Buyer**" and collectively, the "**Buyers**").

**WHEREAS:**

A. The Company and the Buyers, severally and not jointly, are executing and delivering this Agreement in reliance upon the exemption from securities registration afforded by Section 4(a)(2) of the Securities Act of 1933, as amended (the "**1933 Act**"), and Rule 506(b) of Regulation D ("**Regulation D**") as promulgated by the United States Securities and Exchange Commission (the "**SEC**") under the 1933 Act.

B. The Buyers, severally and not jointly, wish to purchase, and the Company wishes to sell, upon the terms and conditions stated in this Agreement, an aggregate of 12,400 shares (the "**Shares**") of the Company's Series A preferred stock, par value $0.001 per share (the "**Preferred Stock**"), having the rights, preferences and privileges set forth in the Certificate of Designation, the form of which is attached hereto as Exhibit A (the "**Certificate of Designation**"), including the conversion of such Preferred Stock into shares of the Company's common stock, par value $0.001 per share ("**Common Stock**"). Such purchase and sale of Preferred Stock shall take place in a single closing (the "**Closing**,"), subject to the terms and conditions of this Agreement.

C. (i) The Shares and (ii) the shares of Common Stock issued and issuable upon conversion of the Shares in accordance with the terms of the Certificate of Designation (collectively, the "**Underlying Shares**"), are collectively referred to herein as the "**Securities**."

**NOW, THEREFORE**, the Company and the Buyers hereby agree as follows:

1. PURCHASE AND SALE OF SHARES.

(a) Purchase of Shares. Subject to the satisfaction (or waiver) of the conditions set forth in Sections 5 and 6 below at the Closing, the Company shall issue and sell to the Buyers all of the Shares, and each Buyer, severally and not jointly, agrees to purchase from the Company on the Closing (as defined below), the number of Shares set forth on the signature page hereto executed by such Buyer on the terms set forth herein.

(b) Closing. The date of the Closing shall be on such date and time as is mutually agreed to by the Company and the Buyers after notification of satisfaction (or waiver) of the conditions to the Closing set forth in Sections 5 and 6 below, and the Closing shall be undertaken remotely by electronic transfer of Closing documentation.

(c) Purchase Price. The purchase price for the Shares to be purchased by the Buyers at the Closing shall be $1,000 per Share (the "**Purchase Price**").

(d) Form of Payment. On or before the Closing, (i) each Buyer shall pay its aggregate Purchase Price to the Company for the Shares to be issued and sold to such Buyer at the Closing by wire transfer of immediately available funds in accordance with the Company's written wire instructions; and (ii) the Company shall deliver to each Buyer one or more stock certificates, evidencing the number of Shares such Buyer is purchasing at the Closing, duly executed on behalf of the Company and registered in the name of such Buyer or its designee.

2. BUYERS' REPRESENTATIONS AND WARRANTIES. Each Buyer, for itself and for no other Buyer, represents and warrants to the Company that, as of the date hereof and as of the Closing (unless as of a specific date therein, in which case they shall be accurate as of such date):

(a) No Public Sale or Distribution. The Buyer is (i) acquiring the Shares, and (ii) when issued in accordance with the terms of the Certificate of Designation, will acquire the Underlying 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 1933 Act; provided, however, that by making the representations herein, except as otherwise set forth herein or the other Transaction Documents (as defined in Section 3(b)), the Buyer does not agree to hold any of the Securities for any minimum or other specific term and reserves the right to dispose of the Securities at any time in accordance with or pursuant to a registration statement or an exemption under the 1933 Act. The Buyer does not presently have any agreement or understanding, directly or indirectly, with any Person to distribute any of the Securities. As used herein, "**Person**" means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, any other entity and any governmental entity or any department or agency thereof.

(b) Buyer Status and Experience. The Buyer is, and on each date on which the Buyer acquires any Underlying Shares it will be, an "accredited investor" as that term is defined in Rule 501(a) of Regulation D ("Accredited Investor"). The Buyer, 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 Buyer 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) Reliance on Exemptions. The Buyer understands that the Securities are being offered and sold to it in reliance on specific exemptions from the registration requirements of the United States federal and state securities laws and that the Company is relying in part upon the truth and accuracy of, and the Buyer's compliance with, the representations, warranties, agreements, acknowledgments and understandings of the Buyer set forth herein in order to determine the availability of such exemptions and the eligibility of the Buyer to acquire the Securities.

(d) Information. The Buyer and its advisors, if any, have been furnished with a copy of the Company's Confidential Private Placement Memorandum, dated November 6, 2020 (the "**Confidential PPM**") and all materials relating to the business, finances and operations of the Company and materials relating to the offer and sale of the Shares that have been requested by the Buyer. The Buyer 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 and risks 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 Buyer or its advisors, if any, or its representatives shall modify, amend or affect the Buyer's right to rely on the Company's representations and warranties contained herein. The Buyer understands that its investment in the Securities involves a high degree of risk, including the risks outlined in the Confidential PPM. The Buyer 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.

(e) No Governmental Review. The Buyer understands that no United States federal or state agency or any other government or governmental agency has passed on or made any recommendation or endorsement of the Securities or the fairness or suitability of the investment in the Securities nor have such authorities passed upon or endorsed the merits of the offering of the Securities.

(f) Transfer or Resale. The Buyer understands that: (i) the Securities have not been and are not being registered under the 1933 Act or any state securities laws, and may not be offered for sale, sold, assigned or transferred unless (A) subsequently registered thereunder, (B) the Buyer 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 Buyer 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 1933 Act, as amended, (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 1933 Act) may require compliance with some other exemption under the 1933 Act or the rules and regulations of the SEC thereunder; and (iii) except as otherwise provided herein, neither the Company nor any other Person is under any obligation to register the Securities under the 1933 Act or any state securities laws or 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 Buyer 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 or any other Transaction Document, including, without limitation, this Section 2(f).

(g) Legends. The Buyer understands that the Securities are "restricted securities" under applicable federal and state securities laws and that certificates or other instruments representing Securities except as set forth below, shall bear a restrictive legend in substantially the following form (and a stop-transfer order may be placed against transfer of such stock certificates):

> [NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE CONVERTIBLE HAVE BEEN] [THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT 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 TO THE HOLDER (IF REQUESTED BY THE COMPANY), IN A FORM REASONABLY ACCEPTABLE TO THE COMPANY, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD OR ELIGIBLE TO BE SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID 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 SECURED BY THE SECURITIES.

No later than two days on which the principal Trading Market (as defined below) is open ("**Trading Days**") following the delivery by the Buyer to the Company or its transfer agent of a certificate representing Securities issued with a restrictive legend (such date, the "**Legend Removal Date**"), such legend shall be removed and the Company shall issue a certificate without such legend to the Buyer or issue to the Buyer such Securities by electronic delivery at the applicable balance account at The Depository Trust Company ("**DTC**"), if such Securities are DTC-eligible at such time, if (i) such Securities are registered for resale under the 1933 Act and the holder has provided the Company with such documents as are reasonably required by the Company in connection with the removal of the legend, including but not limited to the Buyer's representation letter indicating an intent to sell, (ii) in connection with a sale, assignment or other transfer, such holder provides the Company with an opinion of counsel, in a generally acceptable form, to the effect that such sale, assignment or transfer of the Securities may be made without registration under the applicable requirements of the 1933 Act, (iii) the Securities can be sold, assigned or transferred pursuant to Rule 144 without restriction or limitation, including without the requirement to be in compliance with Rule 144(c)(1), or Rule 144A, or (iv) if such legend is not required under applicable requirements of the 1933 Act (including, without limitation, controlling judicial interpretations and pronouncements issued by the SEC). The Company shall be responsible for the fees of its transfer agent and all DTC fees associated with such issuance. If the Company shall fail for any reason or for no reason to issue to such Buyer, a certificate without such legend to such holder or to issue to such Buyer such Securities by electronic delivery at the applicable balance account at DTC, if such Securities are DTC-eligible at such time, on or before the applicable Legend Removal Date, and if after such Legend Removal Date such Buyer purchases (in an open market transaction or otherwise) Securities to deliver in satisfaction of a sale by such Buyer of all or any portion of the Securities that the holder anticipated receiving without legend from the Company, then the Company shall, within five Trading Days after such Buyer's request and in such Buyer's discretion, either (i) pay cash to such Buyer in an amount equal to such Buyer's total purchase price (including brokerage commissions, if any) for the Securities so purchased (the "**Buy-In Price**"), at which point the Company's obligation to deliver such unlegended Securities shall terminate, or (ii) promptly honor its obligation to deliver to such Buyer such unlegended Securities as provided above and pay cash to such Buyer in an amount equal to the excess (if any) of the Buy-In Price over the product of (A) such number Securities, times (B) any trading price of the Securities selected by such Buyer in writing as in effect at any time during the period beginning on the applicable Legend Removal Date and the date the Company makes the applicable cash payment. The Company shall be responsible for the fees of its transfer agent and all DTC fees associated with such issuance. The Company shall issue irrevocable instructions to its transfer agent, and any subsequent transfer agent, in a form mutually acceptable to the Company and each Buyer (the "Irrevocable Transfer Agent Instructions"). The Company represents and warrants that no (x) instruction other than the Irrevocable Transfer Agent Instructions referred to in this Section 2(g) and (y) instructions that are contradictory therewith, in each case, will be given by the Company to its transfer agent in connection with this Agreement, and that the Securities shall otherwise be freely transferable on the books and records of the Company as and to the extent provided in this Agreement and the other Transaction Documents and applicable law. The Company acknowledges that a breach by it of its obligations under this Section 2(g) will cause irreparable harm to the Buyer. Accordingly, the Company acknowledges that the remedy at law for a breach of its obligations under this Section 2(g) will be inadequate and agrees, in the event of a breach or threatened breach by the Company of the provisions of this Section 2(g), that the Buyer shall be entitled, in addition to all other available remedies, to an order and/or injunction restraining any breach and requiring immediate issuance and transfer, without the necessity of showing economic loss and without any bond or other security being required.

(h) Validity; Enforcement. The Buyer is either an individual or an entity duly incorporated or formed, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation with full right, corporate, partnership, limited liability company or similar power and authority to enter into and to consummate the transactions contemplated by the Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. This Agreement and each other Transaction Document have been duly and validly authorized, executed and delivered on behalf of the Buyer and constitutes the legal, valid and binding obligations of the Buyer enforceable against the Buyer in accordance with their respective terms, except as such enforceability may be limited by general principles of equity or to applicable bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws relating to, or affecting generally, the enforcement of applicable creditors' rights and remedies.

(i) No Conflicts. The execution, delivery and performance by the Buyer of this Agreement and each other Transaction Document and the consummation by the Buyer of the transactions contemplated hereby and thereby will not (i) result in a violation of the organizational documents of the Buyer or (ii) conflict with, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture or instrument to which the Buyer is a party, or (iii) result in a violation of any law, rule, regulation, order, judgment or decree (including federal and state securities laws) applicable to the Buyer, except in the case of clauses (ii) and (iii) above, for such conflicts, defaults, rights or violations which would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the ability of the Buyer to perform its obligations hereunder.

(j) Residency. The Buyer is a resident of the jurisdiction specified on the Schedule of Buyers attached hereto.

(k) No Conflicts with Sanctions Laws. Neither the Buyer nor any director, officer, employee, agent, affiliate or other person associated with or acting on behalf of the Buyer is, or is directly or indirectly owned or controlled by, a Person that is currently the subject or the target of any sanctions administered or enforced by the U.S. government (including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Departments of State or Commerce and including, without limitation, the designation as a "Specially Designated National" or on the "Sectoral Sanctions Identifications List", collectively "**Blocked Persons**"), the United Nations Security Council, the European Union, Her Majesty's Treasury or any other relevant sanctions authority (collectively, "**Sanctions Laws**"); neither the Buyer, nor any director, officer, employee, agent, affiliate or other person associated with or acting on behalf of the Buyer is located, organized or resident in a country or territory that is the subject or target of a comprehensive embargo or Sanctions Laws prohibiting trade with the country or territory, including, without limitation, Crimea, Cuba, Iran, North Korea, Sudan and Syria (each, a "**Sanctioned Country**"); neither the Buyer nor any director, officer, employee, agent, affiliate or other person associated with or acting on behalf of the Buyer, acting in any capacity in connection with the operations of the Buyer, conducts any business with or for the benefit of any Blocked Person or engages in making or receiving any contribution of funds, goods or services to, from or for the benefit of any Blocked Person, or deals in, or otherwise engages in any transaction relating to, any property or interests in property blocked or subject to blocking pursuant to any applicable Sanctions Laws. No action of the Buyer in connection with the execution, delivery and performance of this Agreement and the other Transaction Documents or the consummation of any other transaction contemplated hereby or by the other Transaction Documents or the fulfillment of the terms hereof or thereof. For the past five years, the Buyer has not knowingly engaged in and is not now knowingly engaged in any dealings or transactions with any person that at the time of the dealing or transaction is or was the subject or the target of Sanctions Laws or with any Sanctioned Country.

3. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants to the Buyers that, as of the date hereof and as of the Closing:

(a) Organization and Qualification. The Company and each of its "**Subsidiaries**" (which for purposes of this Agreement means any entity in which the Company, directly or indirectly, owns any of the capital stock or holds an equity or similar interest), if any, are entities duly organized and validly existing and in good standing under the laws of the jurisdiction in which they are formed, and have the requisite power and authorization to own their properties and to carry on their business as now being conducted and as presently proposed to be conducted. Each of the Company and each of its Subsidiaries is duly qualified as a foreign entity to do business and is in good standing in every jurisdiction in which its ownership of property or the nature of the business conducted by it makes such qualification necessary, except to the extent that the failure to be so qualified or be in good standing would not reasonably be expected to have a Material Adverse Effect. As used in this Agreement, "**Material Adverse Effect**" means any fact, occurrence, circumstance, event or change that, individually or in the aggregate, has had, or would reasonably be expected to have, a material adverse effect on the business, properties, assets, liabilities, operations, results of operations, or condition (financial or otherwise) of the Company and its Subsidiaries taken as a whole, or on the transactions contemplated hereby or on the other Transaction Documents or by the agreements and instruments to be entered into in connection herewith or therewith, or on the authority or ability of the Company to perform any of its obligations under any of the Transaction Documents, except to the extent related to: (i) a change in general political, economic, or financial market conditions (except if such conditions have had, or would reasonably be expected to have, a disproportionately adverse effect on the Company and its Subsidiaries, taken as a whole, relative to other Persons operating in the industries in which the Company or its Subsidiaries operate generally); (ii) a change that affected the industries in which the Company or its Subsidiaries operate generally (except if such change has had, or would reasonably be expected to have, a disproportionately adverse effect on the Company or its Subsidiaries, taken as a whole, relative to other Persons operating in the industries in which the Company or its Subsidiaries operate generally); (iii) the announcement or pendency of this Agreement and the transactions contemplated hereby; (iv) any changes after the date of this Agreement in GAAP or Applicable Law or the enforcement, implementation or interpretation thereof (except if such changes have had, or would reasonably be expected to have, a disproportionately adverse effect on the Company or its Subsidiaries, taken as a whole, relative to other Persons operating in the industries in which the Company or its Subsidiaries operate generally); (v) natural disaster, sabotage, acts of terrorism, civil unrest, rioting, looting or war (whether or not declared) or other outbreak of hostilities or escalation thereof; or (vi) the failure of the Company to meet its financial projections. The Company has no Subsidiaries except as set forth in Schedule 3(a). The outstanding shares of capital stock of each of the Subsidiaries have been duly authorized and validly issued, are fully paid and non-assessable and are owned by the Company or another Subsidiary, if any, free and clear of all liens, preemptive or similar rights, mortgages, defects, claims, pledges, charges, taxes, rights of first refusal, encumbrances, security interests and other encumbrances (collectively, "**Liens**") and equities and claims; and no options, warrants or other rights to purchase, agreements or other obligations to issue or other rights to convert any obligations into shares of capital stock or ownership interests in the Subsidiaries are outstanding.

(b) Authorization; Enforcement; Validity. The Company has the requisite corporate power and authority to enter into and perform its obligations under this Agreement and each of the other agreements entered into by the parties hereto in connection with the transactions contemplated by this Agreement (collectively, the "**Transaction Documents**") and to issue the Shares in accordance with the terms hereof and thereof. The execution and delivery of this Agreement and the other Transaction Documents by the Company and the consummation by the Company of the transactions contemplated hereby and thereby have been duly authorized by the Company's Board of Directors and other than (i) a waiver of certain covenants in the Securities Purchase Agreement, by and between the Company and Dye Capital Cann Holdings, LLC, dated June 5, 2019, as amended by the Amendment to Securities Purchase Agreement, by and between the Company and Dye Capital Cann Holdings, LLC, dated July 15, 2019, as further amended by the Amendment to Securities Purchase Agreement, by and between the Company and Dye Capital Cann Holdings, LLC, dated May 20, 2020 to the full extent required to give effect to the Proposed Transaction (the "**Dye SPA Waiver**")**,** (ii) a Form D with the SEC and any other filings as may be required by any state securities agencies, and (iii) the 8-K Filing (collectively, the "**Required Filings and Approvals**"), no further filing, consent or authorization is required by the Company, its Board of Directors or its stockholders. This Agreement and the other Transaction Documents have been duly executed and delivered by the Company, and constitute the legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms, except as such enforceability may be limited by general principles of equity or applicable bankruptcy, insolvency, reorganization, moratorium, liquidation or similar laws relating to, or affecting generally, the enforcement of applicable creditors' rights and remedies. Except as set forth in Schedule 3(b) there are no stockholder agreements, voting agreements, or other similar arrangements with respect to the Company's capital stock to which the Company is a party or, to the actual knowledge after reasonable inquiry of the Company's chief executive officer, chief financial officer and general counsel, but without any obligation to conduct investigation of anyone outside of the Company or its Subsidiaries (collectively, the "**Company's Knowledge**"), between or among any of the Company's stockholders.

(c) Issuance of Shares. The issuance of the Shares is duly authorized and, upon issuance in accordance with the terms of the Transaction Documents, the Shares shall be validly issued and free from all preemptive or similar rights (except for those which have been validly waived prior to the date hereof), taxes, liens and charges and other encumbrances with respect to the issue thereof and the Shares shall be fully paid and nonassessable with the holders being entitled to all rights accorded to a holder of Preferred Stock. As of the Closing, a number of shares of Common Stock shall have been duly authorized and reserved for issuance which equals at least the number of shares of Common Stock issuable upon conversion of the Shares. Upon conversion of the Shares in accordance with the terms of the Certificate of Designation, the Underlying Shares when issued will be validly issued, fully paid and nonassessable and free from all preemptive or similar rights, taxes, liens, charges and other encumbrances with respect to the issue thereof, with the holders being entitled to the rights accorded to a holder of Common Stock. Assuming the accuracy of each of the representations and warranties set forth in Section 2, the offer and issuance by the Company of the Shares is exempt from registration under the 1933 Act.

(d) No Conflicts. The execution, delivery and performance of the Transaction Documents by the Company and the consummation by the Company of the transactions contemplated hereby and thereby (including, without limitation, the issuance of the Shares and the reservation for issuance and issuance of Underlying Shares) will not (i) result in a violation of the Articles of Incorporation (as defined below) or Bylaws (as defined below) or other organizational documents of the Company or any of its Subsidiaries, any capital stock of the Company or any of its Subsidiaries or bylaws of the Company or any of its Subsidiaries or (ii) except as set forth in Schedule 3(d), conflict with, or constitute a default (or an event which with notice or lapse of time or both would become a default) in any respect under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture or instrument to which the Company or any of its Subsidiaries is a party, other than conflicts or defaults that would not reasonably be expected to have a Material Adverse Effect, or (iii) result in a violation of any law, rule, regulation, order, judgment or decree (including foreign, federal and state securities laws and regulations and the rules and regulations of the OTCQX market (the "**Principal Market**") and including all applicable foreign, federal, state laws, rules and regulations) applicable to the Company or any of its Subsidiaries or by which any property or asset of the Company or any of its Subsidiaries is bound or affected, assuming, with respect to subsections (ii) and (iii), the making and receipt of the Required Filings and Approvals, other than violations that would not reasonably be expected to have a Material Adverse Effect.

(e) Consents. Other than the Required Filings and Approvals, the Company is not required to obtain any consent from, authorization or order of, or make any filing or registration with, any court, governmental agency or any regulatory or self-regulatory agency or any other Person in order for it to execute, deliver or perform any of its obligations under or contemplated by the Transaction Documents, in each case, in accordance with the terms hereof or thereof. Other than the Required Filings and Approvals, all consents, authorizations, orders, filings and registrations which the Company is required to obtain pursuant to the preceding sentence have been obtained or effected on or prior to the Closing (or in the case of filings detailed above, will be made timely after the Closing), and the Company is unaware of any facts or circumstances which might prevent the Company from obtaining or effecting any of the registration, application or filings contemplated by the Transaction Documents. Except as set forth in Schedule 3(e), the Company is not in violation of the listing requirements of the Principal Market and has no knowledge of any facts or circumstances which would reasonably lead to the suspension of quotation of the Common Stock on the Principal Market in the foreseeable future. The issuance by the Company of the Shares shall not have the effect of suspending of quotation of the Common Stock on the Principal Market.

(f) Acknowledgment Regarding Buyers' Purchase of Shares. The Company acknowledges and agrees that each Buyer is acting solely in the capacity of an arm's length purchaser with respect to the Transaction Documents and the transactions contemplated hereby and thereby and that, except as set forth in Schedule 3(f), each Buyer is not (i) an officer or director of the Company or any of its Subsidiaries, (ii) an "affiliate" of the Company or any of its Subsidiaries (as defined in Rule 144), if any, or (iii) to the Company's Knowledge, a "beneficial owner" of more than 10% of the Common Stock (as defined for purposes of Rule 13d-3 of the Securities Exchange Act of 1934, as amended (the "**1934 Act**")). The Company further acknowledges that each Buyer is not acting as a financial advisor or fiduciary of the Company or any of its Subsidiaries (or in any similar capacity), if any, with respect to the Transaction Documents and the transactions contemplated hereby and thereby, and any advice given by the Buyers or any of its representatives or agents in connection with the Transaction Documents and the transactions contemplated hereby and thereby is merely incidental to the Buyers' purchase of the Shares. The Company further represents to the Buyers that the Company's decision to enter into the Transaction Documents has been based solely on the independent evaluation by the Company and its representatives.

(g) No General Solicitation; Placement Agent Fees. Neither the Company, nor any of its Subsidiaries or affiliates, nor any Person acting on its or their behalf, has engaged in any form of general solicitation or general advertising (within the meaning of Regulation D) in connection with the offer or sale of the Shares. The Company shall be responsible for the payment of any placement agent fees, financial advisory fees, or brokers' commissions (other than for Persons engaged by any Buyer or any Buyer's investment advisor) relating to or arising out of the transactions contemplated hereby, in connection with the sale of the Shares. The Company shall pay, and hold the Buyers harmless against, any liability, loss or expense (including, without limitation, reasonable attorney's fees and out-of-pocket expenses) arising in connection with any such claim.

(h) No Integrated Offering. None of the Company, its Subsidiaries or any of their affiliates, nor any Person acting on their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would require registration of the issuance of any of the Shares under the 1933 Act, whether through integration with prior offerings or otherwise. None of the Company, its Subsidiaries, any of their affiliates nor any Person acting on their behalf will take any action or steps that would require registration of the issuance of any of the Securities under the 1933 Act.

(i) Application of Takeover Protections; Rights Agreement. The Company and its Board of Directors have taken all necessary action, if any, in order to render inapplicable any control share acquisition, interested stockholder, business combination, poison pill (including, without limitation, any distribution under a rights agreement) or other similar anti-takeover provision under the Articles of Incorporation, Bylaws or other organizational documents or the laws of the jurisdiction of its formation which is or could become applicable to the Buyers as a result of the transactions contemplated by this Agreement, including, without limitation, the Company's issuance of the Securities and the Buyers' ownership of the Securities. The Company and its Board of Directors have taken all necessary action, if any, in order to render inapplicable any stockholder rights plan or similar arrangement relating to accumulations of beneficial ownership of Preferred Stock or a change in control of the Company or any of its Subsidiaries.

