

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2021

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

Commission File Number **000-55450**

MEDICINE MAN TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
Incorporation or organization)

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

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

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

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

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

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

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

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
Emerging growth company

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

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

As of May 10, 2021, the Registrant had 42,331,595 shares of Common Stock outstanding.

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NOTE ABOUT FORWARD-LOOKING INFORMATION

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

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

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

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

Stockholders and potential investors should not place undue reliance on these forward-looking statements. Although we believe that our plans, intentions and expectations reflected in or suggested by the forward-looking statements in this Quarterly Report on Form 10-Q are reasonable, we cannot assure stockholders and potential investors that these plans, intentions or expectations will be achieved.

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

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

Part I. FINANCIAL INFORMATION
Item 1. Financial Statements

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

	March 31, 2021	December 31, 2020
	(Unaudited)	(Audited)
Assets		
Current assets		
Cash and cash equivalents	\$ 22,966,320	\$ 1,231,235
Accounts receivable, net of allowance for doubtful accounts	2,365,063	1,270,380
Accounts receivable – related party	–	80,494

Inventory	5,588,257	2,619,145
Notes receivable – related party	40,231	181,911
Prepaid expenses	627,016	614,200
Total current assets	31,586,887	5,997,365
Non-current assets		
Fixed assets, net accumulated depreciation of \$1,032,211 and \$872,579, respectively	3,089,027	2,584,798
Goodwill	40,532,910	53,046,729
Intangible assets, net accumulated amortization of \$1,796,386 and \$200,456, respectively	97,589,114	3,082,044
Marketable securities, net of unrealized gain (loss) of \$214,630 and (\$129,992), respectively	491,412	276,782
Accounts receivable – litigation	3,063,968	3,063,968
Other noncurrent assets	423,710	51,879
Operating lease right of use assets	4,242,124	2,579,036
Total non-current assets	149,432,265	64,685,236
Total assets	\$ 181,019,152	\$ 70,682,601
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 2,481,572	\$ 3,508,478
Accounts payable – related party	41,123	48,982
Accrued expenses	8,298,446	2,705,445
Derivative liabilities	2,301,295	1,047,481
Deferred revenue	–	50,000
Notes payable – related party	–	5,000,000
Total current liabilities	13,122,436	12,360,386
Long-term liabilities		
Long term debt	54,250,000	13,901,759
Lease liabilities	4,342,018	2,645,597
Total long-term liabilities	58,592,018	16,547,356
Total liabilities	71,714,454	28,907,742
Shareholders' equity		
Common stock \$0.001 par value. 250,000,000 authorized, 42,819,815 shares issued and 42,331,595 outstanding as of March 31, 2021 and 42,601,773 shares issued and 42,169,041 outstanding as of December 31, 2020, respectively.	42,820	42,602
Preferred stock \$0.001 par value. 10,000,000 authorized. 87,266 shares issued and outstanding as of March 31, 2021 and 19,716 shares issued and outstanding as of December 31, 2020, respectively.	87	20
Additional paid-in capital	157,530,563	85,357,835
Accumulated deficit	(46,823,076)	(42,293,098)
Common stock held in treasury, at cost, 488,220 shares held as of March 31, 2021 and 432,732 shares held as of December 31, 2020.	(1,445,696)	(1,332,500)
Total shareholders' equity	109,304,698	41,774,859
Total liabilities and stockholders' equity	\$ 181,019,152	\$ 70,682,601

See accompanying notes to the financial statements

MEDICINE MAN TECHNOLOGIES, INC.
CONDENSED STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS (UNAUDITED)
For the Three Months Ended March 31, 2021 and 2020
Expressed in U.S. Dollars

	Three Months Ended March 31,	
	2021	2020
Operating revenues		
Retail	\$ 11,816,200	\$ –
Wholesale	7,446,265	2,528,931
Other	77,650	674,203
Total revenue	19,340,115	3,203,134
Cost of goods and services		
Cost of goods and services	12,087,111	2,148,535
Total cost of goods and services	12,087,111	2,148,535
Gross profit	7,253,004	1,054,599
Operating expenses		
Selling, general and administrative	3,189,638	666,919
Professional services	2,195,108	1,248,988
Salaries	1,869,358	1,997,036
Stock-based compensation	1,483,806	1,252,731
Total operating expenses	8,737,910	5,165,674
Loss from operations	(1,484,906)	(4,111,075)
Other income (expense)		
Interest income (expense), net	(961,282)	48,042
Gain on forfeiture of contingent consideration	–	1,462,636
Unrealized gain (loss) on derivative liabilities	(1,253,814)	1,191,963

Gain (loss) on sale of assets	292,479	–
Unrealized gain (loss) on investment	214,630	29,124
Total other income (expense)	(1,707,987)	2,731,765
Loss before income taxes	(3,192,893)	(1,379,310)
Provision for income tax (benefit) expense	456,614	–
Net loss	<u>\$ (3,649,507)</u>	<u>\$ (1,379,310)</u>
Loss per share attributable to common shareholders		
Basic and diluted loss per share	<u>\$ (0.09)</u>	<u>\$ (0.03)</u>
Weighted average number of shares outstanding, basic and diluted	42,616,309	39,952,628
Comprehensive loss	<u>\$ (3,649,507)</u>	<u>\$ (1,379,310)</u>

See accompanying notes to the financial statements

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MEDICINE MAN TECHNOLOGIES, INC.
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)
For the Three Months Ended March 31, 2021 and 2020
Expressed in U.S. Dollars

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Treasury Stock		Total Stockholders' Equity
	Shares	Value	Shares	Value			Shares	Cost	
Balance at, December 31, 2019	–	–	39,952,628	\$ 39,953	\$ 50,356,469	\$ (22,816,477)	257,732	\$ (1,000,000)	\$ 26,579,945
Net income (loss)	–	–	–	–	–	(1,379,310)	–	–	(1,379,310)
Stock based compensation expense related to common stock options	–	–	–	–	1,252,731	–	–	–	1,252,731
Balance, March 31, 2020	–	–	39,952,628	\$ 39,953	\$ 51,609,200	\$ (24,195,787)	257,732	\$ (1,000,000)	\$ 26,453,366

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Treasury Stock		Total Stockholders' Equity
	Shares	Value	Shares	Value			Shares	Cost	
Balance at, December 31, 2020	19,716	20	42,601,773	\$ 42,602	\$ 85,357,835	\$ (42,099,098)	432,732	\$ (1,332,500)	\$ 41,774,859
Net income (loss)	–	–	–	–	–	(3,649,507)	–	–	(3,649,507)
Issuance of stock as payment for acquisitions	20,240	20	–	–	20,239,980	–	–	–	20,240,000
Return of common stock as compensation to employees, officers and/or directors	–	–	–	–	–	–	–	–	–
Issuance of common stock as compensation to employees, officers, and/or directors	–	–	218,042	218	444,588	–	–	–	444,806
Issuance of stock in connection with sales made under private or public offerings	47,310	47	–	–	50,449,160	–	–	–	50,449,207
Dividends declared	–	–	–	–	–	(880,471)	–	–	(880,471)
Return of common stock	–	–	–	–	–	–	55,488	(113,196)	(113,196)
Stock based compensation expense related to common stock options	–	–	–	–	1,039,000	–	–	–	1,039,000
Balance, March 31, 2021	87,266	87	42,819,815	\$ 42,820	\$ 157,530,563	\$ (46,823,076)	488,220	\$ (1,445,696)	\$ 109,304,698

See accompanying notes to the financial statements

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MEDICINE MAN TECHNOLOGIES, INC.
STATEMENT OF CASH FLOWS (UNAUDITED)
For the Three Months Ended March 31, 2021 and 2020
Expressed in U.S. Dollars

**For the Three Months Ended
March 31,**

	2021	2020
Cash flows from operating activities		
Net loss for the period	\$ (3,649,507)	\$ (1,379,310)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	1,790,568	6,113
Gain on forfeiture of contingent consideration	–	(1,462,636)
(Gain) loss on change in derivative liabilities	1,253,814	(1,191,963)
(Gain) loss on investment, net	(214,630)	(29,124)
Stock based compensation	1,483,806	1,252,731
Changes in operating assets and liabilities		
Accounts receivable	(1,014,189)	(107,426)
Accrued interest receivable	–	(1,248)
Inventory	225,878	42,251
Prepaid expenses and other current assets	(12,816)	–
Other assets	(371,831)	(178,290)
Operating lease right of use assets and liabilities	33,334	5,053
Accounts payable and other liabilities	2,224,092	572,827
Deferred revenue	(50,000)	–
Net cash provided by (used in) operating activities	<u>1,698,519</u>	<u>(2,471,022)</u>
Cash flows from investing activities		
Purchase of fixed assets	(633,114)	(307,178)
Cash consideration for acquisition of business	(65,109,039)	–
Issuance of notes receivable	141,680	–
Net cash (used in) investing activities	<u>(65,600,473)</u>	<u>(307,178)</u>
Cash flows from financing activities		
Proceeds from issuance of debt, net	40,348,241	–
Repayment of notes payable	(5,000,000)	–
Proceeds from issuance of stock, net of issuance costs	50,282,798	–
Net cash provided by financing activities	<u>85,631,039</u>	<u>–</u>
Net (decrease) increase in cash and cash equivalents	21,729,085	(2,778,200)
Cash and cash equivalents at beginning of period	1,237,235	11,853,627
Cash and cash equivalents at end of period	<u>\$ 22,966,320</u>	<u>\$ 9,075,427</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 897,247	\$ –

See accompanying notes to the financial statements

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

Organization and Nature of Operations

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

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

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

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

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

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

From December 2020 through March 2021 the Company completed a private placement of Series A Cumulative Convertible Preferred Stock (“Series A Preferred Stock”) for aggregate gross proceeds of \$57.7 million dollars. In the private placement, the Company issued and sold an aggregate of 57,700 shares of Series A Preferred Stock at a price

of \$1,000 per share under securities purchase agreement with Dye Capital Cann Holdings II, LLC (“Dye Cann II”) and CRW Cann Holdings, LLC (“CRW”) as well as subscription agreements with unaffiliated investors. Among other terms, each share of Series A Preferred Stock (i) earns an annual dividend of 8% on the “preference amount,” which initially is equal to the \$1,000 per-share purchase price and subject to increase, by having such dividends automatically accrete to, and increase, the outstanding preference amount; (ii) is entitled to a liquidation preference under certain circumstances, (iii) is convertible into shares of the Company’s common stock by dividing the preference amount by \$1.20 per share under certain circumstances, and (iv) is subject to a redemption right or obligation under certain circumstances.

