

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

FORM 10-K

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2023

☐ 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: 000-54457

TREES CORPORATION

(Exact name of registrant as specified in its charter)

COLORADO

(State or other jurisdiction of
incorporation or organization)

90-1072649

(I.R.S. Employer
Identification No.)

**215 Union Boulevard, Suite 415
Lakewood, Colorado 80228**

(Address of principal executive offices)

Registrant's telephone number, including area code: **(303) 759-1300**

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

Title of each class	Name of each exchange on which registered	Ticker symbol
N/A	N/A	N/A

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulations 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 ☒ X No ☐

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>	Non-accelerated filer	<input checked="" type="checkbox"/> X
Smaller reporting company	<input checked="" type="checkbox"/> X	Emerging growth company	<input type="checkbox"/>		

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

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

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the voting stock held by non-affiliates of the registrant, based upon the closing sale price of the registrant's common stock, par value \$0.001 per share ("Common Stock"), on December 29, 2023, was \$7,340,390.

As of April 1, 2024, the Registrant had 108,746,520 issued and outstanding shares of Common Stock.

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PART I

CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION

This Annual Report on Form 10-K (this "Report") contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements discuss matters that are not historical facts. Because they discuss future events or conditions, forward-looking statements may include words such as "anticipate," "believe," "estimate," "intend," "could," "should," "would," "may," "seek," "plan," "might," "will," "expect," "predict," "project," "forecast," "potential," "continue" negatives thereof or similar expressions. Forward-looking statements speak only as of the date they are made, are based on various underlying assumptions and current expectations about the future, and they are not guarantees. Such statements involve known and unknown risks, uncertainties, and other factors that may cause our actual results, level of activity, performance, or achievement to be materially different from the results of operations or plans expressed or implied by such forward-looking statements.

We cannot predict all risks and uncertainties. Accordingly, such information should not be regarded as representations that the results or conditions described in such statements will occur or that our objectives and plans will be achieved, and we do not assume any responsibility for the accuracy or completeness of any of these forward-looking statements. These forward-looking statements are found at various places throughout this Report and include information concerning possible or assumed future results of our operations, including statements about potential acquisition or merger targets; business strategies; future cash flows; financing plans; plans and objectives of management, any other statements regarding future acquisitions, future cash needs, future operations, business plans and future financial results, and any other statements that are not historical facts.

Some factors that might cause such differences are described in the section entitled "Risk Factors" in this Report and in other documents that we file from time to time with the Securities and Exchange Commission ("SEC"), which factors include, without limitation, the following:

- Competition from other similar companies;
- Regulatory limitations on the products or services we can offer and markets we can serve;
- Other changes in the regulation of medical and recreational cannabis use;
- Changes in underlying consumer behavior, which may affect the business of our customers;
- Our ability to access adequate financing on reasonable terms and our ability to raise additional capital in order to fund our operations;
- Our ability to identify and successfully integrate acquisitions, and the ability of acquired businesses to perform as expected;
- Challenges with new products, services, and markets; and
- Fluctuations in the credit markets and demand for credit.

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. In light of these risks, uncertainties and assumptions, the events described in 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 Report. All subsequent written and oral forward-looking statements concerning other matters addressed in this Report and attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this Report.

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.

The following description of the business of TREES Corporation should be read in conjunction with the information included elsewhere in this Report. Unless the context indicates otherwise, references to the words "we," "us," "our," "TREES," and the "Company" in this Report refer to TREES Corporation.

ITEM 1. BUSINESS.

Business Summary

TREES Corporation is a cannabis retailer and cultivator in the States of Colorado and Oregon.

We presently operate six (6) cannabis dispensaries as follows:

- Englewood, Colorado – 5005 S. Federal Boulevard – *Recreational license only*
- Denver, Colorado
 - East Hampden Avenue (formerly Green Man) – *Recreational license only*
- Longmont, Colorado
 - 12626 N. 107th Street (formerly Green Tree/Ancient Alternatives) – *Medical and Recreational licenses*
- Three (3) in Oregon
 - SW Corbett Avenue, Portland, OR – *Medical and Recreational licenses*
 - NE 102nd Avenue, Portland, OR – *Medical and Recreational licenses*
 - 7050 NE MLK, Portland, OR – *Medical and Recreational licenses*

We also operate two (2) cultivation facilities in Colorado as follows:

- SevenFive Farm – 3705 N. 75th Street, Boulder – *Retail cultivation license only*
- 6859 N. Foothills Highway E-100 (formerly Green Tree/Hillside Enterprises) – *Retail cultivation license only*

Our principal business model is to acquire, integrate and optimize cannabis companies in the retail and cultivation segments utilizing the combined experience of entrepreneurs and synergistic operations of our vertically integrated network.

Business Strategy and Recent Transactions

As the cannabis industry becomes more mature, we focus on (1) identifying licensed cannabis assets that we can acquire, (2) executing our business strategy to continue to generate cash and meet our financial commitments, and (3) moving with an urgency that reflects our conviction and confidence in our ability to create customer loyalty and advocacy. To that end, during the years ended 2023 and 2022, we implemented the following significant actions in support of our continued growth:

- In December 2023, we completed a restructuring of our senior secured debt with certain accredited investors party to the September 2022 note offering. We issued and sold senior secured convertible notes (the "Amended Notes") with an aggregate principal amount of \$13,500,000 to such investors. The material terms of the Amended Notes include no changes to the aggregate principal amount; the maturity date; or the interest rate. Material changes reflected in the Amended Notes include the following:
 - 25% of the total principal, i.e., \$3,375,000, contains different terms than the remaining principal.
 - Principal mandatorily convertible at any time during term upon occurrence of trigger event based on trading price and trading value.
 - Interest subject to optional conversion by TREES if trigger event occurs.
 - In the event of this conversion, the Principal Amount would be reduced to \$10,125,000.
 - Current interest payments are deferred until March 2024; further, the Company shall make 'catch-up' interest payments beginning in December 2024 for deferred interest.
 - Conversion: Up to \$3,375,000 of principal will be convertible at Investors' option at a price per share equal to \$0.50.
 - Warrant exercise price of previously granted senior debt warrants in respect of prior 12% and 10% note offerings reduced to \$0.40 per share; warrant expiration date extended to September 15, 2029.

- Working capital – Lead Investor agreed to provide an additional \$250,000 on or after closing in a separate 'Working Capital Note' with a 1.25x liquidation preference, and up to an additional \$250,000 at TREES' option. In such event, a 1.5x liquidation preference shall apply to entire amount (the initial \$250,000 plus the additional \$250,000).
- Lead Investor to provide up to \$500,000 in additional M&A financing upon a mutually agreed transaction.
- In August 2023, we re-sold the Station 2 license and related assets to Timothy Brown, one of our Board members, in exchange for extinguishment of all debt or other obligations of the Company, Trees Colorado, and any of their respective affiliates, directors, officers or agents, pursuant to the original Asset Purchase Agreement of October 2022, and (ii) repayment by Brown of certain debts of the Company in respect of a cultivation facility owned by the Company.

- In July 2023, we 'reversed' a portion of the Green Tree business combination transaction originally consummated in December 2022, pursuant to a settlement agreement in which we sold back to the original Green Tree owners cannabis licenses and the related assets associated with (i) GT Retail, a cultivation facility and retail dispensary located in Berthoud, Colorado; and (ii) GT MIP, a 'marijuana infused product' dispensary located in Boulder County, Colorado. The consideration for this transaction was the redemption and cancellation of 9,917,574 shares of our Common Stock owned by Allyson Feiler Downing and Loree Schwartz originally issued in 2022. As part of the settlement agreement, all parties waived any potential claims with limited exceptions. In July 2023, Downing and Schwartz were terminated from employment with the Company, and in August 2023, Downing resigned from the Board.
- In December 2022, we completed the acquisition of substantially all of the assets of Green Man Cannabis ("Green Man", the overall transaction is referred to as the "Green Man Acquisition"). Green Man equity holders received cash equal to \$1,225,000 together with an aggregate of 4,494,382 shares of the Common Stock. An additional \$1,500,000 in cash will be paid out in eighteen (18) equal monthly payments equal to \$83,333.33 per month commencing on the 12-month anniversary of the closing.
- Also in December 2022, we completed the acquisition of substantially all of the assets of Ancient Alternatives LLC, Natural Alternatives For Life, LLC, Mountainside Industries, LLC, Hillside Enterprises, LLC, and GT Creations, LLC, each a Colorado limited liability company (collectively, the "Green Tree Entities", the overall transaction is referred to herein as the "Green Tree Acquisition"). At the closing, the Company delivered to the Green Tree Entities an aggregate of cash equal to \$500,000 and delivered to equity holders of the Green Tree Entities an aggregate of 17,977,528 shares of Common Stock. An additional \$3,500,000 in cash was paid by the Company to the Green Tree Entities in fifteen (15) equal monthly payments commencing on the 9-month anniversary of the closing. The number of shares is subject to adjustment based upon a formula specified in the definitive purchase agreement. We assumed certain operating obligations at closing, including certain manufacturing agreements between GT Creations and affiliates of the Green Tree Entities.
- In September 2022, we completed a private offering in which we issued and sold to accredited investors senior secured convertible notes (the "2022 Notes") with an aggregate principal amount of \$13,500,000 ("Principal Amount") to such investors ("2022 Note Offering"), in exchange for payment to the Company by certain of the investors of an aggregate amount of \$10,587,250 in cash, as well as cancellation of outstanding indebtedness in the aggregate amount of \$2,912,750 represented by certain prior promissory notes we issued in December 2020 and April 2020. In connection with the 2022 Note Offering, Investors received warrants to purchase shares of the Company's Common Stock equal to 20% coverage of the aggregate principal amount at \$0.70 per share, which equals an aggregate of warrants to purchase 3,857,150 shares of the Common Stock. The lead Investor ("Lead Investor") received an additional 10% warrant coverage on the aggregate principal amount of Notes for total additional warrants to purchase 1,928,571 shares of Common Stock. The Lead Investor also will receive a five percent cash fee on the aggregate principal amount of Notes, payable by the Company; one-half of such fee may be deferred by the Company for up to five months from the closing.

The Notes will bear interest at an annual rate of 12% and will mature on September 16, 2026 (the "Maturity Date"). Investors have the option to convert up to 50% of the outstanding unpaid principal and accrued interest of the Notes into Common Stock at a fixed conversion price equal to \$1.00 per share. The Warrants are exercisable at an exercise price of \$0.70 per Warrant, subject to adjustment as provided in the Warrants, at any time prior to the earlier of the Maturity Date and an Acquisition (as defined in the Warrants). Payment on the Notes is secured by substantially all of the assets of the Company pursuant to a Security Agreement by and among the Company and the Investors.

- In December 2021, we completed the acquisition of substantially all the assets of Trees Portland, LLC and Trees Waterfront, LLC, representing a portion of the overall Trees transaction ("Trees Transaction"). The cash paid in connection with the Oregon Closing consisted of \$331,581 and stock consideration of 6,423,575 shares of our Common Stock. Further, cash equal to \$497,371 will be paid to sellers in equal monthly installments over a period of 24 months from the Oregon Closing.
- In September 2021, we entered into a Securities Purchase Agreement with various accredited investors, pursuant to which the Company issued and sold Units consisting of Series A Convertible Preferred Stock ("Series A Preferred") and warrants to purchase shares of our Common Stock. The total number of Units sold was 1,180. Each Unit consists of one (1) share of Series A Preferred and 300 Warrants. The purchase price of each Unit was \$1,000, for an aggregate amount sold of \$1,180,000. Each share of Series A Preferred is convertible into 1,000 shares of Common Stock upon the consummation of a capital raise of at least \$5 million.
- Also in September 2021, we completed the acquisition of substantially all the assets of TDM, LLC, representing a portion of the overall Trees Transaction. The cash paid by the Company consisted of \$1,155,256. We issued 22,380,310 shares of our Common Stock. Further, cash equal to \$1,732,884 will be paid to Seller in equal monthly installments over a period of 24 months.

History and Corporate Structure

The accompanying consolidated financial statements include the results of TREES and its wholly-owned subsidiary companies, each a Colorado corporation or limited liability company:

- 6565 E. Evans Owner LLC
- GC Corp
- GC Capital Corp, LLC
- GC Security LLC
- General Cannabis Capital Corporation
- Standard Cann, Inc.
- SevenFive Farms Cultivation, LLC
- SevenFive Farms, LLC
- Trees Colorado LLC
- Trees Oregon LLC
- Green Tree Colorado LLC
- GT Cultivation LLC
- GT Retail LLC

- GT MIP LLC
- Green Man Cannabis, LLC

Competitive Strengths

We believe we possess certain competitive strengths and advantages in the industries in which we operate:

Experience. Our management teams have extensive experience with a proven track record of success in developing, launching, and managing grow operations and retail dispensaries.

Strategic Alliances. We are dedicated to growing through strategic acquisitions, partnerships, and agreements that will enable us to enter and expand into new markets. Our strategy is to pursue alliances with potential targets that have the ability to generate positive cash flow, effectively meet customer needs, and supply desirable products, services or technologies, among other considerations.

Regulatory Compliance. The state and local laws regulating the cannabis industry change at a rapid pace. We have resources committed to ensure our operations comply with all state and local laws, policies, guidance, and regulations to which we are subject. We apply this compliance knowledge to our customers to ensure that they, too, are in full compliance.

Industry Knowledge. We continue to create, share, and leverage information and experiences with the purpose of creating awareness and identifying opportunities to increase shareholder value. Our management team has business expertise, extensive knowledge of the cannabis industry, and closely monitors changes in legislation. We work with partners who enhance the breadth of our industry knowledge.

Competition

Overall, we believe we have a competitive advantage by providing a range of goods and services to the cannabis industry. This allows us to provide integrated solutions to our customers, as well as sell additional goods and services to customers of a single segment. However, there is no aspect of our business that is protected by patents or copyrights.

Retail. We will compete with a variety of different operators across the states in which we operate. In most of such states, there are specific license caps that create high barriers to entry. However, in some markets, such as Colorado, there are few caps on licenses creating a more open marketplace.

Cultivation. The Colorado cultivation market is highly fragmented. There are over one million cannabis plants cultivated for cannabis sales each year, and a typical 15,000 to 20,000 square foot grow facility contains approximately 5,000 to 7,500 plants.

Government and Industry Regulation

Cannabis continues to be a Schedule I controlled substance under the Controlled Substances Act ("CSA") and is, therefore, illegal under federal law. Even in those states in which the use of cannabis has been legalized pursuant to state law, its use, possession, and/or cultivation remains a violation of federal law. A Schedule I controlled substance is defined as one that has no currently accepted medical use in the United States, a lack of safety for use under medical supervision and a high potential for abuse. The U.S. Department of Justice (the "DOJ") describes Schedule I controlled substances as "the most dangerous drugs of all the drug schedules with potentially severe psychological or physical dependence." If the federal government decides to enforce the CSA in Colorado with respect to state-regulated cannabis activities in Colorado and other states, persons that are charged with distributing, possessing with intent to distribute or growing cannabis could be subject to fines and/or terms of imprisonment, the maximum being life imprisonment and a \$50 million fine.

Considering the conflict between federal laws and state laws regarding cannabis, the administration under President Obama had effectively stated that it was not an efficient use of resources to direct federal law enforcement agencies to prosecute those lawfully abiding by state-designated laws allowing the use and distribution of medical cannabis. For example, the prior DOJ Deputy Attorney General of the Obama administration, James M. Cole, issued a memorandum (the "Cole Memo") to all United States Attorneys providing updated guidance to federal prosecutors concerning cannabis enforcement under the CSA. In addition, the Financial Crimes Enforcement Network ("FinCEN") provided guidelines (the "FinCEN Guidelines") on February 14, 2014, regarding how financial institutions can provide services to cannabis-related businesses consistent with their Bank Secrecy Act ("BSA") obligations (see "– FinCEN"). The policies of the Obama administration concerning federal law enforcement regarding cannabis, notwithstanding the rescission of the Cole Memo (see below), continued during the Trump administration and continues during the Biden administration.

Congress previously enacted an omnibus spending bill that included a provision (the "Rohrabacher-Blumenauer Amendment") prohibiting the DOJ from using funds to prevent states with medical cannabis laws from implementing such laws. This provision is renewed annually by Congress and is current through September 30, 2021. In August 2016, a Ninth Circuit federal appeals court ruled in *United States v. McIntosh* that the Rohrabacher-Blumenauer Amendment bars the DOJ from spending funds on the prosecution of conduct that is allowed by state medical cannabis laws, provided that such conduct is in strict compliance with applicable state law. In March 2015, bipartisan legislation titled the Compassionate Access, Research Expansion, and Respect States Act (the "CARERS Act") was introduced, proposing to allow states to regulate the medical use of cannabis by changing applicable federal law, including by reclassifying cannabis under the Controlled Substances Act to a Schedule II controlled substance and thereby changing the plant from a federally-criminalized substance to one that has recognized medical uses. More recently, the Respect State Marijuana Laws Act of 2017 has been introduced in the U.S. House of Representatives, which proposes to exclude persons who produce, possess, distribute, dispense, administer, or deliver marijuana in compliance with state laws from the regulatory controls and administrative, civil, and criminal penalties of the CSA.

These developments previously were met with a certain amount of optimism in the cannabis industry, but (i) neither the CARERS Act nor the Respect State Marijuana Laws Act of 2017 have yet been adopted, (ii) the Rohrabacher-Blumenauer Amendment, being an amendment to an appropriations bill that must be renewed annually, has not currently been renewed beyond September 30, 2021, and (iii) the ruling in *United States v. McIntosh* is only applicable precedent in the Ninth Circuit, which does not include Colorado, the state where we currently primarily operate.

Furthermore, on January 4, 2018, the former U.S. Attorney General, Jeff Sessions, issued a memorandum for all U.S. Attorneys (the "Sessions Memo") stating that the Cole Memo was rescinded effectively immediately. In particular, Mr. Sessions stated that "prosecutors should follow the well-established principles that govern all federal prosecutions," which require "federal prosecutors deciding which cases to prosecute to weigh all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community." The Sessions Memo went on to state that given the DOJ's well-established general principles, "previous nationwide guidance specific to marijuana is unnecessary and is rescinded, effective immediately."

In response to the Sessions Memo, U.S. Attorney Bob Troy for the District of Colorado, the state in which our principal business operations are presently located, issued a statement on January 4, 2018, stating that the United States Attorney's Office in Colorado is already guided by the well-established principles referenced in the Sessions Memo, "focusing in particular on identifying and prosecuting those who create the greatest safety threats to our communities around the state. We will, consistent with the Attorney General's latest guidance, continue to take this approach in all our work with our law enforcement partners throughout Colorado."

It is unclear at this time whether the Sessions Memo will be rescinded by the Biden administration; nor is it clear whether the Biden administration will strongly enforce the federal laws applicable to cannabis or what types of activities will be targeted for enforcement. However, a significant change in the federal government's enforcement policy with respect to current federal laws applicable to cannabis could cause significant financial damage to us. We currently cultivate, distribute, and sell cannabis. We may be irreparably harmed by a change in enforcement policies of the federal government depending on the nature of such change. As of the date of this Report, we have provided products and services to state-approved cannabis cultivators and dispensary facilities. Accordingly, we could be subject to criminal prosecution, which could lead to imprisonment and/or the imposition of penalties, fines, or forfeiture.

Recent legislative proposals have been introduced:

- *SAFER Banking Act*. This would protect financial institutions that offer services to state-legal cannabis-related business. Originally called the 'SAFE Banking Act', it was reintroduced as the Secure and Fair Enforcement Regulation Banking Act (SAFER) in 2023.
- *Capital Lending and Investment for Marijuana Businesses Act (CLIMB Act)* – introduced June 2022 – would:
 - Permit public agencies to provide financial support to the cannabis industry;

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- Provide protection to service providers (investment banks, law firms, accounting firms); and
- Provide access to public capital markets by amending the Exchange Act to create a 'safe harbor' for the listing of cannabis businesses on a national securities exchange, such as the NYSE and Nasdaq.
- *Marijuana Opportunity Reinvestment & Expungement Act (MORE Act)*. Reintroduced in 2021, the MORE Act aims to end criminalization of cannabis related past criminal penalties and convictions, and provide criminal justice reform, social justice, and economic development for those affected by the 'war on drugs.' The MORE Act would also tax cannabis products starting at 5% to 8% (increasing by 1% over five years).
- *States Reform Act*. This also seeks to decriminalize cannabis and provide retroactive expungement for non-violent federal cannabis offenses (except for persons involved in a drug cartel).
- *Sensible Enforcement of Cannabis Act*. This would protect cannabis businesses and consumers in states where cannabis has been legalized, while continuing the federal cannabis prohibition to remain in place in states where cannabis has not been legalized.

None of the above proposals have been enacted; and while the Biden administration appears to have a more friendly position toward legalization of cannabis generally than the Trump administration, it cannot presently be determined what position the current administration will take on either of these proposals.

Further, the US Drug Enforcement Administration is currently weighing whether to revise marijuana to a 'Schedule 3' controlled substance (rather than Schedule 1). Such a move would end Internal Revenue Code 280E's application to the cannabis industry, and would then permit state-regulated companies to deduct, for federal income tax purposes, all their ordinary and necessary business expenses, rather than only 'cost of goods sold.'

The Cole Memo

Because of the discrepancy between the laws in some states, which permit the distribution and sale of medical and recreational cannabis, from federal law that prohibits any such activities, DOJ Deputy Attorney General James M. Cole issued the Cole Memo concerning cannabis enforcement under the CSA.

At the time of its issuance, the Cole Memo reiterated Congress's determination that cannabis is a dangerous drug and that the illegal distribution and sale of cannabis is a serious crime that provides a significant source of revenue to large-scale criminal enterprises, gangs, and cartels. The Cole Memo noted that the DOJ was committed to enforcement of the CSA consistent with those determinations. It also noted that the DOJ was committed to using its investigative and prosecutorial resources to address the most significant threats in the most effective, consistent, and rational way. In furtherance of those objectives, the Cole Memo provided guidance to DOJ attorneys and law enforcement to focus their enforcement resources on persons or organizations whose conduct interferes with any one or more of the following important priorities (the "Enforcement Priorities") in preventing:

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

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Although the Sessions Memo has rescinded the Cole Memo and it is unclear at this time what the ultimate impact of that rescission will have on our business, if any, we intend to continue to conduct rigorous due diligence to verify the legality of all activities that we engage in and ensure that our activities do not interfere with any of the Enforcement

Priorities set forth in the Cole Memo.

FinCEN

FinCEN provided guidance regarding how financial institutions can provide services to cannabis-related businesses consistent with their BSA obligations. For purposes of the FinCEN guidelines, a "financial institution" includes any person doing business in one or more of the following capacities:

- bank (except bank credit card systems);
- broker or dealer in securities;
- money services business;
- telegraph company;
- card club; and
- a person subject to supervision by any state or federal bank supervisory authority.

In general, the decision to open, close, or refuse any particular account or relationship should be made by each financial institution based on several factors specific to that institution. These factors may include its particular business objectives, an evaluation of the risks associated with offering a particular product or service, and its capacity to manage those risks effectively. Thorough customer due diligence is a critical aspect of making this assessment.

In assessing the risk of providing services to a cannabis-related business, a financial institution should conduct customer due diligence that includes: (i) verifying with the appropriate state authorities whether the business is duly licensed and registered; (ii) reviewing the license application (and related documentation) submitted by the business for obtaining a state license to operate its cannabis-related business; (iii) requesting from state licensing and enforcement authorities available information about the business and related parties; (iv) developing an understanding of the normal and expected activity for the business, including the types of products to be sold and the type of customers to be served (e.g., medical versus recreational customers); (v) ongoing monitoring of publicly available sources for adverse information about the business and related parties; (vi) ongoing monitoring for suspicious activity, including for any of the red flags described in this guidance; and (vii) refreshing information obtained as part of customer due diligence on a periodic basis and commensurate with the risk. With respect to information regarding state licensure obtained in connection with such customer due diligence, a financial institution may reasonably rely on the accuracy of information provided by state licensing authorities, where states make such information available.

As part of its customer due diligence, a financial institution should consider whether a cannabis-related business implicates one of the Cole Memo Enforcement Priorities or violates state law. This is a particularly important factor for a financial institution to consider when assessing the risk of providing financial services to a cannabis-related business. Considering this factor also enables the financial institution to provide information in BSA reports pertinent to law enforcement's priorities. A financial institution that decides to provide financial services to a cannabis-related business would be required to file suspicious activity reports. It is unclear at this time what impact the Sessions Memo will have on customer due diligence by a financial institution.

While we believe we do not qualify as a financial institution in the United States, we cannot be certain that we do not fall under the scope of the FinCEN guidelines. We plan to use the FinCEN Guidelines, as may be amended, as a basis for assessing our relationships with potential tenants, clients, and customers. As such, as we engage in financing activities, we intend to adhere to the guidance of FinCEN in conducting and monitoring our financial transactions. Because this area of the law is uncertain and is expected to evolve rapidly, we believe that FinCEN's guidelines will help us best operate in a prudent, reasonable, and acceptable manner. There is no assurance, however, that our activities will not violate some aspect of the CSA. If we are found to violate the federal statute or any other in connection with our activities, our company could face serious criminal and civil sanctions.

Moreover, since the use of cannabis is illegal under federal law, we may have difficulty acquiring or maintaining bank accounts and insurance, and our stockholders may find it difficult to deposit their stock with brokerage firms.

Licensing and Local Regulations

Where applicable, we apply for state licenses or similar approvals that are necessary to conduct our business in compliance with local laws. Our subsidiary, GC Corp., has been registered with the MED as an approved vendor since September 8, 2014. GCS, another subsidiary, has been registered as a MED approved vendor since March 11, 2015.

On May 1, 2020, the MED granted regulatory approval to the Company as a qualified and suitable buyer of licensed cannabis operations in the State. This authorization, known as a Suitability Approval, establishes the Company as one of the first public companies authorized to acquire licensed cultivation, manufacturing, and retail operations throughout Colorado.

Local laws at the county and municipal level add an additional layer of complexity to legalized cannabis. Despite a state's adoption of legislation legalizing cannabis, counties and municipalities within the state may have the ability to otherwise restrict cannabis activities, including but not limited to cultivation, retail, distribution, manufacturing or consumption.

Zoning sets forth the approved use of land in any given city, county, or municipality. Zoning is set by local governments or local voter referendum and may otherwise be restricted by state laws. For example, under certain state laws a seller of liquor may not be allowed to operate within 1,000 feet of a school. There may be similar restrictions imposed on cannabis operators, which will restrict where cannabis operations may be located and the manner and size to which they can grow and operate. Zoning can be subject to change or withdrawal, discretionary approvals may be required for certain uses, and properties can be re-zoned. The zoning of our properties will have a direct impact on our business operations.

Human Capital

As of December 31, 2023, we had approximately 91 full-time employees. Executing our strategic vision requires that we attract and retain the best talent. The Company must appropriately reward high-performers and offer competitive benefits. The Company offers comprehensive benefits, including medical, dental and vision insurance for employees, their spouses or domestic partners, and their dependents. We also provide retirement programs, life insurance, family assistance, short-term disability and paid vacation and sick time. As a people-first company, our values help us achieve our purpose of cultivating an inclusive environment by hiring world-class individuals dedicated to fostering a culture that champions diversity, ensures equity, and celebrates inclusion. We provide opportunities for our employees to drive our strategy by creating programs that raise awareness, allowing courageous conversations and a more inclusive culture.

Corporate Contact Information

Our principal executive offices are located at 215 Union Boulevard, Suite 415, Lakewood, Colorado 80228; Telephone No.: (303) 759-1300. Our website is <http://www.treescann.com>. The content on our website is available for informational purposes only. It should not be relied upon for investment purposes, nor is it incorporated by reference into this Form 10-

Available Information

We maintain a website at www.treescann.com and make available, free of charge, on our website, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K (including any amendments thereto), registration statements and other information filed with, or furnished to, the SEC, as soon as reasonably practicable after such documents are so filed or furnished, as well as our Code of Ethics. Any materials we file with the SEC, including our annual reports, quarterly reports, current reports, proxy statements, information statements and other information, are also available at the SEC's Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at <http://www.sec.gov>.

ITEM 1A. RISK FACTORS.

Investing in our Common Stock involves a high degree of risk. You should carefully consider the following risks and all other information contained in this Form 10-K, including our consolidated financial statements and the related notes, before investing in our Common Stock. The risks and uncertainties described below are not the only ones we face, but include the most significant factors currently known by us that make investing in our Common Stock speculative or risky. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, also may become important factors that affect us. If any of the following risks materialize, our business, financial condition and results of operations could be materially harmed. In that case, the trading price of our Common Stock could decline, and you may lose some or all of your investment.

Risks Related to Our Business and Industry

We have a limited operating history in an evolving industry, which makes it difficult to accurately assess our future growth prospects.

We operate in an evolving industry that may not develop as expected. Furthermore, our operations continue to evolve under our business plan as we continually assess new strategic opportunities for our business within our industry. Assessing the future prospects of our business is challenging considering both known and unknown risks and difficulties we may encounter. Growth prospects in our industry can be affected by a wide variety of factors including:

- Competition from other similar companies;
- Regulatory limitations on the products we can offer and markets we can serve;
- Other changes in the regulation of medical and recreational cannabis use;
- Changes in underlying consumer behavior, which may affect the business of our customers;
- Our ability to access adequate financing on reasonable terms and our ability to raise additional capital to fund our operations;
- Challenges with new products, services, and markets; and
- Fluctuations in the credit markets and demand for credit.

