

# INFORMATION AND DISCLOSURE STATEMENT

Pursuant to Rule 15c2-(11)(a)(5) under the Securities Exchange Act of 1934

Period Ending  
December 31, 2015



# Medical Marijuana, Inc.

12255 Crosthwaite Circle  
Poway, CA 92064

CUSIP: 58463A105  
Trading Symbol: MJNA

**INFORMATION AND DISCLOSURE STATEMENT PURSUANT TO  
RULE 15c2-(11)(a)(5)**

All information contained in this Information and Disclosure Statement has been compiled to fulfill the disclosure requirements of Rule 15c211 (a)(5) promulgated under the Securities Exchange Act of 1934, as amended. The enumerated captions contained herein correspond to the sequential format as set forth in the rule.

### **FORWARD LOOKING STATEMENTS**

This Quarterly Report contains forward-looking statements. To the extent that any statements made in this report contain information that is not historical, these statements are essentially forward-looking. Forward-looking statements can be identified by the use of words such as “expects”, “plans”, “may,”, “anticipates”, “believes”, “should”, “intends”, “estimates”, and other words of similar meaning. These statements are subject to risks and uncertainties that cannot be predicted or quantified and, consequently, actual results may differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include, without limitation, marketability of our products; legal and regulatory risks associated with the share exchange our ability to raise additional capital to finance our activities; the effectiveness, profitability and; the future trading of our common stock; our ability to operate as a public company; our ability to protect our proprietary information; general economic and business conditions; the volatility of our operating results and financial condition; our ability to attract or retain qualified senior management personnel and research and development staff; and other risks detailed from time to time in our filings with the OTC Markets (the “OTC”), or otherwise.

Information regarding market and industry statistics contained in this report is included based on information available to us that we believe is accurate. It is generally based on industry and other publications that are not produced for purposes of securities offerings or economic analysis. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and the additional uncertainties accompanying any estimates of future market size, revenue and market acceptance of products and services. We do not undertake any obligation to publicly update any forward-looking statements. As a result, investors should not place undue reliance on these forward-looking statements.

### **FOOD AND DRUG ADMINISTRATION DISCLOSURE (FDA)**

The statements found herein have not been evaluated by the Food and Drug Administration (FDA) and are not intended to diagnose, treat, cure or prevent any disease or medical condition.

#### **1. NAME OF ISSUER AND ITS PREDECESSORS (IF ANY)**

Medical Marijuana, Inc. (the “Company”, “we”, “our”, “us”, “MJNA”) was originally incorporated in Oregon in 2005 as Berkshire Collection, Inc. Subsequently, we changed our name on two separate occasions prior to changing our name to Medical Marijuana, Inc. and trading symbol to “MJNA” on April 28, 2009.

**2. ADDRESS OF ISSUER PRINCIPAL EXECUTIVE OFFICES**

**Company Headquarters:**

Address: 12255 Crosthwaite Circle  
Poway, CA 92064  
Phone: (866) 273-8502  
Email: info@medicalmarijuanainc.com  
Website: www.medicalmarijuanainc.com

**3. SECURITY INFORMATION**

Trading Symbol: MJNA  
Exact title and class of securities outstanding: Common Stock  
CUSIP: 58463A105  
Par or Stated Value: \$.001 per share of Common Stock

Total shares authorized: 5,000,000,000  
Total shares outstanding: 2,866,710,414 (as of December 31, 2015)

Transfer Agent:

Action Stock Transfer Corporation  
2469 E. Fort Union Blvd., Suite 214  
Salt Lake City, UT 84121  
Telephone: (801) 274-1088  
Fax: (801) 274-1099  
Email: [info@actionstocktransfer.com](mailto:info@actionstocktransfer.com)

**Is the Transfer Agent registered under the Exchange Act?**

Yes. Action Stock Transfer Corporation is registered under the Exchange Act with the Securities Exchange Commission as a Registrar and Transfer Agent.

**Describe any trading suspension orders issued by the SEC in the past 12 months:**

None

**List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the last 12 months:**

None

#### **4. ISSUANCE HISTORY**

##### **For the period ended December 31, 2015:**

For the period ending December 31, 2015 the Company issued 1,084,270,233 shares of its common stock as follows: (i) 128,240,396 shares pursuant to the conversion of convertible notes issued by the Company; (ii) 52,306,667 shares for the conversion of convertible notes issued by the Company in conjunction with a settlement of litigation; (iii) 441,546,203 shares for the acquisition of 93.4% of HempMeds Brazil; (iv) 133,453,797 shares for the acquisition of 20% of HempMeds PX (not already owned by the Company); (v) 317,805,681 shares in a debt exchange/restructuring with Hemp Deposit and Distribution Corporation; and (vi) 10,917,489 shares in exchange for cash.

#### **5. FINANCIAL STATEMENTS**

The Company's Financial Statements are attached at the end of this Disclosure Statement and incorporated herein by reference.

#### **6. DESCRIBE THE ISSUER'S BUSINESS, PRODUCTS AND SERVICES**

##### **A. Description of the issuer's business operations.**

1. Medical Marijuana Inc. (OTC Pink Sheets; MJNA) is the first publicly held company vested in the cannabis and industrial hemp space in America. Through its subsidiaries and investment holdings the Company focuses on the development, sale and distribution of hemp oil that contains naturally occurring cannabinoids, including cannabidiol ("CBD") and other products containing CBD-rich hemp oil ("Legal Hemp"). Company products are formulated for the pharmaceutical, nutraceutical and cosmeceutical industries, including dietary supplements, prescription-based hemp oil for sale in countries that have legalized our hemp oil for the treatment of various illnesses and conditions (such as Brazil and Mexico) and skin care products. The Company is not in the business of selling or dispensing either recreational or medical marijuana, directly or indirectly, so long as marijuana remains a federally controlled substance, however, we are poised and consider ourselves well-positioned for eventual cannabis legalization (the Company's products contain only those substances that are derived from the part of the cannabis plant that is excluded from the definition of marijuana under the Controlled Substances Act and are both federally legal and outside of the purview of the Drug Enforcement Administration).

2. The Company is in the development stage.

3. To the best of our knowledge the Company is not, nor has ever been, a "shell company."

4. The effect of existing or probable government regulations on the business of the Company is not known at this time. Due to the nature of the business of the Company, it is anticipated that there may be increasing regulation upon the business of the Company and that may cause the company to have to take serious corrective actions, changes in business plan, or even close or stop its business practices and/or operations.

5. The Company presently has twenty-nine (29) employees (including subsidiaries).

**B. Date and state (or jurisdiction) of incorporation:**

The Company was originally incorporated in Oregon in 2005 as Berkshire Collection, Inc.

**C. The issuer's primary and secondary SIC Codes:**

7380, Miscellaneous Business Services.

**D. The issuer's fiscal year end date:** December 31<sup>st</sup>.

**E. Principal products or services and their markets:**

The Company is comprised of a diversified portfolio of products, services, technology and businesses solely focused on the Legal Hemp industry. The Company's services include development of cannabinoid based health and wellness products, and the development of medical grade compounds.

**a. Company Subsidiaries.** The Company operates through the following fully or partially (50% or more) owned subsidiaries:

1. HempMedsPX, LLC (100%)
2. Wellness Managed Services, LLC (80%)
3. Red Dice Holdings, LLC (100%)
4. CanChew® Biotechnologies, LLC (50%)
5. Hempwire, LLC (50%)
6. Kannaway, LLC (100%)
7. HempVap, LLC (50%)
8. HempMeds Brasil (93.4%)

The following is a brief description of each of the Company subsidiary operations:

**1. HempMedsPX™, LLC  
(100% owned by the Company)**

HempMedsPX, LLC is the Company's primary distributor, through its subsidiaries and affiliates (which include HempMeds Puerto Rico and HempMeds Mexico), for the Company's portfolio of Legal Hemp products. This division may utilize sub-distributors, where advisable, to distribute the Company's portfolio of products.

Real Scientific Hemp Oil™

HempMedsPX™ flagship product is Real Scientific Hemp Oil™ (RSHO™). RSHO™ is a full spectrum, complete CBD hemp oil, containing the highest quality natural Hemp Oil in the industry. RSHO™ CBD hemp oil supplements contain from 10-30% CBD content, and is offered

in 3 varieties. RSHO™ Blue Label is the most popular version of the Company's CBD hemp oil, going through a decarboxylation process before being made ready for consumption. RSHO™ Gold Label is decarboxylated like our Blue Label product, then goes through an additional filtration process, creating a golden oil with great taste and smoother consistency. RSHO™ Green Label is the non-decarboxylated, raw variety of our Real Scientific Hemp Oil™, and is as close as you can get to juicing the hemp plant.