(j) SEC Documents; Financial Statements. Except as disclosed in Schedule 3(j), during the two years prior to the date hereof, the Company has timely filed all reports, schedules, forms, statements and other documents required to be filed by it with the SEC pursuant to the reporting requirements of the 1934 Act (all of the foregoing filed prior to the date hereof or prior to the Closing, and all exhibits included therein and financial statements, notes and schedules thereto and documents incorporated by reference therein being hereinafter referred to as the "**SEC Documents**"). The Company has delivered to each Buyer or its representatives, upon request, true, correct and complete copies of the SEC Documents not available on the EDGAR system. As of their respective filing dates, the SEC Documents complied in all material respects with the requirements of the 1934 Act applicable to the Company and the rules and regulations of the SEC promulgated thereunder applicable to the SEC Documents, and none of the SEC Documents, at the time they were filed with the SEC, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. As of their respective filing dates, the financial statements of the Company included in the SEC Documents (the "**Financial Statements**") complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto. Such financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("**GAAP**"), consistently applied during the periods involved (except (i) as may be otherwise indicated in such Financial Statements or the notes thereto, or (ii) in the case of unaudited interim statements, to the extent they may exclude footnotes or may be condensed or summary statements) and fairly present in all material respects the financial position of the Company and its Subsidiaries, as of the dates thereof and the results of its operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments which will not be material, either individually or in the aggregate). The Company is not currently contemplating to amend or restate any of the Financial Statements, nor is the Company currently aware of facts or circumstances which would require the Company to amend or restate any of the Financial Statements, in each case, in order for any of the Financial Statements to be in material compliance with GAAP and the rules and regulations of the SEC. The Company has not been informed by its independent accountants that they recommend that the Company amend or restate any of the Financial Statements or that there is any need for the Company to amend or restate any of the Financial Statements.

(k) Absence of Certain Changes. Except as disclosed in Schedule 3(k)(i), since December 31, 2019, there has been no Material Adverse Effect. Except as disclosed in Schedule 3(k)(ii), since December 31, 2019, neither the Company nor any of its Subsidiaries has (i) declared or paid any dividends, (ii) sold any assets, individually or in the aggregate, in excess of $100,000 outside of the ordinary course of business or (iii) had capital expenditures, individually or in the aggregate, in excess of $100,000. Neither the Company nor any of its Subsidiaries has taken any steps to seek protection pursuant to any law or statute relating to bankruptcy, insolvency, reorganization, receivership, liquidation or winding up, nor to the Company's Knowledge does the Company or any Subsidiary believe that any of their respective creditors intend to initiate involuntary bankruptcy proceedings or any actual knowledge of any fact which would reasonably lead a creditor to do so. The Company and its Subsidiaries as a whole are not, as of the date hereof, and after giving effect to the transactions contemplated hereby to occur at the Closing, will not be Insolvent (as defined below). For purposes of this Section 3(k), "**Insolvent**" means, with respect to any Person, (w) the present fair saleable value of such Person's assets is less than the amount required to pay such Person's total Indebtedness (as defined in Section 3(q)), (x) such Person is unable to pay its debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured, (y) such Person intends to incur or believes that it will incur debts that would be beyond its ability to pay as such debts mature or (z) such Person has unreasonably small capital with which to conduct the business in which it is engaged as such business is now conducted and is proposed to be conducted.

(l) No Undisclosed Events, Liabilities, Developments or Circumstances. Since December 31, 2019, no event, liability, development or circumstance has occurred or exists, or is contemplated to occur with respect to the Company, its Subsidiaries, or their respective business, properties, prospects, operations or financial condition, that would constitute a Material Adverse Effect.

(m) Conduct of Business; Regulatory Permits. Neither the Company nor any of its Subsidiaries is in violation of any term of or in default under its Articles of Incorporation, any certificate of designation, preferences or rights of any other outstanding series of preferred stock of the Company or any of its Subsidiaries or Bylaws or their organizational charter, certificate of formation or certificate of incorporation or bylaws, respectively. The Company and each of its Subsidiaries have been in material compliance with all Applicable Laws (as defined below) since the incorporation of the Company and will continue to operate in compliance with all Applicable Laws. "**Applicable Law**" means applicable provisions of federal, state or local law (including common law), statute, rule, regulation, order, permit, judgment, injunction, decree or other decision of any court or other tribunal or governmental authority legally binding on the Company, its properties, its Subsidiaries, or their properties, including applicable state or local laws with respect to cannabis, all as may be amended, but excluding the Controlled Substances Act (21 U.S.C. §801, *et. seq.*) federal law that prohibits the cultivation, processing, transportation, sale or possession of Cannabis or parts of Cannabis including particular cannabinoids, the sale or possession of cannabis paraphernalia, or advertising the sale of Cannabis, products containing Cannabis, or Cannabis paraphernalia. "**Cannabis**" means a plant in the genus *Cannabis* including *Cannabis sativa*, *Cannabis indica*, *Cannabis ruderalis*, and all subspecies, hybrids, or yet to be discovered subspecies and hybrids, and including the federal law definitions of Marijuana. "**Marijuana**" means any material, compound, derivative, mixture, product or preparation that contains any quantity of the substances listed on Schedule 1 of the Controlled Substances Act or in its implementing regulations, including without limitation 21 C.F.R. § 1308.11, 21 U.S.C. § 802(6) as "Marihuana" or "Tetrahydrocannabinols," except Hemp, as defined in 7 U.S.C. § 1639o and except Cannabis Plant Materials defined in 21 C.F.R. 1308.35 or which contains any of their salts, isomers and salts of isomers, or any derivative or mixture thereof or any synthetic equivalent or which would be a "controlled substance analogue" manufactured, formulated, sold, distributed, or marketed with the intent to avoid the provisions of existing drug laws as defined under 21 U.S.C. § 813. The Company and each of its Subsidiaries possess all material certificates, authorizations and permits issued by the appropriate foreign, federal or state regulatory authorities necessary to conduct their respective businesses. All such certificates, authorizations and permits are valid and in full force and effect. During the period since the Company's Common Stock was designated for quotation on the Principal Market, (i) the Common Stock has been designated for quotation on the Principal Market, (ii) trading in the Common Stock has not been suspended by the SEC or the Principal Market and (iii) the Company has received no communication, written or oral, from the SEC or the Principal Market regarding the suspension of quotation of the Common Stock on the Principal Market.

(n) Sarbanes-Oxley Act. The Company is in compliance with any and all applicable requirements of the Sarbanes-Oxley Act of 2002, as amended, that are effective as of the date hereof, and any and all applicable rules and regulations promulgated by the SEC thereunder that are effective as of the date hereof.

(o) Transactions With Affiliates. Except as set forth in Schedule 3(o), none of the current officers, directors or employees (including, without limitation, any family member or affiliate thereof) of the Company or any of its Subsidiaries is presently a party to (or has previously been a party to) any transaction with the Company or any of its Subsidiaries (other than for ordinary course services as employees, officers or directors), including any contract, agreement or other arrangement providing for the furnishing of goods or services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any such officer, director or employee or, to the Company's Knowledge, any corporation, partnership, trust or other Person in which any such officer, director, or employee (or family member or affiliate thereof) has a substantial interest or is an employee, officer, director, trustee or partner.

(p) Equity Capitalization. As of the date hereof, the authorized capital stock of the Company consists of (i) 250,000,000 shares of Common Stock, of which as of the date hereof, _____ are issued and outstanding, _____ shares are reserved for issuance pursuant to the Company's stock option and purchase plans and _____ shares are reserved for issuance pursuant to securities (other than the aforementioned options) exercisable or exchangeable for, or convertible into, Common Stock and (ii) 10,000,000 shares of preferred stock, par value $0.001 per share, none of which are designated and issued and outstanding. _____ shares of Common Stock are held in treasury. All of such outstanding shares are duly authorized, validly issued and are fully paid and nonassessable. _____ shares of the Company's issued and outstanding Common Stock on the date hereof are as of the date hereof owned by Persons who are "affiliates" (as defined in Rule 405 of the 1933 Act) of the Company or any of its Subsidiaries. (i) Except as disclosed in Schedule 3(p), none of the Company's or any Subsidiary's capital stock is subject to preemptive rights or any other similar rights or any liens or encumbrances suffered or permitted by the Company or any Subsidiary; (ii) except as disclosed in Schedule 3(p), there are no outstanding options, warrants, scrip, rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities or rights convertible into, or exercisable or exchangeable for, any capital stock of the Company or any of its Subsidiaries, or contracts, commitments, understandings or arrangements by which the Company or any of its Subsidiaries, is or may become bound to issue additional capital stock of the Company or any of its Subsidiaries, or options, warrants, scrip, rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities or rights convertible into, or exercisable or exchangeable for, any capital stock of the Company or any of its Subsidiaries; (iii) except as disclosed in Schedule 3(p), there are no outstanding debt securities, notes, credit agreements, credit facilities or other agreements, documents or instruments evidencing Indebtedness of the Company or any of its Subsidiaries, or by which the Company or any of its Subsidiaries, is or may become bound; (iv) except as disclosed in Schedule 3(p), there are no financing statements securing obligations in any amounts filed in connection with the Company or any of its Subsidiaries; (v) except as disclosed in Schedule 3(p), there are no agreements or arrangements (other than as set forth herein) under which the Company or any of its Subsidiaries, is obligated to register the sale of any of their securities under the 1933 Act; (vi) except as disclosed in Schedule 3(p), there are no outstanding securities or instruments of the Company or any of its Subsidiaries, which contain any redemption or similar provisions, and there are no contracts, commitments, understandings or arrangements by which the Company or any of its Subsidiaries is or may become bound to redeem a security of the Company or any of its Subsidiaries; (vii) except as disclosed in Schedule 3(p), there are no securities or instruments containing anti-dilution or similar provisions that will be triggered by the issuance of the Shares; (viii) except as disclosed in Schedule 3(p), neither the Company nor any Subsidiary, if any, has any stock appreciation rights or "phantom stock" plans or agreements or any similar plan or agreement; and (ix) neither the Company nor any of its Subsidiaries have any material non-public information, including any material liabilities or obligations, that are required to be disclosed in the SEC Documents which are not so disclosed in the SEC Documents. True, correct and complete copies of the Company's articles of incorporation, as amended and as in effect on the date hereof (the "**Articles of Incorporation**"), and the Company's bylaws, as amended and as in effect on the date hereof (the "**Bylaws**"), and the terms of all securities convertible into, or exercisable or exchangeable for, Common Stock and the material rights of the holders thereof in respect thereto have heretofore been filed as part of the SEC Documents. Except as set forth in Schedule 3(p), each stock option granted by the Company was granted (x) in accordance with the terms of the applicable stock option plan of the Company and (y) with an exercise price at least equal to the fair market value of the Common Stock on the date such stock option would be considered granted under GAAP and applicable law. To the Company's Knowledge, no stock option granted under the Company's stock option plan has been backdated. To the Company's Knowledge, the Company has not granted, and there is no and has been no policy or practice of the Company to grant, stock options prior to, or otherwise coordinate the grant of stock options with, the release or other public announcement of material information regarding the Company or its Subsidiaries or their financial results or prospects.