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

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

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

1. **Liquidity and Capital Resources:**

During the quarters ended March 31, 2021 and 2020, the Company primarily used revenues from its operations to fund its operations.

Cash and cash equivalents are carried at cost and represent cash on hand, deposits placed with banks or other financial institutions and all highly liquid investments with an original maturity of three months or less as of the purchase date. The Company had \$22,966,320 and \$1,231,235 classified as cash and cash equivalents as of March 31, 2021 and December 31, 2020, respectively.

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

To mitigate credit risk, the Company may purchase highly liquid investments with an original maturity of three months or less. As of March 31, 2020, the Company had one United States Treasury Bill with a maturity date of April 7, 2020 and bearing interest at a rate of approximately 0.65%. The Company did not have any such United States Treasury Bills as of March 31, 2021.

2. **Critical Accounting Policies and Estimates**

Management’s Representation of Interim Financial Statements

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

Basis of Presentation

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

Use of Estimates

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

Reclassifications

During the quarter ended March 31, 2021, we changed our segments based on the way management discusses and reviews financial information. Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no impact on the Company’s net (loss) earnings and financial position.

Fair Value Measurements

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

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

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

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

The Company's financial instruments include cash, accounts receivable, notes receivable, accounts 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 the year, using Level 3 inputs.

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

	March 31, 2021	December 31, 2020
Level 1 – Marketable Securities Available-for-Sale – Recurring	491,412	276,782

Marketable Securities at Fair Value on a Recurring Basis

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

Fair Value of Financial Instruments

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

Accounts Receivable

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

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

	March 31, 2021	December 31, 2020
Accounts receivable – trade	\$ 2,524,718	\$ 1,315,188
Accounts receivable – related party	–	80,494
Accounts receivable – litigation, non-current	3,063,968	3,063,968
Allowance for doubtful accounts	(159,656)	(44,808)
Total accounts receivable	<u>\$ 5,429,031</u>	<u>\$ 4,414,842</u>

The Company establishes an allowance for doubtful accounts based on management's assessment of the collectability of trade receivables. A considerable amount of judgment is required in assessing the amount of the allowance. The Company makes judgments about the creditworthiness of each customer based on ongoing credit evaluations and monitors current economic trends that might impact the level of credit losses in the future. If the financial condition of the customers were to deteriorate, resulting in their inability to make payments, a specific allowance will be required. As of March 31, 2021 and December 31, 2020, the Company recorded an allowance for doubtful accounts of \$159,656 and \$44,808, 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.. 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 March 31, 2021 and December 31, 2020, the outstanding balance, including accrued interest, on the notes receivable with AMC totaled \$248,025 and \$246,765, respectively. As of March 31, 2021 and December 31, 2020, the Company has recorded a full allowance on the note receivable balance.

Other Assets (Current and Non-Current)

Other assets as of March 31, 2021 and December 31, 2020 were \$1,050,726 and \$666,079, respectively. As of March 31, 2021, this balance included \$627,016 in prepaid expenses and \$423,710 in security deposits. As of December 31, 2020, other assets included \$345,777 in prepaid expenses, \$268,423 in tax receivable, and \$51,879 in security deposits. Prepaid expenses were primarily comprised of insurance premiums, membership dues, conferences and seminars, and other general and administrative costs.

Goodwill and Intangible Assets

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

from 10 to 15 years.

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

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

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

Long-Lived Assets

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

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

Accounts Payable

Accounts payable as of March 31, 2021 and December 31, 2020 were \$2,522,695 and \$3,557,460, respectively and were comprised of trade payables for various purchases and services rendered during the ordinary course of business.

Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities as of March 31, 2021 and December 31, 2020 were \$8,298,446 and \$2,705,445, respectively. As of March 31, 2021, this was comprised of customer deposits of \$24,958, accrued payroll of \$1,402,814, and operating expenses of \$6,870,674. As of December 31, 2020, accrued expenses and other liabilities was comprised of customer deposits of \$26,826, accrued payroll of \$1,154,887, and operating expenses of \$1,523,732.

Revenue Recognition and Related Allowances

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

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

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

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

Costs of Goods and Services Sold

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

General and Administrative Expenses

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

Advertising and Marketing Costs

Advertising and marketing costs are expensed as incurred and were \$111,685 and \$129,267 during the quarter ended March 31, 2021 and 2020, respectively.

Stock Based Compensation

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

Stock compensation expense for stock options is recognized over the vesting period of the award or expensed immediately under ASC 718 and Emerging Issues Task Force ("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 common stock is publicly traded, the value is determined based on the number of shares of common stock issued and the trading value of the common stock on the date of the transaction.

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

The Company recognized \$1,483,806 in expense for stock-based compensation from common stock options and common stock issued to employee, officers, and directors during the three months ended March 31, 2021, and \$1,252,731 in expense for stock-based compensation from common stock options issued to employees during the three months ended March 31, 2020.

Income Taxes

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

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

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

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

Right of Use Assets and Lease Liabilities

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

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

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

3. Recent Accounting Pronouncements

The Company has implemented all new accounting pronouncements that are in effect and that may impact its financial statements and does not believe that there are any other

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

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

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

4. Property and Equipment

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

	March 31, 2021	December 31, 2020
Furniture and fixtures	\$ 294,204	\$ 228,451
Leasehold improvements	656,314	90,314
Machinery and Tools	1,401,752	1,456,752
Office equipment	69,983	104,059
Software	1,308,387	1,308,387
Work in process	390,598	269,414
	<u>\$ 4,121,239</u>	<u>\$ 3,457,377</u>
Less: Accumulated depreciation	(1,032,211)	(872,579)
Total property and equipment, net of depreciation	<u>\$ 3,089,027</u>	<u>\$ 2,584,798</u>

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

Furniture and fixtures	3 years
Leasehold improvements	Lesser of the lease term or estimated useful life
Vehicles	3 years
Office equipment	3 years

Depreciation expense for the three months ended March 31, 2021 and 2020 was \$194,637 and \$4,465 respectively.

5. Intangible Asset

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

	March 31, 2021	December 31, 2020
Licenses	\$ 88,745,700	\$ 1,667,000
Tradename	4,270,000	350,000
Customer relationships	5,150,000	1,055,000
Non-compete	1,130,000	120,000
Product license and registration	57,300	57,300
Trade secret – intellectual property	32,500	32,500
	<u>\$ 99,385,500</u>	<u>\$ 3,282,500</u>
Less: accumulated amortization	(1,796,386)	(200,456)
Total intangible assets, net of amortization	<u>\$ 97,589,114</u>	<u>\$ 3,082,044</u>

Amortization expense for the three months ended March 31, 2021 and 2020 was \$1,595,931 and \$1,648, respectively.

6. Derivative Liability

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

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

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

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

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

As of March 31, 2021, the fair value of these derivative liabilities is \$2,301,295. The change in the fair value of derivative liabilities for the three months ended March 31, 2021 was \$1,253,814 resulting in an aggregate unrealized loss on derivative liabilities.

7. Related Party Transactions

Transactions Involving Former Directors, Executive Officers or Their Affiliated Entities

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

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

Also, during the year ended December 31, 2019, the Company issued various notes receivable to MedPharm totaling \$767,695 with original maturity dates ranging from September 21, 2019 through January 19, 2020 and all bearing interest at 8% per annum. All notes extended to May 2020 by mutual agreement between the Company and noteholder. On August 1, 2020, the Company entered into a Settlement Agreement and Mutual Release (the "Settlement Agreement") with MedPharm. Pursuant to the terms of the Settlement Agreement, the Company and MedPharm agreed that the amount of the settlement to be furnished to the Company by MedPharm 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 \$181,911 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. As of March 31, 2021, the remaining outstanding principal and interest was \$40,231.

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

Transactions with Entities Affiliated with Justin Dye

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

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

The Company granted Dye Cann I certain demand and piggyback registration rights with respect to the shares of common stock sold under the Dye Cann I SPA and issuable

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

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

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

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

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

During the year ended December 31, 2020, the Company recorded expenses of \$66,264 with Tella Digital. During the quarter ended March 31, 2021, the Company recorded expenses of \$170,119 with Tella Digital. Tella Digital provides on-premise digital experience solutions for our retail dispensary locations. Mr. Dye serves as Chairman of Tella Digital and has super majority rights.