We may not be able to successfully address these factors, which could negatively impact our growth, harm our business, and cause our operating results to be worse than expected.

We have a history of losses and may not achieve profitability in the future.

We generated net losses of approximately \$7.1 million and \$9.5 million, respectively, in the years ended December 31, 2023 and 2022. As of December 31, 2023, we had an accumulated deficit of approximately \$100.5 million. We will need to generate and sustain increased revenues in future periods to become profitable, and, even if we do, we may not be able to maintain or increase any such level of profitability.

As we grow, we expect to continue to expend substantial financial and other resources on:

- personnel, including significant increases to the total compensation we pay our employees as we grow our employee headcount;
- expenses relating to increased marketing efforts;
- strategic acquisitions of businesses and real estate; and
- general administration, including legal, accounting, and other compliance expenses related to being a public company.

These expenditures are expected to increase and may adversely affect our ability to achieve and sustain profitability as we grow. Our efforts to grow our business may also be more costly than we expect, and we may not be able to increase our revenues enough to offset our higher operating expenses. We may incur losses in the future for several reasons, including the other risks described in this Report, unforeseen expenses, difficulties, complications and delays, and other unknown events. If we are unable to achieve and sustain profitability, the market price of our Common Stock may significantly decrease.

Cannabis remains illegal under federal law, and any change in the enforcement priorities of the federal government could render our current and planned future operations unprofitable or even prohibit such operations.

The cultivation, manufacture, distribution, and possession of marijuana continues to be illegal under U.S. federal law. The Supremacy Clause of the United States Constitution establishes that the US Constitution and federal laws made pursuant to it are paramount and, in case of conflict between federal and state law, the federal law must be applied. Accordingly, federal law applies even in those states in which the use of marijuana has been legalized. Enforcement of federal law regarding marijuana would harm our business, prospects, results of operation, and financial condition.

The United States federal government regulates drugs through the Controlled Substances Act (the "CSA"), which places controlled substances, including cannabis, on one of five schedules. Cannabis is currently classified as a Schedule I controlled substance, which is viewed as having a high potential for abuse and having no currently accepted medical use in treatment in the United States. No prescriptions may be written for Schedule I substances, and such substances are subject to production quotas imposed by the United States Drug Enforcement Administration (the "DEA"). Because of this, doctors may not prescribe cannabis for medical use under federal law, although they can recommend its use under the First Amendment.

Currently, numerous U.S. states, the District of Columbia and U.S. territories have legalized cannabis for medical and/or recreational adult use. Such state and territorial laws conflict with the federal CSA, which makes cannabis use and possession illegal at the federal level. Because cannabis is a Schedule I controlled substance, however, the development of a legal cannabis industry under the laws of these states conflicts with the CSA, which makes cannabis use and possession illegal on a national level. The United States Supreme Court has confirmed that the federal government has the right to regulate and criminalize cannabis, including for medical purposes, and that federal law criminalizing the use of cannabis preempts state laws that legalize its use. We would likely be unable to execute our business plan if the federal government were to strictly enforce federal law regarding cannabis.

Considering such conflict between federal laws and state laws regarding cannabis, the administration under President Obama had effectively stated that it was not an efficient use of resources to direct law federal law enforcement agencies to prosecute those lawfully abiding by state-designated laws allowing the use and distribution of medical cannabis. For example, the DOJ Deputy Attorney General of the Obama administration, James M. Cole, issued a memorandum (the "Cole Memo") to all United States Attorneys providing updated guidance to federal prosecutors concerning cannabis enforcement under the CSA (see "Business—Government and Industry Regulation—The Cole Memo"). In addition, the Financial Crimes Enforcement Network ("FinCEN") provided guidelines on February 14, 2014, regarding how financial institutions can provide services to cannabis-related businesses consistent with their Bank Secrecy Act obligations (see "Business—Government and Industry Regulation—FinCEN").

Congress previously enacted an omnibus spending bill that included a provision (the "Rohrabacher-Blumenauer Amendment") prohibiting the DOJ from using funds to prevent states with medical cannabis laws from implementing such laws. This provision is renewed annually by Congress and is current through September 30, 2023. In August 2016, a Ninth Circuit federal appeals court ruled in *United States v. McIntosh* that the Rohrabacher-Blumenauer Amendment bars the DOJ from spending funds on the prosecution of conduct that is allowed by state medical cannabis laws, provided that such conduct is in strict compliance with applicable state law. In March 2015, bipartisan legislation titled the Compassionate Access, Research Expansion, and Respect States Act (the "CARERS Act") was introduced, proposing to allow states to regulate the medical use of cannabis by changing applicable federal law, including by reclassifying cannabis under the Controlled Substances Act to a Schedule II controlled substance and thereby changing the plant from a federally-criminalized substance to one that has recognized medical uses. More recently, the Respect State Marijuana Laws Act of 2017 has been introduced in the U.S. House of Representatives, which proposes to exclude persons who produce, possess, distribute, dispense, administer, or deliver marijuana in compliance with state laws from the regulatory controls and administrative, civil, and criminal penalties of the CSA.

These developments previously were met with a certain amount of optimism in the cannabis industry, but (i) neither the CARERS Act nor the Respect State Marijuana Laws Act of 2017 have yet been adopted, (ii) the Rohrabacher-Blumenauer Amendment, being an amendment to an appropriations bill that must be renewed annually, has not currently been renewed beyond March 11, 2022, and (iii) the ruling in *United States v. McIntosh* is only applicable precedent in the Ninth Circuit, which does not include Colorado, the state where we currently primarily operate.

Furthermore, on January 4, 2018, former U.S. Attorney General, Jeff Sessions, issued a memorandum for all U.S. Attorneys (the "Sessions Memo") stating that the Cole Memo was rescinded effectively immediately. In particular, Mr. Sessions stated that "prosecutors should follow the well-established principles that govern all federal prosecutions," which require "federal prosecutors deciding which cases to prosecute to weigh all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community." The Sessions Memo went on to state that given the DOJ's well-established general principles, "previous nationwide guidance specific to marijuana is unnecessary and is rescinded, effective immediately."

In response to the Sessions Memo, U.S. Attorney Bob Troy for the District of Colorado, the state in which our principal business operations are presently located, issued a statement on January 4, 2018, stating that the United States Attorney's Office in Colorado is already guided by the well-established principles referenced in the Sessions Memo, "focusing in particular on identifying and prosecuting those who create the greatest safety threats to our communities around the state. We will, consistent with the Attorney General's latest guidance, continue to take this approach in all our work with our law enforcement partners throughout Colorado."

It is unclear at this time whether the Sessions Memo will be rescinded by the Biden administration, and/or the Cole Memo reinstated; nor is it clear whether the Biden administration will strongly enforce the federal laws applicable to cannabis or what types of activities will be targeted for enforcement. US Attorney General Merrick Garland has indicated his desire to reinstitute a version of the Cole Memo; however, this has not yet occurred. Any significant change in the federal government's enforcement policy with respect to current federal laws applicable to cannabis could cause significant financial damage to us. We may be irreparably harmed by a change in enforcement policies of the federal government depending on the nature of such change. As of the date of this Report, we have provided products and services to state-approved cannabis cultivators and dispensary facilities. As a result, strict enforcement of federal prohibitions regarding cannabis could subject the Company to criminal prosecution.

Additionally, financial transactions involving proceeds generated by cannabis-related conduct can form the basis for prosecution under the federal money laundering statutes, unlicensed money transmitter statutes and the Bank Secrecy Act. Prior to the DOJ's rescission of the "Cole Memo", supplemental guidance from the DOJ issued under the Obama administration directed federal prosecutors to consider the federal enforcement priorities enumerated in the "Cole Memo" when determining whether to charge institutions or individuals with any of the financial crimes described above based upon cannabis-related activity. It is unclear what impact the recent rescission of the "Cole Memo" will have, but federal prosecutors may increase enforcement activities against institutions or individuals that are conducting financial transactions related to cannabis activities.

Additionally, as we are always assessing potential strategic acquisitions of new businesses, we may in the future also pursue opportunities that include growing and/or distributing medical or recreational cannabis, should we determine that such activities are in the best interest of the Company and our stockholders. Any such pursuit would involve additional risks with respect to the regulation of cannabis, particularly if the federal government determines to strictly enforce all federal laws applicable to cannabis.

Federal prosecutors have significant discretion, and no assurance can be given that the federal prosecutor in each judicial district where we operate our business will not choose to strictly enforce the federal laws governing cannabis production or distribution. Any change in the federal government's enforcement posture with respect to state-licensed cultivation of medical-use cannabis, including the enforcement postures of individual federal prosecutors in judicial districts where we purchase properties, would result in our inability to execute our business plan, and we would likely suffer significant losses, which would adversely affect the trading price of our securities. Furthermore, following any such change in the federal government's enforcement position, we could be subject to criminal prosecution, which could lead to imprisonment and/or the imposition of penalties, fines, or forfeiture.

The potential regulation of cannabis by the US Food and Drug Administration could subject us to additional costs and regulatory requirements.

Should the federal government legalize cannabis, it is possible that the US Food and Drug Administration (FDA), would seek to regulate it under the *Food, Drug and Cosmetics*

Act of 1938. Additionally, the FDA may issue rules and regulations including good manufacturing practices, related to the growth, cultivation, harvesting and processing of medical cannabis. Clinical trials may be needed to verify efficacy and safety. It is also possible that the FDA would require that facilities where medical-use cannabis is grown register with the FDA and comply with certain federally prescribed regulations. If some or all of these regulations are imposed, the impact they would have on the cannabis industry is unknown, including what costs, requirements and possible prohibitions may be enforced. If we are unable to comply with the regulations or registration as prescribed by the FDA it may have an adverse effect on our business, operating results, and financial condition.

Any potential growth in the cannabis industry continues to be subject to new and changing state and local laws and regulations.

Continued development of the cannabis industry is dependent upon continued legislative legalization of cannabis at the state level, and a number of factors could slow or halt progress in this area, even where there is public support for legislative action. Any delay or halt in the passing or implementation of legislation legalizing cannabis use, or its cultivation, sale and distribution, or the re-criminalization or restriction of cannabis at the state level could negatively impact our business. Additionally, changes in applicable state and local laws or regulations, including zoning restrictions, permitting requirements, and fees, could restrict the products and services we offer or impose additional compliance costs on us or our customers and tenants. Violations of applicable laws, or allegations of such violations, could disrupt our business and result in a material adverse effect on our operations. We cannot predict the nature of any future laws, regulations, interpretations, or applications, and it is possible that regulations may be enacted in the future that will have material adverse effects on our business.

Our business, results of operations and financial condition may be adversely affected by pandemic infectious diseases, particularly COVID-19.

Pandemic infectious diseases, such as COVID-19 and its variants, such as Omicron, may adversely impact our business, consolidated results of operations and financial condition. The global spread of COVID-19 has created significant volatility and uncertainty and economic disruption. The extent to which COVID-19 impacts our business, operations and financial results will depend on numerous evolving factors that we may not be able to accurately predict, including: the duration and scope of the pandemic; governmental, business, and individuals' actions that have been and continue to be taken in response to the pandemic; the impact of the pandemic on economic activity and actions taken in response; the effect on our customers and customer demand our services, products, and solutions; our ability to sell and provide its services and solutions, including as a result of travel restrictions and people working from home; the ability of our customers to pay for our services and solutions; and any closures of our offices and the offices and facilities of our customers. COVID-19, as well as measures taken by governmental authorities to limit the spread of this virus, may interfere with the ability of our employees, suppliers, and other business providers to carry out their assigned tasks or supply materials or services at ordinary levels of performance relative to the requirements of our business, which may cause us to materially curtail certain of our business operations. We require additional funding and such funding, may not be available to us because of contracting capital markets resulting from the COVID-19 pandemic. Any of these events could materially adversely affect our business, financial condition, results of operations and/or stock price.

The cannabis industry faces significant opposition, and any negative trends will adversely affect our business operations.

We are substantially dependent on the continued market acceptance, and the proliferation of consumers, of medical and recreational cannabis. We believe that with further legalization, cannabis will become more accepted, resulting in growth in consumer demand. However, we cannot predict the future growth rate or future market potential, and any negative outlook on the cannabis industry may adversely affect our business operations.

The recreational cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the recreational cannabis produced. Cannabis is a controversial topic, and consumer perception of our products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of recreational cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the recreational cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for our products and our business, results of operations, financial condition, and cash flows. Dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, regardless of accuracy or merit, could have a material adverse effect on our business and results of operations. Further, adverse publicity reports or other media attention regarding the safety, efficacy, and quality of recreational cannabis in general, or our products specifically, or associating the consumption of recreational cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Large, well-funded business sectors may have strong economic reasons to oppose the development of the cannabis industry. For example, medical cannabis may adversely impact the existing market for the current "cannabis pill" sold by mainstream pharmaceutical companies. Should cannabis displace other drugs or products, the medical cannabis industry could face a material threat from the pharmaceutical industry, which is well-funded and possesses a strong and experienced lobby. Any inroads the pharmaceutical, or any other potentially displaced, industry or sector could make in halting or impeding the cannabis industry could have a detrimental impact on our business.

We operate an agricultural business and retail stores and are subject to weather and climate conditions.

Our business involves the growing of recreational cannabis, an agricultural product. Such business will be subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Further, to the extent that our products are grown outside, we are subject to weather and climate conditions. Extended cold streaks, rain or snow, or generally cold weather or climate, could materially adversely affect our cannabis plants. Accordingly, there can be no assurance that natural elements will not have a material adverse effect on any future production of our products. Further, weather events can impact the ability of our retail stores to remain open and the ability of retail customers to visit our retail locations.

We operate in a highly competitive industry.

The markets for ancillary businesses in the medical marijuana and recreational marijuana industries are competitive and evolving. There is no material aspect of our business that is protected by patents, copyrights, trademarks, or trade names, and we face strong competition from larger companies that may offer similar products and services to ours. Many of our current and potential competitors have longer operating histories, significantly greater financial, marketing and other resources, and larger client bases than us, and there can be no assurance that we will be able to successfully compete against these or other competitors.

Given the rapid changes affecting the global, national, and regional economies generally and the medical marijuana and recreational marijuana industries, specifically, we may not be able to create and maintain a competitive advantage in the marketplace. Our success will depend on our ability to keep pace with any changes in our markets, particularly, legal, and regulatory changes. Our success will also depend on our ability to respond to, among other things, changes in the economy, market conditions, and competitive pressures. Any failure by us to anticipate or respond adequately to such changes could have a material adverse effect on our financial condition and results of operations.

Unfavorable tax treatment of cannabis businesses

Under Section 280E of the United States Internal Revenue Code of 1986 as amended ("**Section 280E**"), "no deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of schedule I and II of the Controlled Substances Act) which is prohibited by Federal law or the law of any state in which such trade or business is conducted." This provision has been applied by the U.S. Internal Revenue Service to cannabis operations, prohibiting them from deducting expenses directly associated with the sale of cannabis. Although the IRS issued a clarification allowing the deduction of certain expenses that can be categorized as cost of sales, the scope of such items is interpreted very narrowly and include the cost of seeds, plants, and labor related to cultivation, while the bulk of operating costs and general administrative costs are not permitted to be deducted. Section 280E therefore has a significant impact on the retail side of cannabis, but a lesser impact on cultivation, processing, production, and packaging operations. A result of Section 280E is that an otherwise profitable business may, in fact, operate at a loss, after taking into account its U.S. income tax expenses.

We may be limited in our ability to utilize, or may not be able to utilize, net operating loss carryforwards to reduce our future tax liability.

We have federal and state net operating loss carryforwards that may be limited or expire unused. Any such limitation or expiration could materially affect our ability to offset future tax liabilities with net operating losses.

We may be unable to obtain capital to execute our business plan.

To execute on our business plan, we will need additional capital. However, there can be no assurance that we will be able to obtain financing on agreeable terms, if at all, and any future sale of our equity securities will dilute the ownership of our existing stockholders and could be at prices substantially below the price of the shares of Common Stock sold in the past. If we are unable to obtain the necessary capital, we may need to delay the implementation of or curtail our business plan.

We face risks associated with strategic acquisitions and our business strategy.

As an important part of our roll-up business strategy, we strategically acquire businesses and real property, some of which may be material. These acquisitions involve a number of financial, accounting, managerial, operational, legal, compliance and other risks and challenges, including the following, any of which could adversely affect our results of operations:

- The applicable restrictions on the cannabis industry and its participants limit the number of available suitable businesses and real properties that we can acquire;
- Any acquired business or real property could under-perform relative to our expectations and the price that we paid for it, or not perform in accordance with our anticipated timetable;
- We may incur or assume significant debt in connection with our acquisitions;
- Acquisitions could cause our results of operations to differ from our own or the investment community's expectations in any given period, or over the long term; and
- Acquisitions could create demands on our management that we may be unable to effectively address, or for which we may incur additional costs.

Additionally, following any business acquisition, we could experience difficulty in integrating personnel, operations, financial and other systems, and in retaining key employees and customers.

We may record goodwill and other intangible assets on our consolidated balance sheet in connection with our acquisitions. If we are not able to realize the value of these assets, we may be required to incur charges relating to the impairment of these assets, which could materially impact our results of operations.

Our ability to grow our business depends on state laws pertaining to the cannabis industry.

Continued development of the cannabis industry depends upon continued legislative authorization of cannabis at the state level. The status quo of, or progress in, the cannabis industry is not assured, and any number of factors could slow or halt further progress in this area. While there may be ample public support for legislative action permitting the manufacture and use of cannabis, numerous factors impact the legislative process. For example, many states that voted to legalize medical and/or adult-use cannabis have seen significant delays in the drafting and implementation of industry regulations and issuance of licenses. In addition, burdensome regulation at the state level could slow or stop further development of the medical-use cannabis industry, such as limiting the medical conditions for which medical cannabis can be recommended by physicians for treatment, restricting the form in which medical cannabis can be consumed, imposing significant registration requirements on physicians and patients or imposing significant taxes on the growth, processing and/or retail sales of cannabis, which could have the impact of dampening growth of the cannabis industry and making it difficult for cannabis businesses, including our tenants, to operate profitably in those states. Any one of these factors could slow or halt additional legislative authorization of cannabis, which could harm our results of operations, business, and prospects.

Applicable state laws may prevent us from maximizing our potential income.

Depending on the laws of each particular state, we may not be able to fully realize our potential to generate profit. For example, some states have residency requirements for those directly involved in the cannabis industry, which may impede our ability to contract with cannabis businesses in those states. Furthermore, cities and counties are being given broad discretion to ban certain cannabis activities. Even if these activities are legal under state law, specific cities and counties may ban them.

Assets used in conjunction with cannabis businesses may be forfeited to the federal government.

Any assets used in conjunction with the violation of federal law are potentially subject to federal forfeiture, even in states where cannabis is legal. In July 2017, the U.S. Department of Justice issued a new policy directive regarding asset forfeiture, referred to as the "equitable sharing program." Under this new policy directive, federal authorities may adopt state and local forfeiture cases and prosecute them at the federal level, allowing for state and local agencies to keep up to 80% of any forfeiture revenue. This policy directive represents a reversal of the U.S. Department of Justice's policy under the Obama administration and allows for forfeitures to proceed that are not in accord with the limitations imposed by state-specific forfeiture laws. This new policy directive may lead to increased use of asset forfeitures by local, state, and federal enforcement agencies. If the federal government decides to initiate forfeiture proceedings against cannabis businesses, our investment in those businesses may be lost.

Our operating locations could be targets for theft and our physical security measures may not prevent all security breaches

Our operating locations could be targets for theft. While we have implemented security measures at our operating locations and we continue to monitor and improve security measures, our cultivation and processing facilities could be subject to break-ins, robberies, and other breaches in security. If there is a breach in security and we fall victim to a robbery or theft, the loss of cannabis plants, cannabis oils, cannabis flowers and cultivation and processing equipment could have a material adverse impact on our business, financial condition, and results of operations.

To the extent that our business involves the movement and transfer of cash which is collected from locations and deposited into financial institutions, there is a risk of theft or robbery during the transport of cash. We may engage a security firm to provide security in the transport and movement of large amounts of cash. While we have taken steps to prevent theft or robbery of cash during transport, there can be no assurance that there will not be a security breach during the transport and the movement of cash involving the theft of product or cash.

Our future success depends on our ability to grow and expand our customer base and operational territory.

Our success and the planned growth and expansion of our business depend on our products and services achieving greater and broader acceptance, resulting in a larger customer base, and on the expansion of our operations into new markets. However, there can be no assurance that customers will purchase our products and/or services, or that we will be able to continually expand our customer base. Additionally, if we are unable to effectively market or expand our product and/or service offerings, we will be unable to grow and expand our business or implement our business strategy.

Operating in new markets may expose us to new operational, regulatory, or legal risks and subject us to increased compliance costs. We may need to modify our existing business model and cost structure to comply with local regulatory or other requirements. Facilities we open in new markets may take longer to reach expected revenue and profit levels on a consistent basis, may have higher construction, occupancy, or operating costs, and may present different competitive conditions, consumer preferences and spending patterns than we anticipate. Any of the above could materially impair our ability to increase sales and revenue.

We and our existing and potential customers, clients, and tenants have difficulty accessing the service of banks, which may make it difficult for them to operate.

Financial transactions involving proceeds generated by cannabis-related conduct can form the basis for prosecution under the federal money laundering statutes, unlicensed money transmitter statute and the Bank Secrecy Act. Previous guidance issued by the FinCen, a division of the U.S. Department of the Treasury, clarifies how financial institutions can provide services to cannabis-related businesses consistent with their obligations under the Bank Secrecy Act. Prior to the DOJ's announcement in January 2018 of the rescission of the Cole Memo and related memoranda, supplemental guidance from the DOJ directed federal prosecutors to consider the federal enforcement priorities enumerated in the Cole Memo when determining whether to charge institutions or individuals with any of the financial crimes described above based upon cannabis-related activity. It is unclear what impact the recent rescission of the "Cole Memo" will have, but federal prosecutors may increase enforcement activities against institutions or individuals that are conducting financial transactions related to cannabis activities. The increased uncertainty surrounding financial transactions related to cannabis activities may also result in financial institutions discontinuing services to the cannabis industry.

Because the use, sale, and distribution of cannabis remains illegal under federal law, many banks will not accept deposits from or provide other bank services to businesses involved with cannabis. Consequently, those businesses involved in the cannabis industry continue to encounter difficulty establishing banking relationships, which may increase over time. Our inability to maintain our current bank accounts would make it difficult for us to operate our business, increase our operating costs, and pose additional operational, logistical and security challenges and could result in our inability to implement our business plan. Furthermore, the inability to open bank accounts may make it difficult for our existing and potential customers, clients, and tenants to operate and may make it difficult for them to contract with us.

Conditions in the economy, the markets we serve, and the financial markets generally may adversely affect our business and results of operations.

Our business is sensitive to general economic conditions. We believe that the state of global economic conditions is particularly uncertain due to recent and expected shifts in political, legislative, and regulatory conditions concerning, among other matters, international trade and taxation, and the impact of recent or future natural disasters and/or health and safety epidemics, including the outbreak of COVID-19. An uneven recovery or a renewed global downturn may put pressure on our sales due to reductions in customer demand as well as customers deferring purchases. Slower economic growth, volatility in the credit markets, high levels of unemployment, and other challenges that affect the economy adversely could affect us and our customers and suppliers. If growth in the economy or in any of the markets we serve slows for a significant period, if there is a significant deterioration in the economy or such markets or if improvements in the economy do not benefit the markets we serve, our business and results of operations could be adversely affected.

We depend on our management, certain key personnel, and board of directors, as well as our ability to attract, retain and motivate qualified personnel.

Our future success depends largely upon the experience, skill, and contacts of our key personnel, officers and directors, and the loss of the services of these key personnel, officers, or directors, particularly our chief executive officer and chairman of our board of directors, may have a material adverse effect upon our business. Additionally, our revenues are largely driven by several employees with particular expertise in cannabis retail and operations. If one of these key employees were to leave, it would negatively impact our short and long-term results from operations. Shortages in qualified personnel could also limit our ability to successfully implement our growth plan. As we grow, we will need to attract and retain highly skilled experts in the cannabis industry, as well as managerial, sales and marketing, and finance personnel. There can be no assurance, however, that we will be able to attract and retain such personnel.

Our reputation and ability to do business may be negatively impacted by the improper conduct by our business partners, employees, or agents.

We depend on third party suppliers to produce and timely ship our orders. Products purchased from our suppliers are resold to our customers. These suppliers could fail to produce products to our specifications or quality standards and may not deliver units on a timely basis. Any changes in our suppliers to resolve production issues could disrupt our ability to fulfill orders. Any changes in our suppliers to resolve production issues could also disrupt our business due to delays in finding new suppliers.

Furthermore, we cannot provide assurance that our internal controls and compliance systems will always protect us from acts committed by our employees, agents, or business partners in violation of U.S. federal or state laws. Any improper acts or allegations could damage our reputation and subject us to civil or criminal investigations and related shareholder lawsuits, could lead to substantial civil and criminal monetary and non-monetary penalties, and could cause us to incur significant legal and investigatory fees.

Due to our involvement in the cannabis industry, we may have difficulty obtaining various insurance policies that are desired to operate our business, which may expose us to additional risks and financial liabilities.

Insurance that is otherwise readily available, such as workers' compensation, general liability, and directors' and officers' insurance, is more difficult for us to find and more expensive, because of our involvement in the cannabis industry. There are no guarantees that we will be able to find such insurance in the future, or that the cost will be affordable to us. If we are forced to go without such insurance, it may prevent us from entering certain business sectors, may inhibit our growth, and may expose us to additional risk and financial liabilities. Moreover, insurance against risks such as environmental pollution or other hazards encountered in our operations is not generally available on acceptable terms. We might also become subject to liability for pollution or other hazards which may not be insured against or which we may elect not to insure against because of premium

costs or other reasons. Losses from these events may cause us to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

We may be subject to product liability claims

We face an inherent risk of exposure to product liability claims, regulatory action, and litigation if its products are alleged to have caused significant loss or injury. In addition, the sale of our products would involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of marijuana alone or in combination with other medications or substances could occur. We may be subject to various product liability claims, including, among others, that our products caused injury or illness or death, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against us could result in increased costs, could adversely affect our reputation with its clients and consumers generally, and could have a material adverse effect on our business, results of operations and financial condition. There can be no assurances that we will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of our current or potential products.

A cybersecurity incident and other technology disruptions could result in a violation of law or negatively impact our reputation and relationships, our business operations, and our financial condition.

Information and security risks have generally increased in recent years due to the rise in new technologies and the increased sophistication and activities of perpetrators of cyber-attacks. We use computers in substantially all aspects of our business operations, and we also use mobile devices and other online activities to connect with our employees, customers, tenants, suppliers, and other parties. Such uses give rise to cybersecurity risks, including the risk of security breaches, espionage, system disruption, theft, and inadvertent release of information. Our business involves the storage and transmission of numerous classes of sensitive and/or confidential information and intellectual property, including employees', customers', tenants' and suppliers' personally identifiable information and financial and strategic information about us.

If we fail to adequately assess and identify cybersecurity risks associated with our business operations, we may become increasingly vulnerable to such risks. Even the most well protected information, networks, systems, and facilities remain potentially vulnerable because the techniques used in such attempted security breaches evolve and generally are not recognized until launched against a target, and in some cases are designed not to be detected and, in fact, may not be detected. Accordingly, we, our customers and our suppliers may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures, and thus it is impossible for us, our customers, and our suppliers to entirely mitigate this risk. Further, in the future we may be required to expend additional resources to continue to enhance information security measures and/or to investigate and remediate any information security vulnerabilities. We can provide no assurances that the measures we have implemented to prevent security breaches and cyber incidents will be effective in the event of a cyber-attack.

The theft, destruction, loss, misappropriation or release of sensitive and/or confidential information or intellectual property, or interference with our information technology systems or the technology systems of third-parties on which we rely, could result in business disruption, negative publicity, violation of privacy laws, loss of tenants, loss of customers, potential liability and competitive disadvantage, any of which could result in a material adverse effect on financial condition or results of operations.

We may be required to recognize impairment charges that could materially affect our results of operations.

We assess our intangible assets, and our other long-lived assets as and when required by GAAP to determine whether they are impaired. If they are impaired, we would record appropriate impairment charges. It is possible that we may be required to record significant impairment charges in the future and, if we do so, our results of operations could be materially adversely affected.

Changes in accounting standards could affect our reported financial results.

Our management uses significant judgment, estimates, and assumptions in applying GAAP. New accounting standards that may be applicable to our financial statements, or changes in the interpretation of existing standards, could have a significant effect on our reported results of operations for the affected periods.

Risks Related to the Securities Markets and Ownership of Our Common Stock

The price of our Common Stock is volatile and the value of your investment could decline.

