

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended **March 31, 2020**

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

Commission File Number **000-55450**

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

Nevada
(State or other jurisdiction of
Incorporation or organization)

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

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

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

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

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

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

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

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

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

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

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

As of May 8, 2020, the Registrant had 41,972,746 shares of Common Stock issued and outstanding.

TABLE OF CONTENTS

	Page
<u>Part I – FINANCIAL INFORMATION</u>	
Item 1. Financial Statements	4
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	25
Item 3. Quantitative and Qualitative Disclosures about Market Risk	27
Item 4. Controls and Procedures	28
<u>Part II – OTHER INFORMATION</u>	
Item 1. Legal Proceedings	29
Item 1A. Risk Factors	29
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	29
Item 3. Defaults upon Senior Securities	29
Item 4. Mine safety disclosures	29
Item 5. Other Information	30
Item 6. Exhibits	31
<u>Signatures</u>	

NOTE ABOUT FORWARD-LOOKING INFORMATION

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

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

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

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

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

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

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

Part I. FINANCIAL INFORMATION
Item 1. Financial Statements

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

	March 31, 2020	December 31, 2019
	(Unaudited)	(Audited)
Assets		
Current assets		
Cash and cash equivalents	\$ 9,075,427	\$ 11,853,627
Accounts receivable, net of allowance for doubtful accounts	511,984	313,317
Accounts receivable – related party	59,512	72,658
Inventory	642,689	684,940
Notes receivable – related party	767,695	767,695
Other assets	707,706	529,416
Prepaid acquisition costs (Note 10)	1,269,367	1,347,462
Total current assets	13,034,380	15,569,115
Non-current assets		
Fixed assets, net accumulated depreciation of \$163,819 and \$159,354, respectively	541,791	239,078
Goodwill	12,304,306	12,304,306
Intangible assets, net accumulated amortization of \$21,459 and \$19,811, respectively	73,641	75,289
Investment	435,898	406,774
Accounts receivable – litigation	3,063,968	3,063,968
Deferred tax assets, net	268,423	268,423
Notes receivable – noncurrent, net	242,959	241,711
Operating lease right of use assets	63,925	59,943
Total non-current assets	16,994,911	16,659,492
Total assets	\$ 30,029,291	\$ 32,228,607
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 1,182,832	\$ 699,961
Accounts payable – related party	2,500	15,372
Accrued expenses	1,194,032	1,091,204
Derivative liabilities	1,118,783	3,773,382
	1,940	1,940
Income taxes payable		
Total current liabilities	3,500,087	5,581,859
Noncurrent liabilities		
Lease liabilities	75,838	66,803
Total noncurrent liabilities	75,838	66,803
Total liabilities	3,575,925	5,648,662
Commitments and contingencies (Note 10)	–	–
Shareholders' equity		
Common stock \$0.001 par value. 250,000,000 authorized, 39,952,628 were issued and outstanding at March 31, 2020 and December 31, 2019.	39,953	39,953
Additional paid-in capital	51,609,200	50,356,469
Accumulated deficit	(24,195,787)	(22,816,477)
Common stock held in treasury, at cost, 257,732 shares held at March 31, 2020 and December 31, 2019.	(1,000,000)	(1,000,000)
Total shareholders' equity	26,453,366	26,579,945
Total liabilities and stockholders' equity	\$ 30,029,291	\$ 32,228,607

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, 2020 and 2019

Expressed in U.S. Dollars

	Three Months Ended March 31,	
	2020	2019
Operating revenues		
Product sales	\$ 2,418,235	\$ 1,383,710
Product sales – related party	110,696	160,590
Consulting and licensing services	661,257	452,380
Other operating revenues	12,946	6,796
Total revenue	<u>3,203,134</u>	<u>2,003,476</u>
Cost of goods and services		
Cost of goods and services	2,148,535	1,598,712
Total cost of goods and services	<u>2,148,535</u>	<u>1,598,712</u>
Gross profit	1,054,599	404,764
Operating expenses		
Selling, general and administrative	666,919	295,306
Professional services	1,248,988	591,560
Salaries	1,997,036	435,721
Stock-based compensation	1,252,731	934,221
Derivative expense - contingent compensation	–	375,983
Total operating expenses	<u>5,165,674</u>	<u>2,632,791</u>
Loss from operations	<u>(4,111,075)</u>	<u>(2,228,027)</u>
Other income (expense)		
Interest income	48,042	–
Gain on forfeiture of contingent consideration	1,462,636	–
Unrealized gain (loss) on derivative liabilities	1,191,963	(335,036)
Unrealized gain (loss) on investment	29,124	(348,755)
Total other income (expense)	<u>2,731,765</u>	<u>(683,791)</u>
Loss before income taxes	<u>(1,379,310)</u>	<u>(2,911,818)</u>
Provision for income tax (benefit) expense	–	–
Net loss	<u>\$ (1,379,310)</u>	<u>\$ (2,911,818)</u>
Loss per share attributable to common shareholders		
Basic and diluted loss per share	<u>\$ (0.03)</u>	<u>\$ (0.10)</u>
Weighted average number of shares outstanding, basic and diluted	39,952,628	27,887,147
Comprehensive loss	<u>\$ (1,379,310)</u>	<u>\$ (2,911,818)</u>