Transactions with CRW and Affiliated Entities

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

Transactions with Entities Affiliated with Brian Ruden

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

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

The aggregate purchase price for the Star Buds assets was \$118,000,000, paid as follows: (i) \$44,250,000 in cash at the applicable closings, (ii) \$44,250,000 in deferred cash, also referred to in this Report as "seller note(s)," (iii) 29,500 shares of Series A Preferred Stock, of which 25,075 shares were issued at the applicable closings and 4,425 shares are held in held in escrow and will be released post-closing to either Star Buds or the Company depending on post-closing adjustments to the purchase price. In addition, the Company issued warrants to purchase an aggregate of 5,531,250 shares of the Company's common stock to the sellers. As of March 31, 2021, the Company owed an aggregate principal amount of \$44,250,000 under the seller notes and accrued but unpaid interest of \$425,162. The Company has not paid any principal and has paid an aggregate of \$810,887 of interest on the seller notes as of March 31, 2021. Mr. Ruden's interest in the aggregate purchase price for the Star Buds assets is as follows: (i) \$13,727,490 in cash at the applicable closings, (ii) \$13,727,490 in seller notes, (iii) 9,152 shares of Series A Preferred Stock, of which 7,779 shares were issued at the applicable closings and 1,373 shares are held in held in escrow and will be released post-closing to either Mr. Ruden or the Company depending on post-closing adjustments to the purchase price. In addition, the Company issued warrants to purchase an aggregate of 1,715,936 shares of the Company's common stock to Mr. Ruden and paid Mr. Ruden an aggregate of \$111,824 in interest on his seller notes.

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

In connection with acquiring the Star Buds assets for our Pueblo West and Commerce City locations, SBUD LLC entered into a lease with each of 428 S. McCulloch LLC and 5844 Ventures LLC on substantially the same terms.

Each of the leases is for an initial three-year term. The lease with 428 S. McCulloch LLC is for the Company's Pueblo West Star Buds location and was effective on December 17, 2020. The lease with 45844 Ventures LLC is for the Company's Commerce City Star Buds location and was effective on December 18, 2020. Each lease provides for a monthly rent payment of \$5,000. SBUD LLC expect to pay each landlord an aggregate of \$180,000 during the initial term of the leases. During 2020, SBUD LLC made aggregate rent payments of \$10,000. Between January 1, 2021 and March 31, 2021, SBUD LLC made aggregate rent payments of \$30,000. In addition, SBUD LLC must pay each landlord's expenses and disbursements incurred in connection with the ownership, operation, maintenance, repair and replacement of the premises. SBUD LLC has the option to renew each lease for two additional three-year terms. The rent increase to \$5,500 per month during the first three-year renewal period, and to \$6,050 during the second three-year renewal period. The Company has an option to purchase the premises at fair market value at any time during the lease term and also has a right of first refusal if the landlords desire to sell the premises to a third party.

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

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

8. Inventory

As of March 31, 2021, and December 31, 2020, respectively, the Company had \$3,345,353 and \$2,090,887 of finished goods inventory. As of March 31, 2021 the Company had \$911,246 of work in process and \$1,331,658 of raw materials. As of December 31, 2020, the Company had \$500,917 of work in process and \$27,342 of raw materials. The Company uses the FIFO inventory valuation method. As of March 31, 2021 and December 31, 2020, the Company did not recognize any impairment for obsolescence within its inventory.

9. Goodwill

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

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

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

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

From December 2020 through March 2021, the Company closed the acquisition of thirteen Star Buds dispensaries and one cultivation facility. The aggregate purchase price was \$118,000,000. The Company accounted for the transaction utilizing purchase price accounting stating that the book value approximates the fair market value of the assets acquired. The purchase price accounting resulted in the Company valuing the investment as \$26,080,991 of goodwill.

As of March 31, 2021, the Company had \$40,532,910 of goodwill which consisted of \$6,301,080 from Success Nutrients and Pono Publications, \$3,003,226 from DCG, \$3,000,000 from The Big Tomato, \$2,147,613 from Mesa Organics, and \$26,080,991 from Star Buds.

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 an ROU operating lease asset and a lease liability, initially measured at the present value of the lease payments. Lease costs are recognized in the income statement over the lease term on a straight-line basis. ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease.

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

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

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

	<u>Balance Sheet Line</u>	<u>March 31, 2021</u>
Asset		
Operating lease right of use assets	Noncurrent assets	\$ 4,242,124
Liabilities		
Lease liabilities	Noncurrent liabilities	\$ 4,342,018

Lease Costs

The table below summarizes the components of lease costs for the three months ended March 31, 2021.

	<u>Three Months Ended March 31, 2021</u>
Operating lease costs	\$ 278,117

Maturities of Lease Liabilities

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

2021 fiscal year	\$ 4,418,867
Less: Interest	(76,848)
Present value of lease liabilities	<u>\$ 4,342,018</u>

The following table presents the Company's future minimum lease obligation under ASC 840 as of March 31, 2021:

2021 fiscal year	1,109,215
2022 fiscal year	1,479,393
2023 fiscal year	1,354,595
2024 fiscal year	723,590
2025 fiscal year	333,356
2026 fiscal year	178,648
Total	5,178,796

11. **Stockholders' Equity**

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

Preferred Stock

The number of shares of preferred stock authorized is 10,000,000, par value \$0.001 per share. The preferred stock may be divided into such number of series as the 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.

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

Common Stock

The Company is authorized to issue 250,000,000 shares of common stock at a par value of \$0.001. The Company had 42,819,815 shares of common stock issued and 42,331,595 shares of common stock outstanding as of March 31, 2021, and 42,601,773 shares of common stock issued and 42,169,041 shares of common stock outstanding as of December 31, 2020.

Common Stock Issued in Private Placements

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

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

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

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

During the quarter ended March 31, 2021, the Company issued 218,042 shares of common stock valued at \$444,806 to employees, and directors as compensation.

Common and Preferred Stock Issued as Payment for Acquisitions

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

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

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

Warrants

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

During the quarter ended March 31, 2021, the Company issued warrants to purchase an aggregate of 3,793,530 shares of common stock as purchase consideration for the acquisition of certain Star Buds assets. These warrants have an exercise price of \$1.20 per share and expiration dates five years from the date of issuance. In addition, the Company issued a warrant to purchase an aggregate 1,500,000 shares of common stock to an accredited investor in connection with entering into a loan agreement. This warrant has an exercise price of \$2.50 per share and expires five years from the date of issuance. The Company estimated the fair value of these warrants at date of grant using the Black-Scholes option pricing model using the following inputs: (i) stock price on the date of grant of \$1.20 of \$2.50, respectively, (ii) the contractual term of the warrant of 5 years, (iii) a risk-free interest rate ranging between 0.46% - 0.75% and (iv) an expected volatility of the price of the underlying common stock ranging between 192.71% - 195.00%.

The following table reflects the change in common stock purchase warrants for the three months ended March 31, 2021.

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

Option Repricing

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

12. Segment Information

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

The following information represents segment activity for the three-month periods ended March 31, 2021 and March 31, 2020:

	<u>For the Three Months Ended March 31,</u>							
	<u>2021</u>				<u>2020</u>			
	<u>Retail</u>	<u>Wholesale</u>	<u>Other</u>	<u>Total</u>	<u>Retail</u>	<u>Wholesale</u>	<u>Other</u>	<u>Total</u>
Revenues	\$ 11,816,200	7,446,265	77,650	19,340,115	\$ —	\$ 2,528,931	\$ 674,203	\$ 3,203,134
Cost of goods and services	\$ (7,500,757)	(4,483,694)	(102,660)	(12,087,111)	\$ —	\$ (1,896,226)	\$ (252,309)	\$ (2,148,535)
Gross profit	\$ 4,315,443	2,962,571	(25,010)	7,253,004	\$ —	\$ 633,705	\$ 421,894	\$ 1,054,599
Intangible assets amortization	\$ 1,594,302	1,497	133	1,595,931	\$ —	\$ 1,513	\$ 135	\$ 1,648
Depreciation	\$ 84,298	3,641	106,699	194,637	\$ —	\$ 1,233	\$ 3,232	\$ 4,465
Net income (loss)	\$ 1,398,651	2,814,014	(7,862,172)	(3,649,507)	\$ —	\$ 446,499	\$ (1,825,809)	\$ (1,379,310)
Segment assets	\$ 132,931,035	21,326,258	26,761,858	181,019,151	\$ —	\$ 12,935,074	\$ 17,094,217	\$ 30,029,291

13. Tax Provision

The following table summarizes the Company's income tax expense and effective tax rates for the three months ended March 31, 2021 and March 31, 2020:

<u>Three Months Ended March 31,</u>	
<u>2021</u>	<u>2020</u>

Income (Loss) before Income Taxes	(3,192,891)	(1,379,310)
Income Tax Expense	456,614	—
Effective Tax Rate	-14.30%	0%

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

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

The effective tax rate for the three months ended March 31, 2021 varied from the three months ended March 31, 2020 primarily due to IRC Section 280E. The Company acquired plant-touching cannabis operations during 2020 and 2021 and these plant-touching operations are subject to the limitations of IRC Section 280E. As of March 31, 2020, the Company had not yet acquired these cannabis plant-touching operations and the Company was not subject to IRC Section 280E.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company’s valuation allowance represents the amount of tax benefits that are likely to not be realized. Management assesses the need for a valuation allowance each period and continues to have a full valuation allowance on its deferred tax assets as of March 31, 2021.