**2. Wellness Managed Services™, LLC  
(80% owned by the Company and 20% owned by Hemp Deposit and  
Distribution Corporation.)**

Wellness Managed Services, LLC provides management support and services to cooperatives, collectives, health and wellness facilities, and medical clinics. The services offered range from management to product distribution. Wellness Managed Services, LLC owns 50% of MPS International™, Inc. MPS International is a consulting firm and security firm that provides consulting and security services to businesses and individuals in the legal cannabis industry.

**3. Red Dice Holdings™  
(100% owned by the Company)**

Red Dice Holdings, LLC owns the Dixie Botanical™ brand of consumable products. The Company provides all of the necessary hemp-based CBD oil to Red Dice Holdings™ brands. The products can be found at retail locations throughout Colorado. Once brand awareness is further established through online presence and media presence, the company anticipates offers from national and international marketing and distribution companies, at which time the company may need to re-evaluate and modify its sales and marketing strategies to conform to a more typical sales and distribution organization.

**4. CanChew® Biotechnologies, LLC  
(50% owned by the Company)**

CanChew Biotechnologies, LLC focuses on the treatment of pain and other medical disorders with the application of chewing gum-based cannabis/cannabinoid medical products. The company is focused on the R&D and execution of their clinical development plan and the out-licensing of their technology. Clinical development focuses on the R&D of the formulation, production and the development of chewing gum-based products for the treatment of issues like pain, nausea and vomiting, anorexia, spasticity and various other medical issues.

**a. Product Development**

CanChew® gum was brought to market first for over-the-counter use. MedChewRX™ is being developed for medical purposes, specifically pain treatment associated with a variety of long-term, chronic or degenerative diseases whereby cannabinoid therapy is finding increasing application in a global marketplace.

## **b. CanChew® Advantage**

The CanChew® formulation offers a unique, socially acceptable, patient-friendly, taste-masked and convenient delivery format for delivery of cannabidiol (CBD) via the oral mucosal membranes.

## **c. Advantages of Oral-Mucosal Delivery System for MedChewRX™:**

- Bypass of the gastrointestinal tract and hepatic portal system, increasing the bioavailability of orally-administered drugs that otherwise undergo hepatic first-pass metabolism.
- Drug is protected from degradation due to pH and digestive enzymes of the middle gastrointestinal tract.
- Improved patient compliance due to the elimination of associated pain with injections.
- Sustained drug delivery.
- A relatively rapid onset of action can be achieved relative to the oral route.
- Oral mucosal systems exhibit a faster initiation and decline of delivery than do transdermal patches.
- The large contact surface of the oral cavity contributes to rapid and extensive drug absorption.

CanChew is currently seeking a GMP pharmaceutical manufacturer for its MedChewRX™ pharmaceutical drug, as well as a partner for clinical development and trials. The two require different GMP certifications. The pharmaceutical drug GMP certification is much more strenuous and is required for MedChewRX's™ clinical development.

CanChew anticipates starting its MedChewRX™ clinical trials in Europe in 2014, with the overall clinical development taking three to five years. The company has a significant strategic advantage to its product and the development of this business:

1. CanChew has already developed an over-the-counter product (CanChew®), which is available for sale currently. Most companies developing a pharmaceutical drug do not also have a product for sale on the over-the-counter market. This gives CanChew® Biotechnologies the ability to fuel its own growth and the growth of its pharmaceutical unit.
2. Gum-based delivery has a much greater efficacy over traditional methods of consuming cannabinoid-based products.
3. The safety profile of MedChewRX's™ APIs allows for more attractive sponsoring opportunities for research universities and doctors.

**5. Hempwire™, LLC  
(50% owned by the Company)**

Hempwire, LLC is a joint venture between the Company and Cannalink, Inc. (Cannalink, Inc. acquired its 50% stake in Hempwire from LiveWire Ergogenics in late 2015) for the marketing and distribution of CBD-rich hemp oil functional food sales and nutritional supplements distributed through HempWire.

**6. Kannaway™, LLC  
(100% owned by the Company)**

Kannaway, LLC is a multi-level marketing company which distributes quality cannabidiol (“CBD”) hemp oil-based products that promote a healthy lifestyle and financial independence. Kannaway utilizes Relationship Marketing, or multi-level marketing as a business model that has Independent Distributors market goods and services to consumers. Capital normally allocated for advertising and internal sales is paid directly to the distributor sales force. This model not only pays distributors a commission for their own sales, but it allows them to build a sales organization and receive commissions or bonuses on the sales generated by the distributors in the organizations. As the first and only Cannabis based MLM Company, Kannaway has become what is termed as a “Category Creator” in the space. Kannaway markets its products in the U.S. and Puerto Rico and is planning on expanding into Spain, Mexico, the Dominican Republic, and the U.K. Kannaway made its first sale in April 2014.

Kannaway’s primary products are:

i. **rev!ve™**: an advanced nutritional product, powered by an exclusive Bi-Bong™ herbal formula, organic MCT oil, and natural CBD from hemp.;

ii. **Kannakick™**: a first-of-its-kind functional food chew square that contains CBD oil.

iii. **Defined Transformation™**: an anti-aging skin care line using proprietary formulations passed down through generations of master herbalists. This uplifting blend of natural and organic botanicals are revered for their skin-renewing properties, and include detoxifying herbs that work harmoniously with CBD oil for smooth, refreshed skin.

iv. **HempVap™**: the first hemp-based CBD vaporizing product on the market. This cool and sleek-looking custom designed vaporizer doesn’t use high-nicotine for an intense “buzz” like other vapes, electronic cigarettes, and hookahs do.

v. **Kannactiv™**: a natural, healthy alternative to most products available on the market for the treatment of troubled skin. Kannaway has a five-year exclusive sales agreement with the maker of Kannactiv.



7. **HempVap® LLC**  
(50% owned by the Company)

HempVap, LLC manufactures, markets and distributes a first of its kind hemp-based CBD-oil vaporizer pen vaporizes a flavored high-CBD hemp oil.

8. **HempMeds Brasil**  
(93.4% owned by the Company)

HempMeds Brasil specializes in the sales and distribution of cannabis products in the Brazilian marketplace. To date HempMeds Brasil has received approvals for the import, marketing and sales as a prescription medication by a doctor for 10 medical conditions. These products are also paid for and covered under the Brazilian health care system. The Brazilian health care system is HempMeds Brasil's single largest client. The company was the first to be allowed access and first to be approved for import to Brazil. It is believed to also be the world's first prescription cannabis product for Epilepsy, Parkinson's, and pain.

**b. Company Investment Holdings.** The Company has investment holdings in the following companies:

1. KannaLife Sciences™, Inc. (16.7%)
2. Axim Biotechnologies™, Inc. (45.5%)
3. CannaVest™, Corp. (4.4%)

1. **Kannalife Sciences, Inc.** As of December 31, 2015, the Company owns an approximate 16.7% equity stake in Kannalife Sciences, Inc. ("Kannalife"). Kannalife is a bio-pharmaceutical and phyto-medical company involved in the research and development of novel new therapeutic agents designed to reduce oxidative stress, and act as immuno-modulators and neuroprotectants. Kannalife currently holds two licenses with National Institutes of Health – Office of Technology Transfer for the Commercialization of U.S. Patent #6630507, "Cannabinoids as Antioxidants and Neuroprotectants". The first license, issued in June 2012, is an exclusive license to develop commercial drug candidates for the treatment of Hepatic Encephalopathy ("HE"). The second license, issued in July 2014, is a license to develop commercial drug candidates for the treatment of Chronic Traumatic Encephalopathy ("CTE"). KannaLife is currently conducting research and development at the Bucks County Pennsylvania Biotechnology Center in Doylestown, PA, and has filed its first PCT ("Patent Cooperation Treaty") Application with the United States Patent and Trademark Office (the "USPTO") for an international patent covering Kannalife's novel cannabidiol-like target drug candidates for the treatment of certain neurological disorders and as a novel neuroprotectant for the treatment of HE and CTE. HE and CTE are both neurodegenerative and oxidative stress related diseases that affects the hippocampus which controls cognitive and behavioral functions in humans.