(q) Indebtedness and Other Contracts. Neither the Company nor any of its Subsidiaries, (i) except as disclosed in Schedule 3(q), has any outstanding Indebtedness (as defined below), (ii) except as disclosed in the SEC Documents, is a party to any material definitive agreement (as defined in Item 1.01(b) of the Current Report on Form 8-K), or (iii) except as disclosed in Schedule 3(q), neither the Company nor such Subsidiary, nor any other party to a material definitive agreement (as defined in Item 1.01(b) of the Current Report on Form 8-K) is in material violation of any term of, or in default under, such material definitive agreement, including any material definitive agreement relating to any Indebtedness. For purposes of this Agreement: (x) "**Indebtedness**" of any Person means, without duplication (A) all indebtedness for borrowed money, (B) all obligations issued, undertaken or assumed as the deferred purchase price of property or services (including, without limitation, "capital leases" in accordance with GAAP, consistently applied during the periods involved) (other than trade payables entered into in the ordinary course of business consistent with past practice), (C) all reimbursement or payment obligations with respect to letters of credit, surety bonds and other similar instruments, (D) all obligations evidenced by notes, bonds, debentures or similar instruments, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses, (E) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to any property or assets acquired with the proceeds of such indebtedness (even though the rights and remedies of the seller or bank under such agreement in the event of default are limited to repossession or sale of such property), (F) all monetary obligations under any leasing or similar arrangement which, in connection with GAAP, consistently applied for the periods covered thereby, is classified as a capital lease, (G) all indebtedness referred to in clauses (A) through (F) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any mortgage, claim, lien, tax, right of first refusal, pledge, charge, security interest or other encumbrance upon or in any property or assets (including accounts and contract rights) owned by any Person, even though the Person which owns such assets or property has not assumed or become liable for the payment of such indebtedness, and (H) all Contingent Obligations in respect of indebtedness or obligations of others of the kinds referred to in clauses (A) through (G) above; and (y) "**Contingent Obligation**" means, as to any Person, any direct or indirect liability, contingent or otherwise, of that Person with respect to any indebtedness, capital lease, dividend or other obligation of another Person if the primary purpose or intent of the Person incurring such liability, or the primary effect thereof, is to provide assurance to the obligee of such liability that such liability will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such liability will be protected (in whole or in part) against loss with respect thereto.

(r) Absence of Litigation. Except as set forth in the SEC Documents, there is no material action, suit, proceeding, inquiry or investigation before or by the Principal Market, any court, public board, arbitrator, panel, government agency, self-regulatory organization or body pending or, to the Company's Knowledge, threatened against or affecting the Company or any of its Subsidiaries, the Preferred Stock, the consummation of the Proposed Transaction or any of the Company's or its Subsidiaries' officers or directors, whether of a civil or criminal nature or otherwise, in their capacities as such. "**Proposed Transaction**" means the acquisition by a wholly owned Subsidiary of the Company of substantially all of the assets of the Star Buds Group on substantially the terms disclosed by the Company in its 8-K Filings prior to the date hereof. To the Company's Knowledge, no director, officer or employee of the Company or any of its Subsidiaries has willfully violated 18 U.S.C. §1519 or engaged in spoliation in reasonable anticipation of litigation. Without limitation of the foregoing, there has not been, and to the Company's Knowledge, there is not pending, contemplated or anticipated, any inquiry or investigation by the SEC involving the Company, any of its Subsidiaries or any current or former director or officer of the Company or any of its Subsidiaries. The SEC has not issued any stop order or other order suspending the effectiveness of any registration statement filed by the Company under the 1933 Act or the 1934 Act. Neither the Company nor any of its Subsidiaries is subject to any order, writ, judgment, injunction, decree, determination or award of any governmental entity.

(s) Tax Status. The Company and each of its Subsidiaries (i) has timely made or filed all material foreign, federal and state income and all other tax returns, reports and declarations required by any jurisdiction to which it is subject, (ii) has timely paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations, except those being contested in good faith and (iii) has set aside on its books adequate reserves for the payment of all unpaid taxes. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, except for those being contested in good faith, and the officers of the Company and its Subsidiaries know of no basis for any such claim.

(t) Internal Accounting and Disclosure Controls. The Company and each of its Subsidiaries, maintain a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP, consistently applied during the periods involved, and Applicable Law, and to maintain asset and liability accountability, (iii) access to assets or incurrence of liabilities is permitted only in accordance with management's general or specific authorization and (iv) the recorded accountability for assets and liabilities is compared with the existing assets and liabilities at reasonable intervals and appropriate action is taken with respect to any difference. The Company maintains disclosure controls and procedures (as such term is defined in Rule 13a-15 under the 1934 Act) that are effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the 1934 Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the SEC, including, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the 1934 Act is accumulated and communicated to the Company's management, including its principal executive officer or officers and its principal financial officer or officers, as appropriate, to allow timely decisions regarding required disclosure. Except as set forth in Schedule 3(s), during the twelve months prior to the date hereof neither the Company nor any of its Subsidiaries, has received any written notice or correspondence from any accountant relating to any material weakness in any part of the system of internal accounting controls of the Company or any of its Subsidiaries.

(u) Off Balance Sheet Arrangements. There is no transaction, arrangement, or other relationship between the Company or any of its Subsidiaries and an unconsolidated or other off balance sheet entity that is required to be disclosed by the Company in its 1934 Act filings and is not so disclosed or that otherwise has had or would be reasonably likely to have a Material Adverse Effect.

(v) Investment Company Status. Neither the Company nor any of its Subsidiaries, is, and upon consummation of the sale of the Shares, and for so long as the Buyers hold any Shares, will not be, an "investment company," an affiliate of an "investment company," a company controlled by an "investment company" or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company" as such terms are defined in the Investment Company Act of 1940, as amended.

(w) Acknowledgement Regarding Buyers' Trading Activity. The Company acknowledges and agrees that, except as otherwise set forth herein or in any other Transaction Document, (i) the Buyers have not been asked to agree, nor have the Buyers agreed, to desist from purchasing or selling, long and/or short, securities of the Company, or "derivative" securities based on securities issued by the Company or to hold the Securities for any specified term; (ii) the Buyers, and counter-parties in "derivative" transactions to which any Buyer is a party, directly or indirectly, presently may have a "short" position in the Common Stock; (iii) the Buyers shall not be deemed to have any affiliation with or control over any arm's length counter-party in any "derivative" transaction; and (iv) each Buyer may rely on the Company's obligation to timely deliver shares of Common Stock as and when required pursuant to the Transaction Documents for purposes of effecting trading in the Common Stock of the Company. The Company further understands and acknowledges that (a) the Buyers may engage in hedging and/or trading activities at various times during the period that the Securities are outstanding, and (b) such hedging and/or trading activities, if any, can reduce the value of the existing stockholders' equity interest in the Company both at and after the time the hedging and/or trading activities are being conducted. The Company acknowledges that such aforementioned hedging and/or trading activities do not constitute a breach of this Agreement or any of the documents executed in connection herewith.

(x) Manipulation of Price. The Company has not, and, to the Company's Knowledge, no one acting on its behalf has, (i) taken, directly or indirectly, any action designed to cause or to result, or that could reasonably be expected to cause or result, in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of any of the Securities, (ii) sold, bid for, purchased, or paid any compensation for soliciting purchases of, any of the Securities (other than to placement agents), (iii) paid or agreed to pay to any person any compensation for soliciting another to purchase any other securities of the Company, or (iv) paid or agreed to pay any Person for research services with respect to any securities of the Company or any of its Subsidiaries.

(y) Shell Company Status. The Company is not, and has never been, an issuer identified in, or subject to, Rule 144(i)(1) of the 1933 Act.

(z) Compliance with Anti-Money Laundering Laws. Other than as a result of non-compliance with the Controlled Substances Act (21 U.S.C. §801, *et. seq.*)that prohibits the cultivation, processing, transportation, sale or possession of Cannabis or parts of Cannabis including particular cannabinoids, the sale or possession of Cannabis paraphernalia, or advertising the sale of Cannabis, products containing Cannabis, or Cannabis paraphernalia, the operations of the Company and its Subsidiaries are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements and all other applicable U.S. and non-U.S. anti-money laundering laws, rules and regulations, including, but not limited to, those of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the United States Bank Secrecy Act, as amended by the USA PATRIOT Act of 2001, and the United States Money Laundering Control Act of 1986 (18 U.S.C. §§1956 and 1957), as amended, as well as the implementing rules and regulations promulgated thereunder, and the applicable money laundering statutes of all applicable jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency or self-regulatory body (collectively, the "**Anti-Money Laundering Laws**"), and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its Subsidiaries with respect to the Anti-Money Laundering Laws is pending or, to the Company's Knowledge, threatened.

(aa) Sanctions. Neither the Company nor any of its Subsidiaries, nor any director, officer, employee, agent, affiliate or other person associated with or acting on behalf of the Company or any of its Subsidiaries or affiliates is, or is directly or indirectly owned or controlled by, a Person that is currently the subject or the target of any sanctions administered or enforced by the U.S. government (including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Departments of State or Commerce and including, without limitation, the designation as a "Specially Designated National" or on the "Sectoral Sanctions Identifications List", collectively "**Blocked Persons**"), the United Nations Security Council, the European Union, Her Majesty's Treasury or any other relevant sanctions authority (collectively, "**Sanctions Laws**"); neither the Company, any of its Subsidiaries, nor any director, officer, employee, agent, affiliate or other person associated with or acting on behalf of the Company or any of its Subsidiaries or affiliates, is located, organized or resident in a country or territory that is the subject or target of a comprehensive embargo or Sanctions Laws prohibiting trade with the country or territory, including, without limitation, Crimea, Cuba, Iran, North Korea, Sudan and Syria (each, a "**Sanctioned Country**"); the Company maintains in effect and enforces policies and procedures designed to ensure compliance by the Company and its Subsidiaries with applicable Sanctions Laws; neither the Company, any of its Subsidiaries, nor any director, officer, employee, agent, affiliate or other person associated with or acting on behalf of the Company or any of its Subsidiaries or affiliates, acting in any capacity in connection with the operations of the Company, conducts any business with or for the benefit of any Blocked Person or engages in making or receiving any contribution of funds, goods or services to, from or for the benefit of any Blocked Person, or deals in, or otherwise engages in any transaction relating to, any property or interests in property blocked or subject to blocking pursuant to any applicable Sanctions Laws; no action of the Company or any of its Subsidiaries in connection with (i) the execution, delivery and performance of this Agreement and the other Transaction Documents, (ii) the issuance and sale of the Securities, or (iii) the direct or indirect use of proceeds from the Securities or the consummation of any other transaction contemplated hereby or by the other Transaction Documents or the fulfillment of the terms hereof or thereof, will result in the proceeds of the transactions contemplated hereby and by the other Transaction Documents being used, or loaned, contributed or otherwise made available, directly or indirectly, to any Subsidiary, joint venture partner or other person or entity, for the purpose of (i) unlawfully funding or facilitating any activities of or business with any person that, at the time of such funding or facilitation, is the subject or target of Sanctions Laws, (ii) unlawfully funding or facilitating any activities of or business in any Sanctioned Country or (iii) in any other manner that will result in a violation by any Person (including any Person participating in the transaction, whether as underwriter, advisor, investor or otherwise) of Sanctions Laws. For the past five years, the Company and its Subsidiaries have not knowingly engaged in and are not now knowingly engaged in any dealings or transactions with any person that at the time of the dealing or transaction is or was the subject or the target of Sanctions Laws or with any Sanctioned Country.

(bb) Anti-Bribery. Neither the Company nor any of the Subsidiaries has made any contribution or other payment to any official of, or candidate for, any federal, state or foreign office in violation of any law. Neither the Company, nor any of its Subsidiaries or affiliates, nor any director, officer, agent, employee or other person associated with or acting on behalf of the Company, or any of its Subsidiaries or affiliates, has (i) used any funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity, (ii) made any direct or indirect unlawful payment to any foreign or domestic government official or employee, to any employee or agent of a private entity with which the Company does or seeks to do business or to foreign or domestic political parties or campaigns, (iii) violated or is in violation of any provision of any Applicable Law implementing the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions or any applicable provision of the U.S. Foreign Corrupt Practices Act of 1977, as amended, the U.K. Bribery Act 2010, or any other similar law of any other jurisdiction in which the Company operates its business, including, in each case, the rules and regulations thereunder (the "**Anti-Bribery Laws**"), (iv) taken, is currently taking or will take any action in furtherance of an offer, payment, gift or anything else of value, directly or indirectly, to any person while knowing that all or some portion of the money or value will be offered, given or promised to anyone to improperly influence official action, to obtain or retain business or otherwise to secure any improper advantage or (v) otherwise made any offer, bribe, rebate, payoff, influence payment, unlawful kickback or other unlawful payment; the Company and each of its respective Subsidiaries has instituted and has maintained, and will continue to maintain, policies and procedures reasonably designed to promote and achieve compliance with the laws referred to in (iii) above and with this representation and warranty; none of the Company, nor any of its Subsidiaries or affiliates will directly or indirectly use the proceeds of the Shares or lend, contribute or otherwise make available such proceeds to any subsidiary, affiliate, joint venture partner or other person or entity for the purpose of financing or facilitating any activity that would violate the laws and regulations referred to in (iii) above; there are, and have been, no allegations, investigations or inquiries with regard to a potential violation of any Anti-Bribery Laws by the Company, its Subsidiaries or affiliates, or any of their respective current or former directors, officers, employees, stockholders, representatives or agents, or other persons acting or purporting to act on their behalf.