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

14. Subsequent Events

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

During the year ended December 31, 2019, the Company issued various notes receivable to MedPharm Holdings totaling \$767,695 with original maturity dates ranging from September 21, 2019 through January 19, 2020 and all bearing interest at 8% per annum. All notes extended to May 2020 by mutual agreement between the Company and noteholder. On August 1, 2020, the Company entered into the Settlement Agreement with MedPharm. As of March 31, 2021, the remaining outstanding principal and interest was \$40,231. This amount was paid off on April 19, 2021.

On June 11, 2019, the Company granted the right to receive 1,000,000 shares of restricted common stock to an officer (former officer as of December 4, 2019), which would have vested at such time that the Company’s stock price appreciated to \$8.00 per share with defined minimum average daily trading volume thresholds. On May 3, 2021, the former officer and the Company entered into a separation agreement under which the former officer agreed to forfeit the 1,000,000 shares of restricted common stock. The former officer was entitled to \$75,000 in bonus payments under the separation agreement. This payment was made on May 4, 2021.

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

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

Overview

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

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

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

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

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

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

From December 2020 through March 2021 the Company completed a private placement of Series A Preferred Stock for aggregate gross proceeds of \$57.7 million dollars. In the private placement, the Company issued and sold an aggregate of 57,700 shares of Series A Preferred Stock at a price of \$1,000 per share under securities purchase

agreement with Dye Capital and CRW as well as subscription agreements with unaffiliated investors. Among other terms, each share of Series A Preferred Stock (i) earns an annual dividend of 8% on the “preference amount,” which initially is equal to the \$1,000 per-share purchase price and subject to increase, by having such dividends automatically accrete to, and increase, the outstanding preference amount; (ii) is entitled to a liquidation preference under certain circumstances, (iii) is convertible into shares of the Company’s common stock by dividing the preference amount by \$1.20 per share under certain circumstances, and (iv) is subject to a redemption right or obligation under certain circumstances.

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

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

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

Results of Operations

Comparison of Results of Operations for the three months ended March 31, 2021 and 2020

Revenues

Revenues for the three months ended March 31, 2021 totaled \$ 19,340,115 including (i) retail of \$11,816,200, (ii) wholesale \$7,446,265, and (iii) other of \$77,650, compared to \$3,203,134 including (i) wholesale of \$2,528,931 and (ii) other of \$674,203 during the three months ended March 31, 2020, representing an increase of \$16,136,981 or 503.79%. This increase was due to increased sale of our products as well as growth through acquisition.

Cost of Services

Cost of goods and services for the three months ended March 31, 2021 totaled \$12,087,111, compared to cost of goods and services of \$2,148,535 during the three months ended March 31, 2020 representing an increase of \$9,938,576 or 462.57%. This increase was due to increased sale of our products as well as growth through acquisition and includes a \$2.2 million inventory purchase price valuation adjustment.

Operating Expenses

Operating expenses for the three months ended March 31, 2021 totaled \$8,737,910, compared to operating expenses of \$5,165,674 during the three months ended March 31, 2020 representing an increase of \$3,572,253 or 69.15%. This increase was due to increased selling, general and administrative expenses, professional service fees, and non-cash, stock-based compensation offset by a decrease in salaries, benefits and related employment costs.

Other Income (Expense), Net

Net other expense for the three months ended March 31, 2021 totaled \$1,707,988, compared to net other income of \$2,731,765 during the three months ended March 31, 2020. The increase in other expenses, net was primarily due to an unrealized loss recognized on the change in fair value of certain derivative liabilities and interest expense, offset by an unrealized gain on investments and a gain on sale of assets. In addition, there was a gain on forfeiture of contingent consideration during the three months ended March 31, 2020 that was not present during the three months ended March 31, 2021.

Net Income (Loss)

As a result, we generated a net loss during the three months ended March 31, 2021 of \$3,649,507 or approximately \$0.09 per share, compared to a net loss of \$1,379,310 or approximately \$0.03 per share during the three months ended March 31, 2020.

Liquidity and Capital Resources

As of March 31, 2021, we had \$22,966,320 in cash on hand. Net cash provided by operating activities was \$1,698,519 during the three months ended March 31, 2021, compared to cash used in operating activities of \$2,471,022 for the three months ended March 31, 2020, representing an increase in cash used of \$4,169,541. Cash flows used for investing activities was \$65,600,473 during the three months ended March 31, 2021, compared to cash used of \$307,178 for the three months ended March 31, 2020, representing a decrease of \$65,293,295. Cash flows provided by financing activities was \$85,631,039 during the three months ended March 31, 2021, compared to \$0 for the three months ended March 31, 2020, representing an increase of \$85,631,039.

We will likely need to raise additional capital to fund our growth acquisition strategy. We may explore capital raising transactions in the form of debt, equity or both. At this time, we are unable to state how much additional capital we may need. As of the date of this Quarterly Report on Form 10-Q, we have a \$5 million commitment to lend from a lender provided we close on certain assets. No assurance can be given that any future financing will be available or, if available, that it will be on terms that are satisfactory to the Company. Even if the Company can obtain additional financing, it may contain undue restrictions on our operations, in the case of debt financing or cause substantial dilution for our stockholders, in case of equity financing. Failure to obtain this additional financing may have a material negative impact on our ability growth the company at the pace we anticipate.

Upon successfully integrating our recently acquired operations into our own operations, we believe we will generate positive cash flow from our operations. If we are successful in achieving this objective, we do not believe we will need to raise additional capital to execute the ongoing business operations, as we anticipate that the revenue generated

from the fully integrated acquisitions will be sufficient to allow us to implement our current business plan. However, if we do not experience a positive impact on our operations from our completed acquisitions we may consummate or if unforeseen developments occur that negatively impact our cash flow, we may need to raise additional capital to execute our business strategy.

Off-Balance Sheet Arrangements

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

Critical Accounting Estimates

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

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

Not applicable

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Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Control over Financial Reporting

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

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PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

On June 7, 2019, the Company filed a complaint against ACC Industries Inc. ("ACC") and Building Management Company B, L.L.C., in state district court located in Clark County, Nevada, alleging, amongst other causes of action, breach of contract, conversion, and unjust enrichment and seeking general, special and punitive damages in the amount of \$3,876,850. On July 17, 2019, the parties stipulated to stay the case in favor of arbitration. On February 25, 2020 ACC filed a counterclaim alleging breach of contract, which the Company believes is without merit. The Company discovered new facts that lead it to believe that a related entity not previously named as a party to the arbitration should be brought in as a party to the arbitration. Based upon the new facts, the Company filed a motion to amend the complaint to add new claims and the related entity as a party. On September 1, 2020, the court ruled in favor of the Company and permitted the Company to amend the complaint to add the related entity. On September 1, 2020, the Company filed an amended complaint naming the related entity a party and added intentional misrepresentation, fraudulent inducement, civil conspiracy, aiding and abetting, successor liability and fraudulent concealment claims. The Company began arbitration proceedings on November 2, 2020. The Company completed arbitration in February 2021 and is still awaiting a decision.

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 filed its answering brief in January 2021. VVG's reply brief was due on or before February 4, 2021. Once VVG's reply brief is filed, the appeal will be fully briefed and the parties will await either a notice of oral argument or a decision on the appeal.

On March 6, 2020, the Company's former Chief Operating Officer, Joe Puglise, issued an arbitration demand against the Company claiming breach of contract and seeking equity compensation and cash damages. The Company counterclaimed with breach of contract and breach of fiduciary duty claims for unspecified damages. The ultimate resolution of the matter could result in a Company loss of up to \$3,500,000 in stock-based compensation. The parties commenced arbitration on January 25, 2021 and concluded it in March 2021.

Item 1A. Risk Factors

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

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

None.

Item 3. Defaults upon Senior Securities

None.

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Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