2. **Axim Biotechnologies, Inc.** As of December 31, 2015, the Company owns an approximate 45.5% equity stake in Axim Biotechnologies, Inc. ("Axim" - OTCBB: AXIM). Axim is an innovative biotechnology company working on the treatment of pain, spasticity, anxiety and other medical disorders with the application of cannabinoids based products as well as focusing on

research, development and production of pharmaceutical, nutraceutical, oral health and cosmetic products as well as procurement of genetically and nano-controlled active ingredients. Axim intends to broaden its current operations to include pharmaceutical products, manufacturing facilities, genetically controlled botanical products, extraction and purification of biomaterials technologies.

3. **CannaVest Corp.** As of December 31, 2015, the Company owns an approximate 4.4% equity stake in CannaVest Corp. (“Cannavest” – OTCBB: CANV). Cannavest is in the business of developing, producing, marketing and selling end-consumer products containing industrial hemp-based compounds with a focus on cannabidiol (CBD). The company seeks to take advantage of an emerging worldwide trend to re-energize the production of Legal Hemp and to foster its many uses for consumers.

## **7. DESCRIBE THE ISSUER'S FACILITIES**

The Company’s executive offices are located in Poway, California. In addition, the company has a 14,000 square foot warehouse and distribution center in Poway, California.

### **A. Legal Proceedings**

In the ordinary course of business the Company defends against and prosecutes various legal actions. The following is a summary of outstanding, potentially material, legal actions the Company is a party to.

**Medical Marijuana, Inc. & HempMeds PX, LLC v. CannLabs, Inc.** Medical Marijuana, Inc. has filed a \$100,000,000 California Superior Court libel action against CannLabs, Inc., Rifle Mountain, LLC, Genifer Murray, Jason Cranford, Project CBD.com, Aaron Miguel Cantu and Martin Lee for damages resulting from false and libelous statements made by the defendants in regard to HempMeds PX, LLC’s RSHO product.

The Company intends to vigorously defend and prosecute all actions.

## **8. OFFICERS, DIRECTORS, CONTROL PERSONS, MANAGEMENT AND ADVISORY BOARD**

### **A. Board of Directors and Officers**

The Company’s Board of Directors is comprised of highly qualified and industry professionals. The Board assists the Management team in making appropriated decisions and taking effective action. Currently there are five (5) members on the board:

Stuart W. Titus, PhD  
Michelle Sides  
Timothy R. Scott, PhD  
Robert L. Cunningham  
Chris Prine

Ms. Sides and Mr. Titus are shareholders of the Company.

The Company has and continues to search for qualified individuals that will provide guidance and leadership lending to the success of the business objectives.

### **Company Officers and Directors**

#### **Stuart W. Titus, PhD - Chairman of the Board, Chief Executive Officer and President**

Mr. Titus began his association with our family of companies in 2009, playing a pivotal role in raising capital among several other duties. Mr. Titus' expertise in finance was forged on Wall Street, where he worked as a bond trader for eleven years, managing a trading and underwriting department as a V.P. for CS First Boston Corp. Mr. Titus is a graduate of Rollins College in Winter Park, Florida, where he majored in Economics and minored in Business Administration. He earned his PhD degree from the Open International University which is a World Health Organization (WHO) chartered affiliate.

Mr. Titus also has a unique background in health. Following his work on Wall Street he worked as a British Physiotherapist for over 15 years having run clinics that specialized in integrative pain management and injury rehabilitation. Stuart remains active in the medical community with specific interest in electro-physiotherapy as well as in anti-aging medicine. He holds a Fellowship with the American Academy of Pain Management and clinical association with the American Association of Integrative Medicine. Stuart has unique first-hand experience with hemp oil products as nutritional supplements, having found great relief from a nerve-related disorder after beginning a regimen of high-concentration CBD therapeutic hemp products combined with hemp oil (health food store).

A talented golfer in his youth, Stuart is a twelve time club golf champion. Stuart currently resides in La Jolla, California.

#### **Michelle Sides - Director**

Prior to joining Medical Marijuana Inc., Ms. Sides was Chief Operating Officer for HDDC (d.b.a. CannaBANK™), located in San Diego, California. She earned her law degree from Nova Southeastern University. She is a member of the Florida State Bar Association. Ms. Sides holds a Bachelor of Science from Palm Beach Atlantic College, majoring in Business and Organizational Management. Michelle spent six years on the Board of Directors, as Executive Vice President, and as General Counsel for EH Building Group II, LLC, which was nationally recognized as one of the fastest-growing developers in 2006-08, winning numerous awards for production, design, and marketing. Prior to EH, Michelle honed her legal expertise as Legal and Operations Manager for the Commonwealth Network Corporation, as well as the Director of Legal Affairs for Power Sports, Inc. Both of these positions focused mainly on corporate and real estate transactional law.

### **Timothy R. Scott, PhD – Director**

From September 2001 to May 2008, Dr. Scott served on the Board of Directors of Naturewell, Incorporated, a publicly traded company engaged in the nutraceutical and homeopathic drug business. From April 1998 to June 2000, Dr. Scott served as a member of the Board of Directors of ICH Corporation, an American Stock Exchange listed company which owned 265 fast food and family dining restaurants having approximately \$265 million in revenues and 7,800 employees, and as a member of ICH's compensation committee. Dr. Scott currently serves as Chairman of the Board of Directors, President and Senior Pastor of a 1,200-member church located in San Diego, California and as Chairman and President of Project Reach World, Inc., a 501(c)(3) charitable organization. Dr. Scott received his Ph.D. in theology from Christian University in 1981, and served as a professor of philosophy and religion at Pacific International College from 1981 to 1985.

### **Robert L. Cunningham – Director**

Robert “Bob” Cunningham has over 40 years of executive management experience in financial services and venture capital. He currently is the Chief Executive Officer of Preferred Dealer Programs LLC, a venture funded firm developing electronic payment technologies for banks. Prior to joining PDP he was the founding partner in Placer Financial Group, a nationwide mortgage and real estate development company. Mr. Cunningham also served as Trustee for the U.S. Department of Justice, and as a member of the board for numerous firms, including Allied Commercial Corporation, Vermillion Development, Pacific Building Industries Corporation and Bond HD Hospitality Group.

### **Chris Prine - Director**

From 1994 until the present Mr. Prine has operated his own company, Prines Lines, which acts as a manufacturers’ representative for five furniture manufacturing companies located within the United States. From 1988 to 1994 Mr. Prine served as Marketing Director for the Cleator Corporation, an office furniture manufacturer with approximately \$10 million in annual sales. From 1986 to 1988 Mr. Prine served as the Old Globe Theatre’s Director of marketing and from 1983 to 1985 served as Audience Development Manager for the Old Globe. Chris received his BA in Communications from the University of Wisconsin in 1977.

### **Blake N. Schroeder - Vice President Operations**

Mr. Schroeder’s career has been in marketing natural products, and opening international marketplaces to those products. Before joining Kannaway, Mr. Schroeder was the Chief Operating Officer of Forevergreen International, where he was responsible for global operation of the multinational organization, including oversight of a global supply chain. He holds a B.S. in Finance from Utah State University and a law degree from Syracuse University College of Law.

## **Michael L. Corrigan – Secretary**

Mr. Corrigan is a businessman and attorney whose work has focused on representation of emerging high technology and other operating companies in a broad range of industries, including computer hardware and software, telecommunications, multimedia, action sports, restaurant, entertainment and sporting goods manufacturing. In addition, Mr. Corrigan has represented several regional investment banking, advisory and management firms in securities and underwriting transactions. Mr. Corrigan received his undergraduate degree from the University of Notre Dame, where he majored in finance. Thereafter, he attended the University of Denver where he received both a J.D. and M.B.A. degree. While at the University of Denver, he was an editor of the Denver Journal of International Law & Policy and clerked at the U.S. Securities & Exchange Commission. Mr. Corrigan is a member of the California bar, a 1988 graduate of the San Diego LEAD program and sits on the Medical Bioethics Committee of Sharp Memorial Hospital. He previously sat on the Board of Directors of the National Kidney Foundation of Southern California, the Board of Directors of United Way/CHAD, the Board of Trustees of the California Ballet Association, the Board of Trustees of the San Diego Repertory Theatre and the Eagle Scout review board.

## **Advisory Board and CanChew® Management**

The Company has an informal Advisory Board that is available to provide business advice and counseling to the Management Team of the Company. The Advisory Board is appointed by the President and does not involve itself in any matters involving corporate governance of the Company. There are currently three Advisors to the Board:

Dr. Philip A. Van Damme  
Dr. George Anastassov  
Lekhram Changoer

Messrs. Van Damme, Anastassov and Changoer are shareholders of the Company and also serve as the management of CanChew® Biotechnologies, LLC.