(cc) No Additional Agreements. Except as set forth in Schedule 3(cc), the Company does not have any agreement or understanding with any Buyer with respect to the transactions contemplated by the Transaction Documents.

(dd) Disclosure. All disclosure provided to the Buyers regarding the Company and its Subsidiaries, their businesses and the transactions contemplated hereby, including the schedules to this Agreement and the Confidential PPM, furnished by or on behalf of the Company or any of its Subsidiaries, is true and correct and does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. All of the written information furnished after the date hereof by or on behalf of the Company or any of its Subsidiaries, to the Buyers pursuant to or in connection with this Agreement and the other Transaction Documents, taken as a whole, will be true and correct in all material respects as of the date on which such information is so provided and will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they are made, not misleading. Each press release issued by the Company or any of its Subsidiaries, during the twelve months preceding the date of this Agreement did not at the time of release contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. No event or circumstance has occurred or information exists with respect to the Company or any of its Subsidiaries, or its or their business, properties, liabilities, prospects, operations (including results thereof) or conditions (financial or otherwise), which, under Applicable Law, requires public disclosure at or before the date hereof or announcement by the Company but which has not been so publicly disclosed. The Company understands and confirms that each of the Buyers will rely on the foregoing representations in effecting the transactions of securities of the Company. The Company acknowledges and agrees that the Buyers do not make and have not made any representations or warranties with respect to the transactions contemplated hereby other than those specifically set forth in Section 2.

(ee) No Disqualification Events. With respect to Securities to be offered and sold hereunder in reliance on Rule 506(b) under the 1933 Act, none of the Company, any of its predecessors, any affiliated issuer, any director, executive officer, other officer of the Company participating in the offering hereunder, any beneficial owner of 20% or more of the Company's outstanding voting equity securities, calculated on the basis of voting power, nor any promoter (as that term is defined in Rule 405 under the 1933 Act) connected with the Company in any capacity at the time of sale (each, an "**Issuer Covered Person**" and, together, "**Issuer Covered Persons**") is subject to any of the "Bad Actor" disqualifications described in Rule 506(d)(1)(i) to (viii) under the 1933 Act (a "**Disqualification Event**"), except for a Disqualification Event covered by Rule 506(d)(2) or (d)(3). The Company has exercised reasonable care to determine whether any Issuer Covered Person is subject to a Disqualification Event. The Company has complied, to the extent applicable, with its disclosure obligations under Rule 506(e), and has furnished to the Buyers a copy of any disclosures provided thereunder.

(ff) Other Covered Persons. Except as set forth on Schedule 3(ff), the Company is not aware of any Person that has been or will be paid (directly or indirectly) remuneration for solicitation of Buyers or potential purchasers in connection with the sale of the Securities.

(gg) Intellectual Property Rights. The Company and its Subsidiaries own or possess adequate rights or licenses to use all trademarks, trade names, service marks, service mark registrations, service names, original works of authorship, patents, patent rights, copyrights, inventions, licenses, approvals, governmental authorizations, trade secrets and other intellectual property rights and all applications and registrations therefor ("**Intellectual Property Rights**") necessary to conduct their respective businesses as now conducted. To the Company's Knowledge, there is not any infringement by the Company or its Subsidiaries of Intellectual Property Rights of others. There is no claim, action or proceeding being made or brought, or to the Company's Knowledge, being threatened, against the Company or any of its Subsidiaries regarding its Intellectual Property Rights, except where such claim, action or proceeding is not reasonably likely to result in a Material Adverse Effect. Neither the Company nor any of its Subsidiaries has received any written notice alleging any such infringement or claim, action or proceeding.

(hh) Title. Each of the Company and its Subsidiaries holds good title, or a valid leasehold interests in, to all real property, leases in real property, facilities or other interests in real property owned or held by the Company or any of its Subsidiaries that is material to the business of the Company (the "**Real Property**"). The Real Property is free and clear of all Liens and is not subject to any rights of way, building use restrictions, exceptions, variances, reservations, or limitations of any nature except for (a) Liens for current taxes not yet due and payable, (b) zoning laws and other land use restrictions that do not impair the present or anticipated use of the property subject thereto and (c) those that are not likely to result in a Material Adverse Effect. Any Real Property held under lease by the Company or any of its Subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere in any material respect with the use made and proposed to be made of such property and buildings by the Company or any of its Subsidiaries.

(ii) Fixtures and Equipment. Each of the Company and its Subsidiaries (as applicable) has good title to, or a valid leasehold interest in, all material tangible personal property, equipment, improvements, fixtures, and other personal property and appurtenances that are used by the Company or its Subsidiary in connection with the conduct of its business (the "**Fixtures and Equipment**"). Each of the Company's and its Subsidiary's Fixtures and Equipment are structurally sound, are in good operating condition and repair, are adequate for the uses to which they are being put, are not in need of maintenance or repairs except for ordinary, routine maintenance and repairs and are sufficient for the conduct of the Company's and/or its Subsidiaries' businesses (as applicable) in the manner as conducted prior to the Closing. Each of the Company and its Subsidiaries owns all of its Fixtures and Equipment free and clear of all Liens except for (i) Liens for current taxes not yet due and payable, and (ii) zoning laws and other land use restrictions that do not impair the present or anticipated use of the property subject thereto.

(jj) Environmental Laws.

(i) The Company and its Subsidiaries (A) are in compliance with any and all Environmental Laws (as defined below), other than those that are not likely to result in a Material Adverse Effect, (B) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (C) are in compliance with all terms and conditions of any such permit, license or approval where, except in each of the foregoing clauses (A), (B) and (C), where the failure to so comply or having such permits, licenses or other approval would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. The term "**Environmental Laws**" means all federal, state, local or foreign laws relating to pollution or protection of human health or the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata), including, without limitation, laws relating to emissions, discharges, releases or threatened releases of chemicals, pollutants, contaminants, or toxic or hazardous substances or wastes (collectively, "**Hazardous Materials**") into the environment, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials, as well as all authorizations, codes, decrees, demands or demand letters, injunctions, judgments, licenses, notices or notice letters, orders, permits, plans or regulations issued, entered, promulgated or approved thereunder.

(ii) No Hazardous Materials:

(1) to the Company's Knowledge, have been disposed of or otherwise released by the Company or any of its Subsidiaries from any Real Property of the Company or any of its Subsidiaries in violation of any Environmental Laws; or

(2) to the Company's Knowledge, are present on, over, beneath, in or upon any Real Property or any portion thereof in quantities that would constitute a violation of any Environmental Laws. To the Company's Knowledge, no prior use by the Company or any of its Subsidiaries of any Real Property has occurred that violates any Environmental Laws, which violation would have a Material Adverse Effect.

(iii) To the Company's Knowledge, neither the Company nor any of its Subsidiaries knows of any other person who or entity which has stored, treated, recycled, disposed of or otherwise located on any Real Property any Hazardous Materials, including, without limitation, such substances as asbestos and polychlorinated biphenyls.

(iv) To the Company's Knowledge, none of the Real Property is on any federal or state "Superfund" list or Liability Information System ("**CERCLIS**") list or any state environmental agency list of sites under consideration for CERCLIS, nor subject to any environmental related Liens.

(kk) Management. During the past five year period, to the Company's Knowledge, no current named executive officer (as defined in Item 402 of Regulation S-K) or director has been the subject of:

(i) a petition under bankruptcy laws or any other insolvency or moratorium law or the appointment by a court of a receiver, fiscal agent or similar officer for such Person, or any partnership in which such person was a general partner, or any corporation or business association of which such person was an executive officer;

(ii) a conviction in a criminal proceeding or a named subject of a pending criminal proceeding (excluding traffic violations that do not relate to driving while intoxicated or driving under the influence);

(iii) any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining any such person from, or otherwise limiting, the following activities:

(1) Acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, any other person regulated by the United States Commodity Futures Trading Commission or an associated person of any of the foregoing, or as an investment adviser, underwriter, broker or dealer in securities, or as an affiliated person, director or employee of any investment company, bank, savings and loan association or insurance company, or engaging in or continuing any conduct or practice in connection with such activity;

(2) Engaging in any particular type of business practice; or

(3) Engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of securities laws or commodities laws;

(iv) any order, judgment or decree, not subsequently reversed, suspended or vacated, of any authority barring, suspending or otherwise limiting for more than 60 days the right of any such person to engage in any activity described in the preceding sub paragraph, or to be associated with persons engaged in any such activity;

(v) a finding by a court of competent jurisdiction in a civil action or by the SEC or other authority to have violated any securities law, regulation or decree and the judgment in such civil action or finding by the SEC or any other authority has not been subsequently reversed, suspended or vacated; or

(vi) a finding by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading Commission to have violated any federal commodities law, and the judgment in such civil action or finding has not been subsequently reversed, suspended or vacated.

(ll) Cybersecurity. The Company and its Subsidiaries' information technology assets and equipment, computers, systems, networks, hardware, software, websites, applications, and databases (collectively, "**IT Systems**") are adequate for, and operate and perform in all material respects as required in connection with the operation of the business of the Company and its Subsidiaries as currently conducted, free and clear of all material bugs, errors, defects, Trojan horses, time bombs, malware and other corruptants. The Company and its Subsidiaries have implemented and maintained commercially reasonable physical, technical and administrative controls, policies, procedures, and safeguards to maintain and protect their material confidential information and the integrity, continuous operation, redundancy and security of all IT Systems and data, including "Personal Data," used in connection with their businesses. "**Personal Data**" means (i) a natural person's name, street address, telephone number, e-mail address, photograph, social security number or tax identification number, driver's license number, passport number, credit card number, bank information, or customer or account number; (ii) any information which would qualify as "personally identifying information" under the Federal Trade Commission Act, as amended; (iii) "personal data" as defined by the European Union General Data Protection Regulation ("**GDPR**") (EU 2016/679); and (iv) any other piece of information that allows the identification of such natural person, or his or her family, or permits the collection or analysis of any data related to an identified person's health or sexual orientation. To the Company's Knowledge, there have been no material breaches, violations, outages or unauthorized uses of or accesses to same, except for those that have been remedied without material cost or liability or the duty to notify any other person, nor any incidents under internal review or investigations relating to the same. The Company and its Subsidiaries are presently in material compliance with all applicable laws or statutes and all judgments, orders, rules and regulations of any court or arbitrator or governmental or regulatory authority, internal policies and contractual obligations relating to the privacy and security of IT Systems and Personal Data and to the protection of such IT Systems and Personal Data from unauthorized use, access, misappropriation or modification.

(mm) Compliance with Data Privacy Laws. The Company and its Subsidiaries are, and at all prior times were, in material compliance with all applicable state and federal data privacy and security laws and regulations, and the Company and its Subsidiaries have taken commercially reasonable actions to prepare to comply with, and since May 25, 2018, have been and currently are in compliance with, the GDPR (EU 2016/679) (collectively, the "**Privacy Laws**"). To ensure compliance with the Privacy Laws, the Company and its Subsidiaries have in place, comply with, and take appropriate steps reasonably designed to ensure compliance in all material respects with their policies and procedures relating to data privacy and security and the collection, storage, use, disclosure, handling, and analysis of Personal Data (the "**Policies**"). The Company and its Subsidiaries have at all times made all disclosures to users or customers required by applicable laws and regulatory rules or requirements, and none of such disclosures made or contained in any Policy have, to the Company's Knowledge, been inaccurate or in violation of any applicable laws and regulatory rules or requirements in any material respect. To the Company's Knowledge, neither the Company nor any Subsidiary: (i) has received notice of any actual or potential liability under or relating to, or actual or potential violation of, any of the Privacy Laws, and has no knowledge of any event or condition that would reasonably be expected to result in any such notice; (ii) is currently conducting or paying for, in whole or in part, any investigation, remediation, or other corrective action pursuant to any Privacy Law; or (iii) is a party to any order, decree, or agreement that imposes any obligation or liability under any Privacy Law.