The market price of our Common Stock has been, and may in the future, be volatile. Between January 1, 2015, and December 31, 2023, the closing price of our Common Stock has ranged from a low of \$ 0.05 per share to a high of \$10.35 per share. Accordingly, it is difficult to forecast the future performance of our Common Stock. The market price of our Common Stock may be higher or lower than the price you pay, depending on many factors, some of which are beyond our control and may not be related to our operating performance. These fluctuations could cause you to lose all or part of your investment in our Common Stock. Factors that could cause fluctuations in the trading price of our Common Stock include the following:

- regulatory developments at the federal, state or local level;
- announcements of new products, services, relationships with strategic partners, acquisitions, or other events by us or our competitors;
- changes in general economic conditions;
- price and volume fluctuations in the overall stock market from time to time;
- significant volatility in the market price and trading volume of similar companies in our industry;
- fluctuations in the trading volume of our shares or the size of our public float;
- actual or anticipated changes in our operating results or fluctuations in our operating results;
- major catastrophic events;

- sales of large blocks of our stock; or
- changes in senior management or key personnel.

In addition, if the market for cannabis company stocks or the stock market in general experiences loss of investor confidence, the trading price of our Common Stock could decline for reasons unrelated to our business, operating results, or financial condition. The trading price of our Common Stock might decline in reaction to events that affect other companies in our industry, even if these events do not directly affect us. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. If our stock price continues to be volatile, we may become the target of securities litigation, which could result in substantial costs and divert our management's attention and resources from our business. This could have a material adverse effect on our business, operating results, and financial condition.

Trading and listing of securities of cannabis related businesses, including our Common Stock, may be subject to restrictions.

In the United States, many clearing houses for major broker-dealer firms, including Pershing LLC, the largest clearing, custody, and settlement firm in the United States, have refused to handle securities or settle transactions of companies engaged in cannabis related business. This means that certain broker-dealers cannot accept for deposit or settle transactions in the securities of cannabis related businesses. Further, national securities exchanges in the United States, including Nasdaq and the New York Stock Exchange, have historically refused to list cannabis related businesses, including cannabis retailers, that operate primarily in the United States; there is no indication that this proscription will change any time soon. Accordingly, we continue to be listed on the OTCQB, which as an over-the-counter market, is subject to greater volatility and less stability than would be the case on a national securities exchange. Our existing operations, and any future operations or investments, may become the subject of heightened scrutiny by clearing houses and stock exchanges, in addition to regulators and other authorities in the United States. Any existing or future restrictions imposed by Pershing LLC, or any other applicable clearing house, stock exchange or other authority, on trading in our Common Stock could have a material adverse effect on the liquidity of our Common Stock.

We do not intend to pay dividends for the foreseeable future.

We do not currently anticipate paying dividends in the foreseeable future. The payment of dividends on our Common Stock will depend on our earnings and financial condition, as well as on other business and economic factors affecting our business, as our board of directors may consider relevant. Our current intention in the foreseeable future is to apply net earnings, if any, to increasing our capital base and our development and marketing efforts. There can be no assurance that we will ever have sufficient earnings to declare and pay dividends to the holders of our Common Stock and, in any event, a decision to declare and pay dividends is at the sole discretion of our board of directors. As a result, you may only receive a return on your investment in our Common Stock if the market price of our Common Stock increases compared to the price at which you purchased our Common Stock, which may never occur.

Were our Common Stock to be considered penny stock, and therefore become subject to the penny stock rules, U.S. broker-dealers may be discouraged from effecting transactions in shares of our Common Stock.

Broker-dealers are generally prohibited from effecting transactions in "penny stocks" unless they comply with the requirements of Section 15(h) of the Securities Exchange Act of 1934 (the "Exchange Act") and the rules promulgated thereunder. These rules apply to the stock of companies whose shares are not traded on a national stock exchange, trade at less than \$5.00 per share or who do not meet certain other financial requirements specified by the Securities and Exchange Commission (the "SEC"). Trades in our Common Stock are subject to these rules, which include Rule 15c-9 under the Exchange Act, which imposes certain requirements on broker/dealers who sell securities subject to the rule to persons other than established customers and accredited investors. For transactions covered by the rule, brokers/dealers must make a special written determination that the penny stock is a suitable investment for purchasers of the securities and receive the purchaser's written agreement to the transaction prior to sale.

The penny stock rules also require a broker/dealer, prior to effecting a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document prepared by the SEC that provides information about penny stocks and the nature and level of risks in the penny stock market. A broker/dealer also must provide the customer with current bid and offer quotations for the relevant penny stock and information on the compensation of the broker/dealer and its salesperson in the transaction. A broker/dealer must also provide monthly account statements showing the market value of each penny stock held in a customer's account. The bid and offer quotations, and the broker/dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer's confirmation.

Our securities have in the past constituted "penny stock" within the meaning of the rules. Were our Common Stock to again be considered penny stock, and therefore become subject to the penny stock rules, the additional sales practice and disclosure requirements imposed upon U.S. broker-dealers may discourage such broker-dealers from effecting transactions in shares of our Common Stock, which could severely limit the market liquidity of such shares and impede their sale in the secondary market.

Our stockholders may experience significant dilution.

We have a significant number of warrants and options to purchase our Common Stock outstanding, the exercise of which would be dilutive to stockholders. In certain instances, the exercise prices are subject to adjustment if we issue or sell shares of our Common Stock or equity-based instruments at a price per share less than the exercise price then in effect. In such case, both the issuance and the adjustment would be dilutive to stockholders.

We may from time to time finance our future operations or acquisitions through the issuance of equity securities, which securities may also have rights and preferences senior to the rights and preferences of our Common Stock. We may also grant options to purchase shares of our Common Stock to our directors, employees, and consultants, the exercise of which would also result in dilution to our stockholders.

We have incurred and will continue to incur increased costs due to operating as a public company, and our management will be required to devote substantial time to new compliance initiatives and corporate governance practices.

As a public company we have incurred, and particularly after we are no longer a smaller reporting company, we will continue to incur significant legal, accounting, and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of the OTCQB Market and other applicable securities rules and regulations impose various requirements on public companies, including establishment and maintenance of effective disclosure and financial controls and corporate governance practices. Our management and other personnel will need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations will increase our legal and financial compliance costs, particularly as we hire additional financial and accounting employees to meet public company internal control and financial reporting requirements and will make some activities more time-consuming and costly.

We are evaluating these rules and regulations and cannot predict or estimate the amount of additional costs we may incur or the timing of such costs. These rules and regulations are often subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices.

Pursuant to Section 404, we will be required to furnish a report by our management on our internal control over financial reporting. However, while we remain a smaller reporting company with less than \$100 million in revenue, we will not be required to include an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. To achieve compliance with Section 404 within the prescribed period, we will be engaged in a process to document and evaluate our internal control over financial reporting, which is both costly and challenging. In this regard, we will need to continue to dedicate internal resources, including through hiring additional financial and accounting personnel, potentially engage outside consultants, and adopt a detailed work plan to assess and document the adequacy of internal control over financial reporting, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented and implement a continuous reporting and improvement process for internal control over financial reporting. Despite our efforts, there is a risk that we will not be able to conclude, within the prescribed timeframe or at all, that our internal control over financial reporting is effective as required by Section 404. If we identify one or more material weaknesses in our internal control over financial reporting, it could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 1C. CYBERSECURITY.

Cybersecurity Risk Management and Strategy

The Company has processes in place to identify, assess, and monitor material risks from cybersecurity threats, which are part of the Company’s overall cybersecurity risk management strategy and have been embedded in the information systems operating procedures and internal controls.

Our information technology ("IT") function manages IT operations and continually evolves our systems to meet the constantly changing digital environment. We enhanced our workstation, server, email security, and network monitoring with managed detection and response and alerting capabilities. We perform periodic cybersecurity risk assessments to identify, assess, and prioritize potential risks to information, data assets, and infrastructure. The Company addresses identified risks and develops and implements controls to mitigate issues. The Company engages third parties in connection with its cybersecurity processes as appropriate. The Company has established processes to identify risks from cybersecurity threats associated with its third-party service providers.

Employees with access to the Company’s network receive annual training information and updates on topics such as phishing, malware, and other cybersecurity risks.

We work to continually evolve our systems to meet the constantly changing digital environment and continue to invest in the cybersecurity and resiliency of our networks and to enhance our internal controls and processes, which are designed to help protect our systems and infrastructure, and the information they contain. There have been no risks from cybersecurity threats that have materially affected or are reasonably likely to materially affect our business strategy, results of operations or financial condition. The nature of potential cybersecurity risks and threats are uncertain, and any future incidents, outages or breaches could have a material adverse effect on the Company’s business, financial conditions or results of operations. For more information about the cybersecurity risks we face, refer to the Risk Factors in section "Information Technology and Cybersecurity Risks" in Part I, Item 1A, "Risk Factors".

Cybersecurity Governance

The Company’s Board of Directors, as a whole, has oversight responsibility for our strategic and operational risks. The Audit Committee of the Board of Directors is responsible for board-level oversight of cybersecurity risk, and the Audit Committee regularly reports risks and compliance actions to the Board. As part of its’ oversight role, the Audit Committee receives reporting about the Company’s strategy, programs, incidents and threats, and other developments and action items related to cybersecurity regularly throughout the year, including through periodic updates from the IT Administrator.

Our cybersecurity program is managed by our IT Administrator who reports directly to our Chief Executive Officer. Our IT Administrator and the IT function monitor the prevention, mitigation, detection, and remediation of cybersecurity incidents through their management of, and participation in, the processes described above, including the operation of the Company’s incident response plans, which include appropriate escalation to the executive team and the Audit Committee. As discussed above, the IT Administrator reports at least semiannually to the Audit Committee about cybersecurity threat risks, among other cybersecurity related matters.

ITEM 2. PROPERTIES

The Company’s corporate headquarters are located in Lakewood, Colorado, pursuant to an operating lease. As of April 1, 2024, the Company also leases 6 retail dispensary locations, 2 cultivation facilities, and one production facility.

The following table sets forth the Company’s significant properties within each reporting segment:

Description	Location	Segment	Leased/ Owned	Initial lease date
Corporate Headquarters	215 Union Boulevard, Suite 415, Lakewood, CO 80228	NA	Operating lease	January 2023
Englewood Dispensary	5005 S. Federal Blvd., Englewood, CO 80110	Retail	Operating lease	September 2021
Longmont Dispensary	12626 N. 107th Street, Longmont, CO 80504	Retail	Operating lease	December 2022
Hampden Dispensary	7289 East Hampden Avenue, Denver, CO 80224	Retail	Finance lease	December 2022
102nd Street Dispensary	1244 NE 102nd Avenue, Portland, OR 97220	Retail	Operating lease	December 2021
Waterfront Dispensary	3605 and 3607 SW Corbett Avenue, Portland, OR 97239	Retail	Operating lease	December 2021
MLK Dispensary	7048 - 7050 NE MLK Blvd., Portland, OR 97239	Retail	Operating lease	January 2022
SevenFive Cultivation Facility	3705 75th Street, Boulder, CO 80301	Cultivation	Operating lease	May 2020
Hillside Cultivation Facility	6859 North Foothills Highway, Building E,	Cultivation	Operating lease	December 2022

ITEM 3. LEGAL PROCEEDINGS

From time to time, we may be involved in various claims and legal actions in the ordinary course of business. We are not currently subject to any material legal proceedings outside the ordinary course of our business.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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

TREES Corporation Common Stock (CANN) is listed for trading on the OTC Market's OTCQB.

Holders

As of April 15, 2023, we had approximately 81 holders of record of our Common Stock. A substantially greater number of holders of the Company's Common Stock are "street name" or beneficial holders, whose shares of record are held by banks, brokers, and other financial institutions. In addition, our Articles of Incorporation authorize the Board to issue up to 5,000,000 shares of preferred stock. The provisions in the Articles of Incorporation relating to the preferred stock allow directors to issue preferred stock with multiple votes per share and dividend rights, which would have priority over any dividends paid with respect to the holders of Common Stock. The issuance of preferred stock with these rights may make the removal of management difficult even if the removal would be considered beneficial to stockholders, generally, and will have the effect of limiting stockholder participation in certain transactions such as mergers or tender offers if these transactions are not favored by management.

Dividend Policy

Holders of our Common Stock are entitled to receive dividends as may be declared by the Board. The Board is not restricted from paying any dividends but is not obligated to declare a dividend. No cash dividends have ever been declared and it is not anticipated that cash dividends will be paid in the near future. We currently intend to retain any future earnings to finance future growth. Any future determination to pay dividends will be at the discretion of the Board and will depend on our financial condition, results of operations, capital requirements, and other factors the Board considers relevant.

ITEM 6. RESERVED**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Management's discussion and analysis ("MD&A") should be read in conjunction with the consolidated financial statements and accompanying notes included in Item 8 of this Annual Report on Form 10-K (annual report), which include additional information about our accounting policies, practices, and the transactions underlying our financial results. The preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires us to make estimates and assumptions that affect the reported amounts in our consolidated financial statements and the accompanying notes, including various claims and contingencies related to lawsuits, taxes, environmental and other matters arising during the normal course of business. We apply our best judgment, our knowledge of existing facts, circumstances, and actions that we may undertake in the future in determining the estimates that affect our consolidated financial statements. We evaluate our estimates on an ongoing basis using our historical experience, as well as other factors we believe appropriate under the circumstances, such as current economic conditions, and adjust or revise our estimates as circumstances change. As future events and their effects cannot be determined with precision, actual results may differ from these estimates. Our MD&A contains forward-looking statements that discuss, among other things, future expectations and projections regarding future developments, operations, and financial condition. All forward-looking statements are based on management's existing beliefs about present and future events outside of management's control and on assumptions that may prove to be incorrect. If any underlying assumptions prove incorrect, our actual results may vary materially from those anticipated, estimated, projected, or intended. We undertake no obligation to publicly update or revise any forward-looking statements to reflect actual results, changes in expectations, events or circumstances after the date of this Report is filed. TREES Corporation and its subsidiaries are referred to collectively as "TREES" "the Company," "we," "us" or "our" in the following discussion and analysis.

Going Concern

We incurred net losses of \$7,082,258 and \$9,475,067 during the years ended December 31, 2023 and 2022, respectively, and had an accumulated deficit of \$100,484,340 and \$93,384,382 as of December 31, 2023 and December 31, 2022. We had cash and cash equivalents of \$969,676 and \$2,583,833 as of December 31, 2023, and December 31, 2022, respectively.

The consolidated financial statements included elsewhere in this Form 10-K, have been prepared on the basis of continuity of operations, realization of assets, and the satisfaction of liabilities and commitments in the ordinary course of business. We have incurred recurring losses and negative cash flows from operations since inception and have primarily funded our operations with proceeds from the issuance of debt and equity. We expect our operating losses to continue into the foreseeable future as we continue to execute our acquisition and growth strategy. As a result, we have concluded that there is substantial doubt about our ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Our ability to continue as a going concern is dependent upon our ability to raise additional capital to fund operations, support our planned investing activities, and repay our debt obligations as they become due. If we are unable to obtain additional funding, we would be forced to delay, reduce, or eliminate some or all of our acquisition efforts, which could adversely affect our growth plans.

Results of Operations

The following tables set forth, for the periods indicated, are statements of operations data. The tables and the discussion below should be read in conjunction with the accompanying consolidated financial statements and the notes thereto appearing in Item 8 in this Report.

Consolidated Results

	Year Ended December 31,		Change	Percent Change
	2023	2022		
Revenues	\$ 18,136,880	\$ 13,444,542	\$ 4,692,338	35%
Costs and expenses	(22,111,538)	(16,619,467)	(5,492,071)	33%
Other expense	(2,919,752)	(6,100,703)	3,180,951	(52)%
Net loss from continuing operations before income taxes	(6,894,410)	(9,275,628)	2,381,218	(26)%
Gain (loss) from discontinued operations	—	5,478	(5,478)	(100)%
Loss from operations before income taxes	\$ (6,894,410)	\$ (9,270,150)	\$ 2,375,740	(26)%

Revenues

The sales generated by Green Tree and Green Man, which we acquired in Q4 2022, contributed to the increase in revenues for the year ended December 31, 2023 compared to December 31, 2022.

Costs and expenses

	Year Ended December 31,		Change	Percent Change
	2023	2022		
Cost of sales	\$ 11,564,386	\$ 8,577,487	\$ 2,986,899	35%
Selling, general and administrative	8,223,102	6,557,992	1,665,110	25%
Stock-based compensation	69,071	188,330	(119,259)	(63)%
Professional fees	1,380,567	964,282	416,285	43%
Depreciation and amortization	874,412	331,376	543,036	164%
	\$ 22,111,538	\$ 16,619,467	\$ 5,492,071	33%

Cost of sales increased for the year ended December 31, 2023, as compared to December 31, 2022 due to the additional sales from the Green Tree and Green Man acquisitions.

Selling, general and administrative expense increased for the year ended December 31, 2023, as compared to December 31, 2022, due to the increased expenses resulting from the acquisition of three dispensaries in the fourth quarter of 2022 and one additional dispensary license in the first quarter of 2023. This resulted in an increase in employees and an increase in rent expense.

Professional fees consist primarily of accounting and legal expenses. Professional fees increased for the year ended December 31, 2023 as compared to December 31, 2022 due to the acquisition activity in the first quarter of 2023, as well as the accrued legal expenses for the settlement reached in the second quarter of 2023.

Stock-based compensation included the following:

	Year Ended December 31,		Change	Percent Change
	2023	2022		
Employee awards	\$ 69,071	\$ 188,330	\$ (119,259)	(63)%

Stock-based awards are issued under our 2020 Omnibus Incentive Plan, which was approved by shareholders on November 23, 2020 and our 2014 Equity Incentive Plan, which was approved by shareholders on June 26, 2015. Expense varies primarily due to the number of stock awards granted and the share price on the date of grant. The decrease in expense for the year ended December 31, 2023 as compared to December 31, 2022 is due to the decrease in the number of stock-based awards granted.

Depreciation and amortization expense increased in 2023 due to amortization related to the intangible assets acquired in the Green Man and Green Tree acquisitions in December 2022, which had useful lives of one year and two years, respectively.

Other Expense

	Year Ended December 31,		Change	Percent Change
	2023	2022		
Amortization of debt discount	\$ 811,722	\$ 1,817,334	\$ (1,005,612)	(55)%
Interest expense	1,763,413	983,181	780,232	79%
Loss on extinguishment of debt	218,237	310,622	(92,385)	(30)%
Loss on impairment of assets	1,516,000	3,004,319	(1,488,319)	(50)%
Gain on derivative liability	(792)	(22,809)	22,017	(97)%
Gain on change in fair value of contingent earnout	(492,148)	—	(492,148)	(100)%
Other income	(896,680)	8,056	(904,736)	(11,231)%
	\$ 2,919,752	\$ 6,100,703	\$ (3,180,951)	(52)%

Amortization of debt discount decreased during the year ended December 31, 2023 as compared to December 31, 2022 due to the rollover and repayment of the 10% Notes in 2022. Interest expense increased during the year ended December 31, 2023 as compared to December 31, 2022 due to the additional borrowings from the issuance of the 12% Notes held until they were restructured in Q4 2023. The loss on extinguishment of debt during the year ended December 31, 2023 relates to the extinguishment of the 468 debt in October 2023. The loss on extinguishment of debt during the year ended December 31, 2022 relates to the rollover and repayment of the 10% Notes. The loss on impairment of assets during the

years ended December 31, 2023 and December 31, 2022 is due primarily to goodwill impairments at our Trees Oregon locations included in our Retail segment in 2023 and goodwill and intangible impairments at our Trees Oregon locations included in our Retail segment. The gain on warrant derivative liability reflects the change in the fair value of the 2019 Warrants. The gain on change in the fair value of contingent earnout during the year ended December 31, 2023 is due to changes in the fair value of the contingent earnout liability related to the Green Tree Acquisition. Other income during the year ended December 31, 2023 increased as compared to December 31, 2022 due to the Company applying for employee retention credits through the CARES Act.

Retail

	Year Ended December 31,		Change	Percent Change
	2023	2022		
Revenues	\$ 17,722,565	\$ 12,934,904	\$ 4,787,661	37%
Costs and expenses	(17,568,330)	(13,117,039)	(4,451,291)	34%
	<u>\$ 154,235</u>	<u>\$ (182,135)</u>	<u>\$ 336,370</u>	<u>(185)%</u>

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With the acquisition of Green Tree on December 12, 2022, and the acquisition of Green Man on December 19, 2022, as well as the acquisition of the dispensary license for 468 Federal Street, retail revenue increased for the year ended December 31, 2023, compared to December 31, 2022. Costs and expenses also increased as a result of the acquisitions.

Cultivation

	Year Ended December 31,		Change	Percent Change
	2023	2022		
Revenues	\$ 2,531,399	\$ 1,693,762	\$ 837,637	49%
Costs and expenses	(4,468,658)	(2,643,457)	(1,825,201)	69%
	<u>\$ (1,937,259)</u>	<u>\$ (949,695)</u>	<u>\$ (987,564)</u>	<u>104%</u>

The increase in revenues for the year ended December 31, 2023 compared to December 31, 2022 is attributed to the increase in sales made to our dispensaries which are eliminated in consolidation. The increase in cost and expenses for the year ended December 31, 2023 compared to December 31, 2022 is attributed to the acquisitions of Green Tree and Green Man that occurred during December of 2022, as well as the increase in sales made to our dispensaries. The costs and expense incurred between our dispensaries and cultivation locations are eliminated in consolidation.

Non-GAAP Financial Measures

Adjusted EBITDA is a non-GAAP financial measure. We define Adjusted EBITDA as net loss calculated in accordance with GAAP, adjusted for discontinued operations, the impact of stock-based compensation expense, acquisition related expenses, non-recurring professional fees in relation to litigation and other non-recurring expenses, depreciation and amortization, amortization of debt discounts and equity issuance costs, loss on extinguishment of debt, interest expense, income taxes and certain other non-cash items. Below we have provided a reconciliation of Adjusted EBITDA to the most directly comparable GAAP measure, which is net loss.

We believe that the disclosure of Adjusted EBITDA provides investors with a better comparison of our period-to-period operating results. We exclude the effects of certain items when we evaluate key measures of our performance internally and in assessing the impact of known trends and uncertainties on our business. We also believe that excluding the effects of these items provides a more comparable view of the underlying dynamics of our operations. We believe such information provides additional meaningful methods of evaluating certain aspects of our operating performance from period to period on a basis that may not be otherwise apparent on a GAAP basis. This supplemental financial information should be considered in addition to, not in lieu of, our consolidated financial statements.

	Year Ended December 31,	
	2023	2022
Net loss from continuing operations	\$ (7,082,258)	\$ (9,480,545)
Adjustment for loss from discontinued operations	—	5,478
Net loss	<u>(7,082,258)</u>	<u>(9,475,067)</u>
Adjustments:		
Stock-based compensation	69,071	188,330
Depreciation and amortization	874,412	331,376
Amortization of debt discount	811,722	1,817,334
Loss on extinguishment of debt	218,237	310,622
Loss on impairment of assets	1,516,000	3,004,319
Interest expense	1,763,413	983,181
Loss on sale of assets	—	8,056
Gain on derivative liability	(792)	(22,809)
Gain on change in fair value of contingent earnout	(492,148)	—
Severance	—	4,731
Acquisition related expenses	—	1,027,099
Provision for income taxes	187,848	204,917
Other (income) expense	(896,680)	—
Total adjustments	<u>4,051,083</u>	<u>7,857,156</u>
Adjusted EBITDA	<u>\$ (3,031,175)</u>	<u>\$ (1,617,911)</u>

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Liquidity

Sources of liquidity

Our sources of liquidity historically have included the issuance of debt, common stock, or other equity-based instruments and the cash exercise of common stock options and warrants. We anticipate our significant uses of resources will include funding operations.

In December 2023, we restructured our debt obligations with the Green Tree entities to eliminate these obligations. Subsequent to this restructuring we received \$500,000 from the issuance of a working capital loan in full in December 2023.

In September 2022, we received \$10,587,250 in cash in a private placement with certain accredited investors pursuant to the 12% Notes to be used for acquisition of dispensaries and operating capital.

Sources and uses of cash

We had cash of approximately \$969,676 and \$2,583,833, respectively, on December 31, 2023 and 2022. Our cash flows from operating, investing, and financing activities were as follows:

	Year Ended December 31,	
	2023	2022
Net cash used in operating activities	\$ (1,125,482)	\$ (2,049,857)
Net cash used in investing activities	\$ (304,420)	\$ (1,945,586)
Net cash (used in) provided by financing activities	\$ (184,255)	\$ 4,525,226

Net cash used in operating activities decreased in 2023 due to the decreased net loss driven from the expenses described above as well as changes in working capital components, primarily larger reductions in inventory and increases in payables in 2023 compared to 2022.

Net cash used in investing activities decreased in 2023 due to the decreased level of acquisitions compared to 2022.

Net cash used in financing activities increased in 2023 due to an increase in payments on notes payable and finance leases, and less debt raised.

Capital Resources

We have no material commitments for capital expenditures as of December 31, 2023. Part of our growth strategy, however, is to acquire businesses. We would anticipate funding such activity through cash on hand, the issuance of debt, Common Stock, and warrants for our Common Stock or a combination thereof.

Off-Balance Sheet Arrangements

We currently have no off-balance sheet arrangements.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the amounts of revenues and expenses. Critical accounting policies are those that require the application of management's most difficult, subjective, or complex judgments, often because of the need to make estimates about the effect of matters that are inherently uncertain and that may change in subsequent periods. In applying these critical accounting policies, our management uses its judgment to determine the appropriate assumptions to be used in making certain estimates. Actual results may differ from these estimates.

We define critical accounting policies as those that are reflective of significant judgments and uncertainties, and which may potentially result in materially different results under different assumptions and conditions. In applying these critical accounting policies, our management uses its judgment to determine the appropriate assumptions to be used in making certain estimates. These estimates are subject to an inherent degree of uncertainty.

Business Combinations

Amounts paid for acquisitions are allocated to the assets acquired and liabilities assumed based on their estimated fair value at the date of acquisition. The fair value of identifiable intangible assets is based on detailed valuations that use information and assumptions provided by management, including expected future cash flows. We allocate any excess purchase price over the fair value of the net assets and liabilities acquired to goodwill. Identifiable intangible assets with finite lives are amortized over their useful lives. Acquisition-related costs, including advisory, legal, accounting, valuation, and other costs, are expensed in the periods in which the costs are incurred. The results of operations of acquired businesses are included in the consolidated financial statements from the acquisition date.

Goodwill and Intangibles

Goodwill represents the excess of purchase price over the fair value of identifiable net assets acquired in a business combination. Goodwill and long-lived intangible assets are tested for impairment at least annually in accordance with the provisions of ASC No. 350, *Intangibles-Goodwill and Other* ("ASC No. 350"). ASC No. 350 requires that goodwill be tested for impairment at the reporting unit level (operating segment or one level below an operating segment) on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carry value. Application of the goodwill impairment test requires judgement, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and determination of the fair value of each reporting unit. We test goodwill annually in December, unless an event occurs that would cause us to believe the value is impaired at an interim date. See Notes 1 and 10 to our consolidated financial statements for a description of our goodwill and intangible asset valuation and impairment policies and associated impacts for the reported periods.

Intangible assets with finite useful lives are amortized over their respective estimated useful lives and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

Impairment of Long-lived Assets

We periodically evaluate whether the carrying value of property and equipment has been impaired when circumstances indicate the carrying value of those assets may not be recoverable. The carrying amount is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If the carrying value is not recoverable, the impairment loss is measured as the excess of the asset's carrying value over its fair value.

Our impairment analyses require management to apply judgment in estimating future cash flows as well as asset fair values, including forecasting useful lives of the assets, assessing the probability of different outcomes, and selecting the discount rate that reflects the risk inherent in future cash flows. If the carrying value is not recoverable, we assess the fair value of long-lived assets using commonly accepted techniques, and may use more than one method, including, but not limited to, recent third-party comparable

sales and undiscounted cash flow models. If actual results are not consistent with our assumptions and estimates, or our assumptions and estimates change due to new information, we may be exposed to an impairment charge in the future.

Accounting for Discontinued Operations

We regularly review underperforming assets to determine if a sale or disposal might be a better way to monetize the assets. When an asset group is considered for sale or disposal, we review the transaction to determine if or when the entity qualifies as a discontinued operation in accordance with the criteria of FASB ASC Topic 205-20, Discontinued Operations. The FASB has issued authoritative guidance that raises the threshold for disposals to qualify as discontinued operations. Under this guidance, a discontinued operation is (1) a component of an entity or group of components that have been disposed of or are classified as held for sale and represent a strategic shift that has or will have a major effect on an entity's operations and financial results, or (2) an acquired business that is classified as held for sale on the acquisition date.

Debt with Equity-linked Features

We may issue debt that has separate warrants, conversion features, or other equity-linked attributes.

Debt with warrants – When we issue debt with warrants, we treat the warrants as a debt discount, record as a contra-liability against the debt, and amortize the balance over the life of the underlying debt as amortization of debt discount expense in the consolidated statements of operations. The offset to the contra-liability is recorded as additional paid in capital in our consolidated balance sheets. If the debt is retired early, the associated debt discount is then recognized immediately as amortization of debt discount expense in the consolidated statement of operations. The debt is treated as conventional debt.

We determine the value of the non-complex warrants using the Black-Scholes Option Pricing Model ("Black-Scholes") using the stock price on the date of issuance, the risk-free interest rate associated with the life of the debt, and the volatility of our stock. For warrants with complex terms, we use the binomial lattice model to estimate their fair value.