## **Dr. Philip A. Van Damme - Chief Scientific Officer, CanChew Biotechnologies**

Dr. Philip. A. Van Damme, DMD MD PhD, was born in Yerseke, The Netherlands Dr. Van Damme is an oral & cranio-maxillofacial surgeon living and working in the Netherlands. Dr. Van Damme first studied dentistry at the Utrecht University Dental School (Rijksuniversiteit Utrecht, The Netherlands) from 1971 through February 1977. He then fulfilled his military duty in the Dutch Royal Navy from May 1977 through October 1978, as Lieutenant-Dentist. Dr. Van Damme studied medicine at the Utrecht University Medical School, the Netherlands from 1978 through January 1983. He trained in general surgery at the Joannes de Deo Stichting Hospital from July 1983 through April 1984, while taking the International ECFMG/VQE examinations in Paris, France. Dr. Van Damme was trained in Oral & Maxillofacial Surgery in the University Hospital Nijmegen, The Netherlands from May 1984 through May 1988.

His PhD Thesis titled: Sub periosteal Palatal Soft Tissue Expansion was submitted on December 6, 1996 at the Nijmegen University (Katholieke Universiteit Nijmegen). Dr. Van Damme has been Section Editor of the Journal of Cranio-Maxillo Facial Surgery, for the sections Research, Development and New Horizons, and Reviewer for different other scientific journals. There are more than 70 PubMed listed publications and he presented more than 100 times at national and international scientific meetings. In 2004, Dr. Van Damme had dual roles of being Visiting Professor in the Mount Sinai Hospital in New York, USA, and Visiting Surgeon in the Burdenko Institute in Moscow, Russia. In subsequent years he held numerous staff positions at several well respected medical clinics in the Netherlands. Together with Prof. George E. Anastassov MD DDS FAC, he has a patent application (US20110097283 – EP2280687 – CA2719830) on chewing gum compositions comprising cannabinoids.

In December 2007, he became Director-owner of Mareda Holding BV (Investment Company) and President-founder of Stichting Sanammad (intellectual property foundation) together with Lekhram Changoer MSc BSc).

### **Dr. George E. Anastassov - Chief Executive Officer, CanChew Biotechnologies**

Dr. Anastassov graduated with BA Degree in Fine Arts, followed by MD Degree and a DDS Degree, and currently is completing his Executive Physician MBA degree. Dr. Anastassov is trained in Surgery, Oral and Maxillofacial Surgery, Plastic Surgery and Craniofacial and Base of the Skull Surgery both in the United States and Europe. His training was acquired at the following institutions: A Fellowship in Cranio-Maxillofacial Surgery (Prof. H.P.M. Freihofer), The Catholic University, St. Radboud Hospital, Nijmegen, the Netherlands, Residency at the Department of Oral and Maxillofacial Surgery, Montefiore Medical Centre, Albert Einstein College of Medicine, New York, Followed by a further Fellowship in Craniofacial and Base of Skull Surgery, at the department of Cranio-Maxillofacial and Plastic and Reconstructive Surgery (Prof. Dr. Dhc Ulrich Joos), Wilhelms University, Münster, Germany.

He has variety of clinical and administrative appointments including Associate Clinical Professor Maxillofacial Surgery, The Mount Sinai School of Medicine, Associate Director, Department of Maxillofacial Surgery, Elmhurst Hospital Centre, N.Y., Attending, Department of Maxillofacial Surgery, The Mount Sinai Hospital, New York. Consultant in Maxillofacial Surgery, Bronx VA Hospital Centre, N.Y., Attending Surgeon, Department of Otolaryngology/Head and Neck Surgery, Beth Israel Medical Centre, New York. He also is a Visiting Professor, Department of Cranio-Maxillofacial Surgery and Plastic and Reconstructive Surgery, Wilhelm's University, Munster, Germany.

He is the principal at Maxillofacial Surgery Services in New York City.

Editorially, Dr Anastassov is presently active as Editorial Consultant for 'Head and Face Medicine', 'Graefe's Archives for Clinical and Experimental Ophthalmology', 'Journal of Oral and Maxillofacial Surgery', 'The Journal of Oral Surgery, Oral Medicine, Oral Pathology and Radiology', 'Issues in Maxillofacial, Plastic and Reconstructive Surgery, Implantology and Clinical Stomatology' and 'Craniomaxillofacial Trauma and Reconstruction.' He is on the Editorial Board of 'The International Journal of Oral and Maxillofacial Surgery' and 'Folia Medica.'

Dr. Anastasov holds 9 US & European Professional Society Memberships and is double board certified. Dr. Anastasov has published books and chapters in 3 professional textbooks as well as 46 peer-reviewed journal publications and has presented in as an invited guest lecturer on 104 national and international professional meetings.

### **Lekhram Changoer - Chief Technology Officer, CanChew Biotechnologies**

Lekhram Changoer was born in Surinam (South America). Lekhram holds a Bachelor Degree in Analytical/Organic Chemistry and Masters Degree in Organic Chemistry. He has over 20 years of experience in the area of Sales & Marketing, R&D, product development, and quality assurance of technical, consumer healthcare and pharmaceutical products – all servicing European and other international markets.

In 1992, Lekhram first joined IWC Chemical products BV where he was responsible for the development of functional coatings and corrosion inhibitors for the chemical industry: Yara, Kemira, and others. In his second corporate role, Lekhram joined Scott Specialty Gases BV where he was responsible for managing the R&D, QC and QA of functional calibration gases for the petrochemical and automotive Industry for companies such as Mercedes Benz, Rolls Royce, Dera, Shell, Exxon, and General Electric.

In the area of consumer healthcare products, Lekhram worked on the development of cosmetics and medical device products for various retail chains and consumer healthcare companies. At Codi International BV he was responsible for managing product development in the field of wet wipes and successfully developed products for companies such as Proctor & Gamble, Sara Lee, Henkel and Reckitt Benckiser. In 1999 Lekhram's career took him to Royal Sanders BV with the position of R&D & QC manager – here, he was responsible for the development of cosmetics, medical devices and other healthcare products for clients: Sara Lee, Colgate Palmolive, Virgin Cosmetics, Keune Cosmetics and private labels for various retail chains: Ahold, AC Watson, DM and Rossmann.

In 2002, Lekhram joined the Ardoz/NGen group of companies as a Managing Director. During his tenure his achievements included the filing new patents in the field of active oxygen therapy. This incorporated the accreditation of the products by the Dutch Skin Foundation and the British Dental Health Foundation. He developed new oral healthcare drug applications for periodontitis, peri-implantitis / bone repair and oral mucositis. The OTC products with active oxygen, amongst others also a new chewing gum application (for Perfetti van Melle in Italy), were successfully launched under his directorship in markets at: Boots, Ahold and El Corte Ingles Pharmacy retail and pharmacy chains under the cosmetic 76/768/EEC and medical device 93/42/EEC directive.

In 2010, Lekhram co-founded APeT BV ([www.apetholding.com](http://www.apetholding.com)) which focuses on a first of its kind patented therapy for psychiatric diseases like ADHD and Autism as a replacement for methylphenidate and analogs. This therapy involves an in-house developed diagnostic and treatment with the human body's own internal compound(s). The impact on national healthcare has been so important that he has been able to get the largest Dutch insurance company to fund the

clinical trial, after which it will most probably become the new standard of care. A new patented pharmacotherapy was filed, which will guarantee protection of the therapy as well as patient therapy loyalty.

In association with Prof. George E. Anastassov MD, DDS, FAC and Dr. Philip A. Van Damme, DMD, MD, PhD, the Sanammad Foundation ([www.sanammad.com](http://www.sanammad.com)) was established in 2010 – the Sanammad Foundation holds internationally patent pending technology on chewing gum compositions comprising Cannabinoids.

Lekhram is also involved and co-founder in: CFM Pharma BV ([www.cfmpharma.com](http://www.cfmpharma.com)) which holds patented technologies and focuses on the prevention of secondary injury in indications such as deep burn wounds, myocardial infarct and general trauma. GCP Dental BV ([www.gcpdental.com](http://www.gcpdental.com)) has developed a 100% patented biocompatible material for restorative dental applications (where Glass Carbomer® Technology allows the tooth to heal itself) with a global market approach.