See accompanying notes to the financial statements

MEDICINE MAN TECHNOLOGIES, INC.
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)
For the Three Months Ended March 31, 2020 and 2019
Expressed in U.S. Dollars

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Common Stock Held in Treasury at Cost	Total Stockholders' Equity
	Shares	Value	Shares	Value				
Balance, December 31, 2018	—	\$ —	27,753,310	\$ 27,875	\$ 22,886,624	\$ (5,840,735)	\$ —	\$ 17,073,764
Net loss	—	—	—	—	—	(2,911,818)	—	(2,911,818)
Issuance of common stock in connection with exercise of common stock purchase warrants	—	—	118,013	117	156,839	—	—	156,956
Issuance of common stock as compensation to employees, officers, directors and/or contractors	—	—	713,775	713	1,128,508	—	—	1,029,221
Balance, March 31, 2019	—	\$ —	28,585,098	\$ 28,705	\$ 24,071,971	\$ (8,752,553)	\$ —	\$ 15,348,123
	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Common Stock Held in Treasury at Cost	Total Stockholders' Equity
	Shares	Value	Shares	Value				
Balance, December 31, 2019	—	\$ —	39,952,628	\$ 39,953	\$ 50,356,469	\$ (22,816,477)	\$ (1,000,000)	\$ 26,579,945
Net loss	—	—	—	—	—	(1,379,310)	—	(1,379,310)
Stock-based compensation expense related to stock options	—	—	—	—	1,252,731	—	—	1,252,731
Balance, March 31, 2020	—	\$ —	39,952,628	\$ 39,953	\$ 51,609,200	\$ (24,195,787)	\$ (1,000,000)	\$ 26,453,366

See accompanying notes to the financial statements

MEDICINE MAN TECHNOLOGIES, INC.
STATEMENT OF CASH FLOWS (UNAUDITED)
For the Three Months Ended March 31, 2020 and 2019
Expressed in U.S. Dollars

	For the Three Months Ended March 31,	
	2020	2019
Cash flows from operating activities		
Net loss for the period	\$ (1,379,310)	\$ (2,911,818)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	6,113	12,347
Derivative expense	–	375,983
Gain on forfeiture of contingent consideration	(1,462,636)	–
(Gain) loss on change in derivative liabilities	(1,191,963)	335,036
(Gain) loss on investment, net	(29,124)	348,755
Stock based compensation	1,252,731	934,221
Changes in operating assets and liabilities		
Accounts receivable	(107,426)	910,093
Accrued interest receivable	(1,248)	–
Inventory	42,251	117,590
Other assets	(178,290)	(67,356)
Operating lease right of use assets and liabilities	5,053	(22,613)
Accounts payable and other liabilities	572,827	341,313
Net cash (used in) provided by operating activities	<u>(2,471,022)</u>	<u>373,551</u>
Cash flows from investing activities		
Purchase of fixed assets	(307,178)	(1,960)
Purchase of intangible assets	–	(6,000)
Issuance of notes receivable	–	(144,358)
Net cash used in investing activities	<u>(307,178)</u>	<u>(152,318)</u>
Cash flows from financing activities		
Proceeds from issuance of common stock, net of issuance costs	–	156,958
Net cash provided by financing activities	<u>–</u>	<u>156,958</u>
Net (decrease) increase in cash and cash equivalents	(2,778,200)	378,191
Cash and cash equivalents at beginning of period	11,853,627	321,788
Cash and cash equivalents at end of period	<u>\$ 9,075,427</u>	<u>\$ 699,979</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ –	\$ –
Cash paid for income taxes	\$ –	\$ –
Supplemental disclosure of non-cash investing and financing activities:		
Common stock issued in connection with long term service contracts	\$ –	\$ 95,000

See accompanying notes to the financial statements

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

Organization and Nature of Operations

Business Description – Business Activity

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

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

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

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

1. Liquidity and Capital Resources:

During the quarters ending March 31, 2020 and 2019, the Company primarily used revenues from its operation supplemented by cash to fund its operations.