Convertible Debt - When we issue debt with a conversion feature, we must first assess whether the conversion feature meets the requirements to be treated as a derivative. If the conversion feature within convertible debt meets the requirements to be treated as a derivative, we estimate the fair value of the convertible debt derivative using Black-Scholes upon the date of issuance, using the stock price on the date of issuance, the risk-free interest rate associated with the life of the debt, and the estimated volatility of our stock.

Modification of Debt

When we change the terms of existing notes payable, we evaluate the amendments under ASC 470-50, *Debt Modification and Extinguishment* to determine whether the change should be treated as a modification or as a debt extinguishment. This evaluation includes analyzing whether there are significant and consequential changes to the economic substance of the note. If the change is deemed insignificant then the change is considered a debt modification, whereas if the change is substantial the change is reflected as a debt extinguishment.

Equity-based Payments

We estimate the fair value of equity-based instruments issued to employees or to third parties for services or goods using Black-Scholes or the Binomial Model, which requires us to estimate the volatility of our stock and forfeiture rate.

Revenue Recognition

ASC Topic 606, "Revenue from Contracts with Customers" ("ASC 606") requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. ASC 606 defines a five-step process to achieve this core principle and, in doing so, judgment and estimates may be required within the revenue recognition process including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation.

The following five steps are applied to achieve that core principle:

- Step 1: Identify the contract with the customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognize revenue when the company satisfies a performance obligation.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKS

As a "smaller reporting company" as defined by Item 10 of Regulation S-K, we are not required to provide information required by this Item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of TREES Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of TREES Corporation (the Company) as of December 31, 2023 and 2022, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years ended December 31, 2023 and 2022, and the related notes (collectively referred to as the financial

statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the years ended December 31, 2023 and 2022, in conformity with accounting principles generally accepted in the United States of America.

Substantial Doubt about the Company's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has suffered recurring losses from operations and has a negative working capital that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

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

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

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

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

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Business Combination – Refer to Note 2 to the consolidated financial statements

As discussed in Note 2 to the consolidated financial statements, the Company acquired several entities as follows: Trees MLK Inc. on January 5, 2022, Green Tree entities on December 12, 2022, and Green Man Cannabis on December 19, 2022, in separate business combinations. Management of the Company estimated the allocation of the purchase price to cash, fixed assets, inventory, trade names, and goodwill based on formal valuation prepared by a third-party. The accounting for the purchase price allocation is complex due to the significant estimation uncertainty in determining the fair values of identified intangibles.

We deem the purchase price allocation as a significant audit matter because of the significant estimates and assumptions made by management to estimate the fair value of trade names and allocation to goodwill. These estimates include the impact of forecasted growth and the consideration of comparable transactions in their industry. This required a high degree of auditor judgment and an increased extent of effort, including the use of valuation specialists.

Addressing the matter involved obtaining the purchase agreements and interpreting the terms are in agreement with the assumptions used by the Company. For valuations completed by the third-party specialist, we evaluated the expertise, qualifications, and independence of the management's specialist engaged to complete the evaluation. Finally, we used professionals inside our firm with specialized skills and knowledge to assess the Company's methodology.

Goodwill — Refer to Note 10 to the consolidated financial statements

As discussed in Note 10 to the consolidated financial statements, the Company has goodwill of \$15,880,097 on December 31, 2023, after recognizing impairment expense of \$1,516,000 during the year then ended. The Company evaluates its goodwill at least annually or more frequently when events or changes in circumstances indicate the carrying value may not be recoverable. The Company performed a goodwill analysis by calculating the fair value by operating segment using primarily an income approach and comparing it to the carrying amount of its goodwill. The income approach employed a discounted cash flow using a forecast developed by management. This valuation method requires management to make significant estimates and assumptions related to projected cash flows.

We identified goodwill as a critical audit matter because of the significant estimates and assumptions made by management to estimate fair value, including the impact of forecasted growth, and the difference between the fair values and the carrying values as of December 31, 2023. This required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialist, when performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to certain assumptions within the projected cash flows.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included, among others, gaining an understanding of management's process for developing the fair value estimate. We also evaluated the expertise, qualifications, and independence of the management's specialist engaged to complete the evaluation. We used professionals inside our firm with specialized skills and knowledge to assess the Company's methodology and assumptions used such as discount rate used. In evaluating the Company's assumptions, we compared them to historical results.

/s/ Haynie & Company

Haynie & Company
Salt Lake City, Utah
April 10, 2024
PCAOB ID 457

We have served as the Company's auditor since 2021.

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TREES CORPORATION
CONSOLIDATED BALANCE SHEETS

	December 31, 2023	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	\$ 969,676	\$ 2,583,833
Accounts receivable, net of allowance for credit losses of \$41,000 and \$42,000, respectively	111,863	41,373
Inventories	860,918	2,066,662
Prepaid expenses and other current assets	411,911	259,598
Total current assets	2,354,368	4,951,466
Right-of-use operating lease asset	1,979,833	3,866,406
Property and equipment, net	1,395,104	1,947,969
Intangible assets, net	1,637,491	2,543,898
Goodwill	15,880,097	18,384,974
Total assets	\$ 23,246,893	\$ 31,694,713
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable and accrued expenses	\$ 2,617,536	\$ 1,899,450
Interest payable	1,570,077	488,813
Income tax payable	392,765	204,917
Operating lease liability, current	846,201	1,433,184
Finance lease liability, current	205,400	55,777
Accrued stock payable	60,900	60,900
Accrued dividends	106,200	88,500
Warrant derivative liability	4,716	5,508
Accrued legal fees	102,000	—
Notes payable - current	1,092,382	1,903,344
Contingent Earnout Liability	367,056	—
Total current liabilities	7,365,233	6,140,393
Operating lease liability, non-current	1,218,392	2,541,590
Finance lease liability, non-current	501,248	706,653
Notes payable - non-current (net of unamortized discount)	14,013,861	15,899,588
Total liabilities	23,098,734	25,288,224
Commitments and contingencies (Note 17)		
Stockholders' equity		
Preferred stock, no par value; 5,000,000 shares authorized; 1,180 issued and outstanding	1,073,446	1,073,446
Common stock, \$0.001 par value; 200,000,000 shares authorized; 108,746,520 and 118,664,094 shares issued and outstanding, respectively	108,746	118,664
Additional paid-in capital	99,450,307	98,598,761
Accumulated deficit	(100,484,340)	(93,384,382)
Total stockholders' equity	148,159	6,406,489
Total liabilities and stockholders' equity	\$ 23,246,893	\$ 31,694,713

The accompanying notes are an integral part of these consolidated financial statements.

TREES CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended December 31, 2023	2022
Revenue		
Retail sales	\$ 17,722,565	\$ 12,934,904
Cultivation sales	414,315	509,638
Total revenue	18,136,880	13,444,542
Costs and expenses		
Cost of sales	11,564,386	8,577,487
Selling, general and administrative	8,223,102	6,557,992
Stock-based compensation	69,071	188,330
Professional fees	1,380,567	964,282
Depreciation and amortization	874,412	331,376
Total costs and expenses	22,111,538	16,619,467
Operating loss	(3,974,658)	(3,174,925)

Other expenses (income)		
Amortization of debt discount	811,722	1,817,334
Interest expense	1,763,413	983,181
Loss on extinguishment of debt	218,237	310,622
Loss on impairment of assets	1,516,000	3,004,319
Gain on derivative liability	(792)	(22,809)
Gain on change in fair value of contingent earnout	(492,148)	—
Other (income) expense, net	(896,680)	8,056
Total other expenses, net	<u>2,919,752</u>	<u>6,100,703</u>
Net loss from continuing operations before income taxes	<u>(6,894,410)</u>	<u>(9,275,628)</u>
Provision for income taxes	<u>187,848</u>	<u>204,917</u>
Loss from continuing operations	<u>(7,082,258)</u>	<u>(9,480,545)</u>
Income from discontinued operations, net of tax	—	5,478
Net loss	<u>\$ (7,082,258)</u>	<u>\$ (9,475,067)</u>
Accrued preferred stock dividend	<u>(17,700)</u>	<u>(88,500)</u>
Net loss attributable to common stockholders	<u>\$ (7,099,958)</u>	<u>\$ (9,563,567)</u>
Per share data - basic and diluted		
Net loss from continuing operations per share	\$ (0.06)	\$ (0.10)
Net loss from discontinued operations per share	—	—
Net loss attributable to common stockholders per share	\$ (0.06)	\$ (0.10)
Weighted average number of common shares outstanding	117,196,836	97,166,607

The accompanying notes are an integral part of these consolidated financial statements.

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TREES CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	December 31,	
	2023	2022
Cash flows from operating activities		
Net loss	\$ (7,082,258)	\$ (9,475,067)
Adjustments to reconcile net loss to net cash used in provided by operating activities:		
Amortization of debt discount	811,722	1,817,334
Depreciation and amortization	874,412	331,376
Amortization of right-of-use lease assets	1,806,918	774,353
Loss on extinguishment of debt	218,237	310,622
Provision for credit losses	(114)	(6,280)
Impairment of assets	1,516,000	3,004,319
Loss (gain) on disposal of property and equipment	—	8,056
Gain on derivative liability	(792)	(22,809)
Gain on change in fair value of contingent earnout	(492,148)	—
Stock-based compensation	69,071	188,330
Changes in operating assets and liabilities, net of acquisitions		
Accounts receivable	(70,376)	43,095
Prepaid expenses and other assets	(152,313)	(16,523)
Inventories	1,040,527	753,419
Income taxes	187,848	204,917
Accounts payable, accrued liabilities, and interest payable	1,901,350	785,405
Operating lease liabilities	(1,753,566)	(750,404)
Net cash used in operating activities	<u>(1,125,482)</u>	<u>(2,049,857)</u>
Cash flows from investing activities		
Purchase of property and equipment	(47,839)	(61,611)
Acquisition of Station 2 assets	(256,581)	—
Proceeds for sale of equipment	—	13,000
Proceeds on notes receivable	—	75,000
Acquisition of Trees MLK	—	(256,582)
Acquisition of Green Tree Entities, net of cash acquired	—	(498,987)
Acquisition of Green Man Corp, net of cash acquired	—	(1,216,406)
Net cash used in investing activities	<u>(304,420)</u>	<u>(1,945,586)</u>
Cash flows from financing activities		
Proceeds from notes payable	500,000	6,423,320
Payments on notes payable and finance lease	(684,255)	(1,898,094)
Net cash (used in) provided by financing activities	<u>(184,255)</u>	<u>4,525,226</u>
Net (decrease) increase in cash and cash equivalents	<u>(1,614,157)</u>	<u>529,783</u>
Cash and cash equivalents, beginning of period	<u>2,583,833</u>	<u>2,054,050</u>
Cash and cash equivalents, end of period	<u>\$ 969,676</u>	<u>\$ 2,583,833</u>

Supplemental schedule of cash flow information

Cash paid for interest	\$	—	\$	589,023
Cash paid for taxes	\$	6	\$	—

Non-cash investing & financing activities

Non-cash settlement of notes payable netted against proceeds from new notes issuance	\$	—	\$	3,300,000
Operating lease right-of-use asset obtained in exchange for new operating lease liabilities	\$	219,438	\$	1,575,607
Reduction of operating lease liabilities and right-of-use assets related to lease modifications	\$	(376,053)	\$	—
Issuance of accrued stock	\$	—	\$	383,994
Non-cash debt issuance for acquisition of Station 2 assets	\$	333,953	\$	—
Non-cash extinguishment of debt for the surrender of Station 2 assets	\$	(356,152)	\$	—
Accrued dividends on preferred stock	\$	17,700	\$	—
12% Warrants recorded as a debt discount and additional paid-in capital	\$	177,991	\$	569,223
12% Warrants recorded as a loss on extinguishment of debt and additional paid-in capital	\$	—	\$	103,577
Cashless warrant exercise	\$	—	\$	88,500

The accompanying notes are an integral part of these consolidated financial statements.

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TREES CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	Preferred Stock		Common Stock		Additional	Accumulated	Total
	Shares	Amount	Shares	Amount	Paid-in Capital	Deficit	
January 1, 2022	1,180	\$ 1,073,446	89,551,993	\$ 89,550	\$ 92,265,392	\$ (83,820,815)	\$ 9,607,573
Common stock issued for acquisition of Trees Waterfront LLC	—	—	1,669,537	1,670	382,324	—	383,994
Common stock issued for acquisition of Trees MLK LLC	—	—	4,970,654	4,971	1,337,105	—	1,342,076
Common stock issued for Green Tree Acquisition	—	—	17,977,528	17,978	2,948,314	—	2,966,292
Common stock issued Green Man Acquisition	—	—	4,494,382	4,495	804,495	—	808,990
Warrants issued with 12% Notes	—	—	—	—	672,801	—	672,801
Share-based compensation	—	—	—	—	188,330	—	188,330
Dividends on preferred stock	—	—	—	—	—	(88,500)	(88,500)
Net loss	—	—	—	—	—	(9,475,067)	(9,475,067)
December 31, 2022	1,180	1,073,446	118,664,094	118,664	98,598,761	(93,384,382)	6,406,489
Share-based compensation	—	—	—	—	69,071	—	69,071
Redeemed shares related to Green Tree settlement	—	—	(9,917,574)	(9,918)	(1,626,482)	—	(1,636,400)
Capital transaction related to the Green Tree Note restructuring	—	—	—	—	1,974,384	—	1,974,384
Capital transaction related to the forgiveness of the Trees Englewood Note	—	—	—	—	256,582	—	256,582
Modification of warrants issued with 12% Notes	—	—	—	—	177,991	—	177,991
Dividends on preferred stock	—	—	—	—	—	(17,700)	(17,700)
Net loss	—	—	—	—	—	(7,082,258)	(7,082,258)
December 31, 2023	1,180	\$ 1,073,446	108,746,520	\$ 108,746	\$ 99,450,307	\$ (100,484,340)	\$ 148,159

The accompanying notes are an integral part of these consolidated financial statements.

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TREES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. NATURE OF OPERATIONS, HISTORY AND PRESENTATION**Nature of Operations**

TREES Corporation, a Colorado Corporation (the "Company," "we," "us," "our," or "TREES") (formerly, General Cannabis Corp), was incorporated on June 3, 2013, and provides services and products to the regulated cannabis industry. We currently trade on the OTCQB® Market under the trading symbol CANN. As of December 31, 2023, our operations are segregated into the following segments:

Retail ("Retail Segment")

Through a series of acquisitions in 2021 and 2022, we operated three retail dispensaries in Colorado and three retail dispensaries in Oregon as of December 31, 2023. See Note 2 for details of the acquisitions.

Cultivation ("Cultivation Segment")

Through our acquisition of SevenFive Farm in May 2020, we operate a licensed 17,000 square foot light deprivation greenhouse cultivation facility. During 2023, there was one customer that accounted for over 10% of our third-party cultivation revenue, and during 2022 there was one customer that accounted for over 10% of third -party cultivation revenue.

Discontinued Operations

Through Next Big Crop, LLC ("NBC"), we delivered comprehensive consulting services to the cannabis industry that included obtaining licenses, compliance, cultivation, retail operations, logistical support, facility design and construction, and expansion of existing operations.

NBC oversaw our wholesale equipment and supply business, operating under the name "GC Supply," which provided turnkey sourcing and stocking services to cultivation, retail, and infused products manufacturing facilities. Our products included building materials, equipment, consumables, and compliance packaging. NBC also provided operational support for our internal cultivation. On July 16, 2021, we entered into an Asset Purchase Agreement with an individual to sell substantially all the assets of NBC for a total of \$150,000 and 10% of profits generated by the buyer in the states of Michigan, Mississippi, and Massachusetts for a period of twelve months from the closing. On August 2, 2021, the sale of NBC was completed. Pursuant to an amendment to the Asset Purchase Agreement, the buyer paid an additional \$75,000 in March 2022, and the 10% profit share described above was eliminated.

Basis of Presentation

The accompanying consolidated financial statements include the results of TREES and its nine wholly-owned (direct and indirect) subsidiary companies, each a Colorado corporation or limited liability company:

- 6565 E. Evans Owner LLC
- GC Corp
- GC Capital Corp, LLC
- GC Security LLC
- General Cannabis Capital Corporation
- Standard Cann, Inc.
- SevenFive Farms Cultivation, LLC
- SevenFive Farms, LLC
- Trees Colorado LLC
- Trees Oregon LLC
- Green Tree Colorado LLC

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- GT Cultivation LLC
- GT Retail LLC
- GT MIP LLC
- Green Man Cannabis, LLC

Intercompany accounts and transactions have been eliminated.

The preparation of our consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Although these estimates are based on our knowledge of current events and actions we may undertake in the future, actual results may ultimately differ from these estimates and assumptions. Furthermore, when testing assets for impairment in future periods, if management uses different assumptions or if different conditions occur, impairment charges may result.

Going Concern

We incurred net losses of \$7.1 million and \$9.5 million during the years ended December 31, 2023 and 2022, respectively, and had an accumulated deficit of \$100.5 million and \$93.4 million as of December 31, 2023 and December 31, 2022. We had cash and cash equivalents of \$1.0 million and \$2.6 million as of December 31, 2023, and December 31, 2022, respectively.

The consolidated financial statements, have been prepared on the basis of continuity of operations, realization of assets, and the satisfaction of liabilities and commitments in the ordinary course of business. We have incurred recurring losses and negative cash flows from operations since inception and have primarily funded our operations with proceeds from the issuance of debt and equity. We expect our operating losses to continue into the foreseeable future as we continue to execute our acquisition and growth strategy. As a result, we have concluded that there is substantial doubt about our ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Our ability to continue as a going concern is dependent upon our ability to raise additional capital to fund operations, support our planned investing activities, and repay our debt obligations as they become due. If we are unable to obtain additional funding, we would be forced to delay, reduce, or eliminate some or all of our acquisition efforts, which could adversely affect our growth plans.

Liquidity

The Company incurred net losses of \$7.1 million and \$9.5 million in the years ended December 31, 2023 and 2022, respectively, and had an accumulated deficit of \$100.5 million as of December 31, 2023. The Company had cash and cash equivalents of \$1.0 million as of December 31, 2023.

The Company believes that its cash and cash equivalents as of December 31, 2023 will not be sufficient to fund its operating expenses and capital expenditure requirements for at least twelve months from the date of filing this Annual Report on Form 10-K. The Company will need additional funding to support its planned investing activities. If the Company is unable to obtain additional funding, it would be forced to delay, reduce, or eliminate some or all of its planned operations and acquisition efforts, which could adversely affect its

business prospects.

Reclassifications

Certain prior year amounts have been reclassified for consistency with current year presentation. These reclassifications had no effect on the reported results of operations.

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Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits with banks, and investments that are highly liquid and have maturities of three months or less at the date of purchase.

Inventories

Inventories consist of raw materials, supplies, growing and harvested plants (work-in-process), and finished goods, and are stated at the lower of cost or net realizable value. All direct and indirect costs of growing plants are accumulated until the time of harvest and allocated to the plants during the growing process. All direct and indirect costs of finished goods are accumulated and allocated to the products between the harvest and completion stages. The Company uses an average costing method to allocate costs.

Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale. The Company periodically reviews physical inventory for excess, obsolete, and potentially impaired items. Write-downs and write-offs are charged to cost of sales.

Accounts Receivable, net

Accounts receivable are recorded at the original invoiced amount due from our customers less an allowance for any potential uncollectible amounts. We control credit risk related to accounts receivable through credit approvals, credit limits, and monitoring processes. In making the determination of the appropriate allowance for credit losses, management considers prior experience with customers, analysis of accounts receivable aging reports, changes in customer payment patterns, and historical write-offs.

Right-of-use Asset / Lease Liability

Right of use ("ROU") assets represent our right to use an underlying asset in which we obtain substantially all the economic benefits and the right to direct the use of the asset during the lease term. Lease liabilities represent our obligation to make lease payments arising from the lease. We recognize ROU assets and lease liabilities on the balance sheet for leases with a lease term of greater than one year. The Company elected to combine the lease and related non-lease components (common area maintenance and operating costs) and treat them as a single lease component. ROU assets and lease liabilities are recognized at the commencement date of the lease based on the present value of the fixed lease payments over the lease term. 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. Payments that are not fixed at the commencement of the lease are considered variable and are excluded from the measurement of the ROU asset and lease liability and are expensed as incurred in the statement of operations. Variable payments typically included payment for common area maintenance and reimbursement of the landlords operating costs as the amounts change from year to year based on actual costs incurred. In the measurement of our ROU assets and lease liabilities, the fixed lease payments in the agreement are discounted using a secured incremental borrowing rate for a term similar to the duration of the lease, as our leases do not provide implicit rates. Operating lease expense is recognized on a straight-line basis over the lease term. For the Company's finance lease, interest expense is recognized on the lease liability using the effective interest method and depreciation of the finance lease ROU asset is recognized on a straight-line basis over the lease term.

Property and Equipment, net

Property and equipment are recorded at historical cost, less accumulated depreciation. Major additions and improvements are capitalized, while replacements, maintenance, and repairs, which do not improve or extend the life of the respective assets, are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets: thirty years for buildings, the lesser of ten years or the life of the lease for leasehold improvements, and one to fifteen years for furniture, fixtures and equipment, software, vehicles, and biological assets. Land is not depreciated. When property or equipment is sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts with the resulting gain or loss reflected in operations.

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Business Combinations

Amounts paid for acquisitions are allocated to the assets acquired and liabilities assumed based on their estimated fair value at the date of acquisition. The fair value of identifiable intangible assets is based on detailed valuations that use information and assumptions provided by management, including expected future cash flows. We allocate any excess purchase price over the fair value of the net assets and liabilities acquired to goodwill. Identifiable intangible assets with finite lives are amortized over their useful lives. Acquisition-related costs, including advisory, legal, accounting, valuation, and other costs, are expensed in the periods in which the costs are incurred. The results of operations of acquired businesses are included in the consolidated financial statements from the acquisition date.

Goodwill and Intangibles

Goodwill represents the excess of purchase price over the fair value of identifiable net assets acquired in a business combination. Goodwill and long-lived intangible assets are tested for impairment at least annually in accordance with the provisions of ASC No. 350, *Intangibles-Goodwill and Other* ("ASC No. 350"). ASC No. 350 requires that goodwill be tested for impairment at the reporting unit level (operating segment or one level below an operating segment) on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carry value. Application of the goodwill impairment test requires judgement, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and determination of the fair value of each reporting unit. We test goodwill and long-lived intangible assets annually in December, unless an event occurs that would cause us to believe the value is impaired at an interim date.

Intangible assets with finite useful lives are amortized over their respective estimated useful lives and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

Debt

We issue debt that may have separate warrants, conversion features, or no equity-linked attributes.

Debt with warrants – When we issue debt with warrants, we treat the warrants as a debt discount, record as a contra-liability against the debt, and amortize the balance over the life of the underlying debt as amortization of debt discount expense in the consolidated statements of operations. The offset to the contra-liability is recorded as additional paid in capital in our consolidated balance sheets. If the debt is retired early, the associated debt discount is then recognized immediately as amortization of debt discount expense in the consolidated statement of operations. The debt is treated as conventional debt.

We determine the value of the non-complex warrants using the Black-Scholes Option Pricing Model ("Black-Scholes") using the stock price on the date of issuance, the risk-free interest rate associated with the life of the debt, and the volatility of our stock. For warrants with complex terms, we use the binomial lattice model to estimate their fair value.

Modification and Extinguishment of Debt - When we change the terms of existing notes payable, we evaluate the amendments under ASC 470-50, *Debt Modification and Extinguishment* to determine whether the change should be treated as a modification or as a debt extinguishment. This evaluation includes analyzing whether there are significant and consequential changes to the economic substance of the note. If the change is deemed insignificant then the change is considered a debt modification, whereas if the change is substantial the change is reflected as a debt extinguishment.

Convertible Debt - When we issue debt with a conversion feature, we must first assess whether the conversion feature meets the requirements to be treated as a derivative. If the conversion feature within convertible debt meets the requirements to be treated as a derivative, we estimate the fair value of the convertible debt derivative using Black-Scholes upon the date of issuance, using the stock price on the date of issuance, the risk-free interest rate associated with the life of the debt, and the estimated volatility of our stock.

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Fair Value of Financial Instruments

U.S. generally accepted accounting principles ("GAAP") requires disclosing the fair value of financial instruments to the extent practicable for financial instruments which are recognized or unrecognized in the consolidated balance sheet. The fair value of the financial instruments disclosed herein is not necessarily representative of the amount that could be realized or settled, nor does the fair value amount consider the tax consequences of realization or settlement.

In assessing the fair value of financial instruments, the Company uses a variety of methods and assumptions, which are based on estimates of market conditions and risks existing at the time. For certain instruments, including accounts receivable and accounts payable, the Company estimated that the carrying amount approximated fair value because of the short maturities of these instruments. All debt is based on current rates at which the Company could borrow funds with similar remaining maturities and approximates fair value.

GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use on unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs consist of items that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is described below:

Level 1 – Quoted prices in active markets for identical assets or liabilities. There are no fair valued assets or liabilities classified under Level 1 as of December 31, 2023.

Level 2 – Observable prices that are based on inputs not quoted on active markets but corroborated by market data. There are no fair valued assets or liabilities classified under Level 2 as of December 31, 2023.

Level 3 – Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs (see Note 15).

Level 3 liabilities are valued using unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the liabilities. For fair value measurements categorized within Level 3 of the fair value hierarchy, the Company's accounting, and finance department, which reports to the Chief Financial Officer, determines its valuation policies and procedures. The development and determination of the unobservable inputs for Level 3 fair value measurements and fair value calculations are the responsibility of the Company's accounting and finance department and are approved by the Chief Financial Officer.

Level 3 Valuation Techniques

Level 3 financial liabilities consist of the derivative liabilities for which there is no current market for these securities such that the determination of fair value requires significant judgment or estimation. Changes in fair value measurements categorized within Level 3 of the fair value hierarchy are analyzed each period based on changes in estimates or assumptions and recorded as appropriate. The Company deems financial instruments which do not have fixed settlement provisions to be derivative instruments. In accordance with GAAP the fair value of these warrants is classified as a liability on the Company's consolidated balance sheets because, according to the terms of the warrants, a fundamental transaction (as defined) could give rise to an obligation of the Company to pay cash to its warrant holders. Corresponding changes in the fair value of the derivative liabilities are recognized in earnings on the Company's consolidated statements of operations in each subsequent period.

The Company's derivative liabilities are carried at fair value and were classified as Level 3 in the fair value hierarchy due to the use of significant unobservable inputs.

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Warrant Instruments

Warrants with derivative features – When we raise capital by issuing warrants that do not have complex terms, they are recorded as additional paid in capital in our consolidated balance sheet. When we issue warrants that have complex terms, such as a clause in which the warrant agreements contain a cash settlement provision whereby the holders could settle the warrants for cash upon a fundamental transaction that is considered outside of the control of management, such as a change of control, the warrants are considered to be a derivative that is recorded as a liability at fair value. The warrant derivative liability is adjusted to its fair value at the end of each reporting period, with the change being recorded as a loss or gain.

Revenue Recognition

We have two main revenue streams: (i) retail product sales; and (ii) wholesale cultivation sales.

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

Revenue from cultivation sales is recognized when the products are delivered to the customer.

ASU 2014-09, *Revenue from Contracts with Customers* ("ASC Topic 606") is a comprehensive revenue recognition model that requires revenue to be recognized when control of the promised goods or services are transferred to our customers at an amount that reflects the consideration that we expect to receive. Application of ASC Topic 606 requires us to use more judgment and make more estimates than under former guidance. Application of ASC Topic 606 requires a five-step model applicable to all product offerings revenue streams as follows:

Identification of the contract, or contracts, with a customer

A contract with a customer exists when (i) we enter into an enforceable contract with a customer that defines each party's rights regarding the goods or services to be transferred and identifies the payment terms related to these goods or services, (ii) the contract has commercial substance, and (iii) we determine that collection of substantially all consideration for goods or services that are transferred is probable based on the customer's intent and ability to pay the promised consideration.

We apply judgment in determining the customer's ability and intention to pay, which is based on a variety of factors including the customer's historical payment experience or, in the case of a new customer, published credit or financial information pertaining to the customer.

Identification of the performance obligations in the contract

Performance obligations promised in a contract are identified based on the goods or services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the goods or service either on its own or together with other resources that are readily available from third parties or from us, and are distinct in the context of the contract, whereby the transfer of the goods or services is separately identifiable from other promises in the contract.

When a contract includes multiple promised goods or services, we apply judgment to determine whether the promised goods or services are capable of being distinct and are distinct within the context of the contract. If these criteria are not met, the promised goods or services are accounted for as a combined performance obligation.

Determination of the transaction price

The transaction price is determined based on the consideration to which we will be entitled to receive in exchange for transferring goods or services to our customer. We estimate any variable consideration included in the transaction price using the expected value method that requires the use of significant estimates for discounts, cancellation periods, refunds and returns. Variable consideration is described in detail below.

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Allocation of the transaction price to the performance obligations in the contract

If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative Stand-Alone Selling Price ("SSP;") basis. We determine SSP based on the price at which the performance obligation would be sold separately. If the SSP is not observable, we estimate the SSP based on available information, including market conditions and any applicable internally approved pricing guidelines.

Recognition of revenue when, or as, we satisfy a performance obligation

We recognize revenue at the point in time that the related performance obligation is satisfied by transferring the promised goods or services to our customer.