## **B. Legal/Disciplinary History**

None of the above named persons have been the subject of:

- A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding within the past five years.
- The entry of an order, judgment or decree not subsequently reversed, suspended or vacated by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended, securities, commodities, or banking activities.
- A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended or vacated or,
- The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended or otherwise limited such person's involvement in any type of business or securities activities.



**C. Beneficial Ownership of Officers, Directors and Shareholders of 5% or more based upon 2,666,710,414 shares outstanding as of December 31, 2015.**

<b>Name</b>	<b>Address</b>	<b># Shares</b>	<b>%</b>
Stuart W. Titus	550 West C Street, Suite 2040 San Diego, CA 92101	36,000,000	1.35%
Michelle Sides, Esq.	12975 Brookprinter Place, Suite 160 Poway, CA 92064	21,345,077	(1)
Timothy R. Scott, PhD	550 West C Street, Suite 2040 San Diego, CA 92101	0	0
Robert L. Cunningham	550 West C Street, Suite 2040 San Diego, CA 92101	0	0
Chris Prine	550 West C Street, Suite 2040 San Diego, CA 92101	0	0
Hemp Deposit and Distribution Corporation (“HDDC”), General Hemp, LLC, GH Investments, LLC (2)	550 West C Street, Suite 2040 San Diego, CA 92101	1,537,407,558	53.6%

(1) Less than 1%

(2) Includes shares owned by HDDC, General Hemp, LLC and GH Investments, LLC, entities under common control of Michael R. Llamas as director, officer and controlling shareholder and/or member of each entity and Stuart W. Titus as director, member and/or officer of each entity.

**9. THIRD PARTY PROVIDERS.**

**SEC Counsel:**

Law Offices of Michael Corrigan  
Michael Corrigan, Esq.  
550 West C Street, Suite 2040  
San Diego, CA, 92101

**Investors Relations Contact :**

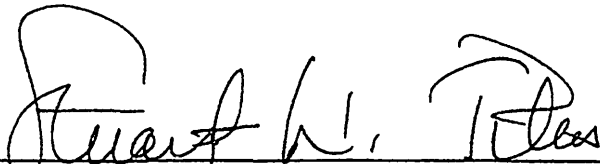
EquiNet, LLC  
550 West C Street, Suite 2040  
San Diego, CA 92101  
Phone: (858) 264-6500  
Toll Free: (877) 964-6463  
Email: [info@equinet.us](mailto:info@equinet.us)

**10. ISSUER CERTIFICATION**

I, Stuart W. Titus, Director and President, certify that:

1. I have reviewed this quarterly statement of Medical Marijuana Inc.
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, which have been prepared by the Company's financial and accounting personnel and advisors present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: April 14, 2016

  
By: Stuart W. Titus  
Its: Director and President

**Medical Marijuana, Inc.**  
**Consolidated Balance Sheets**  
**As of December 31, 2015**

**ASSETS**

Current Assets		
Cash	\$	240,933
Accounts Receivable		891,388
Other Current Assets		
Prepaid Assets		72,017
Marketable Securities, Restricted		2,000,000
Inventory		4,710,469
Merchant Account Reserves		61,029
Notes and Loans Receivable		5,512,824
Deposits		25,235
Total Other Current Assets	\$	<u>12,381,654</u>
Total Current Assets		<u>13,513,976</u>
Total Fixed Assets Net of Accumulated Depreciation	\$	<u>1,457,037</u>
Other Assets		
Convertible Discount Asset	\$	2,361,144
Business Investments		
HempMeds Mexico		50,000
HempMeds Puerto Rico		50,000
HempMeds Brazil		140,100,000
Kannaway LLC		26,534,880
Investments - Equity Securities		8,030,401
Extract Dev, Marketing		3,524,085
HempVAP		4,726
HempMeds PX		10,671,099
Kannalife		500,000
Red Dice Holdings		2,327,632
CanChew Biotech		6,559,279
Business Investments - Other		497,621
Total Business Investments	\$	<u>198,849,722</u>
Total Other Assets	\$	201,210,866
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u><u>216,181,880</u></u></b>

**LIABILITIES & EQUITY**

Liabilities

Current Liabilities

Accounts Payable	\$	1,182,657
Accrued Liabilities		168,882
Total Payables	\$	<u>1,351,539</u>
Other Current Liabilities		

The accompanying notes are an integral part of the financial statements

Notes Payable	
Note Payable	\$ 2,020,050
Total Notes Payable	<u>2,020,050</u>
Total Other Current Liabilities	\$ <u>3,371,589</u>
Total Current Liabilities	4,723,128
Long Term Liabilities	
Convertible Notes	\$ 9,962,724
Notes Payable General Hemp	<u>1,689,964</u>
Total Long Term Liabilities	\$ <u>9,652,688</u>
<b>Total Liabilities</b>	<b>\$ 15,024,277</b>
Equity	
Unrealized Accumulated Comprehensive Income (Loss)	\$ (5,367,211)
Common Stock	2,868,754
Additional Paid in Capital	152,970,403
Dividends Paid	(85,314)
Retained Earnings	50,756,229
Less: Non Ownership Portion of Subsidiaries	<u>14,740</u>
<b>Total Equity</b>	<b>\$ <u>201,157,602</u></b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$ <u><u>216,181,880</u></u></b>

The accompanying notes are an integral part of the financial statements

**Medical Marijuana, Inc.**  
**Statements of Operations**  
**For The Twelve Months Ending December 31, 2015**

<b>Ordinary Income/Expense</b>	
Total Income	\$ <u>9,215,366</u>
Total COGS	<u>3,910,624</u>
<b>Gross Profit</b>	<b>\$ <u>5,304,743</u></b>
Expense	
Advertising and Promotion	\$ 458,330
General and Administrative	3,812,786
Depreciation Expense	682,439
Professional Fees	3,479,226
Rent Expense	<u>520,283</u>
<b>Total Expense</b>	<b>\$ <u>8,953,064</u></b>
<b>Net Ordinary Income (Loss)</b>	<b><u>(3,648,321)</u></b>
<b>Other Income/Expense</b>	
Interest Income	\$ 731,994
Interest Expense	(1,097,932)
Interest Expense - Original Issue Discount	(1,951,037)
Conversion Discount Expense	(1,408,212)
Bad Debt Expense	(343,721)
Loss on Sale of Securites Held for Sale	(16,404,027)
Litigation Settlement Expense	(3,889,096)
Less: Non Ownership Portion of Subsidiaries	<u>(14,740)</u>
<b>Total Other Income or Expense</b>	<b>\$ <u>(24,376,770)</u></b>
Impairment Charge	(73,465,120)
Debt Exchange/Restructuring Charge	(1,763,822)
Extraordinary Gain	129,225,000
<b>Net Income Income</b>	<b>\$ <u><u>25,970,967</u></u></b>
Comprehensive Income (Loss)	\$ (5,367,211)
<b>Net Comprehensive Income</b>	<b><u><u>20,603,756</u></u></b>

The accompanying notes are an integral part of the financial statements

**Medical Marijuana, Inc.**  
**Consolidated Statements of Cash Flows**  
**For The Year Ending December 31, 2015**

<b>OPERATING ACTIVITIES</b>		
Net Income (Loss)	\$	25,970,967
Adjustments to reconcile Net Income		
to net cash provided by operations:		
Inventory		(1,314,097)
Notes Receivable		(1,117,379)
Accounts Receivable		564,449
Prepaid Expenses		916,436
Security Deposit		1,244
Accounts Payable		(229,156)
Merchant Account Reserve		(65,436)
Accrued Liabilities		67,628
Notes and Loans Payable		(11,410,481)
Net cash provided (used) by Operating Activities	\$	<u>13,384,174</u>
<b>INVESTING ACTIVITIES</b>		
Business Investments	\$	(119,412,759)
Business Investments: Impairment Charge		73,465,120
Fixed Assets		468,376
Net cash provided (used) by Investing Activities	\$	<u>(45,479,263)</u>
<b>FINANCING ACTIVITIES</b>		
Notes Payable	\$	(1,469,691)
Convertible Notes		2,951,430
Comprehensive Income (loss)		(5,367,211)
Common Stock		886,314
Additional Paid in Capital		33,876,258
Retained Earnings		780,634
Net cash provided (used) by Financing Activities	\$	<u>31,657,734</u>
Net cash increase (decrease) for period		(437,355)
Cash at beginning of period		678,288
Cash at end of period	\$	<u><u>240,933</u></u>