Cash and cash equivalents are carried at cost and represent cash on hand, deposits placed with banks or other financial institutions and all highly liquid investments with an original maturity of three months or less as of the purchase date. The Company had \$9,075,427 and \$11,853,627 classified as cash and cash equivalents as of March 31, 2020 and December 31, 2019, 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. At 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 following table depicts the composition of the Company's cash and cash equivalents as of March 31, 2020 and December 31, 2019:

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
Deposits placed with banks	\$ 1,127,566	\$ 736,101
United States Treasury Bill	7,947,861	11,117,526
Total cash and cash equivalents	<u>\$ 9,075,427</u>	<u>\$ 11,853,627</u>

2. Critical Accounting Policies and Estimates

Management's Representation of Interim Financial Statements

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

Basis of Presentation

These accompanying financial statements have been prepared in accordance with 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

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 at March 31, 2020 and December 31, 2019, using quoted prices in active markets for identical assets (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3):

	March 31, 2020	December 31, 2019
Level 1 – Marketable Securities Available-for-Sale – Recurring	435,898	406,774

Marketable Securities at Fair Value on a Recurring Basis

Certain assets are measured at fair value on a recurring basis. The Level 1 position consists of an investment in equity securities held in Canada House Wellness Group, Inc. (CHV), a publicly-traded company whose securities are actively quoted on the Toronto Stock Exchange. At both March 31, 2020 and December 31, 2019, the Company owned 17,650,540 shares of CHV common stock. The closing share price of CHV's common stock on March 31, 2020 was CAD\$0.035 per share.

Fair Value of Financial Instruments

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

Accounts Receivable

The Company extends unsecured credit to its customers in the ordinary course of business. Accounts receivable related to consulting revenues are recorded when a milestone is reached at point in time resulting in funds being due for delivered services, and where payment is reasonably assured. Accounts receivable related to revenues on cultivation yields are recorded over time based upon harvested cannabis. Consulting and licensing 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, 2020, and December 31, 2019:

	March 31, 2020	December 31, 2019
Accounts receivable – trade	\$ 627,854	\$ 384,202
Accounts receivable – related party	59,512	72,658
Accounts receivable – litigation, non-current	3,063,968	3,063,968
Allowance for doubtful accounts	(115,870)	(70,885)
Total accounts receivable	<u>\$ 3,635,464</u>	<u>\$ 3,449,943</u>

The Company establishes an allowance for doubtful accounts based on management's assessment of the collectability of trade receivables. A considerable amount of judgment is required in assessing the amount of the allowance. The Company makes judgments about the creditworthiness of each customer based on ongoing credit evaluations and monitors current economic trends that might impact the level of credit losses in the future. If the financial condition of the customers were to deteriorate, resulting in their inability to make payments, a specific allowance will be required. At March 31, 2020 and December 31, 2019, the Company recorded an allowance for doubtful accounts of \$115,870 and \$70,885, respectively. During the three months ended March 31, 2020, the Company increased its provision for bad debts by \$44,985. The Company did not record a provision for bad debts during the three months ended March 31, 2019.

Notes Receivable

On July 17, 2018, the Company entered into an intellectual property license agreement with Abba Medix Corp. (AMC), a wholly owned subsidiary of publicly traded Canada House Wellness Group, Inc. (CHV). The Company agreed to provide a lending facility to AMC in CAD\$125,000 increments of up to CAD\$500,000. The lending facility is for a term of 36 months and bears interest at a rate of 2%. As of March 31, 2020 and December 31, 2019, the outstanding balance, including accrued interest, on the notes receivable with AMC totaled \$242,959 and \$241,711, respectively. The Company classified these loans as noncurrent notes receivable on its consolidated balance sheets as of March 31, 2020 and December 31, 2019, respectively.

Other Assets (Current and Non-Current)

Other assets at March 31, 2020 and December 31, 2019 were \$707,706 and \$529,416, respectively. As of March 31, 2020, this balance included \$528,738 in prepaid expenses, \$37,089 in interest receivable and \$141,879 in security deposits. At December 31, 2019, other assets included \$480,881 in prepaid expenses, \$21,085 in interest receivable and \$27,450 in security deposits. Prepaid expenses were primarily comprised of insurance premiums, membership dues, conferences and seminars, and other general and administrative costs.

Goodwill and Intangible Assets

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

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

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

The Company performed its annual fair value assessment at December 31, 2019, on its subsidiaries with material goodwill and intangible asset amounts on their respective balance sheets and determined that no impairment exists.

Long-Lived Assets

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

The Company evaluated the recoverability of its long-lived assets on December 31, 2019 on its subsidiaries with material amounts on their respective balance sheets and determined that no impairment exists.

Accounts Payable

Accounts payable at March 31, 2020 and December 31, 2019 were \$1,182,832 and \$699,961, respectively and were comprised of trade payables for various purchases and services rendered during the ordinary course of business.

Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities at March 31, 2020 and December 31, 2019 were \$1,194,032 and \$1,091,204, respectively. At March 31, 2020, this was comprised of customer deposits of \$36,304, accrued payroll of \$953,269, and operating expenses of \$204,459. At December 31, 2019, accrued expenses and other liabilities was comprised of customer deposits of \$148,109, accrued payroll of \$714,220, and operating expenses of \$228,875.