- 3.1 [Certificate of Amendment to Designation, dated March 1, 2021](#) (Incorporated by reference to Exhibit 3.1 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed March 4, 2021 (Commission File No. 000-55450))
- 4.1 [Warrant to Purchase Common Stock, dated February 26, 2021, issued by Medicine Man Technologies, Inc. to SHWZ Altmore, LLC](#) (Incorporated by reference to Exhibit 4.1 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed March 4, 2021 (Commission File No. 000-55450))
- 10.1 [Second Amendment to Securities Purchase Agreement, dated February 3, 2021, between Medicine Man Technologies, Inc. and Dye Capital Cann Holdings II, LLC](#) (Incorporated by reference to Exhibit 10.1 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed February 9, 2021 (Commission File No. 000-55450))
- 10.2 [Securities Purchase Agreement, dated February 26, 2021, between Medicine Man Technologies, Inc. and CRW Capital Cann Holdings, LLC](#) (Incorporated by reference to Exhibit 10.1 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed March 4, 2021 (Commission File No. 000-55450))
- 10.3* [Letter Agreement, dated February 26, 2021, between Medicine Man Technologies, Inc. and CRW Capital Cann Holdings, LLC](#)
- 10.4 [Conversion Notice and Agreement, dated February 26, 2021, between Medicine Man Technologies, Inc. and Dye Capital & Company, LLC](#) (Incorporated by reference to Exhibit 10.3 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed March 4, 2021 (Commission File No. 000-55450))
- 10.5 [Loan Agreement, dated February 26, 2021, among Mesa Organics Ltd., Mesa Organics II Ltd., Mesa Organics III Ltd., Mesa Organics IV Ltd, SCG Holding, LLC and PBS Holdco LLC, as borrowers, SHWZ Altmore, LLC, as lender, and GGG Partners LLC, as collateral agent](#) (Incorporated by reference to Exhibit 10.4 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed March 4, 2021 (Commission File No. 000-55450))
- 10.6 [Promissory Note, dated February 26, 2021, issued by Mesa Organics Ltd., Mesa Organics II Ltd., Mesa Organics III Ltd., Mesa Organics IV Ltd, SCG Holding, LLC and PBS Holdco LLC, as borrowers, to SHWZ Altmore, LLC, as lender](#) (Incorporated by reference to Exhibit 10.5 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed March 4, 2021 (Commission File No. 000-55450))
- 10.7 [Security Agreement, dated February 26, 2021, between Mesa Organics Ltd., Mesa Organics II Ltd., Mesa Organics III Ltd., Mesa Organics IV Ltd, SCG Holding, LLC and PBS Holdco LLC, as grantors, and GGG Partners LLC, as collateral agent](#) (Incorporated by reference to Exhibit 10.6 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed March 4, 2021 (Commission File No. 000-55450))
- 10.8 [Parent Guaranty, dated February 26, 2021, between Medicine Man Technologies, Inc. as guarantor, and GGG Partners LLC, as collateral agent](#) (Incorporated by reference to Exhibit 10.7 to Medicine Man Technologies, Inc.'s Current Report on Form 8-K filed March 4, 2021 (Commission File No. 000-55450))
- 10.9 [Third Amendment to Securities Purchase Agreement, dated March 30, 2021, between Medicine Man Technologies, Inc. and Dye Capital Cann Holdings II, LLC](#) (Incorporated by reference to Exhibit 10.25 to Medicine Man Technologies, Inc.'s Annual Report on Form 10-K filed March 31, 2021 (Commission File No. 000-55450))
- 10.10* [Severance Agreement and Release between Leonardo Riera and Medicine Man Technologies, Inc.](#)
- 31.1* [Rule 13a-14\(a\)/15d-14\(a\) Certification of Chief Executive Officer](#)
- 31.2* [Rule 13a-14\(a\)/15d-14\(a\) Certification of Chief Financial Officer](#)
- 32** [Chief Executive Officer and Chief Financial Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 101.INS 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.

SIGNATURES

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

Dated: May 13, 2021

MEDICINE MAN TECHNOLOGIES, INC.

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

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

MEDICINE MAN TECHNOLOGIES, INC.

February 26, 2021

CRW Capital Cann Holdings, LLC
25 Highland Park Village, Suite 100-868
Dallas, TX 75205

Ladies and Gentlemen:

This letter agreement (this “**Agreement**”) will confirm our agreement that pursuant to and effective upon the closing of your purchase (the “**Purchase**”) of up to 30,000 shares of Series A Preferred Stock of Medicine Man Technologies, Inc. (the “**Company**”), CRW Capital Cann Holdings, LLC (the “**Investor**”) shall be entitled to the contractual rights set forth below, in addition to the rights specifically set forth in the Securities Purchase Agreement dated as of the date hereof by and between the Company and the Investor (the “**Purchase Agreement**”) and the Certificate of Designation of the Company that is referenced in the Purchase Agreement (the “**Certificate of Designation**”). The offering of the Series A Preferred Stock of the Company contemplated by the Purchase Agreement and the Confidential PPM (as defined in the Purchase Agreement) is sometimes referred to herein as the “**Offering**.” Capitalized terms that are used but not defined herein shall have the meaning given to them in the Purchase Agreement or, if applicable, the Certificate of Designation.

1. Board Nomination Rights.

(a) The Company shall take all actions to ensure that from and after the Closing and for so long as the Investor meets the Ownership Threshold (as defined below) as of the date of determination, the Company shall use its best efforts to appoint one individual designated by the Investor (an “**Investor Designee**”) to the board of directors of the Company (the “**Board**”). The Investor’s initial Investor Designee shall be Jeff Cozad (the “**Initial Designee**”). Following the Closing, the Company shall use its best efforts to cause the appointment to the Board of the Initial Designee and thereafter, for so long as the Investor’s Board nomination right under this Section 1 continues, the Company will use its best efforts to cause the Investor Designee to be elected to the Board (including recommending that the Company’s stockholders vote in favor of the election of such designee, soliciting proxies and contesting any proxy contest and otherwise supporting such designee for election in a manner no less rigorous and favorable than the manner in which the Company supports its other nominees); provided that if the Investor determines to designate a different individual (“**Replacement Designee**”) as the Investor Designee, such obligation shall instead apply to the Replacement Designee. If the Investor Designee ceases to be a director of the Company, the Company shall use its best efforts to cause the appointment to the Board of a Replacement Designee nominated by the Investor to fill the vacancy and thereafter the Company will use its best efforts to cause the election of such an individual to the Board, subject to the same conditions and limitations as set forth in the foregoing sentence. During such time as the Investor Designee is a member of the Board, the Investor Designee shall be entitled to the same level of compensation, directors’ and officers’ indemnity insurance coverage and indemnity and exculpation protection (including under any indemnification agreement) as the other independent members of the Board. For purposes hereof, “**Ownership Threshold**” means that the Investor owns, in the aggregate, at least \$15,000,000 of Preferred Stock, on an as-converted to Common Stock basis, as of any date of determination, based on the 30-Day Trailing VWAP (as defined below); provided, however, that the Ownership Threshold shall automatically be deemed to be satisfied at any time the Investor holds at least 15,000 (as such amount may be adjusted for stock splits, subdivisions, combinations and the like) shares of Preferred Stock. For purposes hereof, “**30-Day Trailing VWAP**” means, as of any date of determination, the volume-weighted average price per share of Common Stock on the exchange on which the Common Stock is then traded during the regular trading session (and excluding pre-market and after-hours trading) over the thirty (30) consecutive trading days prior to and including such determination date.

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(b) For so long as the Investor is entitled to designate an Investor Designee for election to the Board under this letter agreement, each committee of the Board shall include the Investor Designee as a member or, if the Investor so elects, as an observer; provided, however, that if the Investor Designee is not eligible for membership on any given committee of the Board under then applicable listing and corporate governance standards of a trading exchange or any Applicable Law, then such committee shall include the Investor Designee as an observer only; provided, further, that the Company shall exercise all authority under Applicable Law to permit the inclusion of the Investor Designee on such committee, including, without limitation, by causing an increase in the number of directors on such committee.

(c) The Investor Designee shall take all action reasonably requested by the Company, at the Company’s cost and expense, to comply with applicable state cannabis laws and regulations, including, without limitation, making all requisite filings under such laws and regulations as and when requested by the Company and the Investor Designee shall, at the Company’s cost and expense, reasonably cooperate with the Company with respect to any report, filing, notification or other communication with or to any state governmental authority related to the Company’s licenses, approvals, consents or obligations under state cannabis laws and regulations related to such Investor Designee’s capacity as a director of the Company, including, without limitation, any investigation or inquiry by a state governmental authority related to any of the foregoing. If the Investor Designee is determined to be unsuitable or disqualified to serve on the Board by a state governmental authority, including, without limitation, the Colorado Marijuana Enforcement Division, such Investor Designee shall immediately resign from the Board and the Investor shall be entitled to appoint a Replacement Designee in accordance with the provisions of Section 1(a) above.

2. For so long as the Investor is entitled to designate an Investor Designee for election to the Board under this letter agreement, the Investor may examine the books and records of the Company and inspect its facilities and may request information at reasonable times and intervals concerning the general status of the Company’s financial condition and operations, provided that the Investor may be excluded from access to any information or facilities if the Company determines in good faith, upon advice of counsel, that such exclusion is reasonably necessary to preserve the attorney-client privilege, to protect highly confidential proprietary information, or for other similar reasons; provided, however, that if any of the foregoing information constitutes or contains material, non-public information, the Company shall provide the Investor a statement asking whether the Investor is willing to accept material non-public information and provide such information to the Investor solely if the Investor consents to receive such information.

3. For so long as the Investor is entitled to designate an Investor Designee for election to the Board under this letter agreement, if the Investor is not represented on the Board, the Company shall, concurrently with delivery to the Board, give a representative of the Investor copies of all notices, minutes, consents and other material that the Company provides to its directors, except that the representative may be excluded from access to any material or meeting or portion thereof if the Board determines in good faith, upon advice of counsel, that such exclusion is reasonably necessary to preserve the attorney-client privilege, to protect highly confidential proprietary information, or for other similar reasons; provided, however, that if any of the foregoing material constitutes or contains material, non-public information, the Company shall provide the Investor a statement asking whether the Investor is willing to accept material nonpublic information and provide such information to the Investor solely if the Investor consents to receive such information. Upon reasonable notice and at a scheduled meeting of the Board or such other time, if any, as the Board may determine in its sole discretion, such representative may address the Board with respect to the Investor’s concerns regarding significant business issues facing the Company.

4. If, on or after the Closing, the Company issues any rights or benefits containing provisions (including, without limitation, any of the terms of pricing, conversion price, exercise price, anti-dilution, liquidation, distributions, and registration rights) that are more favorable than those set forth in the Purchase Agreement and Certificate of Designation to any other holder of the Preferred Stock issued in the Offering who acquires an amount of Preferred Stock that is less than or equal to the amount of Preferred Stock acquired by the Investor pursuant to the Purchase Agreement, the Company will make such provisions (or any more favorable portion thereof) available to the Investor and will use best efforts to enter into amendments necessary to confer such rights on the Investor.