The accompanying notes are an integral part of the financial statements

**Medical Marijuana, Inc.**  
**Segmented Consolidated Balance Sheets**  
**As of December 31, 2015**

	U.S. Operations incl. Puerto Rico	Kannaway LLC	Wellness Managed Services	TOTAL
<b>ASSETS</b>				
Current Assets				
Checking/Savings	\$ 207,674	\$ 19,579	\$ 13,680	\$ 240,933
Accounts Receivable	776,360	60,557	54,471	891,388
Other Current Assets				
Prepaid Assets	70,884	1,133	-	72,017
Marketable Securities, Restricted	2,000,000	-	-	2,000,000
Inventory	2,777,290	1,927,796	5,383	4,710,469
Merchant Account Reserves	61,029	-	-	61,029
Notes and Loans Receivable	5,499,649	-	13,174	5,512,824
Deposits	15,418	6,500	3,317	25,235
Total Other Current Assets	<u>\$ 10,424,270</u>	<u>\$ 1,935,429</u>	<u>\$ 21,875</u>	<u>\$ 12,381,654</u>
Total Current Assets	<u>\$ 11,408,303</u>	<u>\$ 2,015,566</u>	<u>\$ 90,026</u>	<u>\$ 13,513,976</u>
Total Fixed Assets Net of Accumulated Depreciation	<u>\$ 728,767</u>	<u>\$ 695,399</u>	<u>\$ 32,872</u>	<u>\$ 1,457,037</u>
Other Assets				
Convertible Discount Asset	\$ 2,361,144			\$ 2,361,144
Business Investments				
HempMeds Mexico	50,000			50,000
HempMeds Puerto Rico	50,000			50,000
HempMeds Brazil	140,100,000			140,100,000
Kannaway LLC	26,534,880	-	-	26,534,880
Investments - Equity Securities	8,030,401	-	-	8,030,401
Extract Dev, Marketing	3,524,085	-	-	3,524,085
HempVAP	4,726	-	-	4,726
HempMeds PX	10,671,099	-	-	10,671,099
Kannalife	500,000	-	-	500,000
Red Dice Holdings	2,327,632	-	-	2,327,632
CanChew Biotech	6,559,279	-	-	6,559,279
Business Investments - Other	497,621	-	-	497,621
Total Business Investments	<u>\$ 198,849,722</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 198,849,722</u>
Total Other Assets	<u>\$ 201,210,867</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 201,210,867</u>
TOTAL ASSETS	<u><u>\$ 213,347,937</u></u>	<u><u>\$ 2,710,964</u></u>	<u><u>\$ 122,898</u></u>	<u><u>\$ 216,181,880</u></u>
<b>LIABILITIES &amp; EQUITY</b>				
Liabilities				



Current Liabilities

Accounts Payable	\$	771,026	\$	360,913	\$	50,718	\$	1,182,657
Accrued Liabilities		109,943		58,939		-		168,882

Other Current Liabilities

Notes Payable								
Note Payable/Receivable Intercompany		(2,997,618)		2,942,098		55,520		0
Note Payable		2,020,050		-		-		2,020,050
Total Notes Payable	\$	1,022,432	\$	2,942,098	\$	55,520	\$	4,020,050
Total Other Current Liabilities	\$	1,132,375	\$	3,001,037	\$	55,520	\$	4,188,932

Total Current Liabilities	\$	1,903,402	\$	3,361,950	\$	106,238	\$	5,371,589
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Long Term Liabilities

Convertible Notes	\$	9,962,724	\$	5,011,294	\$	5,011,294	\$	9,962,724
Notes Payable General Hemp		1,689,964		-		-		1,689,964
Total Long Term Liabilities	\$	9,652,688	\$	-	\$	-	\$	9,652,688

Total Liabilities	\$	11,556,090	\$	3,361,950	\$	106,238	\$	15,024,277
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Equity

Unamortized Accumulated Comprehensive Income (Loss)	\$	(5,367,211)	\$	-	\$	-	\$	(5,367,211)
Common Stock		2,868,754		-		-		2,868,754
Additional Paid in Capital		151,797,217		1,094,454		78,733		152,970,403
Dividends Paid		(85,314)		-		-		(85,314)
Retained Earnings		52,563,741		(1,745,439)		(62,073)		50,756,229
Less: Non Ownership Portion of Subsidiaries		14,740		-		-		14,740
Total Equity	\$	201,791,927	\$	(650,985)	\$	16,660	\$	201,157,602

TOTAL LIABILITIES & EQUITY	\$	213,348,017	\$	2,710,964	\$	122,898	\$	216,181,880
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**Medical Marijuana, Inc.**  
**Segmented Statements of Operations**  
**For The Twelve Months Ending December 31, 2015**

	U.S. Operations incl. Puerto Rico	Kannaway LLC	Wellness Managed Services	TOTAL
Ordinary Income/Expense				
Total Income	\$ 6,462,649	\$ 2,612,209	\$ 140,508	\$ 9,215,366
Total COGS	<u>3,006,730</u>	<u>868,172</u>	<u>35,722</u>	<u>3,910,624</u>
Gross Profit	\$ 3,455,920	\$ 1,744,037	\$ 104,786	\$ 5,304,743
Expense				
Advertising and Promotion	\$ 333,028	\$ 124,935	\$ 368	\$ 458,330
General and Administrative	2,372,351	1,377,536	62,898	3,812,786
Depreciation Expense	300,836	381,604	-	682,439
Professional Fees	1,997,439	1,470,395	11,392	3,479,226
Rent Expense	374,101	132,228	13,954	520,283
Total Expense	<u>\$ 5,377,755</u>	<u>\$ 3,486,697</u>	<u>\$ 88,612</u>	<u>\$ 8,953,064</u>
Net Ordinary Income (Loss)	(1,921,835)	(1,742,660)	16,174	(3,648,321)
Other Income/Expense				
Interest Income	\$ 731,921	\$ 2	\$ 71	\$ 731,994
Interest Expense	(1,096,018)	-	(1,914)	(1,097,932)
Interest Expense - Original Issue Discount	(1,951,037)	-	-	(1,951,037)
Conversion Discount Expense	(1,408,212)	-	-	(1,408,212)
Bad Debt Expense	(343,721)	-	-	(343,721)
Loss on Securities Held for Sale	(16,404,027)	-	-	(16,404,027)
Litigation Settlement Expense	(3,889,096)	-	-	(3,889,096)
Less: Non Ownership Portion of Subsidiaries	(14,740)	-	-	(14,740)
Total Other Income or Expense	<u>\$ (24,374,930)</u>	<u>\$ 2</u>	<u>\$ (1,842)</u>	<u>\$ (24,376,770)</u>
Impairment Charge	\$ (73,465,120)	\$ -	\$ -	\$ (73,465,120)
Debt Exchange/Restructuring Charge	(1,763,822)	-	-	(1,763,822)
Extraordinary Gain	129,225,000			129,225,000
Net Income (Loss)	<u>\$ 27,699,294</u>	<u>\$ (1,742,659)</u>	<u>\$ 14,332</u>	<u>\$ 25,970,966</u>
Comprehensive Income (Loss)	(5,367,211)	-	-	(5,367,211)
Net Comprehensive Income (Loss)	<u>22,332,083</u>	<u>(1,742,659)</u>	<u>14,332</u>	<u>20,603,755</u>

**Medical Marijuana, Inc.**  
**Segmented Consolidated Statements of Cash Flows**  
**For The Year Ending December 31, 2015**