Revenue Recognition and Related Allowances

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

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

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

Revenue from licensing and consulting services is recognized when the obligations to the client are fulfilled which is determined when milestones in the contract are achieved and target harvest yields are exceeded.

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

Costs of Goods and Services Sold

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

General and Administrative Expenses

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

Advertising and Marketing Costs

Advertising and marketing costs are expensed as incurred and were \$129,267 and \$55,401 during the quarter ended March 31, 2020 and 2019, 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 and restricted stock awards 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 stock has become publicly traded, the value is determined based on the number of shares issued and the trading value of the stock on the date of the transaction.

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

The Company recognized \$1,252,731 in expense for stock-based compensation from common stock options issued to employees during the three months ended March 31, 2020, and \$934,221 in expense for stock-based compensation from the issuance of common stock to employees, officers, directors and/or contractors during the three months ended March 31, 2019.

Income Taxes

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

Right of Use Assets and Lease Liabilities

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

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

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

Basic and Diluted Net Income (Loss) Per Share

The Company computes net income (loss) per share in accordance with ASC 260, “*Earnings per Share*”. ASC 260 requires presentation of both basic and diluted earnings per share (“EPS”) on the face of the income statement. Basic EPS is computed by dividing net income (loss) available to common stockholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. These potential dilutive shares include 3,062,000 shares from vested stock options and 9,800,000 stock purchase warrants. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti-dilutive.

3. Recent Accounting Pronouncements

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

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

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

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

4. Property and Equipment

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

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
Furniture and fixtures	\$ 101,446	\$ 98,903
Leasehold improvements	40,953	40,953
Vehicles	34,000	34,000
Office equipment	41,622	33,833
Work in process	487,589	190,743
	<u>\$ 705,610</u>	<u>\$ 398,432</u>
Less: Accumulated depreciation	(163,819)	(159,354)
Total property and equipment, net of depreciation	<u>\$ 541,791</u>	<u>\$ 239,078</u>

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

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

Depreciation expense for the three months ended March 31, 2020 and 2019 was \$4,465 and \$10,651 respectively.

5. Intangible Asset

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

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
License agreement	\$ 5,300	\$ 5,300
Product license and registration	57,300	57,300
Trade secret – intellectual property	32,500	32,500
Subtotal	<u>\$ 95,100</u>	<u>\$ 95,100</u>
Less: accumulated amortization	(21,459)	(19,811)
Total intangible assets, net of amortization	<u>\$ 73,641</u>	<u>\$ 75,289</u>

Amortization expense for the three months ended March 31, 2020 and 2019 was \$1,648 and \$1,696, 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) the contractual term of the derivative instrument ranging between 2.25 - 3 years, (iii) a risk-free interest rate ranging between 1.56% - 2.57% and (iv) an expected volatility of the price of the underlying common stock ranging between 136% - 158%.

As of March 31, 2020, the fair value of these derivative liabilities is \$1,118,783. The change in the fair value of derivative liabilities for the three months ended March 31, 2020 was \$1,191,963, resulting in an aggregate unrealized gain on derivative liabilities.

7. Related Party Transactions

During the three months ended March 31, 2020, the Company had sales from Super Farm LLC ("Super Farm") totaling \$136,980 along with sales discounts of \$68,490 and sales from De Best Inc. ("De Best") totaling \$62,355 along with sales discounts of \$31,177. As of March 31, 2020, the Company had an accounts receivable balance from Super Farm totaling \$4,426 and an accounts receivable balance from De Best totaling \$7,505. The Company's Chief Cultivation Officer, Joshua Haupt, maintains an ownership interest in both Super Farm and De Best.

During the three months ended March 31, 2020, the Company did not record any sales from Medicine Man Denver. As of March 31, 2020, the Company had an accounts receivable balance with Medicine Man Denver totaling \$43,540. Also, during the three months ended March 31, 2020, the Company incurred expenses from Medicine Man Denver totaling \$6,491 for contract labor and other related administrative costs. The Company's former Chief Executive Officer, Andy Williams, maintains an ownership interest in Medicine Man Denver.

During the three months ended March 31, 2020, the Company did not record any sales from MedPharm Holdings LLC (“MedPharm Holdings”). As of March 31, 2020, the Company had an accounts receivable balance with MedPharm Holdings totaling \$4,041. Also, during the year ended December 31, 2019, the Company issued various notes receivable to MedPharm Holdings totaling \$767,695 with original maturity dates ranging from September 21, 2019 through January 19, 2020 and all bearing interest at 8% per annum. All notes extended to May 2020 by mutual agreement between the Company and noteholder. The Company’s former Chief Executive Officer, Andy Williams, maintains an ownership interest in MedPharm Holdings.