5. Right to Participate.

(a) From and after the Closing and for so long as the Investor meets the Ownership Threshold, the Company will not, directly or indirectly, issue, sell or grant any securities or options to purchase any of its securities (any such issuance, sale or grant being referred to as a “**Placement**”), unless the Company shall have first complied with this Section 5.

(b) At least five Trading Days prior to any proposed or intended Placement, the Company shall deliver to the Investor a written notice (each such notice, a “**Pre-Notice**”), which Pre-Notice shall not contain any information (including, without limitation, material, non-public information) other than: (i) if the proposed Offer Notice (as defined below) constitutes or contains material, non-public information, a statement asking whether the Investor is willing to accept material non-public information or (ii) if the proposed Offer Notice does not constitute or contain material, non-public information, (x) a statement that the Company proposes or intends to effect a Placement, (y) a statement that the statement in clause (x) above does not constitute material, nonpublic information and (z) a statement informing the Investor that it is entitled to receive an Offer Notice with respect to such Placement upon its written request. Upon the written request of the Investor within three Trading Days after the Company’s delivery to the Investor of such Pre-Notice, and only upon a written request by the Investor, the Company shall promptly, but no later than one Trading Day after such request, deliver to the Investor an irrevocable written notice (the “**Offer Notice**”) of any proposed or intended issuance, sale or grant (the “**Offer**”) of the securities being offered (the “**Offered Securities**”) in a Placement, which Offer Notice shall (A) identify and describe the Offered Securities, (B) describe the price and other terms upon which they are to be issued, sold or granted, and the number or amount of the Offered Securities to be issued, sold or granted, (C) identify the Persons (if known) to which or with which the Offered Securities are to be issued, sold or granted and (D) offer to issue and sell to the Investor in accordance with the terms of the Offer the Investor’s pro rata portion of the Offered Securities, provided that the number of Offered Securities which the Investor shall have the right to subscribe for under this Section 5 shall be equal to a percentage of the Offered Securities determined as follows: the number of shares of Preferred Stock beneficially held by the Investor on the date of the Offer Notice on an as-converted to Common Stock basis shall be *divided by* the total number of shares of Common Stock outstanding on the date of the Offer Notice on an as-converted, fully-diluted basis (taking into account all outstanding securities of the Company regardless of whether the holders of such securities have the right to convert or exercise such securities for Common Stock at the time of determination).

(c) To accept an Offer, the Investor must deliver a written notice to the Company prior to the end of the fifth Trading Day after the Investor’s receipt of the Offer Notice (the “**Offer Period**”), setting forth whether the Investor elects to purchase all or none (but not some) of the Offered Securities the Investor is eligible to purchase pursuant to this Section 5 (the “**Notice of Acceptance**”). Notwithstanding the foregoing, if the Company desires to modify or amend the terms and conditions of the Offer prior to the expiration of the Offer Period, the Company may deliver to the Investor a new Offer Notice and the Offer Period shall expire on the fifth Trading Day after the Investor’s receipt of such new Offer Notice.

(d) The Company shall have ten Trading Days from the expiration of the Offer Period above to issue, sell or grant all or any part of such Offered Securities as to which a Notice of Acceptance has not been given by the Investor (the “**Refused Securities**”) pursuant to a definitive agreement(s), but only upon terms and conditions that are not more favorable to the acquiring Person or Persons or less favorable to the Company than those set forth in the Offer Notice.

(e) Upon the closing of the issuance, sale or grant of the Offered Securities, the Investor shall acquire from the Company, and the Company shall issue to the Investor, the number or amount of Offered Securities specified in its Notice of Acceptance. Any Offered Securities not acquired by the Investor or other Persons in accordance with this Section 5 may not be issued or sold until they are again offered to the Investor under the procedures specified in this Section 5.

(f) Notwithstanding anything to the contrary in this Section 5 and unless otherwise agreed to in writing by the Investor, the Company shall either confirm in writing to the Investor that the transaction with respect to the Placement has been abandoned or shall publicly disclose its intention to issue the Offered Securities, in either case, in such a manner such that the Investor will not be in possession of any material, non-public information, by the fifth Trading Day following delivery of the Offer Notice. If by such fifth Trading Day, no public disclosure regarding a transaction with respect to the Offered Securities has been made, and no notice regarding the abandonment of such transaction has been received by the Investor, such transaction shall be deemed to have been abandoned and the Investor shall not be in possession of any material, non-public information with respect to the Company or any of its Subsidiaries. Should the Company decide to pursue a transaction with respect to the Offered Securities which had been deemed to have been abandoned pursuant to the preceding sentence, the Company shall provide the Investor with another Offer Notice and the Investor will again have the right of participation set forth in this Section 5.

(g) The participation rights contained in this Section 5 shall not apply to (i) securities issued to any employee, officer, director or consultant pursuant to any incentive equity plan that has been approved by the Board, (ii) any securities issued upon exercise, conversion or exchange of securities issued pursuant to clause (i) of this Section 5(g), (iii) any securities issued upon exercise, conversion or exchange of any securities that are outstanding on the Original Issue Date; provided, that any issuance of securities upon exercise, conversion or exchange of any securities that are outstanding on the Original Issue Date is made pursuant to the terms of such securities in effect on the Original Issue Date and such securities are not amended, modified or changed on or after the Original Issue Date in any manner that materially and adversely affects the Investor, (iv) securities issued by the Company in connection with acquisitions, joint ventures or debt financing of the Company, (v) any proportional subdivision of Common Stock or Preferred Stock (including any dividend or stock split), any combination of Common Stock or Preferred Stock or any other proportional recapitalization, or (vi) any securities issued as a dividend or other distribution made on the Preferred Stock or otherwise on a pro rata basis to all stockholders of the Company.

6. From and after the Closing and for so long as the Investor meets the Ownership Threshold, the Company shall not issue any Senior Securities without the written consent of the Investor, which the Investor may grant or withhold in its sole discretion.

7. The Company shall pay CRW Capital, LLC, the manager of the Investor, a monitoring fee equal to \$150,000, which such monitoring fee shall be paid in monthly installments of \$10,000 commencing on the date of the Closing.

8. This Agreement and the rights, privileges and obligations herein are personal to the Investor and may not be assigned, transferred, subcontracted or delegated (in whole or in part) by the Investor, including by operation of law, without the prior written consent of the Company to any Person other than an Affiliate of the Investor.

9. Unless earlier terminated pursuant to the terms hereof, this Agreement and the rights described herein shall terminate and be of no further force or effect upon the earlier of: (a) such time as no shares of the Company’s stock are held by the Investor; (b) the Listing Event; or (c) completion of a Change of Control Transaction; provided, however, that this Agreement and the rights described herein shall not terminate solely as a result of the Common Stock ceasing to be listed on any Trading Market but, for the avoidance of doubt, this Agreement and the rights described herein shall terminate if any other element of the definition of Change of Control Transaction set forth in the Certificate of Designation (i.e., clause (a), (b) or (c) of such definition) occurs.

The parties acknowledge and agree that this Agreement is a Transaction Document as such term is defined under the Purchase Agreement and the provisions of Section 7 of the Purchase Agreement are incorporated herein by reference and shall apply hereto *mutatis mutandis*.

[Signature Page Follows]

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Very truly yours,

CRW CAPITAL CANN HOLDINGS, LLC

By: /s/Jeff Cozad
Name: Jeff Cozad
Title: Managing Member of GP

Agreed and Accepted:

MEDICINE MAN TECHNOLOGIES, INC.

By: /s/Justin Dye
Name: Justin Dye
Title: CEO

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SEVERANCE AGREEMENT AND RELEASE

This Full and Final General Release (referred to herein as “Agreement”) dated October 23, 2020 (“Effective Date”) is made and entered into by **LEONARDO RIERA** (“Consultant”) and **MEDICINE MAN TECHNOLOGIES, INC. (MMT) DBA SCHWAZZE**, a corporation duly organized under the laws of the state of Nevada and having its principal place of business at 4880 Havana Street, Suite 201 South, Denver, Colorado 80239 (hereinafter referred to as the “Contractor” “MMT” “Schwazze” or “the Company”). The parties to this Agreement are referred to collectively herein as the “Parties” or individually as a “Party” to this Agreement.

RECITALS

WHEREAS Consultant has been contracted by the Company since February 2020 and has served as consultant and Board Member of the Company since June of 2019;

WHEREAS Consultant and the Company desire to mutually agree to terminate Consultant’s contractual relationship pursuant to Section 8(b) of Consultant’s February 15, 2020 Agreement;

WHEREAS Consultant has been a member of the Company’s Board of Directors (“Board”) since 2019;

WHEREAS Consultant and the Company desire to mutually agree to terminate Consultant’s service on the Company’s Board of Directors;

WHEREAS the effective date (“Effective Date”) of this Agreement will commence immediately upon the expiration of the seven-day revocation period described in Paragraph 18 below; and

AGREEMENT

NOW, THEREFORE, for and in consideration of the premises, agreements, covenants and conditions contained herein, the adequacy and sufficiency of which are hereby expressly acknowledged, Consultant agrees as follows:

1. SEPARATION AND ACCRUED WAGES

A. Consultant’s active contractual relationship with the Company ended on October 1, 2020 (“Separation Date”). The Company reimbursed Consultant for all approved expenses made on behalf of the Company. Consultant agrees that upon receipt of his final payment, Consultant has received all wages, bonus, and benefits owed to him by the Company.