(nn) Transfer Taxes. All transfer, stamp, registration, court or documentary, recording, filing or other similar taxes (other than taxes imposed on or measured by net income (however denominated)) which are required to be paid by the Company in connection with the issuance, registration, sale or transfer of the Securities to be sold to each Buyer hereunder will be, or will have been, fully paid or provided for by the Company, and all laws imposing such taxes will be or will have been complied with in all material respects.

(oo) Insurance. The Company and each of its Subsidiaries, if any, are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as management of the Company believes to be prudent and customary in the businesses in which the Company and its Subsidiaries, if any, are engaged. Neither the Company nor any such Subsidiary, if any, has been refused any insurance coverage sought or applied for and, to the Company's Knowledge, neither the Company nor any such Subsidiary, if any, has any reason to believe that it will be unable to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a Material Adverse Effect.

(pp) U.S. Real Property Holding Corporation. Neither the Company nor any of its Subsidiaries, if any, is, or has ever been, a U.S. real property holding corporation within the meaning of Section 897 of the Internal Revenue Code of 1986, as amended, and the Company and each Subsidiary shall so certify upon a Buyer's request.

(qq) No Disagreements with Accountants and Lawyers. There are no material disagreements of any kind presently existing, or reasonably anticipated by the Company to arise, between the Company and the accountants and lawyers formerly or presently employed by the Company and the Company is current with respect to any fees owed to its accountants and lawyers which could affect the Company's ability to perform any of its obligations under any of the Transaction Documents.

4. COVENANTS.

(a) Best Efforts. Each party hereto shall use its best efforts to timely satisfy each of the conditions to be satisfied by it as provided in Sections 5 and 6.

(b) Form D and Blue Sky. The Company agrees to file a Form D with respect to the Securities as required under Regulation D and to provide a copy thereof to the Buyers promptly after such filing. The Company shall, on or before the Closing, take such action as the Company shall reasonably determine is necessary in order to obtain an exemption for or to qualify the Securities for sale to the Buyers at the Closing pursuant to this Agreement under applicable securities or "Blue Sky" laws of the states of the United States (or to obtain an exemption from such qualification), and shall provide evidence of any such action so taken to the Buyers on or prior to the Closing. The Company shall make all filings and reports relating to the offer and sale of the Securities required under applicable securities or "Blue Sky" laws of the states of the United States following the Closing.

(c) Reporting Status. Until the date on which no Buyer holds any Shares (the "**Reporting Period**"), the Company shall timely file all reports required to be filed with the SEC pursuant to the 1934 Act (reports filed in compliance with the time period specified in Rule 12b-25 promulgated under the 1934 Act or SEC or SEC staff issued relief shall be considered timely for this purpose), and the Company shall not terminate its status as an issuer required to file reports under the 1934 Act even if the 1934 Act or the rules and regulations thereunder would no longer require or otherwise permit such termination, and the Company shall take all actions necessary to maintain its eligibility to register the Underlying Shares for resale by the Buyers on Form S-1.

(d) Use of Proceeds. The Company will use the proceeds from the Closing in the manner described in Exhibit D hereto, provided that in no event may the proceeds be used, directly or indirectly, for the redemption or repurchase of any securities of the Company or any of its Subsidiaries or repayment of any Indebtedness.

(e) Financial Information. The Company agrees to send the following to the Buyers that hold Shares during the Reporting Period (i) unless the following are filed with the SEC through EDGAR and are available to the public through the EDGAR system, within one Business Day after the filing thereof with the SEC, a copy of its Annual Reports on Form 10-K, any Quarterly Reports on Form 10-Q, any Current Reports on Form 8-K (or any analogous reports under the 1934 Act) and any registration statements (other than on Form S-8) or amendments filed pursuant to the 1933 Act, and (ii) copies of any notices and other information made available or given to the stockholders of the Company generally, contemporaneously with the making available or giving thereof to the stockholders. As used herein, "**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.

(f) Listing. The Company shall promptly secure the listing of all of the Underlying Shares upon each national securities exchange and automated quotation system, if any, upon which the Common Stock is then listed (subject to official notice of issuance) and shall maintain such listing of all Underlying Shares from time to time issuable under the terms of the Preferred Stock. For so long as any Buyer owns any Shares, (i) the Company shall maintain the authorization for quotation of the Common Stock on the Principal Market or The New York Stock Exchange, the NYSE American, the Nasdaq Global Market, the Nasdaq Global Select Market, the OTC Bulletin Board, the OTCQB or the OTCQX (or any successors to any of the foregoing) ("**Trading Market**"), and (ii) neither the Company nor any of its Subsidiaries shall take any action which would be reasonably expected to result in the suspension of quotation of the Common Stock on the Principal Market other than in connection with, as a result of or after listing of the Common Stock on The New York Stock Exchange, the NYSE American, the Nasdaq Global Market, the Nasdaq Global Select Market, or any other recognized stock exchange in North America, including, without limitation, the Toronto Stock Exchange, the TSX Venture Exchange, the NEO Exchange Inc. or the Canadian Securities Exchange (or any successors to any of the foregoing). The Company shall pay all fees and expenses in connection with satisfying its obligations under this Section 4(f).

(g) Fees. The Company shall be responsible for the payment of any placement agent fees, financial advisory fees, or broker's commissions (other than those for Persons engaged by any Buyer) relating to or arising out of the transactions contemplated hereby, including, without limitation, any fees or commissions payable to placement agents, including any reasonable legal fees and expenses of such placement agents. The Company shall pay, and hold the Buyers harmless against, any liability, loss or expense (including, without limitation, reasonable attorney's fees and out-of-pocket expenses) arising in connection with any claim relating to any such payment. Except as otherwise set forth in the Transaction Documents, each party to this Agreement shall bear its own expenses in connection with the sale of the Shares to the Buyers.

(h) Disclosure of Transactions and Other Material Information. On or before 9:00 AM New York City time four Business Days after the date hereof, the Company shall (A) issue a press release disclosing all material terms of the transactions contemplated hereby and (B) file a Current Report on Form 8-K describing the terms of the transactions contemplated by the Transaction Documents in the form required by the 1934 Act and attaching the material Transaction Documents to the extent required by law (the "**8-K Filing**"). Subject to the foregoing, neither the Company or its Subsidiaries nor the Buyers shall issue any press releases or any other public statements with respect to the transactions contemplated hereby; provided, however, that the Company shall be entitled, without the prior approval of the Buyers, to make any press release or other public disclosure with respect to such transactions (i) in substantial conformity with the 8-K Filing and contemporaneously therewith and (ii) as is required by Applicable Law. Except for any registration statement filed in accordance with this Agreement, the 8-K Filing and as required by Applicable Law and Trading Market regulations, without the prior written consent of a Buyer, neither the Company nor any of its Subsidiaries or affiliates shall disclose the name of such Buyer in any filing, announcement, release or otherwise.

(i) Reservation of Shares of Common Stock. So long as any Buyer owns any Shares, the Company shall take all action necessary to at all times after the date hereof have authorized, and reserved for the purpose of issuance, no less than the number of shares of Common Stock issuable upon conversion of the Shares then outstanding based on the then current conversion price. If at any time the number of shares of Common Stock so authorized and reserved for issuance is not sufficient to meet the foregoing obligation, the Company will promptly take all corporate action necessary to authorize and reserve a sufficient number of shares of Common Stock, including, without limitation, calling a special meeting of stockholders to authorize additional shares of Common Stock to meet such obligation.

(j) Buyers Lock-Up. Notwithstanding anything to the contrary contained herein, each Buyer agrees that it will not sell any Underlying Shares prior to the first anniversary of the Original Issue Date. Each Buyer may sell, in the aggregate, (1) up to 25% of the Underlying Shares purchased hereunder at any time following the first anniversary of the Original Issue Date until the eighteen month anniversary of the Original Issue Date, (2) up to 50% of the Underlying Shares purchased hereunder at any time following the eighteen month anniversary of the Original Issue Date until the second anniversary of the Original Issue Date, and (3) all of the Underlying Shares purchased hereunder at any time following the second anniversary of the Original Issue Date; provided, however, that each Buyer may sell all of the Underlying Shares purchased hereunder at any time following the first Listing Event that occurs after the Original Issue Date; provided further, however, that this Section 4(j) shall not apply to a Buyer's Underlying Shares issued upon conversion of Shares in connection with an Anticipated Change of Control Notice or a Forced Redemption Notice (in the latter case, solely with respect to Underlying Shares issued upon conversion of the Shares that are the subject of such Forced Redemption Notice).

(k) Notice of Disqualification Events. The Company will notify the Buyers in writing prior to any Closing of (i) any Disqualification Event relating to any Issuer Covered Person and (ii) any event that would, with the passage of time, become a Disqualification Event relating to any Issuer Covered Person.

(l) Compliance with Cannabis Law. The Company shall take all action to comply with state cannabis laws and regulations, including making all requisite filings under such laws and regulations as and when required.

(m) Registration.

(i) After the earlier to occur of (1) a Listing Event (as defined in the Certificate of Designation), and (2) the date that is 12 months after the Original Issue Date, Buyers holding Shares convertible into shares of Common Stock with a market value that is equal to at least $10,000,000 shall have the right to require the Company at any time, and from time to time, to file a registration statement on Form S-1 (or if eligible to use Form S-3, a registration statement on Form S-3) with the SEC covering the resale of the Underlying Shares (each such registration statement and each registration statement filed pursuant to Section 4(m)(ii), a "**Resale Registration Statement**").

(ii) The Company also agrees that to the extent it files any registration statement with the SEC, other than a registration statement on Form S-8, Form S-4 or Form S-3, it will prior to filing such registration statement, give the Buyers reasonable written notice in order to permit the Buyers to include in such registration statement, the resale of the Underlying Shares; provided, however, that if, solely in connection with any primary underwritten public offering for the account of the Company, the managing underwriter(s) thereof shall, in its reasonable discretion, impose a limitation on the number of Underlying Shares which may be included in such registration statement because, in such underwriter(s)' judgment, marketing or other factors dictate such limitation is necessary to facilitate public distribution, then the Company shall be obligated to allocate for inclusion in such registration statement the Underlying Shares of each participating holder of Underlying Shares in direct proportion (as nearly as practicable) to the number of Underlying Shares requested to be included by such holder; provided, however, that the Buyers shall not be disproportionately negatively affected as compared to other holders of Company securities to be registered.

(iii) The Company will promptly file and use best efforts to cause to become promptly effective such Resale Registration Statement as well as any filings required under any applicable state securities laws or regulations. The Company shall keep such Resale Registration Statement effective until the earlier of (1) such time as all of the Underlying Shares registered for resale under such Resale Registration Statement have been sold pursuant to such Resale Registration Statement or otherwise, or (2) such time as the Underlying Shares registered for resale under such Resale Registration Statement may be sold under Rule 144 without restriction or limitation and without the requirement to be in compliance with Rule 144(c)(1). The Buyers' right to demand registration of the Underlying Shares shall not terminate until such time as all the Underlying Shares have been registered for resale with the SEC and the Buyers have sold or otherwise transferred to Persons not affiliated with the Buyers all of such Underlying Shares. All costs related to the preparation, filing and effectiveness of such registrations, including accounting and legal fees and expenses (including reasonable fees and expenses of counsel for the Buyers) shall be borne by the Company. The Company will enter into an agreement with the Buyers including customary terms and conditions for any such registration, including customary indemnification provisions.

(iv) Notwithstanding the foregoing obligations, the Company may, upon written notice to the Buyers, for a reasonable period of time, not to exceed 45 days in the case of clauses (1) and (2) below, or 30 days in the case of clause (3) below (each, a "**Suspension Period**"), delay the filing of a Resale Registration Statement or a request for acceleration of the effective date, or suspend the effectiveness of any Resale Registration Statement, in the event that (1) the Company is engaged in any activity or transaction or preparations or negotiations for any activity or transaction that the Company desires to keep confidential for business reasons, if the Company's board of directors determines in its reasonable good faith judgement that the public disclosure requirements imposed on the Company under the Securities Act in connection with the Resale Registration Statement would require at that time disclosure of such activity, transaction, preparations or negotiations and such disclosure could result in material harm to the Company or its business transactions or activities, (2) the Company does not yet have appropriate financial statements of any acquired or to be acquired entities necessary for filing, or (3) any other event occurs that makes any statement of a material fact made in such Resale Registration Statement, including any document incorporated by reference therein, untrue or that requires the making of any additions or changes in the Resale Registration Statement in order to make the statements therein not misleading. The Company may not invoke its right to suspend or delay a registration statement pursuant to this Section 4(m)(iv) more than twice in any twelve month period. If the Company suspends the effectiveness of a Resale Registration Statement pursuant to this Section 4(m)(iv), the Company shall, as promptly as reasonably practicable following the termination of the circumstance which entitled the Company to do so, take such actions as may be necessary to reinstate the effectiveness of such Resale Registration Statement and give written notice to the applicable Buyers authorizing the applicable Buyers to resume offerings and sales pursuant to such Resale Registration Statement.