Principal versus Agent Considerations

When another party is involved in providing goods or services to our customer, we apply the principal versus agent guidance in ASC Topic 606 to determine if we are the principal or an agent to the transaction. When we control the specified goods or services before they are transferred to our customer, we report revenue gross, as principal. If we do not control the goods or services before they are transferred to our customer, revenue is reported net of the fees paid to the other party, as agent. Our evaluation to determine if we control the goods or services within ASC Topic 606 includes the following indicators:

We are primarily responsible for fulfilling the promise to provide the specified good or service.

When we are primarily responsible for providing the goods and services, such as when the other party is acting on our behalf, we have indication that we are the principal to the transaction. We consider if we may terminate our relationship with the other party at any time without penalty or without permission from our customer.

We have risk before the specified good or service have been transferred to a customer or after transfer of control to the customer.

We may commit to obtaining the services of another party with or without an existing contract with our customer. In these situations, we have risk of loss as principal for any amount due to the other party regardless of the amount(s) we earn as revenue from our customer.

The entity has discretion in establishing the price for the specified good or service.

We have discretion in establishing the price our customer pays for the specified goods or services.

Shipping and Handling

Payments by customers to us for shipping and handling costs are included in revenue on the consolidated statements of operations, while our expense is included in cost of sales. Shipping and handling for inventory are included as a component of inventory on the consolidated balance sheets, and in cost of sales in the consolidated statements of operations when the product is sold.

Advertising

Advertising costs are expensed as incurred and are included in selling, general and administrative expenses in the consolidated statements of operations. The Company did not incur any significant advertising costs for the years ended December 31, 2023 and 2022.

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Stock-based Payments

Employee and non-employee awards – We account for stock-based compensation in accordance with the fair value recognition provisions of ASC 718, *Compensation – Stock Compensation*, and ASC 505, *Equity*, which require all stock-based compensation to employees and non-employees, including grants of employee stock options, to be recognized as an expense in the consolidated financial statements based on their fair values. The fair value of stock options is estimated using the Black-Scholes option pricing formula that requires assumptions for expected volatility, expected dividends, the risk-free interest rate, and the expected term of the option. The Company accounts for forfeitures of stock-based grants as they occur. If any of the assumptions used in the Black-Scholes model or the anticipated number of shares to be awarded change significantly, stock-based compensation expense may differ materially in the future from that recorded in the current period.

Market price-based awards – We may issue stock-based payments that vest when certain market conditions are met, such as our Common Stock trading above a certain value for a specific number of days. We recognize expense for market price-based options at the estimated fair value of the options using the binomial lattice model over the estimated life of the options used in the model, or immediately upon the market conditions being met. We use historical data to estimate the expected price volatility, the expected stock option life and expected forfeiture rate. The risk-free interest rate is based on the United States Treasury yield curve in effect at the time of grant for the estimated life of the stock option.

Income Taxes

We recognize deferred income tax assets and liabilities for the expected future tax consequences of temporary differences between the income tax and financial reporting carrying amount of our assets and liabilities. We monitor our deferred tax assets and evaluate the need for a valuation allowance based on the estimate of the amount of such deferred tax assets that we believe do not meet the more-likely-than-not recognition criteria. We also evaluate whether we have any uncertain tax positions and would record a reserve if we believe it is more-likely-than-not our position would not prevail with the applicable tax authorities and would be recorded in income tax expense. Our assessment of tax positions as of December 31, 2023 and 2022, determined that there were no material uncertain tax positions.

Tax returns for the years ending December 31, 2020 through 2022 are open to examination by federal and state authorities.

Segments

ASC 280, *Segment Reporting* ("ASC 280"), establishes standards for reporting information about operating segments. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. Our Chief Executive Officer has been identified as the chief decision maker. Our reporting segments consist of: a) Retail; and b) Cultivation. Our operations are conducted within the United States of America.

Recently Issued Accounting Standards

FASB ASU 2020-06 – "Debt-Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging-Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity"– In June 2020, the Financial Accounting Standards Board ("FASB") issued guidance which simplifies accounting for convertible instruments by removing major separation models required under current GAAP. This Accounting Standards Update ("ASU") also removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception and simplifies the diluted earnings per share calculation in certain areas. The amendments in this ASU are effective for annual and interim periods beginning after December 15, 2021, although early adoption is permitted. We adopted this ASU in the first quarter of 2022, and the adoption did not have a material effect on our consolidated financial statements.

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FASB ASU 2016-13 – "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments"– In June 2016, the FASB issued guidance that replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credits, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor in accordance with Topic 842 on leases. ASC 326 requires enhanced disclosures related to the significant estimates and judgments used in estimating credit losses as well as the credit quality and underwriting standards of a company's portfolio. In addition, ASC 326 made changes to the accounting for available-for-sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available-for-sale debt securities the Company does not intend to sell or believes that it is more likely than not they will be required to sell. The ASU can be adopted no later than January 1, 2020 for SEC filers and January 1, 2023 for private companies and smaller reporting companies. The adoption of the new standard did not have a material effect on our consolidated financial statements.

FASB ASU 2017-04 – "Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment" – In January 2017, the FASB issued ASU No. 2017-04, which simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Under ASU 2017-04, goodwill impairment will be tested by comparing the fair value of a reporting unit with its carrying amount, and recognizing an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. The new guidance must be applied on a prospective basis and is effective for periods beginning after December 15, 2022, with early adoption permitted. The adoption of the new standard did not have a material effect on our consolidated financial statements.

Recent Accounting Pronouncements

FASB ASU 2023-07 – "Segment Reporting – Improvements to Reportable Segment Disclosures" - In November 2023, the FASB issued ASU No. 2023-07, which requires disclosure of more detailed information about a reportable segment's expenses. The new standard is effective for fiscal years beginning after December 15, 2023 and interim periods beginning after December 15, 2024. The amendments must be applied retrospectively, and early adoption is permitted. The Company is currently assessing the effects of adoption on its consolidated financial statements.

NOTE 2. BUSINESS ACQUISITIONS

Trees

On January 5, 2022, we completed the acquisition of substantially all of the assets of Trees MLK Inc. ("MLK"), representing the remaining Oregon dispensary in connection with the overall Trees transaction. We paid cash in the amount of \$256,582 and stock consideration of 4,970,654 shares of our Common Stock. The closing price of our Common Stock on January 5, 2022, the date of license transfer, was \$0.27 per share, as such, fair value of the equity consideration is \$1,346,076. Further, cash equal to \$384,873 will be paid to the sellers in equal monthly installments over a period of 24 months beginning on June 15, 2022. When we closed on MLK it was a non-operating dispensary. We opened the dispensary in the second quarter of 2022.

The table below reflects the Company's final estimates of the acquisition date fair values of the assets acquired:

Fixed assets	\$	25,150
Tradename		88,000
Goodwill		1,870,381
	\$	1,983,531

As the MLK dispensary was not operating until the second quarter of 2022, there were no material results of operations prior to the acquisition date. As such, there would be no material proforma impact on the Company's operating results.

On December 12, 2022, we completed the Green Tree Acquisition which consisted of the acquisition of substantially all of the assets of Ancient Alternatives LLC, Natural Alternatives For Life, LLC, Mountainside Industries, LLC, Hillside Enterprises, LLC, and GT Creations, LLC, each a Colorado limited liability company (collectively, the "Green Tree Entities"). We paid cash in the amount of \$500,000 and stock consideration of 17,977,528 shares of our Common Stock. Additionally, we had a potential obligation to issue additional stock consideration up to 4,879,615 shares of our Common Stock on the achievement of certain performance indicators on or before June 12, 2024. The closing price of our Common Stock on December 12, 2022, the date of license transfer, was \$0.165 per share, as such, fair value of the equity consideration is \$2,966,292. An additional \$3,500,000 in cash was to be paid to the sellers in fifteen (15) equal monthly payments commencing on the 9-month anniversary of the closing, which based on a discount rate of 12%, resulted in the fair value of these additional monthly payments to be approximately \$3,017,510. In November 2023, the Company transferred a majority of the Green Tree Entities back to the original owners (see Note 6). Subsequent to this transfer, the aforementioned debt was modified. This liability is included in Notes payable-current and Notes payable-non-current in the accompanying consolidated balance sheets. See Note 14 for additional details.

The table below reflects the Company's final estimates of the acquisition date fair values of the assets acquired:

Cash	\$	3,928
Inventory		1,588,455
Fixed assets		688,655
Tradename		677,000
Goodwill		4,248,000
	\$	<u>7,206,038</u>

Compared to the estimated purchase price allocation reported in our financial statements included in Item 8 of our Form 10-K year ended December 31, 2022 filed with the SEC on April 17, 2023, the final purchase price allocation resulted in a reduction of tradename intangible assets of \$273,000 and an increase in goodwill of \$995,702. Additionally, as part of the measurement adjustments, the fair value of the installment payments was remeasured using a 16% discount rate, resulting in a decrease of debt of \$136,502 for the purchase consideration. Additionally, a contingent earnout liability with a fair value of \$859,204 was recognized which increased the purchase consideration and resulting goodwill. The fair value of the contingent earnout liability decreased to \$367,056 at December 31, 2023, resulting in a gain on change in fair value of \$492,148.

The accompanying consolidated financial statements include the results of the Green Tree Entities from the date of acquisition for financial reporting purposes, December 12, 2022. The pro forma effects of the acquisition on the results of operations as if the transaction had been completed on January 1, 2022, are as follows:

	Year ended December 31, 2022 (unaudited)
Total revenues	\$ 22,556,789
Net income (loss) attributable to Common Stockholders	\$ (9,558,189)
Net income (loss) per common share	\$ (0.08)
Weighted average number of basic and diluted common shares outstanding	114,159,065

The unaudited pro-forma results of operations are presented for information purpose only. The unaudited pro-forma results are not intended to present actual results that would have been attained had the acquisition been completed as of January 1, 2022, or to project potential operating results as of any future date or for any future periods. In July 2023, the Company entered into an agreement to transfer the Green Tree Entities back to the original owners of these entities (see Note 6).

On December 19, 2022, we completed the Green Man Acquisition, consisting of the acquisition of substantially all of the assets of Green Man. We paid cash in the amount of \$1,225,000 and stock consideration of 4,494,382 shares of Common Stock. The closing price of our Common Stock on December 19, 2022, the date of license transfer, was \$0.18 per share, as such, fair value of the equity consideration is \$808,989. An additional \$1,500,000 in cash will be paid to the sellers in eighteen (18) equal monthly payments commencing on the 12-month anniversary of the closing. Based on a discount rate of 12%, the fair value of these additional monthly payments is approximately \$1,224,846. This liability is included in Notes payable-current and Notes payable-non-current in the accompanying consolidated balance sheets. See Note 14 for additional details.

The table below reflects the Company's final estimates of the acquisition date fair values of the assets acquired:

Cash	\$	8,594
Inventory		108,543
Fixed assets		23,500
Tradename		273,000
Goodwill		2,741,000
	\$	<u>3,154,637</u>

Compared to the estimated purchase price allocation reported in our financial statements included in Item 8 of our Form 10-K year ended December 31, 2022 filed with the SEC on April 17, 2023, the final purchase price allocation resulted in an increase of tradename intangible assets of \$123,000 and a decrease in goodwill of \$227,198. Additionally, as part of the measurement adjustments, the fair value of the installment payments was remeasured using a 16% discount rate, resulting in a decrease of debt of \$104,198 for the purchase consideration.

The accompanying consolidated financial statements include the results of Green Man from the date of acquisition for financial reporting purposes, December 19, 2022. The pro forma effects of the acquisition on the results of operations as if the transaction had been completed on January 1, 2022, are as follows:

Year ended
December 31,

	2022 (unaudited)
Total revenues	\$ 19,002,698
Net income (loss) attributable to Common Stockholders	\$ (9,641,205)
Net income (loss) per common share	\$ (0.09)
Weighted average number of basic and diluted common shares outstanding	101,500,915

The unaudited pro-forma results of operations are presented for information purpose only. The unaudited pro-forma results are not intended to present actual results that would have been attained had the acquisition been completed as of January 1, 2022, or to project potential operating results as of any future date or for any future periods.

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NOTE 3. ASSET ACQUISITION

In February 2023, we completed the acquisition of the assets of Station 2, LLC ("Station 2"). The assets consist of a medical and retail cannabis license for a dispensary located in Denver, CO. We also assumed responsibility of the operating lease for the dispensary and recorded the relating ROU asset which is disclosed separately on the accompanying consolidated balance sheets. The consideration paid by the Company consists of cash at closing equal to \$256,582 plus an additional note equal to \$384,873. The relative fair value of the note issued resulted in a debt discount of \$50,918.

As the dispensary was not in operation and there was no assembled workforce at the time of acquisition, the acquisition was accounted for as an asset acquisition of a license. Subsequently, during the year ended December 31, 2023, the license was transferred as part of a settlement agreement and was derecognized (see Note 6).

Timothy Brown, a current member of the Company's Board of Directors and its Chief Visionary Officer, is the sole owner of Station 2.

NOTE 4. DISCONTINUED OPERATIONS

On July 16, 2021, we entered into an Asset Purchase Agreement with an individual to sell substantially all the assets of NBC for a total of \$150,000 and 10% of profits generated by the buyer in the states of Michigan, Mississippi, and Massachusetts for a period of twelve months from the closing. On August 2, 2021, the sale of NBC was completed. Pursuant to amendment, the buyer paid the additional \$75,000 in March 2022, and the 10% profit share described above was eliminated.

A breakdown of the results of discontinued operations related to the sale of NBC are presented as follows:

	Year Ended December 31, 2022
Product revenues	\$ 3,438
Service revenues	—
Total revenues	3,438
Selling, general and administrative	(2,040)
Total costs and expenses	(2,040)
Income from discontinued operations	\$ 5,478

NOTE 5. ACCOUNTS RECEIVABLE, NET

Our accounts receivable consisted of the following:

	December 31,	
	2023	2022
Accounts receivable	\$ 152,863	\$ 83,373
Less: Allowance for credit losses	(41,000)	(42,000)
Total	\$ 111,863	\$ 41,373

We record credit loss expense when we conclude the credit risk of a customer indicates the amount due under the contract is not collectible. We recorded credit loss expense of \$114 and \$6,280 during the years ended December 31, 2023 and 2022, respectively.

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NOTE 6. LICENSE TRANSFER AGREEMENTS

In August 2023, we entered into an Assignment of Assets ("Assignment"), pursuant to which we agreed to transfer and assign to Station 2 and Timothy Brown ("Brown" and collectively with Station 2, "Assignees"), a board member, shareholder, and executive level employee of the Company, a State of Colorado and corresponding City and County of Denver retail marijuana store cannabis license and related assets owned related to the licensed cannabis dispensary located at 468 S. Federal Boulevard. Timothy Brown is the sole owner of Station 2. In exchange for the transfer to Assignees of the transferred assets, the Assignees agreed to extinguishment and satisfaction of, and unconditional waiver by each of Station 2 and Brown of any claims in respect of, any and all debt or other obligations of the Company, Trees Colorado, and any of their respective affiliates, directors, officers or agents, pursuant to that certain Asset Purchase Agreement dated October 14, 2022, as amended, by and among the Company, Trees Colorado and Assignees, which was issued upon closing of the transaction in February 2023 ("468 Debt"). This transaction closed in October 2023, and the Company recognized a loss on this transfer of \$202,397, located in loss on extinguishment of debt on the consolidated statements of operations.

A summary of the license transfer is presented as follows:

	Balance as of August 17, 2023
Asset to be transferred:	
Intangible assets - License	\$ 590,536

Accumulated amortization - License	(31,987)
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Consideration:

Extinguishment of 468 debt	\$ 356,152
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In July 2023, we and our subsidiaries Green Tree Colorado, LLC, Green Tree Cultivation LLC, GT Retail LLC, and Green Tree MIP LLC, entered into a settlement agreement ("Settlement Agreement"), ("GT Retail"), ("GT MIP"), with Allyson Feiler Downing ("Downing") and Loree Schwartz ("Schwartz" and together with Downing, "Green Tree Parties"), pursuant to which the Company and the Green Tree Parties agreed to transfer and assign to new entities controlled by the Green Tree Parties, cannabis licenses and related assets owned by (i) GT Retail relating to a cultivation facility and a retail dispensary located in Berthoud, Colorado; (ii) GT MIP relating to a 'marijuana infused product' dispensary located in Boulder County, Colorado; and (iii) certain intellectual property in respect thereof. The Company retained accounts payable and certain cannabis inventory in respect of the transferred assets. Closing of the transaction is subject to approval of the license transfers by the Colorado Marijuana Enforcement Division as well as local regulatory authorities. In November 2023, the transfer was approved. As the transfer represented a non-reciprocal transfer between the Company and certain of its shareholders in connection with the settlement of a prior business combination, we recognized the difference between the carrying values of the assets transferred, equity redeemed, and debt exchanged as a capital contribution to the Company. See Note 14 for additional information.

In exchange for the transfer to the Green Tree Parties of the transferred assets, the Company and the Green Tree Parties agreed that upon closing, the Green Tree Parties shall transfer and assign to the Company, and the Company shall redeem, 9,917,574 shares of the Company's Common Stock owned by the Green Tree Parties and originally issued to the Green Tree Parties in the acquisition consummated in December 2022 pursuant to that certain Asset Purchase Agreement dated September 13, 2022, as amended, by and among the Company, Downing, Schwartz and various other parties thereto (the "APA").

The asset transfers disclosed herein did not qualify for reporting as discontinued operations, as each of these transactions did not represent a strategic shift that had a major effect on the Company's operations and financial results.

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NOTE 7. INVENTORIES

Our inventories consist of the following:

	December 31, 2023	December 31, 2022
Raw materials	\$ 351,241	\$ 8,883
Work-in-progress and finished goods	509,677	2,057,779
Inventories	<u>\$ 860,918</u>	<u>\$ 2,066,662</u>

NOTE 8. PREPAIDS AND OTHER CURRENT ASSETS

Our prepaids and other current assets consist of the following:

	December 31,	
	2023	2022
Security deposits	\$ 107,921	\$ 140,628
Prepaid insurance	106,124	86,071
ERC Receivable	176,657	—
Other current assets	21,209	32,899
Total prepaids and other current assets	<u>\$ 411,911</u>	<u>\$ 259,598</u>

NOTE 9. PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following:

	December 31,	
	2023	2022
Furniture, fixtures and equipment	\$ 1,647,010	\$ 1,484,432
Finance lease ROU -building	316,902	766,623
Software	103,817	103,817
Biological assets	13,000	13,000
Total	2,080,729	2,367,872
Less: Accumulated depreciation	(685,625)	(419,903)
Total property and equipment, net	<u>\$ 1,395,104</u>	<u>\$ 1,947,969</u>

Depreciation expense was \$221,940 and \$182,838, respectively, for the years ended December 31, 2023 and 2022.

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NOTE 10. INTANGIBLE ASSETS AND GOODWILL

Intangible assets, net

During the years ended December 31, 2023 and 2022, the Company acquired tradename intangible assets through several acquisitions. See Note 2 for further details of these acquisitions. The amount of tradename intangible assets acquired in each transaction is shown in the table below.

Transaction	Acquisition Date	Amount	Useful life (in years)
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Green Man Acquisition	December 2022	150,000	1
Green Tree Acquisition	December 2022	950,000	2
Trees MLK Acquisition (1)	January 2022	88,000	10
Trees Portland Acquisition	December 2021	292,000	10
Trees Waterfront Acquisition (1)	December 2021	217,000	10
Trees Englewood Acquisition	September 2021	1,399,000	10

(1) The trade name intangible asset for these acquisitions was fully impaired in 2022. See discussion of impairment charges below in this footnote.

The following table summarizes the change in the Company's tradename intangible assets from December 31, 2022 to December 31, 2023:

	Gross Intangible Assets	Accumulated Amortization	Net Intangible Assets
Balance as of December 31, 2021	\$ 6,323,780	\$ (323,967)	\$ 5,999,813
Purchase price allocation adjustments (see Note 2)	(3,942,000)	—	(3,942,000)
Tradename intangibles acquired	1,188,000	—	1,188,000
Amortization	—	(148,538)	(148,538)
Impairment	(553,377)	—	(553,377)
Balance as of December 31, 2022	3,016,403	(472,505)	2,543,898
Purchase price allocation adjustments (see Note 2)	(150,000)	—	(150,000)
Station 2 license intangibles acquired	590,536	(31,987)	558,549
Transfer of Station 2 license	(558,549)	—	(558,549)
Transfer of Green Tree assets	(135,922)	—	(135,922)
Amortization	—	(620,485)	(620,485)
Balance as of December 31, 2023	\$ 2,762,468	\$ (1,124,977)	\$ 1,637,491

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Estimated amortization expense for the next five years is as follows:

Year Ended December 31,	Amount
2024	\$ 500,425
2025	169,100
2026	169,100
2027	169,100
2028	169,100
Thereafter	460,666
Total	\$ 1,637,491

Amortization expense was \$652,472 and \$148,538 for the years ended December 31, 2023 and 2022, respectively.

Goodwill

The following represents a summary of changes in the carrying amount of goodwill for the years ended December 31, 2023 and 2022 on a consolidated basis and by segment:

Consolidated

	Gross Goodwill	Accumulated Impairment	Net Goodwill
Balance as of December 31, 2021	\$ 11,283,857	\$ (2,484,200)	\$ 8,799,657
Goodwill acquired	8,094,258	—	8,094,258
Purchase price allocation adjustment	3,942,000	—	3,942,000
Impairment	—	(2,450,941)	(2,450,941)
Balance as of December 31, 2022	23,320,115	(4,935,141)	18,384,974
Transfer of Green Tree assets	(1,757,381)	—	(1,757,381)
Purchase price allocation adjustment	768,504	—	768,504
Impairment	—	(1,516,000)	(1,516,000)
Balance as of December 31, 2023	\$ 22,331,238	\$ (6,451,141)	\$ 15,880,097

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Retail Segment

	Gross Goodwill	Accumulated Impairment	Net Goodwill
Balance as of December 31, 2021	\$ 8,799,657	\$ —	\$ 8,799,657
Goodwill acquired	8,094,258	—	8,094,258
Purchase price allocation adjustment	3,942,000	—	3,942,000
Impairment	—	(2,450,941)	(2,450,941)
Balance as of December 31, 2022	20,835,915	(2,450,941)	18,384,974

Transfer of Green Tree assets	(1,757,381)	—	(1,757,381)
Purchase price allocation adjustment	768,504	—	768,504
Impairment	—	(1,516,000)	(1,516,000)
Balance as of December 31, 2023	<u>\$ 19,847,038</u>	<u>\$ (3,966,941)</u>	<u>\$ 15,880,097</u>

Cultivation Segment

	<u>Gross Goodwill</u>	<u>Accumulated Impairment</u>	<u>Net Goodwill</u>
Balance as of December 31, 2021	<u>2,484,200</u>	<u>\$ (2,484,200)</u>	<u>\$ —</u>
Goodwill acquired	—	—	—
Impairment	—	—	—
Balance as of December 31, 2022	<u>2,484,200</u>	<u>(2,484,200)</u>	<u>—</u>
Goodwill acquired	—	—	—
Balance as of December 31, 2023	<u>\$ 2,484,200</u>	<u>\$ (2,484,200)</u>	<u>\$ —</u>

Cultivation Segment Impairments

As of December 31, 2022, due to the continued declines in the wholesale price of marijuana flower in Colorado, the Company determined that the remaining intangible asset balance in the Cultivation segment was not recoverable based on current cash flow projections and that there was no longer value in the tradename given the economic conditions in the cultivation sector. Therefore, an impairment of the remaining balance of \$278,878 was recorded during the year ended December 31, 2022.

Retail Segment Impairments

As of annual testing date on December 31, 2022, the Company utilized a third-party valuation firm to estimate the fair value of the intangible assets with finite lives and, subsequently, the fair value of each reporting unit within the Retail segment using a combination of a discounted cash flow approach and market multiple approach. The resulting fair value estimates indicated that the fair value of the tradename intangible was less than the carrying value for the Trees MLK and Trees Waterfront dispensaries in Oregon. Therefore, the Company recognized an impairment of \$274,500 during the year ended December 31, 2022.

For goodwill, each dispensary location is considered a separate reporting unit. As a result, the Company determined that the fair value of each of the dispensary locations in Oregon was less than its carrying value. Therefore, the Company recognized goodwill impairments in the Retail segment in the amount of \$2,450,941 during the year ended December 31, 2022.

As of annual testing date on December 31, 2023, the Company utilized a third-party valuation firm to estimate the fair value of each reporting unit within the Retail segment using a combination of a discounted cash flow approach and market multiple approach. Each dispensary location is considered a separate reporting unit. As a result, the Company determined that the fair value of each of the dispensary locations in Oregon was less than its carrying value. Therefore, the Company recognized goodwill impairments in the Retail segment in the amount of \$1,516,000 during the year ended December 31, 2023.

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NOTE 11. LEASES

The Company's leases consist primarily of real estate leases for retail, cultivation, and manufacturing facilities. All but one of the Company's leases are classified as operating leases. The lease for the retail dispensary acquired in the Green Man transaction is classified as a finance lease. The current and non-current portions of the operating lease liabilities and finance lease liabilities are disclosed separately on the accompanying consolidated balance sheets. The finance lease ROU asset is included in property and equipment, net (see Note 9) and the operating lease ROU asset is disclosed separately on the accompanying consolidated balance sheets. As the rate implicit in the Company's leases is not readily determinable, we used an estimated incremental borrowing rate of 20% in determining the present value of lease payments.

The operating lease expense for the years ended December 31, 2023 and December 31, 2022 is as follows:

<u>For the year ended December 31,</u>	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Straight-line operating lease expense	<u>\$ 1,265,837</u>	<u>\$ 743,156</u>
Variable lease cost	<u>445,982</u>	<u>133,689</u>
Total operating lease expense	<u>\$ 1,711,819</u>	<u>\$ 876,845</u>

The finance lease expense for the year ended December 31, 2023 and December 31, 2022, was approximately \$167,293 and \$5,846, respectively.

Related party leases

As of December 31, 2023, one of the Company's operating leases, a cultivation facility lease, is a related party lease as the landlord is a principal shareholder and former board member of the Company. A retail dispensary lease and a lease that included both cultivation and retail were with related parties until November 2023, when these leases were transferred to the Green Tree parties (see Note 6). Prior to the transfer of these leases to the Green Tree Parties, the Green Tree Parties had consisted of a board member and executive level employee of the Company. During the year ended December 31, 2022, the related party operating leases consisted of one retail dispensary lease, one cultivation facility lease, and one lease that included both cultivation and retail. Another retail dispensary lease was with a related party through May 2022 when the building was sold to an unaffiliated third-party. As of December 31, 2023, the ROU asset, operating lease liability, current, and operating lease liability, non-current for the related party leases are \$ 142,080, \$120,000, and \$26,683, respectively. For the years ended December 31, 2023 and December 31, 2022, the total lease expense for related party leases was \$390,884 and \$434,437, respectively.

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Lease Maturities

Future remaining minimum lease payments on our operating leases and finance lease are as follows:

Year Ended December 31,	Operating leases	Finance lease
2024	\$ 846,201	\$ 205,400
2025	708,439	171,043
2026	452,948	136,940
2027	302,095	143,102
Thereafter	914,910	818,100
Total	3,296,593	1,474,585
Less: Present value adjustment	(1,232,000)	(767,937)
Lease liability	2,064,593	706,648
Less: Lease liability, current	(846,201)	(205,400)
Lease liability, non-current	\$ 1,218,392	\$ 501,248

The total remaining lease payments in the table above include \$772,051 related to renewal option periods that management is reasonably certain will be exercised. The majority of this amount relates to the flagship Trees location in Englewood, Colorado and the retail and certain cultivation facilities that were acquired in the Green Tree Acquisition and are eligible for renewal in 2023.

As of December 31, 2023, the weighted average remaining term of the Company's operating leases is 4.98 years and the remaining term on the finance lease is 9 years.

None of the Company's leases contain residual value guarantees or restrictive covenants.

Supplemental cash flow information

For the Year Ended December 31, 2023	December 31,	
	2023	2022
Supplemental cash flow information		
Cash paid for amounts included in operating lease liability	\$ 1,098,544	\$ 685,214
Cash paid for amounts included in finance lease liability	\$ 167,293	\$ 4,194
Supplemental lease disclosures of non-cash transactions:		
ROU assets obtained in exchange for operating lease liabilities	\$ 219,438	\$ 2,235,798
ROU assets obtained in exchange for finance lease liabilities	\$ —	\$ 766,623
Reduction of operating lease ROU asset and operating lease liabilities from remeasurement (1)	\$ —	\$ (1,097,651)

(1) In April 2022, the lease for Seven-Five Farm, a cultivation facility, was amended and the remaining lease payments were reduced. Upon modification, management reassessed the lease term and concluded that it was not reasonably certain that any of the renewal option periods in the lease would be exercised. This conclusion was different than the conclusion reached at the initial commencement of the lease in 2020. The significant drop in the wholesale cost of marijuana flower and the current economic environment in the cannabis industry, particularly in the cultivation sector, is the primary driver of this change. As a result, the measurement of the ROU asset and operating lease liability no longer includes the payments associated with the renewal option periods.