B. Subject to the approval of the board, having previously been negotiated and approved in good faith with the CEO and Chairman, Mr. Riera will receive fifty thousand value in shares of common stock for his board service, which shall be delivered to Consultant within five days of board approval. The Company requires that Mr. Riera continue his Board services on the special committee and on the Board up to January 31st, 2021, but could end his service sooner at the sole discretion of the Chairman. Mr. Riera will continue to exercise his fiduciary and loyalty duties to the Company while remaining on the Board.

C. Consultant will execute a letter of resignation from his role on the Board, effective immediately but exercisable by the Company at its sole discretion. A copy of Consultants’ resignation letter is herein attached as Exhibit A.

2. PAYMENT AND TAX LIABILITY

A. In consideration for the covenants undertaken and releases given herein by Consultant, and provided that Consultant executes and does not revoke this Agreement, is not in breach or default of this Agreement, and has performed all of his obligations under this Agreement, the Company agrees that it shall provide Consultant with the following:

(i) Severance Payment: One Hundred and Fifty Thousand Dollars (\$150,000.00), that will be payable in four payments: a lump sum of Fifty Thousand Dollars (\$50,000.00) on October 26, 2020, a lump sum of Fifty Thousand Dollars (\$50,000.00) on November 16, 2020, a lump sum of Twenty Five Thousand Dollars (\$25,000.00) on November 30, 2020, and a lump sum of Twenty Five Thousand Dollars (\$25,000.00) on December 15, 2020.

(ii) Interim cash payment and assistance with moving expenses: The Company has agreed to advance Consultant three payments of \$10,000.00 each to assist Consultant in covering living expenses while consultant remains in Denver for the months of November 2020, December 2020 and January 2021. These payments shall be made on November 20, December 20, and January 20, plus \$10,500.00 for moving expenses back to Florida that shall be paid together with the December 2020 payment.

(iii) Subject to approval by the Board, having previously been negotiated and approved in good faith with the CEO and Chairman, the Company shall grant Consultant the option to purchase three hundred and twenty-five thousand (325,000) shares of the Company’s common stock, which shall vest immediately upon their issuance, subject to the terms and conditions set forth in a Stock Option Agreement and the Company’s 2017 Equity Incentive Plan (hereafter collectively referred to as the “Stock Option Agreements”), which are set forth in Exhibit B and incorporated by reference herein. The strike price shall be set at \$1.17 which was the strike price on the Date of Separation.

B. Consultant shall be responsible for any and all tax liabilities resulting from the payments that are being provided by the Company to Consultant, as outlined above.

This consideration is over and above all payments due, and Consultant agrees that he is not otherwise entitled to receive a severance sum from the Company and that the severance sum is above and in addition to all wages owed to him. Consultant further agrees that the consideration set forth above constitutes the entire consideration provided to her under this Agreement and that he shall not seek any further compensation or consideration (including additional stock options) from the Releasees (defined below) for claimed damages, costs, or attorneys’ fees in connection with any claim released here.

3. GENERAL RELEASE

A. In exchange for the payment described in Paragraph 2A and the other promises contained herein, Consultant and the Company hereby forever release and discharge the other Party, its affiliates, owners, predecessors, successors, parents, subsidiaries, divisions, heirs, assigns, executives, present and former representatives, present and former Consultants, consultants, agents, insurers and attorneys from any and all claims, federal or state actions, appeals, demands, causes of action, liabilities, damages, interest, attorneys’ fees and expenses whatsoever, whether in law or equity or otherwise, and whether known or unknown.

All of the released entities described above are collectively referred to as the “Releasees.”

This release includes, but is not limited to, all claims, demands, federal or state administrative actions, appeals, and causes of action arising out of or in any way related to: (a) all federal, state, and local laws, including, without limitation, the following federal and state statutes, as amended, and their corresponding regulations: the Americans with Disabilities Act Amendments Act of 2008 and any subsequent amendments, the Civil Rights Act of 1991, the Civil Rights Acts of 1866 and 1871, 42 U.S.C. § 1981, 42 U.S.C. § 1983, Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act of 1967 and any subsequent amendments, the Fair Labor Standards Act, the Consultant Retirement Income Security Act, the Americans with Disabilities Act of 1990, the Equal Pay Act of 1963, the Family and Medical Leave Act of 1993 and any subsequent amendments, the National Labor Relations Act, the Labor Management Relations Act, the Occupational Safety and Health Act of 1970, the Older Workers Benefit Protection Act of 1990, the Rehabilitation Act of 1973; and (b) any claim or action under the common law of the State of Colorado including but not limited to, any claim for compensation, damages, tort, breach of express or implied employment contract, breach of duty of good faith, discrimination, intentional interference with contractual relations, fraud, misrepresentation, outrageous conduct, slander, libel, negligent and/or intentional infliction of emotional distress, violation of public policy, negligent supervision, assault, battery, breach of contract, implied breach of good faith and fair dealing, promissory estoppel, wrongful discharge, harassment, or retaliation, and for any other damages or injuries incurred on the job; and (c) any claim under the constitution of the United States or the State of Colorado; in relation to Consultant's employment or incurred as a result of loss of employment. However, nothing in this Agreement including but not limited to the release of claims, proprietary information, confidentiality, and non-disparagement provisions, prevent Consultant from filing a charge or complaint with or from participating in an investigation or proceeding conducted by the EEOC, NLRB or any other any federal, state or local agency charged with the enforcement of any laws, or from exercising Consultant's rights under Section 7 of the NLRA to engage in joint activity with other Consultants, although by signing this release Consultant is waiving rights to individual relief based on claims asserted in such a charge or complaint, except where such a waiver of individual relief is prohibited.

B. **Released Claims.** The claims, charges, causes of actions, appeals, demands, losses, damages, attorneys' fees, expenses, costs and liabilities released in Paragraph 3A shall be referred to collectively herein as the "Released Claims."

4. **PROMISE NOT TO PROSECUTE**

Consultant and the Company further agree that they shall not, at any time hereafter, commence, maintain or prosecute any action, suit, proceeding, investigation, complaint, claim, grievance or charge with any court, administrative agency, arbitrator or any other body or person, whether Federal, State, contractual or otherwise, or aid or assist others in prosecuting such action, suit, proceeding, investigation, complaint, claim, grievance or charge on their behalf, except in response to governmental agency or court inquiries or as compelled by legal process, against the other, or any of them, based in whole or in part upon, or arising out of or in an way connected with, any of the claims released or any of the matters referred to in this Agreement. Consultant and the Company further agree to indemnify each other and hold the other Party harmless from and against any and all claims, demands, causes of action, damages or liability of any kind, including the cost of defense and reasonable attorneys' fees arising out of or in connection with, any action, suit, proceeding, investigation, complaint, claim, grievance or charge commenced, maintained, or prosecuted by them contrary to the terms of this Agreement.

5. **RELEASE INCLUDES UNKNOWN CLAIMS**

A. The Parties understand and agree that the Released Claims are intended to and do include any and all claims of every nature and kind whatsoever, whether known, unknown, suspected, or unsuspected.

B. The Parties further acknowledge that they may hereafter discover facts different from or in addition to those that they now know or believe to be true with respect to the Released Claims and agree that, in such event, this Agreement shall nevertheless be and remain effective in all respects, notwithstanding such different or additional facts, or the discovery thereof.

C. The Parties represent and acknowledge (i) that they have conducted whatever investigation was deemed necessary to ascertain all facts and matters related to this Release; (ii) that they have had the opportunity to consult with and to receive advice from legal counsel concerning this Release; and (iii) that they are not relying in any way on any statement or representation by the other party or that party's attorneys, except as expressly stated herein, in reaching his decision to enter into this Agreement.

6. **NO ASSIGNMENT OR TRANSFER OF RELEASED CLAIMS**

The Parties represent and warrant that they have not assigned, transferred, or hypothecated, or purported to assign, transfer, or hypothecate, to any person, firm, corporation, association, or entity whatsoever any of the Released Claims.

7. **NO ADMISSION OF LIABILITY**

Consultant and the Company understand and agree that this Agreement is a release of any disputed claims and does not constitute an admission of liability on the part of any of the Parties, as to any matters whatsoever and that the Parties intend by this Agreement to avoid further proceedings and buy peace. The Parties specifically deny liability for any harm allegedly suffered by the other Party.

8. **RETURN OF PROPERTY AND RECORDS**

Consultant agrees to return all property belonging to the Company that Consultant has in his possession. Consultant understands that he is not entitled to keep or preserve records of the Company. This prohibition does not include any relevant Consultant files or records of Consultant.

9. **CONFIDENTIALITY**

A. Consultant agrees he will keep this Agreement confidential, and that the Agreement and its terms and conditions, including the fact of Release and the facts and circumstances underlying any potential claims, shall not be discussed with, or revealed to, any person other than Consultant's spouse, attorneys, accountants, or tax or financial advisors, except as otherwise required by law or by order of a court. Consultant agrees that if he discusses or reveals the terms or conditions of the Release to or with any of the aforementioned persons or entities, he will instruct those persons or entities that the terms and conditions of the Agreement are confidential, and that such persons or entities shall be under the same confidentiality obligations as to Consultant and the Company. Consultant understands and agrees that confidentiality is a material provision of this Agreement.