	<u>U.S. Operations incl. Puerto Rico</u>	<u>Kannaway LLC</u>	<u>Wellness Managed Services</u>	<u>TOTAL</u>
<b>OPERATING ACTIVITIES</b>				
Net Income (Loss)	\$ 27,699,294	\$ (1,742,659)	\$ 14,332	\$ 25,970,966
Adjustments to reconcile Net Income to net cash provided by operations:				
Inventory Asset	392,431	(1,707,271)	743	(1,314,097)
Notes Receivable	(1,117,379)	-	-	(1,117,379)
Accounts Receivable	412,524	153,397	(1,472)	564,449
Prepaid Expenses	885,402	31,034	-	916,436
Security Deposit	-	-	1,244	1,244
Accounts Payable	(382,018)	139,684	13,178	(229,156)
Merchant Account Reserve	(65,436)	-	-	(65,436)
Accrued Liabilities	30,420	45,219	-	75,639
Sales Tax Payable	(7,796)	-	(215)	(8,011)
Notes and Loans Payable	(14,291,583)	2,822,330	58,759	(11,410,481)
Net cash provided (used) by Operating Activities	\$ 13,555,858	\$ (258,266)	\$ 86,570	\$ 13,384,174
<b>INVESTING ACTIVITIES</b>				
Business Investments	\$ (119,412,759)	\$ -	\$ -	\$ (119,412,759)
Business Investments: Impairment Charge	73,465,120	-	-	73,465,120
Fixed Assets	213,700	254,676	-	468,376
Net cash provided (used) by Investing Activities	\$ (45,733,939)	\$ 254,676	\$ -	\$ (45,479,263)
<b>FINANCING ACTIVITIES</b>				
Note Payable	\$ (1,469,691)	\$ -	\$ -	\$ (1,469,691)
Convertible Note	2,951,430	-	-	2,951,430
Comprehensive Income (Loss)	(5,367,211)	-	-	(5,367,211)
Common Stock	886,314	-	-	886,314
Additional Paid in Capital	33,876,258	-	-	33,876,258
Retained Earnings	866,674	-	(86,040)	780,634
Net cash provided (used) by Financing Activities	\$ 31,743,774	\$ -	\$ (86,040)	\$ 31,657,734
Net cash increase (decrease) for period	(434,306)	(3,590)	529	(437,355)
Cash at beginning of period	641,967	23,170	13,151	678,288
Cash at end of period	\$ 207,660	\$ 19,580	\$ 13,680	\$ 240,933

# MEDICAL MARIJUANA, INC.

## Notes to Financial Statements

### Note 1: Summary of Significant Accounting Policies

#### Nature of Operations.

Marijuana Inc. ("MJNA" or "Company") is an Oregon corporation, which through its subsidiaries and investment holdings focuses on the development, sale and distribution of hemp oil that contains naturally occurring cannabinoids, including cannabidiol ("CBD") and other products containing CBD-rich hemp oil ("Legal Hemp"). Company products are formulated for the pharmaceutical, nutraceutical and cosmeceutical industries, including dietary supplements, skin care products and prescription-based hemp oil for sale in countries (such as Brazil and Mexico) that have approved, by doctor prescription, the Company's flagship hemp oil product, RSHO™, for the treatment of various illnesses and conditions. The Company is not in the business of selling or dispensing either recreational or medical marijuana, directly or indirectly, so long as marijuana remains a federally controlled substance (the Company's products contain only those substances that are derived from the part of the cannabis plant that is excluded from the definition of marijuana under the Controlled Substances Act and are both federally legal and outside of the purview of the Drug Enforcement Administration). Finally, MJNA services include the licensing of its proprietary testing, genetics, labeling, and packaging, tracking, production and standardization methods for the medicinal cannabinoid industry.

Basis of Financial Statement Presentation. The accompanying financial statements have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Cash Equivalents. Holdings of highly liquid investments with maturities of three months or less when purchased are considered to be cash equivalents.

Marketable Securities. Management classifies all investments as available-for-sale. Available-for-sale securities are carried at fair value with unrealized gains and losses included in accumulated comprehensive income (loss) in shareholders' equity.

Inventories. Inventories are valued at cost. Inventory consists of finished goods and raw materials.

Property, Plant, and Equipment. Property, plant, and equipment are recorded at cost less depreciation and amortization. Depreciation and amortization are primarily accounted for on the straight-line method based on estimated useful lives. The amortization of leasehold improvements is based on the shorter of the lease term or the life of the improvement. Betterments and large renewals which extend the life of the asset are capitalized whereas maintenance and repairs and small renewals are expensed as incurred.

Revenue Recognition. Revenue is recognized in the financial statements (and the customer billed) either when materials are shipped from stock or when the vendor bills the Company for the order. Net sales are arrived at by deducting discounts, and sales taxes from gross sales.

Supplementary Information. A breakdown of consolidating balance sheet by subsidiary has been included along with consolidating statements of income and cash flow.

Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## **Note 2: Inventories**

Inventories are comprised of hemp-based raw materials and finished goods. Inventory is valued at cost.

## **Note 3: Warrants, Options and Stock-Based Compensation.**

At December 31, 2015 the Company had no warrants or options outstanding. For the period ending December 31, 2015 the Company did not pay any stock-based compensation.

## **Note 4: Common Stock**

The Company has 5,000,000,000 authorized shares of common stock and 2,866,710,414 shares outstanding as of December 31, 2015.

## **Note 5: Restricted Securities**

As of December 31, 2015 the Company held a beneficial interest in 2,000,000 shares of Cannavest Corp. (OTC: CANV), which it records at cost of \$2,000,000. The CANV shares serve as collateral for a \$2,000,000 promissory note issued to Cannavest for the purchase of hemp oil and the Company's interest in the shares is subject to a pledge agreement. The CANV shares were acquired from a third-party that had previously pledged the shares on behalf of the Company. The Company issued a convertible note to the third-party as consideration for the shares. (see also Footnote 7 - "Notes Payable - Long Term", section (iii), for a description of the convertible note) Foreclosure upon the shares at a predetermined value of \$1.00 per share is the sole remedy available to Cannavest upon an event of default under the promissory note. (see also Footnote 6 - "Notes Payable - Short Term")

## **Note 6: Note Payable – Short Term**

Short term note payable of \$2,020,050 consists of a \$2,000,000 promissory note, plus interest accrued thereon, issued to CannaVest Corp. for the purchase of hemp oil. The Note accrues interest at the rate of 6% per annum, matures on October 1, 2016, and is secured by 2,000,000 shares of CannaVest common stock (OTC:CANV) for which the Company holds a beneficial interest and classifies as restricted securities. Upon a default of the Note, CannaVest's sole remedy is to foreclose upon the collateral shares at a predetermined value of \$1.00 per share. (see also Footnote 5 - "Restricted Securities")

## **Note 7: Notes Payable – Long Term**

At December 31, 2015 long term notes payable totaling \$9,652,688 consist of promissory notes as follows; (i) a convertible note having a balance of \$5,011,294 including interest accrued thereon. The note is convertible at holder's option at any time at a conversion price equal to 70% of the average of the three (3) lowest closing bid prices in the 20-days prior to conversion. Conversions under the note are subject to a restriction if such conversion would result in holder and its affiliates owning more than 9.99% of the Company's common stock and further limited to a \$250,000 maximum on the amount of any conversion in any one month period. The note accrues interest at the rate of 8% per annum until maturity on October 17, 2017 and is secured by notes receivable owned by the Company that were issued to it by the lender. (see also Footnote 8 – "Notes and Loans Receivable"); (ii) a convertible note having a balance of \$2,951,430 including interest accrued thereon. The Note is convertible at the holder's option at any time at a fixed conversion price of \$0.02 per share, subject to a restriction if such conversion would result in holder and its affiliates owning more than 9.99% of the Company's common stock. The note pays interest on a quarterly basis beginning January 1, 2016 at the rate of eight percent (8%) per annum and matures on January 1, 2026; (iii) a convertible note, face value \$2,000,000, having a balance of \$2,000,000 at December 31, 2015. The note is convertible at the holder's option at any time at a conversion price equal to 75% of the lowest closing price in the three trading days prior to conversion, subject to a restriction if such conversion would result in holder and its affiliates owning more than 9.99% of the Company's common stock. The note pays no interest through December 31, 2015 and thereafter pays interest of three percent (3%) per annum payable on a quarterly basis beginning on April 1, 2016 and matures on October 15, 2027; and (iv) a note totaling \$1,689,964 issued to General Hemp, LLC. The note bears interest at the rate of 8% per annum, payable quarterly until maturity on January 1, 2017. General Hemp waived all interest due on the note for the periods ending March 31, 2015 and June 30, 2015. (see also Footnote 9 – "Related Party Transactions").

## **Note 8: Notes and Loans Receivable**

Notes and loans receivable totaling \$5,512,824 consist of the following; (i) a demand note totaling \$2,120,401.25, including interest accrued thereon, payable by Axim Biotechnologies, Inc. (OTCBB: AXIM) to Canchew® Biotechnologies, LLC, a subsidiary of which the Company owns 50%. The Note accrues interest at the rate of 4% per annum until payable upon demand; (ii) a demand note totaling \$524,078, including interest accrued thereon, payable by the Chief Executive Officer of Axim Biotechnologies, Inc. to Canchew® Biotechnologies, LLC, a subsidiary of which the Company owns 50%. The Note accrues interest at the rate of 4% per annum until payable upon demand; (iii) two (2) notes payable issued by Chicago Venture Partners, LLC totaling \$2,556,185.22 that each accrue interest at the rate of 8% per annum and mature on October 17, 2017. The notes serve as collateral for that certain note payable owed by the Company totaling \$5,011,294 as of December 31, 2015. The Notes are secured by a 60% interest in Typenex Medical, LLC, a limited liability company engaged in the medical device manufacturing business; and (iv) various loans and notes receivable totaling \$312,159.