NOTE 12. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Our accounts payable and accrued expenses consist of the following:

	December 31,	
	2023	2022
Accounts payable	\$ 1,562,225	\$ 1,108,956
Accrued payroll, taxes, and vacation	942,233	683,134
Other	113,078	107,360
Total accounts payable and accrued expenses	\$ 2,617,536	\$ 1,899,450

NOTE 13. ACCRUED STOCK PAYABLE

The following tables summarize the changes in accrued Common Stock payable:

	Amount	Number of Shares
Balance as of December 31, 2021	\$ 444,894	1,769,537
Stock issued	(383,994)	(1,669,537)
Balance as of December 31, 2022	\$ 60,900	100,000
Stock issued	—	—
Balance as of December 31, 2023	\$ 60,900	100,000

In December 2021, we completed the acquisition of Trees Waterfront. As part of the transaction, we granted 1,669,537 shares of our Common Stock. The stock was subsequently issued on January 6, 2022.

The outstanding balance of accrued stock payable as of December 31, 2023 relates to a February 18, 2020 grant of 100,000 fully vested shares for consulting services. Based on a stock price of \$0.61 on the date of grant, the consultant will receive \$60,900 worth of our Common Stock. As of December 31, 2023, none of the stock had been issued.

NOTE 14. NOTES PAYABLE

Our notes payable consisted of the following:

December 31, 2023	December 31, 2022
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	Third-party	Related-party	Total	Third-party	Related-party	Total
2022 12% Notes	\$ 13,167,796	\$ 332,204	\$ 13,500,000	\$ 13,167,796	\$ 332,204	\$ 13,500,000
Trees Transaction Notes	—	326,811	326,811	—	1,191,865	1,191,865
Green Tree Acquisition Notes	—	562,000	562,000	774,750	2,725,250	3,500,000
Green Man Acquisition Notes	1,555,000	—	1,555,000	1,500,000	—	1,500,000
Working Capital Note	500,000	—	500,000	—	—	—
Unamortized debt discount	(1,312,427)	(25,141)	(1,337,568)	(1,527,346)	(361,587)	(1,888,933)
Total debt	13,910,369	1,195,874	15,106,243	13,915,200	3,887,732	17,802,932
Less: Current portion	(605,000)	(487,382)	(1,092,382)	(179,827)	(1,723,517)	(1,903,344)
Long-term portion	\$ 13,305,369	\$ 708,492	\$ 14,013,861	\$ 13,735,373	\$ 2,164,215	\$ 15,899,588

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Aggregate Maturities

As of December 31, 2023, aggregate future contractual maturities of long-term debt (excluding issue discounts) are as follows:

Year ended December 31, 2023	Amount
2024	\$ 1,092,382
2025	970,571
2026	14,380,858
	<u>\$ 16,443,811</u>

Trees Transaction Notes

In January 2022, with the completion of the Trees MLK acquisition, we are obligated to pay the Seller cash equal to \$384,873 in equal month installments over a period of 24 months. The payments began on June 15, 2022 and the payment is equal to \$16,036 per month. As of December 31, 2023 and 2022, the debt balance of this note was \$200,495 and \$272,618, respectively.

In December 2021, with the completion of the TREES Portland and TREES Waterfront acquisitions, we are obligated to pay the Seller cash equal to \$497,371. This note calls for monthly payments of \$20,724, which began on February 15, 2022. As of December 31, 2023 and 2022, the debt balance of this note was \$126,316 and \$269,409, respectively.

In September 2021, with the completion of the Englewood acquisition, we are obligated to pay the Seller cash equal to \$1,732,884. This note calls for monthly payments of \$72,204, which began on October 15, 2021. There is no interest associated with this note. As of December 31, 2022, the debt balance of this note was \$649,838. During the year, the Englewood Seller forgave the remaining principal balance \$256,582 owed from the Englewood acquisition. As the debt holder is also a shareholder of the Company, the effect of this debt forgiveness was accounted for as a capital contribution in paid-in capital.

Green Man Acquisition Notes

In December 2022, with the completion of the Green Man Acquisition, we are obligated to pay the Seller cash equal to \$1,500,000 in equal month installments over a period of 18 months. The payments begin in December 2023 and the payment is equal to \$83,333 per month. The relative fair value of this obligation resulted in a debt discount of \$275,154. We recorded amortization of debt discount expense from this obligation of \$133,970 and nil for the years ended December 31, 2023 and 2022, respectively. In December 2023, as part of the remeasurement of the Green Man acquisition, the fair value of the installment payments were remeasured (see Note 2), resulting in a decrease of the fair value of the debt of \$104,198.

Green Tree Acquisition Notes

In December 2022, with the completion of the Green Tree Acquisition, we were obligated to pay the Sellers cash equal to \$3,500,000 in equal month installments over a period of 15 months. Payments of \$233,333 were due monthly and were set to begin in September 2023, however, this debt was restructured as part of the settlement with the Green Tree entities (see Note 6 for the transfer and below for details of the restructuring). The relative fair value of the original obligation resulted in a debt discount of \$482,490. We recorded amortization of debt discount from this obligation of \$345,354 and nil for the years ended December 31, 2023 and 2022, respectively. In December 2023, as part of the final determination of purchase accounting for the Green Tree acquisition, the fair value of the installment payments were remeasured (see Note 2), resulting in a decrease of the fair value of the debt of \$136,502.

Green Tree Acquisition Notes Restructuring

Upon the transfer of the Green Tree assets to the Green Tree entities (see Note 6), we signed a settlement agreement with the Sellers to eliminate the amounts due and payable under the Green Tree Acquisition Notes, with the exception certain amounts due to one of the Sellers. As part of this settlement, we signed a letter amendment with this seller, who is a shareholder of the Company, to modify the terms of the monthly installments due to this seller. Pursuant to the amended terms, we shall make (i) thirty-three (33) equal monthly installments ("Installment Payments"), totaling \$441,571, commencing within five (5) business days of January 4, 2024 and continuing on or before the 15th day of each successive month thereafter; plus (ii) a single balloon payment equal to \$120,429 ("Balloon Payment") on or before September 15, 2026 ("Balloon Payment Date"), for a total of \$562,000. The Balloon Payment may be paid in cash or, at the sole option of the Company, common stock of the Company, the per share of which to be determined utilizing the "volume weighted average price" of the common stock for the five-trading day period immediately preceding the Balloon Payment Date.

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Upon agreement of these amended terms, we and the Sellers acknowledged that we lacked the financial means to make the remaining installment payments previously due, forecasting that we would default on the installment payments due to the Sellers. Additionally, we determined the effective interest rate for the amounts due under the amended installment payments was lower than the effective interest rate of the previous installment payments, evidencing that the Sellers have granted a concession related to this amendment. These factors resulted in the amendment of the debt being considered a troubled debt restructuring under ASC 470. Further, as the parties to the amendment were shareholders of the Company, this transaction is considered a non-reciprocal transfer with owners and is accounted for within equity (with no gain or loss recognized related to the restructuring). Accordingly, a capital contribution of \$1,974,384 was recognized in paid-in capital as of December 31, 2023, calculated as 1) the forgiveness of amounts due under the original Green Tree Acquisition Notes totaling \$3,244,467 and 2) the redemption of the Seller's equity consideration by the Company of \$1,636,400, offset by 3) the derecognition of Green Tree fixed assets, tradename intangible assets, goodwill, and inventory assets transferred from the Company to the Sellers totaling \$2,344,483 and 4) assumption of new amounts due under the amended terms discussed above of \$562,000.

12% Notes - 2022 Modification

On September 15, 2022, we entered into a Securities Purchase Agreement with certain accredited investors (the "12% Investors"), pursuant to which we agreed to issue and sell senior secured convertible notes (the "12% Notes") with an aggregate principal amount of \$13,500,000 to such 12% Investors, in exchange for payment by certain 12% Investors of an aggregate amount of \$10,587,250 in cash, as well as cancellation of outstanding indebtedness in the aggregate amount of \$2,912,750 represented by the 10% Notes discussed below. On December 15, 2023, the 12% Notes were restructured, as discussed below.

In connection with the 12% Notes, the 12% Investors received warrants (the "12% Warrants") to purchase shares of our Common Stock equal to 20% coverage of the aggregate principal amount with an exercise price of \$0.70 per share, which equals an aggregate of warrants to purchase 3,857,150 shares of Common Stock. The Lead 12% Investor received an additional 10% warrant coverage on the aggregate principal amount of 12% Notes for total additional warrants to purchase 1,928,571 shares of our Common Stock. The Lead 12% Investor also received a five percent fee on the aggregate principal amount of the 12% Notes. This total fee in the amount of \$675,000 was recorded as a debt discount and will be amortized over the life of the loan. The 12% Notes bear interest at an annual rate of 12% and will mature on September 16, 2026. The 12% Investors have the option to convert up to 50% of the outstanding unpaid principal and accrued interest of the 12% Notes into Common Stock at a fixed conversion price equal to \$1.00 per share. the 12% Notes are treated as conventional debt.

The fair value of the 12% Warrants was recorded as a debt discount and additional paid-in capital of \$569,223 was recorded in 2022. The relative fair value of the cancellation of the outstanding indebtedness was recorded as an extinguishment of debt and additional paid-in capital of \$103,577 in 2022.

For purposes of determining the debt discount, the underlying assumptions used in the Black-Scholes model to determine the fair value of the 12% Warrants as of September 15, 2022, were:

Current stock price	\$	0.20
Exercise price	\$	0.70
Risk-free interest rate		3.66%
Expected dividend yield		—
Expected term (in years)		5.0
Expected volatility		107%

On December 15, 2023, the 12% Warrants were modified to reduce the exercise price of the 12% Warrants to \$0.40 per share, as discussed below.

12% Notes - 2023 Modification

On December 15, 2023, the Company entered into Amended and Restated Senior Secured Convertible Notes ("Amended Notes") with certain accredited investors ("Investors") to modify the original terms of the 12% Notes. The material terms of the Amended Notes include no changes to the aggregate principal amount, the maturity date, or the interest rate. Material changes to the Amended Notes are discussed in the following sections:

Mandatory Conversion Feature

In accordance with the Amended Notes, up to \$3,375,000 (the "Convertible Amount") of the principal balance will be mandatorily convertible at a price per share equal to \$0.50. Additionally, the Convertible Amount contains different terms than the remaining principal balance, as discussed below.

The principal balance of the Convertible Amount is mandatorily convertible at any time during term upon occurrence of a trigger event.

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Additionally, in the event a trigger event occurs, interest on the Convertible Amount is subject to optional conversion by the Company. The first 50% of the Convertible Amount, or \$1,687,500, shall convert to common stock upon the occurrence of the 1) our common stock having a closing price equal to or greater than \$0.50 per share for five (5) consecutive trading days as reported on the OTCQB Market; and 2) the aggregate dollar amount of the common stock traded, starting on the first day of the five (5) day span referred above and for up to ninety day thereafter ("Trading Value") is equal to or greater than \$1,687,500. The remaining 50% of the Convertible Amount, or \$1,687,500, shall convert to common stock upon the occurrence of 1) our common stock having a closing price equal to or greater than \$0.50 per share for five (5) consecutive trading days as reported on the OTCQB Market, 2) the aggregate Trading Value is equal to or greater than \$1,687,000, and 3) the Common Stock converted upon the occurrence of the First Trigger Event has been registered with the SEC, by filing a registration statement on Form S-1 or otherwise.

Optional Conversion Feature

In accordance with the Amended Notes, an additional \$3,375,000 of the principal balance plus unpaid accrued interest on this principal will be convertible at Investors' option at a price per share equal to \$0.50.

Deferral of Interest Payments

Current interest payments on the entire principal balance are deferred until March 2024. Further, the Company shall make 'catch-up' interest payments beginning in December 2024 for deferred interest.

Amendments to Warrants

The exercise price of previously granted warrants issued in connection with the 12% note offerings was reduced to \$0.40 per share and the warrant expiration date was extended to September 15, 2029. We also recognized an increase to the debt discount of \$128,447 related to the increase in fair value of the 12% Warrants resulting from the reduction in exercise price and the extension of the exercise period.

For purposes of determining the debt discount, the underlying assumptions used in the Black-Scholes model to determine the fair value of the amended 12% Warrants as of December 15, 2023 were:

Current stock price	\$	0.09
Exercise price	\$	0.40
Risk-free interest rate		3.91%
Expected dividend yield		—
Expected term (in years)		5.8
Expected volatility		109%

Working Capital Note

In addition to the Amended Notes, the Lead Investor agreed to provide an additional \$250,000 in a separate note (the "Working Capital Note") which includes a liquidation preference to recover 1.25x the original investment in the event that the Company commences any dissolution, liquidation, or winding up. At our option, the Lead Investor shall provide up to an additional \$250,000, and, in such event, the Working Capital Note shall have a liquidation preference of 1.5x the original investment, applicable to the full \$500,000, in the event that the Company commences any dissolution, liquidation, or winding up. The Working Capital Note bears interest at 12% per annum and is due and payable on September 15, 2026. As of December 31, 2023, the balance of the Working Capital Note was \$500,000, as the Company requested and received the additional \$250,000 optional amount.

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The restructuring was deemed to be a debt modification under ASC 470, as the change in the present value of the cash flows related to the 12% Notes before and after the restructuring was less than 10%. Therefore, we will record debt obligations using the new effective interest rate as of the date of the modification.

We recorded amortization of debt discount expense from the 12% Notes of \$310,201 and nil for the years ended December 31, 2023 and 2022, respectively.

10% Notes

In December 2020, we entered into a Securities Purchase Agreement (the "Securities Purchase Agreement") with certain accredited investors (the "10% Investors"), pursuant to which we issued and sold senior convertible promissory notes (the "10% Notes") with an aggregate principal amount of \$2,940,000 in exchange for payment to us by certain 10% Investors of an aggregate amount of \$1,940,000 in cash, as well as cancellation of outstanding indebtedness of the 15% Notes (defined below) in the aggregate amount of \$1,000,000. In connection with the issuance of the 10% Notes, the holders of the 10% notes received warrants (the "10% Warrants") to purchase shares of our Common Stock equal to 20% coverage of the aggregate principal amount at \$0.56 per share. In the aggregate, this equals 1,050,011 shares of our Common Stock. The 10% Notes will bear interest at an annual rate of 10% and matured on December 23, 2023. The 10% Investors have the option at any time to convert up to 50% of the outstanding unpaid principal and accrued interest of the Notes into Common Stock at a variable price of 80% of the market price but no less than \$0.65 per share and no more than \$1.00 per share. The 10% Warrants are exercisable at an exercise price of \$0.56 per 10% Warrant.

The fair value of the 10% Warrants issued in 2022 was recorded as a debt discount and additional paid-in capital of \$254,400. The relative fair value of the cancellation of the outstanding indebtedness was recorded as an extinguishment of debt and additional paid-in capital of \$131,000.

For the years ended December 31, 2023 and 2022, amortization of debt discount expense was nil and \$84,375, respectively, from the 10% Notes. The 10% Notes are treated as conventional debt.

For purposes of determining the debt discount, the underlying assumptions used in the binomial lattice model to determine the fair value of the 10% Warrants as of December 31, 2020, were:

Current stock price	0.53
Exercise price	0.56
Risk-free interest rate	0.38%
Expected dividend yield	—
Expected term (in years)	5.0
Expected volatility	115%

On February 8, 2021, we entered into a Securities Purchase Agreement with an accredited 10% Investor, pursuant to which we issued and sold 10% Notes with an aggregate principal amount of \$1,660,000 to such 10% Investor. The 10% Notes are part of an over-allotment option exercised by us in connection with the convertible note offering consummated on December 23, 2020, as discussed above. In connection with the issuance of the 10% Notes, the holder received warrants to purchase shares of our Common Stock equal to 20% coverage of the aggregate principal amount at \$0.56 per share. In the aggregate, this equals 592,858 shares of our Common Stock. The 10% Notes bear interest at an annual rate of 10% and will mature on February 8, 2024. The 10% Investor has the option to convert up to 50% of the outstanding unpaid principal and accrued interest of the 10% Notes into Common Stock at a variable price of 80% of the market price but no less than \$0.65 per share and no more than \$1.00 per share. The 10% Warrants are exercisable at an exercise price of \$0.56 per warrant.

The relative fair value of the new funding on the 10% Warrants was recorded as a debt discount and additional paid-in capital of \$429,300. We determined that this 10% Note had a beneficial conversion feature and is calculated at its intrinsic value (that is, the difference between the effective conversion price of \$0.66 at the date of the note issuance and the fair value of the Common Stock into which the debt is convertible at the commitment date, per share being \$0.90, multiplied by the number of shares into which the debt is convertible). The valuation of the beneficial conversion feature recorded cannot be greater than the face value of the note issued. For the years ended December 31, 2023 and 2022, amortization of debt discount expense was nil and \$594,721, respectively. The 10% Notes are treated as conventional debt.

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For purposes of determining the debt discount, the underlying assumptions used in the binomial lattice model to determine the fair value of the 10% Warrants as of February 8, 2021, were:

Current stock price	1.12
Exercise price	0.56
Risk-free interest rate	0.48%
Expected dividend yield	—
Expected term (in years)	5.0
Expected volatility	118%

On April 20, 2021, we entered into a Securities Purchase Agreement with accredited 10% Investors, pursuant to which we issued and sold 10% Notes with an aggregate principal amount of \$2,300,000 to such 10% Investors. The 10% Notes are part of an over-allotment approved by the existing noteholders in connection with the original convertible note offering of \$4,600,000 consummated on December 23, 2020 and February 8, 2021. In connection with the issuance of the 10% Notes, each holder received warrants to purchase shares of our Common Stock equal to 20% coverage of the aggregate principal amount at \$0.56 per share, except that the warrants coverage to one Investor acting as lead investor in the raise received approximately 35.5% of the aggregate principal amount invested. The 10% Notes bear interest at an annual rate of 10% and will mature on April 20, 2024. The 10% Investors have the option to convert up to 50% of the outstanding unpaid principal and accrued interest of the 10% Notes into Common Stock at a variable price of 80% of the market price but no less than \$0.65 per share and no more than \$1.00 per share. The 10% Warrants are exercisable at an exercise price of \$0.56 per warrant. On December 15, 2023, the 10% Warrants were modified to reduce the exercise price of the 12% Warrants to \$0.40 per share, as previously discussed.

The relative fair value of the new funding on the 10% Warrants was recorded as a debt discount and additional paid-in capital of \$810,000. We determined that these 10% Notes

had a beneficial conversion feature and is calculated at its intrinsic value (that is, the difference between the effective conversion price of \$0.49 at the date of the note issuance and the fair value of the Common Stock into which the debt is convertible at the commitment date, per share being \$0.83, multiplied by the number of shares into which the debt is convertible). The valuation of the beneficial conversion feature recorded cannot be greater than the face value of the note issued. We recorded \$692,500 as additional paid in capital and a debt discount and included in our consolidated statement of operations. For the years ended December 31, 2023 and 2022, amortization of debt discount expense was nil and \$1,024,442, respectively. The 10% Notes are treated as conventional debt.

For purposes of determining the debt discount, the underlying assumptions used in the binomial lattice model to determine the fair value of the 10% Warrants as of April 20, 2021, were:

Current stock price	0.83
Exercise price	0.56
Risk-free interest rate	0.81%
Expected dividend yield	—
Expected term (in years)	5.0
Expected volatility	115%

In September 2022, \$2,912,750 of the 10% Notes were exchanged for the 12% Notes (see above) and the remaining \$3,987,250 was paid in full. Of the remaining debt discount, \$207,045 was expensed to extinguishment of debt and \$1,125,844 was expensed to amortization of debt discount.

2023 Amendments to Warrant

On December 15, 2023, the exercise price of some of the previously granted warrants issued in connection with the 10% note offerings was reduced to \$0.40 per share and the warrant expiration date was extended to September 15, 2029. We also recognized an increase to the debt discount of \$49,544 related to the increase in fair value of the 10% Warrants resulting from the reduction in exercise price and the extension of the exercise period.

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For purposes of determining the debt discount, the underlying assumptions used in the Black-Scholes model to determine the fair value of the amended 10% Warrants as of December 15, 2023 were:

Current stock price	\$	0.09
Exercise price	\$	0.40
Risk-free interest rate		3.91%
Expected dividend yield		—
Expected term (in years)		5.8
Expected volatility		109%

See Note 19 for a summary of the outstanding warrants issued in conjunction with our debt.

NOTE 15. WARRANT DERIVATIVE LIABILITY

On May 31, 2019, we received gross proceeds of \$3,000,000 by issuing three million shares of our Common Stock and three million warrants ("2019 Warrants") to purchase shares of our Common Stock ("2019 Units") in a registered direct offering for \$1.00 per 2019 Unit (collectively defined as the "2019 Capital Raise"). The 2019 Warrants, issued with the 2019 Capital Raise, are accounted for as a derivative liability. The 2019 Warrant agreements contain a cash settlement provision whereby the holders could settle the warrants for cash based on the Black-Scholes value, upon certain fundamental transactions, as defined in the 2019 Warrant agreement, that are considered outside of the control of management, such as a change of control. The original exercise price of the 2019 Warrants was \$1.30 per share. The 2019 Warrants contain certain anti-dilution adjustment provisions with respect to subsequent issuances of securities by the Company at a price below the exercise price of such warrants. As a result of such subsequent issuances of securities by the Company during the fourth quarter 2019, the exercise price of the 2019 Warrants decreased to \$0.45 per share and the number of shares subject to the 2019 Warrants increased to 8,666,666 shares of common stock as of December 31, 2019. In May 2020, we issued securities at a price lower than the \$0.45 per share above. As a result, the exercise price of the 2019 Warrants decreased to \$0.3983 per share and the number of shares subject to the 2019 Warrants increased to 9,591,614 shares of common stock.

During the years ended December 31, 2023 and 2022, we recognized a \$792 gain and a \$22,809 gain on the change in fair value of the derivative liability, respectively. As of December 31, 2023, there were 322,807 of the 2019 Warrants outstanding.

The following are the key assumptions that were used to determine the fair value of the 2019 Warrants:

	December 31, 2023	December 31, 2022
Number of shares underlying the warrants	322,807	322,807
Fair market value of stock	0.16	0.15
Exercise price	0.40	0.40
Volatility	96.23%	78%
Risk-free interest rate	5.34%	3.99%
Warrant life (years)	0.41	1.41

The following table sets forth a summary of the changes in the fair value of the warrant derivative liability, our Level 3 financial liabilities that are measured at fair value on a recurring basis:

	December 31,	
	2023	2022
Beginning balance	\$ 5,508	28,317
Change in fair value of warrants derivative liability	(792)	(22,809)
Ending balance	\$ 4,716	5,508

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NOTE 16. OTHER INCOME

Under the provisions of the Coronavirus Aid Relief, and Economic Security Act (the "CARES Act") signed into law on March 27, 2020, and the subsequent extension of the CARES Act, the Company, with the guidance from a third-party specialist, determined it was eligible for a refundable employee retention credit ("ERC") subject to certain criteria.

The Company applied for the ERC for the last three quarters' wages paid in calendar year 2020 and the first three quarters' wages paid in calendar year 2021. The Company recognized an ERC benefit of \$1,085,939, net of third-party specialist fees of \$217,188, which is included in Other Income on the accompanying Consolidated Statement of Operations for the year ended December 31, 2023. As of December 31, 2023, the Company received \$909,282 in ERC payments reducing the receivable within Other Current Assets on the Consolidated Balance Sheet to \$176,657.

NOTE 17. COMMITMENTS AND CONTINGENCIES

Legal

From time to time, we may be involved in various claims and legal actions in the ordinary course of business. We are not currently subject to any material legal proceedings outside the ordinary course of our business.

NOTE 18. DEFERRED TAXES

Income tax expense was \$187,848 and \$204,917 for the years ended December 31, 2023 and 2022, respectively.

Significant components of the Company's deferred tax assets and liabilities at December 31, 2023 and 2022 are shown below. A valuation allowance has been established as realization of such net deferred tax assets has not met the more likely-than-not threshold requirement. If the Company's judgment changes and it is determined that the Company will be able to realize these deferred tax assets, the tax benefits relating to any reversal of the valuation allowance on deferred tax assets will be accounted for as a reduction to income tax expense.

As of December 31, 2023 and 2022, the Company had federal operating loss carryforwards of approximately \$25.6 million and \$32.1 million, respectively, and \$42.1 and \$41.1 million of state net operating loss carryforwards, respectively. Of the current net operating loss carryforwards, \$25.8 million expire starting in 2034 through 2043, and \$41.9 million do not expire. The Company has evaluated ownership changes pursuant to IRC Sections 382 and 383. The annual Section 382 base limit is approximately \$461 thousand. The additional deemed RBIG pursuant to Notice 2003-65 is approximately \$2 million per year for a 5-year recognition period through December 31, 2026.

The components of net deferred tax assets and liabilities are as follows:

	December 31,	
	2023	2022
Deferred tax assets:		
Net operating loss carryforwards	\$ 6,847,158	\$ 8,563,430
Equity-based instruments	295,746	366,007
Long-lived assets and other	17,202	(46,324)
Capital loss carryforward	—	97,868
Total deferred tax assets	<u>7,160,106</u>	<u>8,980,981</u>
Deferred tax liabilities:		
Intangible assets	(338,428)	(566,853)
Total deferred tax liabilities	<u>(338,428)</u>	<u>(566,853)</u>
Valuation allowance	\$ (6,821,678)	\$ (8,414,128)
Net deferred tax asset	<u>—</u>	<u>—</u>

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A reconciliation of our income tax provision and the amounts computed by applying statutory rates to income before income taxes is as follows:

	December 31,	
	2023	2022
Income tax benefit at statutory rate	\$ (1,488,439)	\$ (1,946,731)
State income tax benefit, net of Federal benefit	360,526	—
280E Disallowance	1,751,278	1,834,141
Equity-based instruments	—	14,180
Fair market value adjustment/loss on extinguishment – derivative liabilities	(166)	65,231
Amortization of debt discount	170,462	376,895
Goodwill and intangible impairment	248,010	573,262
Non-taxable cancellation of debt income	617,200	—
Other	121,427	107,608
Valuation allowance	(1,592,450)	(819,669)
	<u>\$ 187,848</u>	<u>\$ 204,917</u>

NOTE 19. STOCKHOLDERS' EQUITY

2021 Preferred stock offering

On September 10, 2021, we entered into a Securities Purchase Agreement (the "Securities Purchase Agreement") with various accredited investors (the "2021 Investors"), pursuant to which we issued and sold Units consisting of Series A Convertible Preferred Stock ("Series A Preferred") and warrants (the "Preferred Warrants") to purchase shares of our Common Stock. The total number of Units sold was 1,180. Each Unit consists of one share of Series A Preferred and 354,000 Preferred Warrants. The purchase price of each Unit was \$1,000, for an aggregate amount sold of \$1,180,000. Each share of Series A Preferred is convertible into 1,000 shares of Common Stock upon the consummation of a capital raise of not less than \$5,000,000. The Certificate of Designation of the Series A Preferred Stock ("Certificate of Designation") was filed with the Secretary of the State of Colorado on September 14, 2021. The Certificate of Designations established the new preferred series entitled "Series A Convertible Preferred Stock" with no par value per share, and sets forth the rights, restrictions, preferences, and privileges of the Series A Preferred, summarized as follows:

- Authorized Number of Shares – 5,000

- Voting Rights – None
- Dividends – 6% per annum, 'paid in kind' in shares of Series A Preferred
- Conversion – Each share of Series A Preferred is mandatorily convertible into 1,000 shares of Common Stock upon a minimum capital raise of \$5,000,000; sale, merger, or business combination of the Company; or the Company listing on an exchange
- Redemption – No rights of redemption by 2021 Investors, nor mandatory redemption

The Preferred Warrants have a five-year term and an exercise price per Preferred Warrant share of \$1.05. The warrants contain an anti-dilution provision pursuant to which upon a future capital raise at less than \$1.00 per share, each Preferred Investor will be granted additional Preferred Warrants on a 'full-ratchet' basis.

The proceeds received in the sale of the Series A Preferred totaled \$1,180,000, for the issuance of 1,180 Series A Preferred, plus 354,000 warrants. The warrants were valued using a Black Scholes model, at \$117,131 and per the relative fair value allocation, \$1,073,446 was allocated to the Series A proceeds.

As of December 31, 2023 we have recorded accrued dividends of \$106,200. As of December 31, 2022 we have recorded accrued dividends of \$88,500.