(v) It shall be a condition precedent to the obligations of the Company to file or effect any Resale Registration Statement pursuant to this Section 4(m) that each Buyer who desires to include Underlying Shares in such Resale Registration Statement shall furnish to the Company such information regarding itself, the Company securities held by it and the intended method of disposition of the Underlying Shares held by it as shall be reasonably required to effect and maintain the effectiveness of the registration of such Resale Registration Statement and shall execute such documents in connection with such registration as the Company may reasonably request.

(vi) Notwithstanding anything contained herein to the contrary, the Company shall not be obligated to (1) effect a registration pursuant to this Section 4(m) within 90 days after the effective date of a previous registration; (2) effect a registration pursuant to this Section 4(m) unless the request is for a number of shares of Common Stock with a market value that is equal to at least $3,000,000 as of the date of such request; (3) effect a registration if the Company has effected two registrations on a Resale Registration Statement in the 12-month period prior to such request, or (4) file or effect a Resale Registration Statement with respect to any Underlying Shares subject to a registration demand that may be sold under Rule 144 without restriction or limitation and without the requirement to be in compliance with Rule 144(c)(1) limitation.

(n) Closing Documents. On or prior to 14 calendar days after each Closing, the Company agrees to deliver, or cause to be delivered, to the Buyers a complete closing set of the executed Transaction Documents and any other documents required to be delivered to any party hereto pursuant to Section 6 hereof or otherwise.

(o) Equity Incentive Plan Limitation. For as long as any Buyer holds any Shares, without the prior written consent of Buyers holding at least a majority of the then-outstanding Shares, the Company shall not have issued and outstanding awards under any equity incentive plan for the issuance of shares of Common Stock representing more than 12% of the then-issued and outstanding shares of Common Stock (calculated on an as-converted, fully-diluted basis, excluding warrants) in the aggregate.

(p) Regulation M. The Company will not take any action prohibited by Regulation M under the 1934 Act, in connection with the distribution of the Securities contemplated hereby.

(q) General Solicitation. None of the Company, any of its affiliates (as defined in Rule 501(b) under the 1933 Act) or any person acting on behalf of the Company or such affiliate will solicit any offer to buy or offer or sell the Preferred Stock by means of any form of general solicitation or general advertising within the meaning of Regulation D, including: (i) any advertisement, article, notice or other communication published in any newspaper, magazine or similar medium or broadcast over television or radio; and (ii) any seminar or meeting whose attendees have been invited by any general solicitation or general advertising.

(r) Integration. None of the Company, any of its affiliates (as defined in Rule 501(b) under the 1933 Act), or any person acting on behalf of the Company or such affiliate will sell, offer for sale, or solicit offers to buy or otherwise negotiate in respect of any security (as defined in the 1933 Act) which will be integrated with the sale of the Securities in a manner which would require the registration of the Securities under the 1933 Act or require stockholder approval under the rules and regulations of the Principal Market and the Company will take all action that is appropriate or necessary to assure that its offerings of other securities will not be integrated for purposes of the 1933 Act or the rules and regulations of the Principal Market, with the issuance of Securities contemplated hereby.

(s) Pledge of Securities. The Company acknowledges and agrees that 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 Buyer 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 or any other Transaction Document, including, without limitation, this Section 2(f).

5. CONDITIONS TO THE COMPANY'S OBLIGATION TO SELL.

(a) The obligation of the Company hereunder to issue and sell the Shares to the Buyers at the Closing is subject to the satisfaction, at or before the Closing, of each of the following conditions, provided that these conditions are for the Company's sole benefit and may be waived by the Company at any time in its sole discretion by providing the Buyers with prior written notice thereof:

(i) Each Buyer shall have executed each of the Transaction Documents to which it is a party and delivered the same to the Company.

(ii) Each Buyer shall have delivered to the Company such Buyer's aggregate Purchase Price, for the Shares being purchased by such Buyer at the Closing by wire transfer of immediately available funds pursuant to the wire instructions provided by the Company.

(iii) The representations and warranties of each Buyer shall be true and correct as of the date when made and as of the Closing as though made at that time (except for representations and warranties that speak as of a specific date which shall be true and correct as of such specified date), and each Buyer shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by such Buyer at or prior to the Closing.

(iv) The Company shall have received the Dye SPA Waiver.

(v) The Company shall have raised or otherwise secured a minimum of $72 million of capital from any combination of the sale of shares of Preferred Stock and proceeds to be disbursed to the Company from a loan under a credit facility evidenced by a commitment to lend (provided that such commitment may be subject to conditions to draw on the credit facility and may be funded in tranches; exclusive of original issue discount on the loan).

(vi) The special committee of the Board of Directors of the Company shall have received an opinion from a financial advisor that the consideration received by the Company for the issuance of the Preferred Stock is fair to the Company, from a financial point of view.

6. CONDITIONS TO EACH BUYER'S OBLIGATION TO PURCHASE.

(a) The obligation of each Buyer hereunder to purchase the Shares that such Buyer is purchasing at the Closing is subject to the satisfaction, at or before the Closing, of each of the following conditions, provided that these conditions are for such Buyer's sole benefit and may be waived by such Buyer at any time in its sole discretion by providing the Company with prior written notice thereof:

(i) The Company shall have duly executed and delivered to such Buyer (A) each of the Transaction Documents, and (B) the Shares being purchased by such Buyer at the Closing pursuant to this Agreement.

(ii) The Company shall have delivered to such Buyer evidence of the filing and acceptance of the Certificate of Designation from the Nevada Secretary of State.

(iii) The Company shall have delivered to such Buyer a certificate, executed by the Secretary of the Company and dated as of the Closing, as to (i) the resolutions consistent with Section 3(b) as adopted by the Company's Board of Directors in a form reasonably acceptable to such Buyer, (ii) the Articles of Incorporation and (iii) the Bylaws, each as in effect at the Closing, in the form attached hereto as Exhibit B.

(iv) The representations and warranties of the Company shall be true and correct as of the date when made and as of the Closing as though made at that time (except for representations and warranties that speak as of a specific date which shall be true and correct as of such specified date) and the Company shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by the Transaction Documents to be performed, satisfied or complied with by the Company at or prior to the Closing. Such Buyer shall have received a certificate, executed by the Chief Executive Officer of the Company, dated as of the Closing, to the foregoing effect and as to such other matters as may be reasonably requested by such Buyer in the form attached hereto as Exhibit C.

(v) The Common Stock (I) shall be designated for quotation on the Principal Market and (II) shall not have been suspended, as of the Closing, by the SEC or the Principal Market from trading on the Principal Market nor shall suspension by the SEC or the Principal Market have been threatened, as of the Closing, either (A) in writing by the SEC or the Principal Market or (B) by falling below the minimum listing maintenance requirements of the Principal Market.

(vi) The Company shall have obtained all governmental, regulatory or third party consents and approvals, if any, necessary for the sale of the Shares and the consummation of the transactions contemplated hereby.

(vii) The Company shall have delivered to such Buyer such other documents relating to the transactions contemplated by this Agreement as such Buyer or its counsel may reasonably request.

(viii) The Company shall have received the Dye SPA Waiver.

(ix) The Company shall have raised or otherwise secured a minimum of $72 million of capital from any combination of the sale of shares of Preferred Stock and proceeds to be disbursed to the Company from a loan under a credit facility evidenced by a commitment to lend (provided that such commitment may be subject to conditions to draw on the credit facility and may be funded in tranches; exclusive of original issue discount on the loan).

(x) All of the conditions precedent to the obligations of the parties to the Proposed Transaction to consummate the Proposed Transaction shall have been satisfied or waived, such that the Proposed Transaction shall close upon the funding pursuant to this Agreement and the Transaction Documents.

7. TERMINATION. In the event that the Closing shall not have occurred on or before November 30, 2020 due to the Company's or the Buyers' failure to satisfy the conditions set forth in Sections 5 and 6 above (and the nonbreaching party's failure to waive such unsatisfied condition(s)), the nonbreaching party shall have the option to terminate this Agreement with respect to such breaching party at the close of business on such date by delivering a written notice to that effect to each other party to this Agreement and without liability of any party to any other party; provided, however, that notwithstanding the foregoing the Buyers shall not be deemed to have waived any right to seek damages in respect of any breach of this Agreement by the Company and shall have all remedies available to it pursuant to this Agreement, under law or at equity.

8. MISCELLANEOUS.

(a) Governing Law; Jurisdiction; Jury Trial. All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by the internal laws of the State of Nevada, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Nevada or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of Nevada. Each party 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 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. Each party 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 such party at the address for such notices to it under this 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. **EACH PARTY 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 AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.**

(b) Counterparts. This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party; provided that a facsimile or .pdf signature shall be considered due execution and shall be binding upon the signatory thereto with the same force and effect as if the signature were an original, not a facsimile or .pdf signature.

(c) Headings. The headings of this Agreement are for convenience of reference and shall not form part of, or affect the interpretation of, this Agreement.

(d) Severability. If any provision of this Agreement 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 Agreement so long as this Agreement 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).

(e) Entire Agreement; Amendments. This Agreement and the other Transaction Documents supersede all other prior oral or written agreements between the Buyers, the Company, their affiliates and Persons acting on their behalf with respect to the matters discussed herein, and this Agreement, the other Transaction Documents and the instruments referenced herein and therein contain the entire understanding of the parties with respect to the matters covered herein and therein and, except as specifically set forth herein or therein, neither the Company nor the Buyers makes any representation, warranty, covenant or undertaking with respect to such matters. No provision of this Agreement may be amended or waived other than by an instrument in writing signed by the Company and the Buyers holding a majority of the then-outstanding Shares, and any amendment or waiver to this Agreement made in conformity with the provisions of this Section 8(e) shall be binding on all holders of Securities and the Company; provided, however, that no amendment shall be effective against any Buyer that is disproportionately affected by such amendment as compared to any other Buyer without such Buyer's written consent; provided, further, that no amendment requiring any Buyer to purchase additional Securities shall be effective against a Buyer without such Buyer's written consent; provided, further, that no waiver of the provisions of Section 6(a) shall be effective against a Buyer without such Buyer's written consent. No such amendment shall be effective to the extent that it applies to less than all of the holders of the applicable Securities then outstanding. No consideration shall be offered or paid to any Person to amend or consent to a waiver or modification of any provision of any of the Transaction Documents unless the same consideration (other than the reimbursement of legal fees) also is offered to all of the parties to the Transaction Documents; provided, however, for clarity, any Person's participation in a subsequent securities offering of the Company shall not be consideration for this purpose. The Company has not, directly or indirectly, made any agreements with the Buyers relating to the terms or conditions of the transactions contemplated by the Transaction Documents except as set forth in the Transaction Documents. Without limiting the foregoing, the Company confirms that, except as set forth in this Agreement, the Buyers has not made any commitment or promise or has any other obligation to provide any financing to the Company or otherwise. Whenever this Agreement requires the consent or approval of the holders of the Preferred Stock, unless otherwise expressly and specifically set forth in this Agreement, such consent or approval shall require the approval of the Buyers holding a majority of the then-outstanding Shares.