During the three months ended March 31, 2020, the Company did not record any sales from Baseball 18, LLC (“Baseball”). As of March 31, 2020, the Company had an accounts receivable balance with Baseball totaling \$169,960. During the three months ended March 31, 2020, the Company did not record any sales from Farm Boy, LLC (“Farm Boy”). As of March 31, 2020, the Company had an accounts receivable balance with Farm Boy totaling \$330,912. One of the Company’s directors, Robert DeGabrielle, owns the Colorado retail marijuana cultivation licenses for Farm Boy LLC and Baseball 18 LLC, both doing business as Los Sueños Farms.

8. Inventory

As of March 31, 2020, and December 31, 2019, respectively, the Company had \$642,689 and \$684,940 of finished goods inventory. The Company only has finished goods within inventory because it does not produce any of its products. All inventory is produced by a third party. The Company uses the FIFO inventory valuation method. As of March 31, 2020 and December 31, 2019, the Company did not recognize any impairment for obsolescence within its inventory.

9. Leases

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

The Company's leases consist of real estate leases for office 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% - 12%.

Balance Sheet Classification of Operating Lease Assets and Liabilities

	<u>Balance Sheet Line</u>	<u>March 31, 2020</u>
Asset		
Operating lease right of use assets	Noncurrent assets	\$ 63,925
Liabilities		
Lease liabilities	Noncurrent liabilities	\$ 75,838

Lease Costs

The table below summarizes the components of lease costs for the three months ended March 31, 2020.

	<u>Three Months Ended March 31, 2020</u>
Operating lease costs	\$ 57,531

Maturities of Lease Liabilities

Maturities of lease liabilities as of March 31, 2020 are as follows:

2020 fiscal year	\$ 77,452
Less: Interest	(1,614)
Present value of lease liabilities	<u>\$ 75,838</u>

The following table presents the Company's future minimum lease obligation under ASC 840 as of March 31, 2020:

2020 fiscal year	\$ 77,452
------------------	-----------

10. Commitments and Contingencies

Binding Term Sheets to Acquire Certain Businesses

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

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

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

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

On May 24, 2019, the Company entered into a binding term sheet with Farm Boy and Baseball setting forth the terms of the acquisition by the Company of 100% of the capital stock and assets of Farm Boy and Baseball, respectively. As consideration, the Company shall pay a total purchase price of \$5,937,500, subject to adjustment, consisting of \$1,187,500 cash and 1,578,073 shares of its common stock, par value \$0.001 per share. The 1,578,073 shares were determined by averaging the closing price of Company’s common stock for the five (5) days prior to the execution date.

Also, on May 24, 2019, the Company entered into a binding term sheet with Los Suenos, LLC (“Los Suenos”) and Emerald Fields Grow LLC (“Emerald”) setting forth the terms of the acquisition by the Company of 100% of the capital stock and assets of Los Suenos and Emerald, respectively. As consideration, the Company shall pay a total purchase price of \$5,937,500, subject to adjustment, consisting of \$1,187,500 cash and 1,578,073 shares of its common stock, par value \$0.001 per share. The 1,578,073 shares were determined by averaging the closing price of Company’s common stock for the five (5) days prior to the execution date.

On May 31, 2019, the Company entered into a binding term sheet with Mesa Organics Ltd., Mesa Organics II Ltd. and Mesa Organics III Ltd. (collectively referred to herein as “MesaPur”) setting forth the terms of the acquisition by the Company of 100% of the capital stock and assets of MesaPur (the contemplated transaction the “Mesa Acquisition”). As consideration pursuant to the term sheet, the Company agreed to pay a total purchase price of \$12,012,758, subject to adjustment, consisting of \$2,402,552 cash and 2,801,809 shares of its common stock, par value \$0.001 per share. The 2,801,809 shares were determined by averaging the closing price of Company’s common stock for the ten (10) days prior to the execution date. For more information on the Mesa Acquisition, see Note 17 to this report.

On August 6, 2019, the Company entered into a binding term sheet with Cold Baked, LLC and Golden Works, LLC (d/b/a “Dabble”) setting forth the terms of the acquisition by the Company of 100% of the capital stock and assets of Dabble. As consideration, the Company shall pay a total purchase price of \$3,750,000 consisting of \$750,000 cash and 996,678 shares of its common stock, par value \$0.001 per share. The 996,678 shares were determined by averaging the closing price of Company’s common stock for the five (5) days prior to the execution date.

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

On August 28, 2019, the Company entered into a binding term sheet with Starbuds Pueblo LLC, Starbuds Louisville LLC, Starbuds Niwot LLC, Starbuds Longmont LLC and Starbuds Commerce City LLC (“Starbuds”) pursuant to which the Company will purchase the membership interests of Starbuds. As consideration, the Company shall pay a total purchase price of \$31,005,089 consisting of \$23,253,816 in cash and 2,601,098 shares of its common stock, par value \$0.001 per share. The 2,601,098 shares were determined by averaging the closing price of Company’s common stock for the five (5) days prior to August 28, 2019.