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In addition to the Preferred Warrants, the Company has outstanding warrants related to prior equity offerings. The table below summarizes the warrants issued in conjunction with our equity offerings:

	Number of Shares	Weighted- average Exercise Price per Share	Weighted- average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2021	7,956,814	\$ 0.56	4.4	\$ —
Granted	—	—		
Outstanding as of December 31, 2022	7,956,814	0.56	4.4	—
Granted	—	—		
Outstanding and exercisable as of December 31, 2023	7,956,814	\$ 0.56	3.4	\$ —

Warrants with Debt

The Company has also issued warrants in conjunction with debt issuances, as discussed in Note 14. The following summarizes warrants issued in conjunction with our debt issuances:

	Number of Shares	Weighted- average Exercise Price per Share	Weighted- average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2021	8,085,529	\$ 0.58	2.8	\$ —
Granted	5,785,721	0.70		
Exercised	—	—		
Expired	(1,756,000)	0.40		
Outstanding as of December 31, 2022	12,115,250	0.66	3.5	—
Granted	—	—		
Expired	(1,800,000)	0.40		
Outstanding as of December 31, 2023	10,315,250	\$ 0.49	3.9	\$ —

Stock-based Compensation

Stock-based Awards

As of December 31, 2023, the Company has two active plans, the 2020 Omnibus Incentive Plan approved by the Board in November 2020 ("2020 Plan") and the 2014 Equity Incentive Plan approved by the Board in October 2014 ("2014 Plan" and collectively with the 2020 Plan the "Stock Incentive Plans") that allow the Board of Directors to grant stock-based awards to eligible employees, non-employee directors, and consultants of the Company and its subsidiaries. Under the Stock Incentive Plans, the Board may grant non-statutory and incentive stock options, stock appreciation rights, restricted stock awards, restricted stock units, deferred stock units, performance awards, non-employee director awards, and other stock-based awards. Subject to adjustment, the maximum number of shares of our common stock to be authorized for issuance under the Stock Incentive Plans is 25 million shares. As of December 31, 2023, stock-based awards for approximately 17.5 million shares are available to be issued under the Stock Incentive Plans.

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Stock Options

The following summarizes Employee Awards activity for the years ended December 31, 2023 and 2022:

	Number of Shares	Weighted- average Exercise Price per Share	Weighted- average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
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Outstanding as of December 31, 2022	4,936,825	\$	1.08	4.4	\$	22,000
Forfeited	(140,000)		0.72			
Outstanding as of December 31, 2023	<u>4,796,825</u>	\$	1.05	2.3	\$	22,000
Exercisable as of December 31, 2023	<u>4,796,825</u>	\$	1.05	2.3	\$	22,000

The Company recognized \$69,071 and \$188,330 of expense related to stock-based awards during the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023, there was no unrecognized compensation expense related to unvested employee awards.

Restricted Stock Awards

On April 1, 2022 the Company entered into a Restricted Stock Unit Agreement with four participants. The Restricted Stock Units ("2022 RSUs") were granted pursuant to the Company's 2020 Omnibus Incentive Plan. Four executives were each granted 300,000 units, for a total grant of 1,200,000 2022 RSUs. The 2022 RSUs were divided into three equal tranches. Each tranche will vest as the market price of the Company's common stock reaches \$1.00, \$2.00 and \$3.00, respectively, as reported on the OTCQB market. Upon the 2022 RSUs vesting, each participant will be promptly issued shares of the Company's common stock. If there is a change in control, all unvested 2022 RSUs granted under this agreement will fully vest and be paid out or settled. The fair value of these instruments is \$535,976 and was calculated using the Monte Carlo model. The fair value of the 2022 RSUs is recognized over the requisite service period. As the 2022 RSUs do not have a service period, the Company used the requisite service period derived from the valuation of 10 years.

During 2023, the Company granted 1,040,462 Restricted Stock Units pursuant to the 2020 Omnibus Incentive Plan to directors and an employee ("2023 RSUs"). The 2023 RSUs vest seven years from the grant date, or earlier upon certain triggering events as defined in the agreement, and upon vesting convert into one share of the Company's common stock. The fair value of the 2023 RSUs is determined based on the closing price of the Company's common stock on the grant date.

The Company recorded \$55,074 and \$40,506 in compensation expense during the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023 none of the RSU's have vested.

A summary of the Company's grants of restricted stock units under the 2020 Omnibus Incentive Plan is presented below:

	Number of Shares	Weighted- Average Grant Date Fair Value
Outstanding as of December 31, 2022	1,200,000	\$ 0.04
Granted	1,040,462	0.01
Vested	—	—
Forfeited or expired	—	—
Outstanding as of December 31, 2023	<u>2,240,462</u>	\$ 0.04

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NOTE 20. NET LOSS PER SHARE

Basic net loss per share is computed by dividing net loss by the weighted-average number of common shares outstanding during the reporting period. Diluted net loss per share is computed similarly to basic loss per share, except that it includes the potential dilution that could occur if dilutive securities are exercised.

Outstanding stock options and Common Stock warrants are considered anti-dilutive because we are in a net loss position. Accordingly, the number of weighted average shares outstanding for basic and fully diluted net loss per share are the same.

The following summarizes equity instruments that may, in the future, have a dilutive effect on earnings per share:

	December 31,	
	2023	2022
Stock options	4,796,825	4,936,825
Restricted stock awards	2,240,462	1,200,000
Warrants	18,272,064	20,072,064
Accrued stock payable	100,000	100,000
Convertible notes	6,750,000	6,750,000
Preferred stock	1,180,000	1,180,000
	<u>33,339,351</u>	<u>34,238,889</u>

NOTE 21. RELATED PARTY TRANSACTIONS

On September 16, 2022, the Company entered into a new consulting agreement with Adam Hershey, its Interim Chief Executive Officer, pursuant to which Mr. Hershey will continue to serve as the Company's Interim Chief Executive Officer with compensation equal to \$200,000 per annum, payable by the Company, monthly. The term of the consulting agreement is for a period of one year, with automatic six-month renewals thereafter unless terminated by either party. As part of the new consulting agreement, the Company has also agreed to extend warrants to purchase 7,280,007 shares of Common Stock, held by an affiliate of Mr. Hershey, for an additional two years until, May 29, 2027. The exercise price and all other terms and conditions of such warrants remain unchanged. We paid \$200,000 and \$125,000 under this consulting a for the years ended December 31, 2023 and 2022, respectively.

In February 2023, the Company completed the acquisition of Station 2, LLC's assets. Station 2, LLC is owned by a board member, who is also a shareholder and executive level employee of the Company. See Note 3 for additional information regarding the Station 2 asset acquisition and Note 6 for the license transfer.

On July 7, 2023, the Company entered into a Transaction Services Agreement with Allyson Feiler Downing and Loree Schwartz as a result of the Settlement Agreement entered into with the Green Tree Parties as described in Note 3. Ms. Downing was a former officer of the Company and member of the Board of Directors, however, she had continued to serve on the Board under the Transaction Services Agreement. Under this Agreement, Ms. Downing and Ms. Schwartz provided certain administrative and management services related to the transferred assets in exchange for all revenue generated by the transferred assets. The Transaction Services Agreement was effective until the transferred assets were officially transferred to the Green Tree Parties, which took place in November 2023 (see Note 6). On August 3, 2023, Ms. Downing resigned from the Company's Board of Directors.

The Company currently has a lease agreement with Dalton Adventures, LLC in which the Company leases 17,000 square feet of greenhouse space in Boulder, Colorado for \$29,691 a month, of which \$27,000 is base rent and \$2,691 is property taxes. The base rent decreased to \$10,000 per month starting in May 2023. The owner of Dalton Adventures, LLC is a principal shareholder and former board member of the Company. We have incurred \$181,132 and \$362,000 in related party lease expense for the years ended December 31, 2023 and 2022, respectively. See Note 11 for further discussion of the Company's obligations associated with related party leases.

The Company had a lease agreement with JLA Enterprises, LLC in which the Company leased a retail dispensary in Longmont, Colorado. A former board member and a former executive level employee of the Company are owners of JLA Enterprises, LLC. The Company also had a lease agreement with ALJ 1090, LLC in which the Company leased a building that has a retail dispensary and cultivation facility in Berthoud, Colorado. The same former board member is an owner of ALJ 1090, LLC. These leases were assumed as part of the Green Tree Acquisition on December 12, 2022. In November 2023, these leases were transferred back to the former board member and former executive level employee and these individuals ceased employment with the Company, ending the related party relationship with the Company. We have incurred \$209,752 and nil for the years ended December 31, 2023 and 2022, respectively. See Note 11 for further discussion of the Company's obligations associated with related party leases.

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The Company had a lease agreement with Bellewood Holdings, LLC in which the Company leased retail space for the Trees Englewood retail store in Englewood, Colorado for \$11,287 per month, of which \$10,000 is base rent and \$1,287 is property taxes. The owner of Green Tree Holdings, LLC is a principal shareholder and board member of the Company. In June 2022, the building was sold to an unrelated party. We incurred nil and \$66,000 of related party lease expense for the for the years ended December 31, 2023 and 2022, respectively. See Note 11 for further discussion of the Company's obligations associated with related-party leases.

NOTE 22. SEGMENT INFORMATION

Our operations are organized into two segments: Retail and Cultivation. All revenue originates, and all assets are located in the United States. Segment information is presented in accordance with ASC 280, "Segments Reporting." This standard is based on a management approach that requires segmentation based upon our internal organization and disclosure of revenue and certain expenses based upon internal accounting methods. Our financial reporting systems present various data for management to run the business, including internal profit and loss statements prepared on a basis not consistent with GAAP.

Year ended December 31,

2023	Retail	Cultivation	Eliminations	Total
Total revenues	\$ 17,722,565	\$ 2,531,399	\$ (2,117,084)	\$ 18,136,880
Costs and expenses	(17,568,330)	(4,468,658)	2,117,084	(19,919,904)
Segment operating income (loss)	\$ 154,235	\$ (1,937,259)	\$ —	(1,783,024)
Corporate expenses				(6,008,066)
ERC Credits				896,680
Net loss from continuing operations before income taxes				\$ (6,894,410)

2022	Retail	Cultivation	Eliminations	Total
Total revenues	\$ 12,934,904	\$ 1,783,309	\$ (1,273,671)	\$ 13,444,542
Costs and expenses	(13,117,039)	(3,346,975)	1,273,671	(15,190,343)
Segment operating income (loss)	\$ (182,135)	\$ (1,563,666)	\$ —	(1,745,801)
Corporate expenses				(7,529,827)
Net loss from continuing operations before income taxes				\$ (9,275,628)

	December 31, 2023	December 31, 2022
Total assets		
Retail	\$ 20,491,961	\$ 25,212,245
Cultivation	1,736,685	4,628,452
Corporate	1,018,247	1,985,455
Total assets - segments	23,246,893	31,826,152
Intercompany eliminations	—	(131,439)
Total assets - consolidated	\$ 23,246,893	\$ 31,694,713

NOTE 23. SUBSEQUENT EVENTS

The Company evaluated the impact of subsequent events through the date that the accompanying financial statements were issued. Subsequent to December 31, 2023 and prior to the issuance of these financial statements, there were no subsequent events that have occurred that would require recognition or disclosure in the financial statements.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are the controls and other procedures that are designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is accumulated and communicated to management, including the Chief Executive Officer and Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

The Company maintains controls and procedures designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. As of December 31, 2023, the Company's management, including the Company's Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Accounting Officer), has evaluated the effectiveness of the Company's disclosure controls and procedures as defined in Rules 13a-15 and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must necessarily reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on the foregoing evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2023.

Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Internal control over financial reporting is a process designed by, or under the supervision of, the Company's principal executive and principal financial officers, and effected by the board of directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP including those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Company, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that the controls may become inadequate because of changes in conditions or that the degree of compliance with policies and procedures may deteriorate.

The management of TREES Corporation, with participation of the Chief Executive Officer and the Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2023. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in the Internal Control – Integrated Framework (2013). Based on the assessment under COSO, management determined that our internal control over financial reporting was effective as of December 31, 2023.

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

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the year ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

The information required by this Item 10 will be incorporated by reference from our definitive proxy statement or included in an amendment to this Annual Report on Form 10-K in reliance on General Instruction G(3) to Form 10-K, in either case to be filed not later than 120 days following the end of our fiscal year.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item 11 will be incorporated by reference from our definitive proxy statement or included in an amendment to this Annual Report on Form 10-K in reliance on General Instruction G(3) to Form 10-K, in either case to be filed not later than 120 days following the end of our fiscal year.

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

The information required by this Item 12 will be incorporated by reference from our definitive proxy statement or included in an amendment to this Annual Report on Form 10-K in reliance on General Instruction G(3) to Form 10-K, in either case to be filed not later than 120 days following the end of our fiscal year.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this Item 13 will be incorporated by reference from our definitive proxy statement or included in an amendment to this Annual Report on Form 10-K in reliance on General Instruction G(3) to Form 10-K, in either case to be filed not later than 120 days following the end of our fiscal year.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item 14 will be incorporated by reference from our definitive proxy statement or included in an amendment to this Annual Report on Form 10-K in reliance on General Instruction G(3) to Form 10-K, in either case to be filed not later than 120 days following the end of our fiscal year.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following Exhibits are filed with this Report:

Exhibit Number	Exhibit Name
2.1	Articles of Merger (Acquisition of shares in Advanced Cannabis Solutions) (Incorporated by reference to Exhibit 2 to our registration statement on Form S-1, File No. 333-193890)
2.2	Asset Purchase Agreement dated as of January 24, 2020, by and between the Company and Dalton Adventures, LLC (incorporated by reference to Exhibit 2.2 to our Form 10-K filed May 14, 2020)
2.3	Asset Purchase Agreement, dated as of April 7, 2020, between the Company and the Organic Seed, LLC (incorporated by reference to Exhibit 2.3 to our Form 10-K filed May 14, 2020)
3.1	Amended and Restated Articles of Incorporation (Incorporated by reference to Exhibit 3.3 to our registration statement on Form S-1, File No. 333-163342)
3.2	Articles of Amendment (name change) (Incorporated by reference to Exhibit 3.1 to our Form 8-K filed on June 18, 2015)
3.3	Amendment to Amended and Restated Articles of Incorporation effective November 23, 2020 (incorporated by reference to Exhibit 3.1 to our Form 8-K filed on November 25, 2020)
3.4	Amendment to Amended and Restated Articles of Incorporation effective June 8, 2022 (incorporated by reference to Exhibit 3.1 of our form 8-K filed on June 14, 2022)
3.5	Amended and Restated Bylaws (Incorporated by reference to Exhibit 3.1 to our Form 8-K filed on February 1, 2017)
4.1	Certificate of Designation of Series A Convertible Preferred Stock (incorporated by reference to Exhibit 4.1 to our Form 8-K filed September 14, 2021)
4.6**	Description of Company's Common Stock
10.1	Warrant to Purchase Common Stock (Incorporated by reference to Exhibit 4.2 to our Form 8-K filed on April 6, 2016)
10.2	Form of Common Stock Purchase Warrant (Incorporated by reference to Exhibit 4.1 to our Form 8-K filed June 4, 2019)
10.3	Form of Employee Nonstatutory Stock Option Agreement (Incorporated by reference to Exhibit 10.1 to our Form 8-K filed on July 16, 2015)
10.4	Warrant to Purchase Common Stock (Incorporated by reference to Exhibit 10.1 to our Form 8-K filed on August 3, 2015)
10.5	Option for the Company to Purchase Note and Equity Interest (Incorporated by reference to Exhibit 10.1 to our Form 8-K filed on November 9, 2015)
10.6	Form of Amendment to Option to Purchase Note and Equity Interest (Incorporated by reference to Exhibit 10.1 to our Form 8-K filed on June 8, 2016)

10.7	Form of Warrant to Purchase Common Stock (Incorporated by reference to Exhibit 10.2 to our Form 8-K filed on June 8, 2016)
10.8†	Form of Time-Based Options Award (Incorporated by reference to Exhibit 10.2 to our Form 8-K filed on December 14, 2017)
10.9†	Form of Performance-Based Options Award (Incorporated by reference to Exhibit 10.3 to our Form 8-K filed on December 14, 2017)
10.10†	Amended and Restated 2014 Equity Incentive Plan (Incorporated by reference to Exhibit 10.2 to our Form 10-Q filed on November 8, 2018)
10.11	Agreement with Flowhub Holdings, LLC Safe dated November 5, 2018 (Incorporated by reference to Exhibit 10.1 to our Form 8-K filed on November 9, 2018)
10.12	Form of First Amendment to Secured Promissory Note (Incorporated by reference to Exhibit 10.1 to our Form 8-K filed May 6, 2019)
10.13	Form of Securities Purchase Agreement (Incorporated by reference to Exhibit 10.1 to our Form 8-K filed June 4, 2019)
10.14	Promissory Note Purchase Agreement (Incorporated by reference to Exhibit 10.1 to our Form 8-K filed July 24, 2019)
10.15	Form of Promissory Note (Incorporated by reference to Exhibit 10.2 to our Form 8-K filed July 24, 2019)
10.16	Form of Securities Exchange Agreement (Incorporated by reference to Exhibit 10.1 to our Form 8-K filed September 17, 2019)
10.17	Form of Securities Purchase Agreement (Incorporated by reference to Exhibit 10.1 to our Form 8-K filed September 26, 2019)
10.18	Contract to Buy and Sell Real Estate (Commercial) (Incorporated by reference to Exhibit 10.5 to our Form 8-K filed November 20, 2019)
10.19	Deed of Trust Note dated December 31, 2019 (Incorporated by reference to Exhibit 10.1 to our Form 8-K filed January 14, 2020)
10.20	Deed of Trust, Assignment of Leases and rents, Security Agreement and Fixture Filing dated January 8, 2020 (Incorporated by reference to Exhibit 10.2 to our Form 8-K filed January 14, 2020)
10.21	Form of Unsecured Promissory Note (Incorporated by reference to Exhibit 10.1 to our Form 8-K filed February 24, 2020)
10.22	Form of 2020 A Warrant to Purchase Shares of Common Stock (Incorporated by reference to Exhibit 10.2 to our Form 8-K filed February 24, 2020)
10.23	Convertible Promissory Note (Incorporated by reference to Exhibit 10.3 to our Form 8-K filed February 24, 2020)
10.24	Promissory Note Exchange Agreement (Incorporated by reference to Exhibit 10.4 to our Form 8-K filed February 24, 2020)
10.25	Subscription Agreement entered into as of May 31, 2020 by the Company, Hershey Strategic Capital, LP and Shore Ventures III, LP (Incorporated by reference to Exhibit 10.1 to our Form 8-K filed June 1, 2020)
10.26	Form of Warrant (Incorporated by reference to Exhibit 10.2 to our Form 8-K filed June 1, 2020)
10.27	Letter Agreement between General Cannabis Corp and Hershey Strategic Capital, LP and Shore Ventures III, LP, dated September 13, 2020 (incorporated by reference to Exhibit 10.1 to our Form 8-K filed September 14, 2020)
10.28	General Cannabis Corp 2020 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 to our Form 8-K filed on November 25, 2020)

10.29	Form of Senior Convertible Promissory Note issued by General Cannabis Corp to certain investors (incorporated by reference to Exhibit 10.1 to our Form 8-K filed December 30, 2020)
10.30	Form of Warrant issued by General Cannabis Corp to certain investors (incorporated by reference to Exhibit 10.2 to our Form 8-K filed December 30, 2020)
10.31	Form of Securities Purchase Agreement between General Cannabis Corp and certain investors (incorporated by reference to Exhibit 10.3 to our Form 8-K filed December 30, 2020)
10.32	Form of Supplemental Note Exchange Agreement for 15% Note Holders between General Cannabis Corp and certain investors (incorporated by reference to Exhibit 10.4 to our Form 8-K filed December 30, 2020)
10.33	Agreement and Plan of Reorganization and Liquidation dated April 18, 2021 (Colorado) (incorporated by reference to Exhibit 10.1 to our Form 8-K filed April 21, 2021)
10.34	Agreement and Plan of Reorganization and Liquidation dated April 18, 2021 (Oregon) (incorporated by reference to Exhibit 10.2 to our Form 8-K filed April 21, 2021)

2021)

10.35	Asset Purchase Agreement between General Cannabis Corp., NBC Holdings LLC and Richard Cardinal dated July 16, 2021 (incorporated by reference to Exhibit 10.1 to our Form 8-K filed July 21, 2021)
10.36†	Offer Letter dated September 5, 2021 between the Company and Jessica Bast (incorporated by reference to Exhibit 10.1 to our Form 8-K filed September 10, 2021)
10.37†	Employment Agreement dated September 9, 2021 between the Company and Timothy Brown (incorporated by reference to Exhibit 10.2 to our Form 8-K filed September 10, 2021)
10.38	Form of Securities Purchase Agreement – Series A Convertible Preferred Stock (incorporated by reference to Exhibit 10.1 to our Form 8-K filed September 14, 2021)
10.39	Form of Warrant (incorporated by reference to Exhibit 10.2 to our Form 8-K filed September 14, 2021)
10.40	Form of ‘A’ Warrant Amendment Agreement (incorporated by reference to Exhibit 10.1 to our Form 8-K filed September 21, 2021)
10.41	Form of ‘B’ Warrant Amendment (incorporated by reference to Exhibit 10.2 to our Form 8-K filed September 21, 2021)
10.42†	Amendment to Employment Agreement dated October 1 2021 between the Company and John Barker Dalton (incorporated by reference to Exhibit 10.1 to our Form 8-K filed October 4, 2021)
10.43	Asset Purchase Agreement dated September 13, 2022 by and among the Company and the Green Tree Entities party thereto (incorporated by reference to Exhibit 10.1 of our Form 8-K filed on September 19, 2022).
10.44†	Form of Employment Agreement between the Company and Allyson Feiler (incorporated by reference to Exhibit 10.2 of our Form 8-K filed on September 19, 2022).
10.45†	Form of Employment Agreement between the Company and Loree Schwartz (incorporated by reference to Exhibit 10.3 of our Form 8-K filed on September 19, 2022).

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10.46	Form of Consulting Agreement between the Company and CMD Consulting Services, Inc. (incorporated by reference to Exhibit 10.4 of our Form 8-K filed on September 19, 2022).
10.47	Form of Consulting Agreement between the Company and SilverFox, LLC (incorporated by reference to Exhibit 10.5 of our Form 8-K filed September 19, 2022).
10.48	Form of Securities Purchase Agreement dated September 15, 2022 by and among the Company and Investors party thereto (incorporated by reference to Exhibit 10.6 of our Form 8-K filed on September 19, 2022).
10.49	Form of Senior Secured Convertible Promissory Note of the Company (incorporated by reference to Exhibit 10.7 of our Form 8-K filed on September 19, 2022).
10.50	Form of Warrant of the Company (incorporated by reference to Exhibit 10.8 of our Form 8-K filed on September 19, 2022).
10.51	Form of Security Agreement by and among the Company and Investors (incorporated by reference to Exhibit 10.9 of our Form 8-K filed on September 19, 2022).
10.52	Form of First Escrow Agreement by and among the Company, Lead Investor and Day & Associates, LLC, as escrow agent (incorporated by reference to Exhibit 10.10 of our Form 8-K filed on September 19, 2022).
10.53	Form of Second Escrow Agreement by and among the Company, Investors and Day & Associates, LLC, as escrow agent (incorporated by reference to Exhibit 10.11 of our Form 8-K filed on September 19, 2022).
10.54†	Consulting Agreement dated September 16, 2022, by and between the Company and Hershey Management 1, LLC (incorporated by reference to Exhibit 10.12 of our Form 8-K filed on September 19, 2022).
10.55†	Consulting Agreement dated September 16, 2022, by and between the Company and CRM LLC (incorporated by reference to Exhibit 10.13 of our Form 8-K filed on September 19, 2022).
10.56	Asset Purchase Agreement dated October 14, 2022 by and among the Company, Trees Colorado LLC, Station 2 LLC and Timothy Brown (incorporated by reference to Exhibit 10.1 of our Form 8-K filed on October 19, 2022).
10.57	Amendment to First Amended and Restated Agreement and Plan of Reorganization and Liquidation dated October 14, 2022 by and among the Company, Trees Colorado LLC, TDM LLC, Station 2 LLC and Timothy Brown (incorporated by reference to Exhibit 10.2 of our Form 8-K filed on October 19, 2022).
10.58	Asset Purchase Agreement dated October 28, 2022 by and among the Company, Green Man Colorado LLC, GMC, LLC and certain equity holders of GMC party thereto (incorporated by reference to Exhibit 10.1 of our Form 8-K filed on November 3, 2022).
10.59	Settlement Agreement dated July 1, 2023 by and among the Company, Allyson Feiler Downing, Loree Schwartz and certain other parties thereto (incorporated by reference to Exhibit 10.1 of our Form 8-K filed on July 7, 2023).
10.60	Termination of Employment Agreement and Mutual General Release dated July 1, 2023 by and between the Company and Allyson Feiler Downing (incorporated by reference to Exhibit 10.2 of our Form 8-K filed on July 7, 2023).
10.61	Termination of Employment Agreement and Mutual General Release dated July 1, 2023 by and between the Company and Loree Schwartz (incorporated by reference to Exhibit 10.3 of our Form 8-K filed on July 7, 2023).

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10.62	Waiver dated July 1, 2023 (incorporated by reference to Exhibit 10.4 of our Form 8-K filed on July 7, 2023).
10.63	Consulting Agreement dated July 1, 2023 by and among the Company, Allyson Feiler Downing and Green Tree Berthoud, LLC (incorporated by reference to Exhibit 10.5 of our Form 8-K filed on July 7, 2023).
10.64	Transition Services Agreement dated July 1, 2023 by and among the Company, Green Tree Colorado LLC, Allyson Feiler Downing and Loree Schwartz (incorporated by reference to Exhibit 10.6 of our Form 8-K filed on July 7, 2023).
10.65	Assignment of Assets dated August 17, 2023 by and among Trees Colorado, LLC, Station 2, LLC and Timothy Brown (incorporated by reference to Exhibit 10.1 of our Form 8-K filed on August 23, 2023).
10.66	Form of Amended and Restated Senior Secured Convertible Note dated December 15, 2023 (incorporated by reference to Exhibit 10.1 of our Form 8-K filed on December 21, 2023).
10.67	Form of Working Capital Note dated December 15, 2023 (incorporated by reference to Exhibit 10.2 of our Form 8-K filed on December 21, 2023).
10.68	First Amendment to Securities Purchase Agreement and Security Agreement dated December 15, 2023 (incorporated by reference to Exhibit 10.3 of our Form 8-K filed on December 21, 2023).
10.69	Warrant Amendment Letter dated December 15, 2023 (incorporated by reference to Exhibit 10.4 of our Form 8-K filed on December 21, 2023).
10.70	M&A Financing Letter dated December 15, 2023 (incorporated by reference to Exhibit 10.5 of our Form 8-K filed on December 21, 2023).
10.71**	Form of Indemnification Agreement of TREES Corporation dated March 6, 2024.
14.1	Code of Ethics (Incorporated by reference to Exhibit 14.1 to our Form 10-K filed March 31, 2017)
21.1	Subsidiaries (incorporated by reference to Exhibit 21.1 of our Form 10-K filed on April 17, 2023).
23.1**	Consent of Haynie & Company
31.1**	Certification pursuant to Section 302 of the Sarbanes—Oxley Act of 2002 of Principal Executive Officer
31.2**	Certification pursuant to Section 302 of the Sarbanes—Oxley Act of 2002 of Principal Financial and Accounting Officer
32.1**	Certification pursuant to Section 906 of the Sarbanes—Oxley Act of 2002 of the Principal Executive and Financial Officers
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document

101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

(**) Filed herewith.

(†) Denotes management contract, or compensatory plan, contract or arrangement

SIGNATURES

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

Signature	Title	Date
/s/ Adam Hershey Adam Hershey	Interim Chief Executive Officer	April 10, 2024

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

Signature	Title	Date
/s/ Adam Hershey Adam Hershey	Principal Executive Officer and Director	April 10, 2024
/s/ Edward Myers Edward Myers	Interim Chief Financial Officer (Principal Financial and Accounting Officer)	April 10, 2024
/s/ Carl J. Williams Carl J. Williams	Director	April 10, 2024
/s/ Richard C. Travia Richard C. Travia	Director	April 10, 2024
/s/ Timothy Brown Timothy Brown	Director	April 10, 2024

TREES CORPORATION
DESCRIPTION OF SECURITIES

TREES Corporation, a Colorado corporation (referred to as we, us and our), has two classes of securities that are outstanding: common stock, par value \$0.001 per share (common stock) and series A convertible preferred stock, no par value (series A preferred stock).

The following description of our common stock is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to our Amended and Restated Articles of Incorporation, as amended (Charter), and our Amended and Restated Bylaws (Bylaws), which are filed as exhibits to our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 and are incorporated by reference herein. We encourage you to read our Charter, our Bylaws and the applicable provisions of the Colorado Business Corporations Act for additional information.

Authorized Shares

Our authorized capital consists of 200 million shares of common stock, par value \$0.001 per share, and five (5) million shares of preferred stock, no par value. As of April 1, 2024, we had 108,746,520 outstanding shares of common stock and 1,180 outstanding shares of series A preferred stock.

Common Stock

Holders of shares of common stock have the right to cast one vote for each share of common stock in their name on the books of our company, whether represented in person or by proxy, on all matters submitted to a vote of holders of common stock, including election of directors. There is no right to cumulative voting in election of directors. Except where a greater requirement is provided by statute, by our Charter, or by our Bylaws, the presence, in person or by proxy duly authorized, of one or more holders of a majority of the outstanding shares of our common stock constitutes a quorum for the transaction of business. The vote by the holders of a majority of outstanding shares is required to effect certain fundamental corporate changes such as liquidation, merger, or amendment of our articles of incorporation. Directors are elected by a plurality of votes in accordance with the Colorado Business Corporations Act.

There are no restrictions in our articles of incorporation or bylaws that prevent us from declaring dividends. The Colorado Business Corporations Act does, however, prohibit us from declaring dividends where, after giving effect to the distribution of the dividend (1) we would not be able to pay our debts as they become due in the usual course of business or (2) our total assets would be less than the sum of our total liabilities plus the amount that would be needed to satisfy the rights of shareholders who have preferential rights superior to those receiving the distribution.