B. Company agrees it will keep this Agreement confidential, and that the Agreement and its terms and conditions, including the fact of Release and the facts and circumstances underlying any potential claims, shall not be discussed with, or revealed to, any person other than Company's Board of Directors, attorneys, accountants, tax

or financial advisors or those required for processing the payment described above in Paragraph 2, except as otherwise required by law or by order of a court. Company agrees that if it discusses or reveals the terms or conditions of the Release to or with any of the aforementioned persons or entities, it will instruct those persons or entities that the terms and conditions of the Agreement are confidential, and that such persons or entities shall be under the same confidentiality obligations as to Consultant and the Company. Company understands and agrees that confidentiality is a material provision of this Agreement.

10. NON-DISPARAGEMENT

A. Consultant and the Company agree not to make any statements to any third party that disparages the Company, Consultant, or other Releasees. Nothing in the foregoing sentence, however, is intended to nor shall it be construed to prevent Consultant from making true statements to a third party pursuant to a valid subpoena or under oath and penalty of perjury in a deposition or other court proceeding. Consultant and the Company understand and agree that non-disparagement is a material provision of this Agreement.

11. COOPERATION

Consultant and the Company agree to cooperate with each other with respect to the prosecution and/or defense of legal claims which arose during Consultant's tenure as a Consultant of the Company, or which relate to events which occurred during Consultant's tenure as a Consultant of the Company or to which Consultant has any information. Such cooperation shall include, but is not limited to, making each other available for interview by each other and/or its counsel, reviewing and/or identifying documents, giving testimony and/or testifying at trial, and further that the Parties shall immediately notify the each other in writing if a Party to this Agreement is ever subpoenaed or otherwise requested to testify in any matter involving the other Party..

12. NON-COMPETE AND NON-SOLICITATION

Consultant acknowledges that the business and products of Company as embodied in Company's Confidential Information are unique and of significant importance to the commercial viability and continuity of Company, as well as providing Company with a significant competitive advantage and as a result, Consultant agrees:

- A. Non-Compete. Consultant covenants and agrees that for one (1) year after the Effective Date of this Agreement that Consultant will not, directly or indirectly, anywhere in the states in which Company operates or is contemplating operating, provide consulting services on behalf of any business that is competitive with Company.
- B. Non-Solicitation of Employees. Consultant covenants and agrees that for one (1) year after the Effective Date of this Agreement that Consultant shall not, directly or indirectly, employ, solicit, recruit, or encourage for employment, or otherwise contract for or hire, the services of any individual who is then an employee of the Company or who was an employee of the Company within the previous twelve (12) months of the Effective Date.

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- C. NonSolicitation of Customers, Customer Prospects and Vendors. Consultant covenants and agrees that for one (1) year after the Effective Date of this Agreement that Consultant shall not, directly or indirectly, solicit any person or entity who paid or engaged the Company for services, or who received the benefit of Company's services, or with whom Consultant had any substantial dealing with. This Section also applies to assisting any employer or other third party in the non-solicitation of customers, customer prospects and vendors. Consultant shall not, directly or indirectly, disclose to any person, firm or corporation the names or addresses of any of the customers or clients of the Company or any other information pertaining to them. Consultant shall not call on, solicit, take away, or attempt to call on or solicit any customer of the Company with whom Consultant has personally knowledge of.

13. PARTIES TO BEAR THEIR OWN COSTS

Consultant understands that he and the Company will each bear their own costs, expenses, and attorneys' fees, if any, in relation to this Agreement.

14. REPRESENTATIONS

Each signatory hereto warrants that s/he/it is legally competent and/or authorized to execute this Agreement and has not relied on any statements or explanations in connection therewith. Moreover, each party hereby acknowledges that s/he/it has been afforded the opportunity to be advised by legal counsel regarding the terms of this Agreement, including the release of all claims and waiver of rights.

15. KNOWLEDGE, CAPACITY, AND AUTHORITY

Consultant represents and warrants that he had the opportunity to have counsel explain the contents of this Agreement to him. Consultant represents that he understands the contents of this Agreement and that he executed it knowingly and voluntarily and understands that after executing it he cannot proceed against any Releasee on account of the matters referred to herein. Each party to this Agreement represents and warrants that s/he/it has the authority and capacity to execute this Agreement.

16. MODIFICATION

No provision of this Release may be changed, altered, modified or waived except in writing signed by both Consultant and the Company or other Releasees, which writing shall specifically reference this Release and the provision that the parties intend to waive or modify.

17. NON-WAIVER

No provision of this Agreement may be waived unless in writing and signed by all the parties to this Agreement. Waiver of any one provision shall not constitute waiver of any other provision. A delay of failure by either party to exercise a right under this Agreement, or a partial or single exercise of that right, shall not constitute a waiver of that or any other right herein.

18. SEVERABILITY

In the event any provision of this Agreement should be held to be unenforceable, each and all of the other provisions of this Agreement shall remain in full force and effect.

19. WAIVER OF CLAIMS UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT

The Severance Sum is intended in part as consideration for Consultant's release and waiver of any and all claims under the ADEA. Consultant should consult with his attorneys about this release and waiver before executing this Agreement. Further, Consultant has twenty-one (21) calendar days from her receipt of this Agreement to consider the release and waiver of any and all claims (including those arising under the ADEA), and, for a period of seven (7) calendar days following execution of the Agreement by him, Consultant may revoke this release and waiver in a writing received by counsel for the Company on or before the expiration of the seven (7) calendar day period. This Agreement shall not become effective or enforceable until the seven (7) calendar day revocation period set forth herein has expired without Consultant having exercised her

20. APPLICABLE LAW

This Agreement shall be construed and enforced according to the laws of the State of Colorado.

21. COUNTERPARTS ACCEPTABLE

This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

22. ENTIRE AGREEMENT

Consultant acknowledges that this Release constitutes a full, final, and complete settlement of the parties' differences and supersedes and replaces any and all other written or oral exchanges, agreements, understandings, employment contracts, arrangements, or negotiations between or among them relating to the subject matter hereof; and Consultant affirmatively represents that there are no other prior or contemporaneous exchanges, agreements, representations, arrangements, or understandings, written or oral, between or among the parties relating to the subject matter hereof other than that as set forth herein, and that this Release contains the sole and entire Release between them with respect to the subject matter hereof. Consultant further acknowledges and agrees that any language proposed for, deleted from, or otherwise changed in any drafts of this Release but not included herein shall not be considered in any way in the interpretation and application of this Release and shall not in any way affect the rights and obligations of Consultant, the Company, or Releasees.

PLEASE READ CAREFULLY.
THIS AGREEMENT INCLUDES A RELEASE OF ALL CLAIMS KNOWN AND UNKNOWN.

I, Leonard Riera, ACKNOWLEDGE THAT I HAVE READ THIS RELEASE, THAT I HAVE BEEN ADVISED TO CONSULT WITH AN ATTORNEY BEFORE EXECUTING THIS RELEASE, AND THAT I UNDERSTAND ALL OF THIS AGREEMENT'S TERMS AND EXECUTE THE AGREEMENT VOLUNTARILY WITH FULL KNOWLEDGE OF ITS SIGNIFICANCE AND CONSEQUENCES. CONSULTANT ACKNOWLEDGES THAT HE HAD SEVEN DAYS TO DECIDE IF HE WANT TO SIGN THIS AGREEMENT.

IN WITNESS WHEREOF, the Parties have executed this Agreement have set their hands the day and year set forth below their respective signatures.

/s/ Leonardo Riera
Date: 10/23/2020

Medicine Man Technologies, Inc. dba Schwazze

/s/ Justin Dye
By: Justin Dye
Title: CEO

Date: 10/23/2020

Exhibit A

_____, 2020

Executive Chairman and CEO Justin Dye
Directors of Medicine Man Technologies, Inc. dba Schwazze
4880 Havana Street Ste 201
Denver, CO 80239

Re: Resignation of Membership on Medicine Man Technologies, Inc. dba Schwazze Board of Directors

Dear Mr. Dye:

Please let this letter serve as notice that for personal reasons I have decided to resign as a Member of the Board of Directors of Medicine Man Technologies, Inc dba Schwazze. My resignation shall be effective at any time between the current date and no later than January 31, 2021, at the discretion of the Chairman of the Board. Until such time that my resignation to the Board becomes effective by means of written notification by the Chairman, I will continue to serve, at his request, as Director and as member of the Special Committee that is evaluating financing options in the form of preferred shares.

I have greatly enjoyed my time in Denver and as member of the Board of Schwazze. I am proud of the work we have done, and wish Schwazze all the best in the future.

Sincerely,

Leonardo Riera

Accepted on _____.

Medicine Man Technologies, Inc. dba Schwazze

Exhibit B
Stock Option Agreement

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

I, Justin Dye, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Medicine Man Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedure to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based upon such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 13, 2021

/s/ Justin Dye
Justin Dye, Chief Executive Officer

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

I, Nancy Huber, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Medicine Man Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedure to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based upon such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 13, 2021

/s/ Nancy Huber

Nancy Huber, Chief Financial Officer

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

In connection with this quarterly report of Medicine Man Technologies, Inc. (the "Company") on Form 10-Q for the fiscal period ended March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, the undersigned, in the capacities and on the date indicated below, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of our knowledge:

1. The Report fully complies with the requirements of Rule 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 13, 2021

/s/ Justin Dye
Justin Dye, Chief Executive Officer

Dated: May 13, 2021

/s/ Nancy Huber
Nancy Huber, Chief Financial Officer