On August 29, 2019, the Company entered into a binding term sheet with High Country Supply d/b/a Colorado Harvest Company (“CHC”) pursuant to which the Company will purchase 100% of the capital stock or assets of CHC. As consideration, the Company shall pay a total purchase price of \$12,500,000 consisting of \$4,000,000 in cash and 2,881,356 shares of its common stock, par value \$0.001 per share. The 2,881,356 shares were determined by averaging the closing price of Company’s common stock for the five (5) days prior to July 8, 2019.

On August 30, 2019, the Company entered into a binding term sheet with Colorado Health Consultants, LLC, CitiMed, LLC, Lucky Ticket LLC and KEW LLC (collectively, the “Targets”) pursuant to which the Company will purchase the membership interests of the Targets. As consideration, the Company shall pay a total purchase price of \$36,898,499 consisting of \$27,673,874.25 in cash and 3,095,512 shares of its common stock, par value \$0.001 per share. The 3,095,512 shares were determined by averaging the closing price of Company’s common stock for the five (5) days prior to August 30, 2019.

On August 31, 2019, the Company entered into a binding term sheet with SB Aurora LLC, SB Arapahoe LLC, SB Alameda LLC, and SB 44th LLC (“SB”) pursuant to which the Company will purchase the membership interests of SB. As consideration, the Company shall pay a total purchase price of \$50,096,413 consisting of \$37,590,310 in cash and 4,202,720 shares of its common stock, par value \$0.001 per share. The 4,202,720 shares were determined by averaging the closing price of Company’s common stock for the five (5) days prior to August 31, 2019.

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

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

Prepaid acquisition costs

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

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

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

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

Departure of Officer

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

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

11. Stockholders' Equity

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

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

Preferred Stock

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

Common Stock

The Company is authorized to issue 250,000,000 shares of common stock at a par value of \$0.001 and had 39,952,628 shares of common stock issued and outstanding as of March 31, 2020, and December 31, 2019.

Common Stock Issued in Connection with the Exercise of Warrants

During the three months ended March 31, 2019, the Company issued 118,013 shares of common stock for proceeds of \$156,956 under a series of stock warrant exercises with an exercise price of \$1.33 per share.

No common stock was issued in connection with the exercise of warrants during the three months ended March 31, 2020.

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

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

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

At various times during the three months ended March 31, 2019, the Company issued an additional 113,775 shares of common stock valued at \$179,221 to contractors in exchange for services provided.

No common stock was issued as compensation to employees, officer, directors or contractors during the three months ended March 31, 2020.

Warrants

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

During the year ended December 31, 2019, the Company issued 9,800,000 common stock purchase warrants to various accredited investors with an exercise price of \$3.50 per share with an expiration date of three years from the date of issuance. The Company estimated the fair value of these warrants at date of grant using the Black-Scholes option pricing model using the following inputs: (i) stock price on the date of grant of \$3.50, (ii) the contractual term of the warrant of 3 years, (iii) a risk-free interest rate ranging between 1.56% - 1.84% and (iv) an expected volatility of the price of the underlying common stock ranging between 158% - 162%.

The following table reflects the change in common stock purchase warrants for the three months ended March 31, 2020. All stock warrants are exercisable for a period of three years from the date of issuance.

	<u>Number of shares</u>
Balance as of January 1, 2020	9,800,000
Warrants exercised	—
Warrants forfeited	—
Warrants issued	—
Balance as of March 31, 2020	<u>9,800,000</u>

12. Segment Information

The Company has three identifiable segments as of March 31, 2020; (i) products, (ii) consulting and licensing and (iii) corporate, infrastructure and other. The products segment sells merchandise directly to customers via e-commerce portals, through the Company's proprietary websites and retail location. The licensing and consulting segment sales derives its revenue from licensing and consulting agreements with cannabis related entities, in addition to fees from seminars and expense reimbursements included in other revenue on the Company's financial statements. The corporate, infrastructure and other segment represents new resources added in anticipation of various acquisition transactions and other corporate related costs.

The following information represents segment activity for the three-month periods ended March 31, 2020 and March 31, 2019:

	<u>For the Three Months Ended March 31,</u>							
	<u>2020</u>				<u>2019</u>			
	<u>Products</u>	<u>Consulting and Licensing</u>	<u>Corporate, Infrastructure and Other</u>	<u>Total</u>	<u>Products</u>	<u>Consulting and Licensing</u>	<u>Corporate, Infrastructure and Other</u>	<u>Total</u>
Revenues	\$ 2,528,931	\$ 674,203	\$ —	\$ 3,203,134	\$ 1,578,307	\$ 425,169	\$ —	\$ 2,003,476
Cost of goods and services	\$ (1,896,226)	\$ (252,309)	\$ —	\$ (2,148,535)	\$ (1,410,441)	\$ (188,272)	\$ —	\$ (1,598,712)
Gross profit	\$ 633,705	\$ 421,894	\$ —	\$ 1,054,599	\$ 167,866	\$ 236,897	\$ —	\$ 404,764
Intangible assets amortization	\$ 1,513	\$ 135	\$ —	\$ 1,648	\$ 1,563	\$ 133	\$ —	\$ 1,696
Depreciation	\$ 1,233	\$ 3,232	\$ —	\$ 4,465	\$ 1,700	\$ 8,951	\$ —	\$ 10,651
Net income (loss)	\$ 446,499	\$ 154,427	\$ (1,980,236)	\$ (1,379,310)	\$ (57,687)	\$ (197,216)	\$ (2,656,914)	\$ (2,911,818)
Segment assets	\$ 12,935,074	\$ 6,487,595	\$ 10,606,622	\$ 30,029,291	\$ 5,212,682	\$ 9,556,562	\$ 2,995,107	\$ 17,764,351