## **Note 9: Related Party Transactions**

The Company has a note owing totaling \$1,689,964 issued to General Hemp, LLC (see also Footnote 7 – "Notes Payable – Long Term"). The note bears interest at the rate of 8% per annum, payable quarterly until maturity on January 1, 2017. General Hemp waived all interest due on the note for the periods ending March 31, 2015 and June 30, 2015.

On December 31, 2015 the Company entered into an equity-for-debt exchange with Hemp Deposit and Distribution Corporation ("HDDC") whereby it issued to HDDC 317,805,681 restricted shares of its common stock in order to retire notes totaling \$9,994,989 issued to HDDC. (see also Footnote 12 – "Debt Restructuring Expense").

Canchew® Biotechnologies, LLC loaned \$500,000 to its Chief Executive Officer (who is also the Chief Executive Officer of Axim Biotechnologies, Inc.) in the form of a demand note. The balance due on the note totals \$524,078, including interest accrued thereon, as of December 31, 2015. The Note accrues interest at the rate of 4% per annum until payable upon demand. (see also Footnote 7 – "Notes Receivable")

On December 31, 2015 the Company acquired 93.4% of HempMeds Brazil, LLC from General Hemp, LLC. The final purchase price paid for the 93.4% interest was \$16,337,210 payable by the issuance of 441,546,203 restricted shares of the Company's common stock based upon the closing price of \$0.037 on December 31, 2015. (see also Footnote 14 - "Extraordinary Gain")

On December 31, 2015 the Company acquired 20% of HempMeds PX, LLC from HDDC (the Company owned 80% of HempMeds PX prior to the acquisition). The purchase price paid for the 20% interest in HempMeds PX was \$4,937,790, payable by the issuance of 133,453,797 restricted shares of the Company's common stock based upon the closing price of \$0.037 on December 31, 2015. (see also Footnote 14 - "Extraordinary Gain")

#### **Note 10: Stock Issuances**

For the period ending December 31, 2015 the Company issued 1,084,270,233 shares of its common stock as follows: (i) 128,240,396 shares pursuant to the conversion of convertible notes issued by the Company; (ii) 52,306,667 shares for the conversion of convertible notes issued by the Company in conjunction with a settlement of litigation; (iii) 441,546,203 shares for the acquisition of 93.4% of HempMeds Brazil; (iv) 133,453,797 shares for the acquisition of 20% of HempMeds PX (not already owned by the Company); (v) 317,805,681 shares in a debt exchange/restructuring with Hemp Deposit and Distribution Corporation; and (vi) 10,917,489 shares in exchange for cash.

#### **Note 11: Litigation**

In the ordinary course of business the Company defends against and prosecutes various legal actions. The following is a summary of outstanding, potentially material, legal actions the Company is a party to.

**Medical Marijuana, Inc. & HempMeds PX, LLC v. CannLabs, Inc.** Medical Marijuana, Inc. has filed a \$100,000,000 California Superior Court libel action against CannLabs, Inc., Rifle Mountain, LLC, Genifer Murray, Jason Cranford, Project CBD.com, Aaron Miguel Cantu and Martin Lee for damages resulting from false and libelous statements made by the defendants in regard to HempMeds PX, LLC's RSHO product.

The Company intends to vigorously defend and prosecute all actions.

#### **Note 12: Debt Restructuring Expense**

On December 31, 2015 the Company entered into an equity-for-debt exchange with HDDC whereby it issued to HDDC 317,805,681 restricted shares of its common stock in order to retire notes totaling \$9,994,989 issued to HDDC. The 317,805,681 shares were issued at a 15% discount to the closing price of the Company's stock as of the effective date of the exchange, which resulted in a one-time, non-cash charge of \$1,763,822 related to the equity-for-debt exchange/restructuring ( $\$0.037$  at December 31, 2015 minus  $\$0.03145$  issue price =  $\$.00555$  discount X 317,805,681 shares issued = \$1,763,822 restructuring expense).

### **Note 13: Impairment Charge**

On December 26, 2014, the Company acquired Kannaway, LLC by issuing restricted stock valued at \$100 million as of the date of the transaction. Pursuant to GAAP the Company conducted a fair market valuation of Kannaway as of the one-year anniversary of the acquisition and determined that the value of Kannaway at that time was \$26,534,880. As a result, the Company recorded a non-cash impairment charge of \$73,465,130 for the period ending December 31, 2015 ( $\$100,000,000$  purchase price minus  $\$26,534,880$  valuation at one-year anniversary of acquisition = \$73,465,130 impairment charge).

### **Note 14: Extraordinary Gain**

On December 31, 2015 the Company acquired a 93.4% membership interest in HempMeds Brazil, LLC and the remaining 20% membership interest in HempMeds PX, LLC that the Company did not already own (the Company already owned 80% of HempMeds PX prior to the transaction). The unadjusted purchase price for 93.4% of HempMeds Brazil was \$9,250,000, subject to post-closing adjustment (upwards or downwards). As payment of the unadjusted purchase price the Company issued 250,000,000 restricted shares of its common stock based upon the closing price of \$0.037 on December 31, 2015. The unadjusted purchase price for 20% of HempMeds PX was \$4,625,000, subject to post-closing adjustment (upwards or downwards). As payment of the unadjusted purchase price the Company issued 125,000,000 restricted shares of its common stock based upon the closing price of \$0.037 on December 31, 2015. Accordingly, the aggregate unadjusted purchase price for both entities totaled \$13,875,000. As required by the membership interest purchase agreement that governs the transactions, following the closing an independent third-party valuation was performed in order to determine the aggregate low-end valuation and high-end valuation of the acquired entities as of December 31, 2015 in order to determine whether the purchase price must be adjusted. Pursuant to the agreement, an aggregate low-end valuation of the two acquired entities that fell between the unadjusted purchase price of \$13,875,000 and \$100,000,000 would result in no upward adjustment, however, a high-end valuation of less than the aggregate unadjusted purchase price of \$13,875,000 would result in a downward adjustment.

As of December 31, 2015, the low-end valuation for 93.4% of Hempmeds Brazil has been determined to be \$140,100,000 and the low-end valuation for 20% of HempMeds PX has been determined to be \$10,400,000 for an aggregate low-end valuation of \$150,500,000.

Under the terms of the membership interest purchase agreement, if the aggregate low-end valuation of the acquired entities exceeded \$100,000,000 (the "Excess Valuation"), the sellers were entitled to an additional number of shares from the Company, as of the closing date, as part of the consideration received for the sale of the entities to the Company. The number of additional shares to be issued in order to take into consideration the Excess Valuation would be equal to the lesser of (i) the Excess Valuation divided by \$.10, or (ii) 200,000,000 shares (the "Excess Valuation Shares"). As a result of the independent third-party valuations discussed above, the



purchase price for 93.4% of HempMeds Brazil was adjusted upward to \$16,337,210 and the Company issued 441,546,203 shares of restricted common stock as payment of the purchase price, as adjusted (250,000,000 initial shares subject to adjustment and 191,546,203 Excess Valuation Shares) and the purchase price for 20% of HempMeds PX was adjusted upward to \$4,937,790 and the Company issued 133,453,797 shares of restricted common stock as payment of the purchase price, as adjusted (125,000,000 initial shares subject to adjustment and 8,453,797 Excess Valuation Shares).

As a result of the transactions described above, the Company has recorded an extraordinary gain equal to the low-end valuation of the acquired entities less their adjusted purchase price as follows:

Aggregate low-end valuation -	\$150,500,000
minus	
Final purchase price, as adjusted -	<u>\$ 21,275,000</u>
Extraordinary gain	\$129,225,000

#### **Note 15: Comprehensive Income**

The Company reports accumulated and unrealized comprehensive income (loss) in its shareholders' equity section of the balance sheet, which is comprised of unrealized gains or losses on available-for-sale securities reported held as "Investments – Equity Securities". The Unrealized Comprehensive Loss for the period ended December 31, 2015 totaled \$5,367,211. Accumulated unrealized comprehensive loss totals \$5,367,211, net of accumulated realized loss of \$16,404,027. Both unrealized and realized loss are non-cash items on the Company's profit and loss statement.