(f) Notices. Any notices, consents, waivers or other communications required or permitted to be given under the terms of this Agreement or any of the other Transaction Documents must be in writing and will be deemed to have been delivered: (i) upon receipt, when delivered personally; (ii) upon delivery, when sent by facsimile (provided confirmation of transmission is mechanically or electronically generated and kept on file by the sending party) or by electronic mail; (iii) upon delivery, when sent by electronic mail (provided that the sending party does not receive an automated rejection notice); or (iv) upon receipt, when sent by overnight courier service, in each case properly addressed to the party to receive the same. The addresses, facsimile numbers and e-mail addresses for such communications shall be:

If to the Company:

Medicine Man Technologies, Inc.
4880 Havana Street, Suite 201
Denver, CO 80239
Telephone: (303) 371-0387
Facsimile: (303) 371-0598
Attention: General Counsel
E-mail: dan@schwazze.com

If to a Buyer, to such Buyer's address and e-mail address set forth on the Schedule of Buyers hereto, with copies to such Buyer's representatives as set forth on its signature page hereto. Any notice address, facsimile number or email address for a party may be changed by delivering such other address, facsimile number and/or e-mail address and/or to the attention of such other Person as the specified by written notice given to the Company or the Buyers, as applicable, five calendar days prior to the effectiveness of such change. Written confirmation of receipt (A) given by the recipient of such notice, consent, waiver or other communication, (B) mechanically or electronically generated by the sender's facsimile machine or e-mail containing the time, date, recipient facsimile number and an image of the first page of such transmission or (C) provided by an overnight courier service shall be rebuttable evidence of personal service, receipt by facsimile or receipt from an overnight courier service in accordance with clause (i), (ii) or (iii) above, respectively.

(g) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. The Company shall not assign this Agreement or any rights or obligations hereunder without the prior written consent of the Buyers holding a majority of the then-outstanding Shares. A Buyer shall not assign this Agreement or any rights or obligations hereunder without the prior written consent of the Company.

(h) No Third Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other Person.

(i) Survival. Unless this Agreement is terminated under Section 7, the covenants and agreements of the Company and the Buyer shall survive the Closing. Each Buyer shall be responsible only for its own representations, warranties, agreements and covenants hereunder. The representations and warranties of the Company shall survive the Closing until the two year anniversary thereof.

(j) Further Assurances. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as any other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

(k) Indemnification.

(i) In consideration of each Buyer's execution and delivery of the Transaction Documents and acquiring the Securities thereunder and in addition to all of the Company's other obligations under the Transaction Documents, the Company shall defend, protect, indemnify and hold harmless each Buyer and all of their stockholders, partners, members, officers, directors, employees and direct or indirect investors and any of the foregoing Persons' agents or other representatives (including, without limitation, those retained in connection with the transactions contemplated by this Agreement) (collectively, the "**Indemnitees**") from and against any and all actions, causes of action, suits, claims, losses, costs, penalties, fees, liabilities and damages, other than special, exemplary, incidental, punitive or consequential damages, including lost profits, diminution in value, damage to reputation or the like unless any such damages are awarded to a third party, and expenses in connection therewith (irrespective of whether any such Indemnitee is a party to the action for which indemnification hereunder is sought), and including reasonable attorneys' fees and disbursements (the "**Indemnified Liabilities**"), incurred by any Indemnitee as a result of, or arising out of, or relating to (x) any misrepresentation or breach of any representation or warranty made by the Company or any Subsidiary in this Agreement, or (y) any breach of any covenant, agreement or obligation of the Company or any Subsidiary contained in this Agreement or (z) any untrue or alleged untrue statement of a material fact contained in any Resale Registration Statement or any amendment thereof or supplement thereto or any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that the Company will not be liable in any such case to the extent that any such Indemnified Liabilities (A) arise primarily out of or is based primarily upon the inaccuracy of any representations and warranties made by such Buyer in this Agreement or (B) are caused by or contained in any information furnished in writing to the Company by a Buyer expressly for use in a Resale Registration Statement or any amendment thereof or supplement thereto. To the extent that the foregoing undertaking by the Company may be unenforceable for any reason, the Company shall make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities which is permissible under applicable law. Notwithstanding anything to the contrary herein, the Company's aggregate liability under this Section 8(k) to any Indemnitee shall not exceed the Purchase Price paid by the applicable Buyer.

(ii) Promptly after receipt by an Indemnitee under this Section 8(k) of notice of the commencement of any action or proceeding (including, without limitation, any governmental action or proceeding) involving an Indemnified Liability, such Indemnitee shall, if a claim in respect thereof is to be made against any indemnifying party under this Section 8(k), deliver to the indemnifying party a written notice of the commencement thereof, and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume control of the defense thereof with counsel mutually satisfactory to the indemnifying party and the Indemnitee; provided, however, that an Indemnitee shall have the right to retain its own counsel with the fees and expenses of such counsel to be paid by the indemnifying party if: (x) the indemnifying party has agreed in writing to pay such fees and expenses; (y) the indemnifying party shall have failed promptly to assume the defense of such Indemnified Liability and to employ counsel reasonably satisfactory to such Indemnitee in any such Indemnified Liability; or (z) the named parties to any such Indemnified Liability (including, without limitation, any impleaded parties) include both such Indemnitee and the indemnifying party, and such Indemnitee shall have been advised by counsel that a conflict of interest is likely to exist if the same counsel were to represent such Indemnitee and the indemnifying party (in which case, if such Indemnitee notifies the indemnifying party in writing that it elects to employ separate counsel at the expense of the indemnifying party, then the indemnifying party shall not have the right to assume the defense thereof and such counsel shall be at the expense of the indemnifying party), provided further that in the case of clause (z) above the indemnifying party shall not be responsible for the reasonable fees and expenses of more than one (1) separate legal counsel for such Indemnitee. The Indemnitee shall reasonably cooperate with the indemnifying party in connection with any negotiation or defense of any such action or claim by the indemnifying party and shall furnish to the indemnifying party all information reasonably available to the Indemnitee which relates to such Indemnified Liability. The indemnifying party shall keep the Indemnitee reasonably apprised at all times as to the status of the defense or any settlement negotiations with respect thereto. No indemnifying party shall be liable for any settlement of any action, claim or proceeding effected without its prior written consent; provided, however, the indemnifying party shall not unreasonably withhold, delay or condition its consent. No indemnifying party shall, without the prior written consent of the Indemnitee, consent to entry of any judgment or enter into any settlement or other compromise which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnitee of a release from all liability in respect to such Indemnified Liability, and such settlement shall not include any admission as to fault on the part of the Indemnitee. Following indemnification as provided for hereunder, the indemnifying party shall be subrogated to all rights of the Indemnitee with respect to all third parties, firms or corporations relating to the matter for which indemnification has been made. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action shall not relieve such indemnifying party of any liability to the Indemnitee under this Section 8(k), except to the extent that the indemnifying party is materially and adversely prejudiced in its ability to defend such action. The indemnity agreements contained herein shall be in addition to (A) any cause of action or similar right of the Indemnitees against the indemnifying party or others, and (B) any liabilities the indemnifying party may be subject to pursuant to the law.

(l) Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party. Each party hereto agrees that such party and/or its legal counsel has reviewed and had an opportunity to revise the Transaction Documents and, therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of the Transaction Documents or any amendments thereto. In addition, each and every reference to share prices and shares of Common Stock in any Transaction Document shall be subject to adjustment for reverse and forward stock splits, stock dividends, stock combinations and other similar transactions of the Common Stock that occur after the date of this Agreement.

(m) Remedies. The Buyers and each holder of the Securities shall have all rights and remedies set forth in the Transaction Documents and all rights and remedies which such holders have been granted at any time under any other agreement or contract and all of the rights which such holders have under any law. Any Person having any rights under any provision of this Agreement shall be entitled to enforce such rights specifically (without posting a bond or other security), to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights granted by law. Furthermore, the Company recognizes that in the event that it fails to perform, observe, or discharge any or all of its obligations under the Transaction Documents, any remedy at law may prove to be inadequate relief to the Buyers. The Company therefore agrees that the Buyers shall be entitled to seek temporary and permanent injunctive relief in any such case without the necessity of proving actual damages and without posting a bond or other security. The remedies provided in this Agreement and the other Transaction Documents shall be cumulative and in addition to all other remedies available under this Agreement and the other Transaction Documents, at law or in equity (including a decree of specific performance and/or other injunctive relief).

(n) Withdrawal Right. Notwithstanding anything to the contrary contained in (and without limiting any similar provisions of) this Agreement, whenever any Buyer exercises a right, election, demand or option under this Agreement and the Company or any Subsidiary does not timely perform its related obligations within the periods therein provided, then such Buyer may rescind or withdraw, in its sole discretion from time to time upon written notice to the Company or such Subsidiary (as the case may be), any relevant notice, demand or election in whole or in part without prejudice to its future actions and rights.

(o) Payment Set Aside. To the extent that the Company makes a payment or payments to a Buyer hereunder or pursuant to any of the other Transaction Documents or a Buyer enforces or exercises its rights hereunder or thereunder, and such payment or payments or the proceeds of such enforcement or exercise or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside, recovered from, disgorged by or are required to be refunded, repaid or otherwise restored to the Company, a trustee, receiver or any other Person under any law (including, without limitation, any bankruptcy law, foreign, state or federal law, common law or equitable cause of action), then to the extent of any such restoration the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred.

(p) Independent Nature of Buyers' Obligations and Rights. The obligations of each Buyer under any Transaction Document are several and not joint with the obligations of any other Buyer, and no Buyer shall be responsible in any way for the performance or non-performance of the obligations of any other Buyer under any Transaction Document. Nothing contained herein or in any other Transaction Document, and no action taken by any Buyer pursuant hereto or thereto, shall be deemed to constitute the Buyers as a partnership, an association, a joint venture or any other kind of entity, or create a presumption that the Buyers are in any way acting in concert or as a group with respect to such obligations or the transactions contemplated by the Transaction Documents. Each Buyer shall be entitled to independently protect and enforce its rights, including, without limitation, the rights arising out of this Agreement or out of the other Transaction Documents, and it shall not be necessary for any other Buyer to be joined as an additional party in any proceedings for such purpose. Each Buyer has been represented by its own separate legal counsel in its review and negotiation of the Transaction Documents. The Company has elected to provide all Buyers with the same terms and Transaction Documents for the convenience of the Company and not because it was required or requested to do so by any of the Buyers. It is expressly understood and agreed that each provision contained in this Agreement and in each other Transaction Document is between the Company and the Buyer, solely, and not between the Company and the Buyers collectively and not between and among the Buyers.

(q) Enforcement Fees. The prevailing party in any dispute under or relating to this Agreement shall have the right to collect from the other all costs and expenses incurred by such prevailing party as a result of enforcement of this Agreement and the collection of any amounts owed to such prevailing party hereunder (whether in cash, equity or otherwise), including, without limitation, reasonable attorneys' fees and expenses.

*[Signature Page(s) Follows]*

**IN WITNESS WHEREOF**, the Buyers and the Company have caused their respective signature page to this Securities Purchase Agreement to be duly executed as of the date first written above.

**COMPANY:**

**MEDICINE MAN TECHNOLOGIES, INC.**

By: /s/ Leonardo Riera
Name: Leonardo Riera
Title: Member of the Special Committee Member

**IN WITNESS WHEREOF**, the Buyers and the Company have caused their respective signature page to this Securities Purchase Agreement to be duly executed as of the date first written above.

**BUYERS:**

**Dye Capital Cann Holdings II, LLC**

By: /s/ Justin Dye
Name: Justin Dye
Title: Managing Member

Copies of notices to:

Attention: Justin Dye
Email: Dye Capital

**Exhibit 31.1**

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

I, Justin Dye, certify that:

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

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

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

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

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

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

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

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

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

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

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

Dated: November 16, 2020

/s/ Justin Dye
Justin Dye, Chief Executive Officer

**Exhibit 31.2**

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

I, Nancy Huber, certify that:

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

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

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

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

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

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

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

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

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

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

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

Dated: November 16, 2020

/s/ Nancy Huber
Nancy Huber, Chief Financial Officer

**Exhibit 32**

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

In connection with this quarterly report of Medicine Man Technologies, Inc. (the "Company") on Form 10-Q for the fiscal period ended September 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, the undersigned, in the capacities and on the date indicated below, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of our knowledge:

1. The Report fully complies with the requirements of Rule 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Dated: November 16, 2020

/s/ Justin Dye
Justin Dye, Chief Executive Officer

Dated: November 16, 2020

/s/ Nancy Huber
Nancy Huber, Chief Financial Officer