13. Tax Provision

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

The Company recorded no tax provision as of March 31, 2020. As of March 31, 2020, the Company had federal, state and local net operating loss carryforwards of approximately \$8.5 million that are available to offset future liabilities for income taxes. The Company has generally established a valuation allowance against these carryforwards based on an assessment that it is more likely than not that these benefits will not be realized in future years. The federal and state net operating loss carryforwards expire in 2039.

14. Subsequent Events

In accordance with FASB ASC 855-10, *Subsequent Events*, the Company has analyzed its operations subsequent to March 31, 2020 to the date these consolidated financial statements were issued, and has determined that it does not have any material subsequent events to disclose in these consolidated financial statements, except as follows:

Consummation of the Mesa Acquisition

On November 23, 2019, the Company, through its wholly-owned subsidiary, PBS Merger Sub, LLC (the "Merger Sub"), entered into an Agreement and Plan of Merger (the "Mesa Merger Agreement") with Mesa Organics, Ltd. ("Mesa") and the owners of Mesa, James Parco and Pamela Parco, pursuant to which, among other things, Merger Sub would merge with and into Mesa with Mesa surviving and becoming a wholly-owned subsidiary of the Company. On April 20, 2020, the Company, together with the other parties to the Mesa Merger Agreement, entered into an amendment to the Mesa Merger Agreement, consummating the Mesa Acquisition. The aggregate purchase price is \$2,643,315 of cash and 2,594,754 shares of the Company's common stock. The Company acquired ownership of all of Mesa's subsidiaries, which are in the business of owning and operating certain marijuana establishments in the state of Colorado, pursuant to MED and local licenses.

Share Cancellation

On April 3, 2020, the Company cancelled 500,000 shares of common stock, with vesting conditions represented as derivative instruments. These shares were incorrectly issued as restricted shares instead of restricted stock units to an officer of the Company, Paul Dickman, on January 8, 2019. The return of these shares had no impact on EPS for the quarter ended March 31, 2020.

Termination of the Proposed Strawberry Fields Acquisition

On April 20, 2020, the Company receives a notice from Ahab LLC, Garden Greens LLC, Suls LLC, Heartland Industries, LLC and Tri City Partners LLC, which entities operate under the name "Strawberry Fields" Strawberry Fields terminating the term sheet entered into in connection with the proposed acquisition 100% of the capital stock or assets of Strawberry Fields, except for certain assets as outlined in the term sheet.

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

The following discussion should be read in conjunction with our consolidated financial statements and notes thereto included herein. In connection with, and because we desire to take advantage of, the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, we caution readers regarding certain forward-looking statements in the following discussion and elsewhere in this report and in any other statement made by, or on our behalf, whether or not in future filings with the Securities and Exchange Commission. Forward looking statements are statements not based on historical information and which relate to future operations, strategies, financial results or other developments. Forward looking statements are necessarily based upon estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and many of which, with respect to future business decisions, are subject to change. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward-looking statements made by, or on our behalf. We disclaim any obligation to update forward looking statements.

Overview

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

We commenced our business on May 1, 2014 and currently generate revenues derived from licensing agreements with cannabis related entities, as well as sponsoring seminars offered to the cannabis industry and other business endeavors related to our core competencies.

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.

Recent Developments

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

Results of Operations

Comparison of Results of Operations for the three months ended March 31, 2020 and 2019

Revenues

Revenues for the three months ended March 31, 2020 totaled \$3,203,134 including (i) product sales of \$2,528,931, (ii) consulting and licensing fees of \$661,257, and (iii) other operating revenues of \$12,946, compared to revenues of \$2,003,476 including (i) product sales of \$1,544,300, (ii) consulting and licensing fees of \$452,380, and (iii) other operating revenues of \$6,796 during the three months ended March 31, 2019 representing an increase of \$1,199,658 or 59.9%.

Cost of Services

Cost of goods and services for the three months ended March 31, 2020 totaled \$2,148,535, compared to cost of goods and services of \$1,598,712 during the three months ended March 31, 2019 representing an increase of \$549,823 or 34.4%. This increase was due to increased sales of our products.

Operating Expenses

Operating expenses for the three months ended March 31, 2020 totaled \$5,165,674, compared to operating expenses of \$2,632,791 during the three months ended March 31, 2019 representing an increase of \$2,532,883 or 96.2%. This increase was due to increased general and administrative expenses, including added infrastructure for acquisition activities, professional fees, salaries and related employment costs and non-cash, stock-based compensation.

Other Income (Expense), Net

Net other income for the three months ended March 31, 2020 totaled \$2,731,765, compared to net other expenses of \$683,791 during the three months ended March 31, 2019. The increase in other income (expense), net was primarily due to the forfeiture of contingent consideration in relation to resignation of an officer and director, and an unrealized gain recognized on the change in fair value of certain derivative liabilities.

Net Income (Loss)

As a result, we generated a net loss during the three months ended March 31, 2020 of \$1,379,310 or approximately \$0.03 per share, compared to a net loss of \$2,911,818 or approximately \$0.10 per share during the three months ended March 31, 2019.

Liquidity and Capital Resources

At March 31, 2020, we had \$9,075,427 in cash on hand. Net cash used in operating activities was \$2,471,022 during the three months ended March 31, 2020, compared to cash provided by operating activities of \$373,551 for the three months ended March 31, 2019, representing an increase in cash used of \$2,844,573. Cash flows used for investing activities was \$307,178 during the three months ended March 31, 2020, compared to cash used of \$152,318 for the three months ended March 31, 2019, representing an increase of \$154,860. Cash flows from financing activities was \$0 during the three months ended March 31, 2020, compared to \$156,958 for the three months ended March 31, 2019, representing a decrease of \$156,958.

We will likely need to raise additional capital to fund the acquisitions on which we have entered into binding terms sheets. 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 Report, we have no commitment from any investor or investment-banking firm to provide us with any funding. Further, 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 to generate profits on a regular basis in the future.

Upon successfully consummating our planned acquisitions and merging those 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, there can be no assurance that we will be able to successfully complete any of the contemplated acquisitions. However, if we do not experience a positive impact on our operations from 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.

Inflation

Although our operations are influenced by general economic conditions, we do not believe that inflation had a material effect on our results of operations during the three-month period ended March 31, 2020.

Off-Balance Sheet Arrangements

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

Critical Accounting Estimates

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable

Item 4. Controls and Procedures**Evaluation of Disclosure Controls and Procedures**

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

Changes in Internal Control over Financial Reporting

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

PART II — OTHER INFORMATION

Item 1. *Legal Proceedings.*

On June 7, 2019, we filed a complaint against ACC Industries Inc. and Building Management Company B, L.L.C., in Clark County, Nevada, for, amongst other causes of action, breach of contract. On July 17, 2019, the parties stipulated to stay the case in favor of arbitration. On February 25, 2020 ACC filed a counterclaim alleging breach of contract, which the Company believes is without merit. Arbitration has been set for November 2, 2020.

On July 6, 2018, we filed a complaint in the Eight Judicial Court, Clark County, Nevada against Vegas Valley Growers (“VVG”). Within the complaint, the Company alleges the breach by VVG of the Technologies License Agreement dated April 27, 2017 as entered into between the parties and seeks general, special and punitive damages in the amount of \$3,876,850. On August 28, 2018, VVG filed an Answer and Counterclaim against the Company. On August 2, 2019, a jury found in favor of the Company and awarded the Company damages totaling \$2,773,321. In March 2020, VVG filed its opening appeal brief. The Company’s response brief is due on May 15, 2020.

On March 6, 2020, the Company’s former Chief Operating Officer, Joe Puglise, issued an arbitration demand against the Company claiming breach of contract. While the Company believes it has meritorious defenses against the claim, the ultimate resolution of the matter, which is expected to occur within one year, could result in a loss of up to \$3.5 million.

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, 2019 filed with the Securities and Exchange Commission on March 30, 2020.

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

None.

Item 3. *Defaults upon Senior Securities*

None.

Item 4. *Mine Safety Disclosures*

Not applicable.

Item 5. *Other Information*

None.

Item 6. Exhibits

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*

* Pursuant to Rule 406T of Regulation S-T, these interactive data files are not deemed filed or part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act or Section 18 of the Securities Exchange Act and otherwise not subject to liability.

SIGNATURES

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

Dated: May 14, 2020

MEDICINE MAN TECHNOLOGIES, INC.

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

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

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

I, Justin Dye, certify that:

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

Dated: May 14, 2020

/s/ Justin Dye
Justin Dye, Chief Executive Officer

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

I, Nancy Huber, certify that:

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

Dated: May 14, 2020

/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, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, the undersigned, in the capacities and on the date indicated below, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of our knowledge:

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

Dated: May 14, 2020

/s/ Justin Dye
Justin Dye, Chief Executive Officer

Dated: May 14, 2020

/s/ Nancy Huber
Nancy Huber, Chief Financial Officer