We have not declared any dividends, and we do not plan to declare any dividends in the foreseeable future.

Holders of shares of our common stock are not entitled to preemptive or subscription or conversion rights, and no redemption or sinking fund provisions are applicable to our common stock. All outstanding shares of common stock are, or when issued pursuant to the terms of any convertible securities or warrants will be, fully paid and non-assessable.

The transfer agent and registrar for our common stock is Odyssey Transfer US Inc.

Preferred Stock

Under the terms of the Charter, our board of directors is authorized to direct us to issue shares of preferred stock in one or more series without stockholder approval. Our board of directors has the discretion to determine the rights, preferences, privileges, and restrictions, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences, of each series of preferred stock. The purpose of authorizing our board of directors to issue preferred stock and determine its rights and preferences is to eliminate delays associated with stockholder vote on specific issuances. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions, future financings and other corporate purposes, could have the effect of making it more difficult for third-party to acquire, or could discourage a third-party from seeking to acquire, a majority of our outstanding voting stock.



INDEMNIFICATION AGREEMENT

This **INDEMNIFICATION AGREEMENT** dated as of March 6, 2024, by and between **TREES Corporation**, a Colorado corporation with its principal office located at 215 Union Boulevard, Suite 415, Lakewood, Colorado 80228 (the "Corporation"), and the individual set forth on the signature page hereto (the "Indemnitee").

WITNESSETH:

WHEREAS, the Corporation seeks to attract and retain the most capable persons available to serve as its directors and officers;

WHEREAS, such persons require substantial protection against personal liability arising out of their faithful service to the Corporation;

WHEREAS, the Corporation and the Indemnitee believe it desirable to enter into an agreement to reflect indemnification and advancement of expenses arrangements; and

WHEREAS, in recognition of the Corporation's desire to retain the services of the Indemnitee and in furtherance of the Corporation's policy and in accordance with the Corporation's Articles of Incorporation and By-Laws, the Corporation desires to provide the Indemnitee with the right to indemnification and advancement of expenses and the Indemnitee desires to receive such right, all upon the terms and subject to the conditions contained herein.

NOW, THEREFORE, in consideration of the foregoing premises, the Indemnitee's continued service to the Corporation and the mutual covenants contained herein, the parties hereby agree as follows:

1. Certain Terms Defined. As used in this Agreement, the following terms shall have the following meanings:

(a) The term "Action" shall mean any threatened, pending or completed action, suit, proceeding, alternative dispute resolution mechanism, investigation, inquiry, administrative hearing, or any other actual, threatened, or completed proceeding, whether civil, criminal, administrative or investigative, and including one by or in the right of the Corporation or by or in the right of any other Entity which the Indemnitee served in any capacity at the request of the Corporation, including any appeal therefrom.

(b) The term "Agreement" shall mean this Indemnification Agreement, as the same may be amended from time to time.

(c) The term "Beneficial Owner" shall have the meaning given to such term in Rule 13d-3 under the Exchange Act; provided, however, that "Beneficial Owner" shall exclude any Person otherwise becoming a Beneficial Owner by reason of (i) the shareholders of the Corporation approving a merger of the Corporation with another entity or (ii) the Board approving a sale of securities by the Corporation to such Person.

(d) The term "Board" shall mean the Board of Directors of the Corporation.

(e) A "Change in Control" shall be deemed to occur upon the earliest to occur after the date of this Agreement of any of the following events:

(i) Acquisition of Stock by Third Party. Any Person becomes the Beneficial Owner, directly or indirectly, of securities of the Corporation representing fifteen percent (15%) or more of the combined voting power of the Corporation's then outstanding securities;

(ii) Change in Board Composition. During any period of two consecutive years (not including any period prior to the execution of this Agreement), individuals who at the beginning of such period constitute the Board, and any new directors (other than a director designated by a person who has entered into an agreement with the Corporation to effect a transaction described in Sections 1(e)(i), 1(e)(iii) or 1(e)(iv)) whose election by the Board or nomination for election by the Corporation's shareholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the members of the Board;

(iii) Corporate Transactions. The effective date of a merger or consolidation of the Corporation with any other entity, other than a merger or consolidation which would result in the voting securities of the Corporation outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of the surviving entity outstanding immediately after such merger or consolidation and with the power to elect at least a majority of the board of directors or other governing body of such surviving entity;

(iv) Liquidation. The approval by the shareholders of the Corporation of a complete liquidation of the Corporation or an agreement for the sale or disposition by the Corporation of all or substantially all of the Corporation's assets; and

(v) Other Events. Any other event of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Exchange Act, whether or not the Corporation is then subject to such reporting requirement.

(f) The term "Disinterested Director" shall mean a director of the Corporation who is not and was not a party to the Action in respect of which indemnification is sought by Indemnitee.

(g) The term "Entity" shall mean any corporation, limited liability company or similar entity of any type or kind, domestic or foreign, or any partnership, joint venture, trust, employee benefit plan or other enterprise.

(h) The term "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(i) The term "Expense Advance" shall mean any payment of Expenses advanced to Indemnitee by the Corporation pursuant to this Agreement.

(j) The term "Expenses" shall mean all reasonable attorneys' fees, accountants' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, any federal, state, local or foreign taxes imposed on Indemnitee as a result of the actual or deemed receipt of any payment under this Agreement (including taxes that may be imposed upon the actual or deemed receipt of payments under this Agreement with respect to the imposition of federal, state, local or foreign taxes), and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, participating, or being or preparing to be a witness in an Action, including reasonable compensation for time spent by Indemnitee in connection with the prosecution, defense, preparation to prosecute or defend, investigation, participation, preparation or involvement as a witness, or appeal of an Action or action for indemnification for which Indemnitee is not otherwise compensated by the Corporation or any third party. The term "Expenses" also includes expenses incurred in connection with any appeal resulting from any Action, including without limitation the premium, security for, and other costs relating to any cost bond, supersedeas bond, or other appeal bond or its equivalent. The term "Expenses," however, does not include amounts paid in settlement by Indemnitee or the amount of judgments or fines against Indemnitee.

(k) The term "Indemnifiable Event" shall mean any event or occurrence, whether occurring before, on, or after the date of this Agreement, arising from or in connection with or otherwise related to the fact that Indemnitee is or was a director, officer, employee, or agent of the Corporation or any subsidiary of the Corporation, or is or was serving at the express request of the Corporation as a director, officer, employee, member, manager, trustee, or agent of any other corporation, limited liability company, partnership, joint venture, trust, or other entity or enterprise or by reason of any action or inaction (or alleged action or inaction) by Indemnitee in any such capacity (whether or not serving in such capacity at the time any Loss is incurred for which indemnification can be provided under this Agreement).

(l) The term "Independent Counsel" shall mean a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently performs, nor in the past three years has performed, services for either: (i) the Corporation or Indemnitee (other than in connection with matters concerning Indemnitee under this Agreement or of other indemnitees under similar agreements) or (ii) any other party to the Action giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Corporation or Indemnitee in an action to determine Indemnitee's rights under this Agreement.

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(m) The term "Losses" shall mean means any and all Expenses, damages, losses, liabilities, judgments, fines, penalties (whether civil, criminal or other), ERISA excise taxes, amounts paid or payable in settlement, including any interest, assessments, any federal, state, local or foreign taxes imposed as a result of the actual or deemed receipt of any payments under this Agreement and all other charges paid or payable in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to defend, be a witness or participate in, any Action.

(n) The term "Person" shall mean any individual, corporation, firm, partnership, joint venture, limited liability company, estate, trust, business association, organization, governmental entity, or other entity and includes the meaning set forth in Sections 13(d) and 14(d) of the Exchange Act.

(o) The term "Proper Group Determination" shall mean a determination by the Board via a majority vote of those present at a meeting at which a quorum is present, which quorum shall consist of Disinterested Directors. If a quorum cannot be obtained, the Proper Group Determination shall be made by a majority vote of a committee of the Board that has been designated by the Board, which committee shall consist of two or more Disinterested Directors, except that directors who are parties to the proceeding may participate in the designation of Disinterested Directors for the committee. Finally, if (i) a Change in Control has occurred, or (ii) such a quorum of the Board cannot be obtained and such a committee cannot be established, or even if a quorum is obtained or the committee is designated and a majority of the directors constituting such quorum or committee so directs, the Proper Group Determination shall be made: (1) by Independent Counsel selected in the manner contemplated by the first two sentences of this definition of Proper Group Determination, or if such a quorum of the full Board cannot be obtained and such a committee cannot be established, by Independent Counsel selected by a majority vote of the full Board (including directors who are parties to the action) or (2) by the shareholders.

2. Indemnification. Subject to Section 8 and Section 9 of this Agreement, if Indemnitee at any time was or is or becomes a party to, witness in, or participant in, or is threatened to be made a party to, witness in, or participant in, any Action or Actions by reason of or arising in whole or in part out of any Indemnifiable Event, including, without limitation, any Actions brought by or in the right of the Corporation, Actions brought by third parties, and Actions in which the Indemnitee is solely a witness, the Corporation shall indemnify Indemnitee, and hold Indemnitee harmless, from and against any and all Losses incurred by Indemnitee as a result of, or otherwise in connection with, such Action or Actions, in each and any case to the fullest extent authorized or permitted by the laws of the State of Colorado. For the avoidance of doubt, "the fullest extent authorized or permitted by the laws of the State of Colorado" shall include, but not be limited to: (a) the fullest extent authorized or permitted by the Colorado Business Corporation Act (the "Act") as in effect on the date hereof; and (b) the fullest extent authorized or permitted by any amendments to or replacements of the Act adopted after the date of this Agreement and any change in judicial interpretation of the Act which occurs after the date of this Agreement, in each case, that increases the extent to which a corporation may indemnify its directors; provided that no change in the Act, by way of amendment, replacement, judicial interpretation, or otherwise, shall have the effect of reducing the benefits available to the Indemnitee hereunder under Colorado law as in effect on the date hereof or as such benefits may subsequently be increased as a result of any amendment, replacement, judicial interpretation, or other change.

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3. Advances of Expenses. Indemnitee shall have the right to advancement by the Corporation, prior to the final disposition of any Action by final adjudication to which there are no further rights of appeal, of any and all Expenses actually and reasonably paid or incurred by Indemnitee in connection with any Action by reason of or arising out of an Indemnifiable Event upon:

(a) a Proper Group Determination that the facts as then known to the group would not preclude indemnification; and

(b) Indemnitee's written affirmation that: (i) in his or her good faith belief, Indemnitee has conducted himself or herself in good faith and in a manner he or she reasonably believed was (1) in the case of conduct in Indemnitee's official capacity with the Corporation, in the Corporation's best interests, and (2) in all other cases, not opposed to the Corporation's best interests; and (ii) in the case of any criminal proceeding, Indemnitee had no reasonable cause to believe that his or her conduct was unlawful.

Without limiting the generality or effect of the foregoing, within ten days after any request by Indemnitee, the Corporation shall, in accordance with such request, (1) pay such Expenses on behalf of Indemnitee, (2) advance to Indemnitee funds in an amount sufficient to pay such Expenses, or (3) reimburse Indemnitee for such Expenses. In connection with any request for Expense Advances, Indemnitee shall provide such supporting documentation as the Corporation may reasonably request but shall not be required to provide any documentation or information to the extent that the provision thereof would undermine or otherwise jeopardize attorney-client privilege. Execution and delivery to the Corporation of this Agreement by Indemnitee constitutes an irrevocable undertaking by Indemnitee to repay any amounts paid, advanced or reimbursed by the Corporation pursuant to this Section 3 in respect of Expenses relating to, arising out of or resulting from any Action in respect of which it shall be determined, pursuant to Section 8, following

the final disposition of such Action, that Indemnitee is not entitled to indemnification hereunder. No other form of undertaking shall be required other than the execution of this Agreement. Indemnitee's obligation to reimburse the Corporation for Expense Advances shall be unsecured and shall be accepted without reference to Indemnitee's financial ability to make repayment. No interest shall be charged thereon.

4. Partial Indemnity. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Corporation for a portion of any Losses in respect of an Action related to an Indemnifiable Event but not for the total amount thereof, the Corporation shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled.

5. Non-Exclusivity. Nothing contained in this Agreement shall limit the right to indemnification and advancement of expenses to which the Indemnitee would be entitled by law in the absence of this Agreement, or shall be deemed exclusive of any other rights to which the Indemnitee in seeking indemnification or advancement of expenses may have or hereafter be entitled under any law, provision of the Articles of Incorporation, as amended, By-Law, agreement approved by or resolution of Disinterested Directors, resolution of shareholders of the Corporation or otherwise.

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6. Subrogation. (a) The Corporation shall not be liable under this Agreement to make any payment in connection with any claim made against the Indemnitee to the extent the Indemnitee has otherwise actually received payment (under any insurance policy, By-Law or otherwise) of the amounts otherwise subject to indemnification or expense advance under this Agreement.

(b) In the event of payment under this Agreement, the Corporation shall be subrogated to the extent of such payment to all of the rights of recovery of the Indemnitee other than from the Corporation, and the Indemnitee shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Corporation effectively to bring suit to enforce such rights.

7. Procedure for Notification and Defense of Actions.

(a) Indemnitee shall notify the Corporation in writing of any matter with respect to which Indemnitee intends to seek indemnification or advancement of Expenses as soon as reasonably practicable following the receipt by Indemnitee of notice thereof. The written notification to the Corporation shall include, in reasonable detail, a description of the nature of the Action and the facts underlying the Action. The failure by Indemnitee to notify the Corporation will not relieve the Corporation from any liability which it may have to Indemnitee hereunder or otherwise than under this Agreement, and any delay in so notifying the Corporation shall not constitute a waiver by Indemnitee of any rights, except to the extent that such failure or delay materially prejudices the Corporation.

(b) If, at the time of the receipt of a notice of an Action pursuant to the terms hereof, the Corporation has directors' and officers' liability insurance in effect that may be applicable to the Action, the Corporation shall give prompt notice of the commencement of the Action to the insurers in accordance with the procedures set forth in the applicable policies. The Corporation shall thereafter take all commercially reasonable action to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such Action in accordance with the terms of such policies.

(c) In the event the Corporation may be obligated to make any indemnity in connection with an Action, the Corporation shall be entitled to assume the defense of such Action with counsel approved by Indemnitee, which approval shall not be unreasonably withheld, conditioned or delayed, upon the delivery to Indemnitee of written notice of its election to do so. After delivery of such notice, approval of such counsel by Indemnitee and the retention of such counsel by the Corporation, the Corporation will not be liable to Indemnitee for any fees or expenses of counsel subsequently incurred by Indemnitee with respect to the same Action. Notwithstanding the Corporation's assumption of the defense of any such Action, the Corporation shall be obligated to pay the fees and expenses of Indemnitee's separate counsel to the extent (i) the employment of separate counsel by Indemnitee is authorized by the Corporation, (ii) counsel for the Corporation or Indemnitee shall have reasonably concluded that there is a conflict of interest between the Corporation and Indemnitee in the conduct of any such defense such that Indemnitee needs to be separately represented, (iii) the Corporation is not financially or legally able to perform its indemnification obligations or (iv) the Corporation shall not have retained, or shall not continue to retain, counsel to defend such Action. The Corporation shall have the right to conduct such defense as it sees fit in its sole discretion. Regardless of any provision in this Agreement, Indemnitee shall have the right to employ counsel in any Action at Indemnitee's personal expense. The Corporation shall not be entitled, without the consent of Indemnitee, to assume the defense of any claim brought by or in the right of the Corporation.

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(d) Indemnitee shall give the Corporation such information and cooperation in connection with the Action as may be reasonably appropriate.

(e) The Corporation shall not be liable to indemnify Indemnitee for any settlement of any Action (or any part thereof) without the Corporation's prior written consent, which shall not be unreasonably withheld, conditioned or delayed.

(f) The Corporation shall not settle any Action (or any part thereof) in a manner that imposes any penalty or liability on Indemnitee without Indemnitee's prior written consent, which shall not be unreasonably withheld, conditioned or delayed.

8. Determination of Right to Indemnification.

(a) Indemnification for Successfully-Defended Actions; Indemnification as a Witness.

(i) To the extent that Indemnitee shall have been successful, on the merits or otherwise, in defense of any Action relating to an Indemnifiable Event or any portion thereof or in defense of any issue or matter therein, including without limitation dismissal without prejudice, Indemnitee shall be indemnified against all Losses relating to such Action in accordance with Section 2 to the fullest extent authorized or permitted by the laws of the State of Colorado, and no Standard of Conduct Determination (as defined in Section 8(b)) shall be required.

(ii) To the extent that Indemnitee's involvement in an Action relating to an Indemnifiable Event is to prepare to serve and serve as a witness, and not as a party, the Indemnitee shall be indemnified against all Losses incurred in connection therewith to the fullest extent authorized or permitted by the laws of the State of Colorado and no Standard of Conduct Determination (as defined in Section 8(b)) shall be required.

(b) Standard of Conduct Determination. To the extent that the provisions of Section 8(a) are inapplicable to an Action related to an Indemnifiable Event that shall have been finally disposed of, Indemnitee shall be indemnified against all Losses relating to such Action in accordance with Section 2, to the fullest extent authorized or permitted by the laws of the State of Colorado, provided that any determination of whether Indemnitee has satisfied any applicable standard of conduct under Colorado law that is a legally required condition to indemnification of Indemnitee hereunder against Losses relating to such Action, and any determination that Expense Advances in respect of such Actions must be repaid to the Corporation (in either case, a "Standard of Conduct Determination"), shall be made by Proper Group Determination. Without limiting the generality of the foregoing, to the extent required by the laws of the State of Colorado, the Standard of Conduct Determination for indemnification covered by this Section 8(b) shall include the determination:

(i) that Indemnitee's conduct was in good faith; (ii) that Indemnitee reasonably believed that such conduct was (1) in case of conduct in Indemnitee's official capacity with the Corporation, in the Corporation's best interests, and (2) in all other cases, not opposed to the Corporation's best interests; and (iii) in the case of any criminal proceeding, that Indemnitee had no reasonable cause to believe that his or her conduct was unlawful.

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(c) To the fullest extent authorized or permitted by the laws of the State of Colorado, the Corporation shall indemnify and hold harmless Indemnitee from and against and, if requested by Indemnitee, shall advance to Indemnitee, within ten days of such request, any and all Expenses incurred by Indemnitee in cooperating with the person or persons making such Standard of Conduct Determination.

(d) Making the Standard of Conduct Determination. The Corporation shall use its reasonable best efforts to cause any Standard of Conduct Determination required under Section 8(b) to be made as promptly as practicable. If the person or persons designated to make the Standard of Conduct Determination under Section 8(b) shall not have made a determination within 30 days after the later of (A) receipt by the Corporation of a written request from Indemnitee for indemnification pursuant to Section 7 (the date of such receipt being the "Notification Date") and (B) the selection of an Independent Counsel, if such determination is to be made by Independent Counsel, then, to the fullest extent authorized or permitted by the laws of the State of Colorado, Indemnitee shall be deemed to have satisfied the applicable standard of conduct; provided that such 30 day period may be extended for a reasonable time, not to exceed an additional 30 days, if the person or persons making such determination in good faith requires such additional time to obtain or evaluate information relating thereto. Notwithstanding anything in this Agreement to the contrary, no determination as to entitlement of Indemnitee to indemnification under this Agreement shall be required to be made prior to the final disposition of any Action.

(e) Payment of Indemnification. If, in regard to any Losses:

(i) Indemnitee shall be entitled to indemnification pursuant to Section 8(a); or

(ii) no Standard Conduct Determination is legally required as a condition to the indemnification of Indemnitee hereunder; or

(iii) it is determined pursuant to Section 8(b) that Indemnitee has satisfied the applicable standard of conduct required as a condition to indemnification under Colorado law (or Indemnitee is deemed to have satisfied such applicable standard of conduct pursuant to Section 8(d));

then the Corporation shall pay to Indemnitee, within ten days after the later of (A) the Notification Date or (B) the earliest date on which the applicable criterion specified in clause (i), (ii) or (iii) is satisfied, an amount equal to such Losses.

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(f) Selection of Independent Counsel for Standard of Conduct Determination. If a Proper Group Determination is to be made by Independent Counsel, the Corporation shall give written notice to Indemnitee advising him or her of the identity of the Independent Counsel so selected. Indemnitee may, within five days after receiving written notice of selection from the Corporation, deliver to the Corporation a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not satisfy the criteria set forth in the definition of "Independent Counsel" in Section 1(l), and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person or firm so selected shall act as Independent Counsel. If such written objection is properly and timely made and substantiated, (i) the Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court has determined that such objection is without merit; and (ii) the Corporation may, at its option, select an alternative Independent Counsel and give written notice to Indemnitee advising such other party of the identity of the alternative Independent Counsel so selected, in which case the provisions of the two immediately preceding sentences, the introductory clause of this sentence and numbered clause (i) of this sentence shall apply to such subsequent selection and notice. If applicable, the provisions of clause (ii) of the immediately preceding sentence shall apply to successive alternative selections. If no Independent Counsel that is permitted under the foregoing provisions of this Section 8(f) to make the Proper Group Determination shall have been selected within 20 days after the Corporation gives its initial notice pursuant to the first sentence of this Section 8(f) or Indemnitee gives its initial notice pursuant to the second sentence of this Section 8(f), as the case may be, either the Corporation or Indemnitee may petition the Court to resolve any objection which shall have been made by the Corporation or Indemnitee to the other's selection of Independent Counsel and/or to appoint as Independent Counsel a person to be selected by the Court or such other person as the Court shall designate, and the person or firm with respect to whom all objections are so resolved or the person or firm so appointed will act as Independent Counsel. In all events, the Corporation shall pay all of the reasonable fees and expenses of the Independent Counsel incurred in connection with any Proper Group Determination by Independent Counsel.

(g) Presumptions and Defenses.

(i) Indemnitee's Entitlement to Indemnification. In making any Proper Group Determination with eligibility of Indemnitee under Colorado law to be indemnified and/or receive Expense Advances hereunder, the person or persons making such determination shall presume that Indemnitee has satisfied the applicable standard of conduct and is entitled to indemnification and/or Expense Advances, and the Corporation shall have the burden of proof to overcome that presumption and establish that Indemnitee is not so entitled. Any such Proper Group Determination that is adverse to Indemnitee may be challenged by the Indemnitee in the Court. No determination by the Corporation (including by its directors or any Independent Counsel) that Indemnitee has not satisfied any applicable standard of conduct for indemnification or Expense Advances may be used as a defense to any legal proceedings brought by Indemnitee to secure indemnification or Expense Advances by the Corporation hereunder or to create a presumption that Indemnitee has not met any applicable standard of conduct.

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(ii) Reliance as a Safe Harbor. For purposes of this Agreement, and without creating any presumption as to a lack of good faith if the following circumstances do not exist, Indemnitee shall be deemed to have acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation if Indemnitee's actions or omissions to act are taken in good faith reliance upon the records of the Corporation, including its financial statements, or upon information, opinions, reports or statements furnished to Indemnitee by the officers or employees of the Corporation or any of its subsidiaries in the course of their duties, or by committees of the Board or by any other Person (including legal counsel, accountants and financial advisors) as to matters Indemnitee reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation. In addition, the knowledge and/or actions, or failures to act, of any director, officer, agent or employee of the Corporation shall not be imputed to Indemnitee for purposes of determining the right to indemnity hereunder.

(iii) No Other Presumptions. For purposes of this Agreement, the termination of any Action by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere or its equivalent, will not create a presumption that Indemnitee did not meet any applicable standard of conduct or have any particular belief, or that indemnification hereunder is otherwise not permitted.

(iv) Defense to Indemnification and Burden of Proof. It shall be a defense to any action brought by Indemnitee against the Corporation to enforce this Agreement (other than an action brought to enforce a claim for Losses incurred in defending against an Action related to an Indemnifiable Event in advance of its final disposition) that it is not permissible under applicable law for the Corporation to indemnify Indemnitee for the amount claimed. In connection with any such action or any related Standard of Conduct Determination, the burden of proving such a defense or that the Indemnitee did not satisfy the applicable standard of conduct shall be on the Corporation.

(v) Resolution of Actions. The Corporation acknowledges that a settlement or other disposition short of final judgment may be successful on the merits or otherwise for purposes of Section 8(a)(i) if it permits a party to avoid expense, delay, distraction, disruption and uncertainty. In the event that any Action relating to an Indemnifiable Event to which Indemnitee is a party is resolved in any manner other than by adverse judgment against Indemnitee (including, without limitation, settlement of such action, claim or proceeding with or without payment of money or other consideration) it shall be presumed that Indemnitee has been successful on the merits or otherwise for purposes of Section 8(a)(i). The Corporation shall have the burden of proof to overcome this presumption.

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(9) Exclusions from Indemnification. Notwithstanding anything in this Agreement to the contrary, the Corporation shall not be obligated to:

(a) indemnify or advance funds to Indemnitee for Expenses or Losses with respect to proceedings initiated by Indemnitee (including any proceedings against the Corporation or its directors, officers, employees or other indemnitees) and not by way of defense, except (i) proceedings referenced in Section 12 (unless a court of competent jurisdiction determines that such proceeding was not made in good faith or was frivolous) and (ii) where the Corporation has joined in or the Board has consented to the initiation of such proceedings;

(b) indemnify Indemnitee if a final decision by a court of competent jurisdiction (which final decision is not subject to appeal) determines that such indemnification is prohibited by applicable law;

(c) indemnify Indemnitee for the disgorgement of profits arising from the purchase or sale by Indemnitee of securities of the Corporation in violation of Section 16(b) of the Exchange Act, or any similar successor statute; or

(d) indemnify or advance funds to Indemnitee for Indemnitee's reimbursement to the Corporation of any bonus or other incentive-based or equity-based compensation previously received by Indemnitee or payment of any profits realized by Indemnitee from the sale of securities of the Corporation, as required in each case under the Exchange Act (including any such reimbursements under Section 304 of the Sarbanes-Oxley Act of 2002 in connection with an accounting restatement of the Corporation or the payment to the Corporation of profits arising from the purchase or sale by Indemnitee of securities in violation of Section 306 of the Sarbanes-Oxley Act or under any rules or regulations related to clawbacks of compensation adopted pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act).

10. Severability. If this Agreement or any portion hereof shall be invalidated or held unenforceable on any ground by any court of competent jurisdiction, the Corporation nevertheless shall indemnify the Indemnitee to the fullest extent permitted by any applicable portion of this Agreement that shall not have been so invalidated or held unenforceable.

4. Continuity of Rights. The right of the Indemnitee to indemnification and advancement of expenses under this Agreement shall (a) continue after the Indemnitee has ceased to serve in a capacity which would entitle the Indemnitee to indemnification or advancement of expenses pursuant to this Agreement with respect to acts or omissions occurring prior to such cessation, (b) inure to the benefit of the heirs, executors and administrators of the Indemnitee, (c) apply with respect to acts or omissions occurring prior to the execution and delivery of this Agreement to the fullest extent permitted by law, and (d) survive any restrictive amendment or termination of this Agreement with respect to events occurring prior thereto.

5. Indemnification for Expenses in Enforcing Rights. To the fullest extent authorized or permitted by the laws of the State of Colorado, the Corporation shall also indemnify against, and, if requested by Indemnitee, shall advance to Indemnitee subject to and in accordance with Section 4, any Expenses actually and reasonably paid or incurred by Indemnitee in connection with any action or proceeding by Indemnitee for (a) indemnification or reimbursement or advance payment of Expenses by the Corporation under any provision of this Agreement or any other indemnity provisions relating to Actions relating to Indemnifiable Events, and/or (b) recovery under any directors' and officers' liability insurance policies from time to time maintained or required to be maintained by the Corporation. However, if Indemnitee is ultimately determined not to be entitled to such indemnification or insurance recovery, as the case may be, then all amounts advanced under this Section 12 shall be repaid.

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13. Amendments. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be binding unless in the form of a writing signed by the party against whom enforcement of the waiver is sought, and no such waiver shall operate as a waiver of any other provisions hereof (whether or not similar), nor shall such waiver constitute a continuing waiver. Except as specifically provided herein, no failure to exercise or any delay in exercising any right or remedy hereunder shall constitute a waiver thereof.

6. Binding Effect. This Agreement shall be binding upon all successors and assigns of the Corporation (including any transferee of all or substantially all of its assets and any successor by merger, stock acquisition, or similar transaction, or operation of law) and shall inure to the benefit of the heirs, personal representatives, successors, representatives and estate of the Indemnitee.

15. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Colorado applicable to contracts made and to be performed in such state without giving effect to the principles of conflicts or choice of laws thereof.

7. Effect of Headings. The section headings herein are for convenience only and shall not affect the construction hereof.

8. Notices. Any notice, request, demand, claim, or other communication hereunder will be in writing and will be deemed delivered: (a) three business days after it is sent by U.S. mail, certified mail, return receipt requested, postage prepaid; or (b) one business day after it is sent via a reputable nationwide overnight courier or sent via email, in each of the foregoing cases to the intended recipient as set forth below:

To the Corporation:

TREES Corporation
215 Union Boulevard, Suite 415
Lakewood, Colorado 80228
Attention: David R. Fishkin, General Counsel
Email: dfishkin@treescann.com

Indemnitee:

c/o TREES Corporation at the same address as above
Email: As set forth on the signature page hereto

Either address referred to in the preceding subsection may be changed from time to time in the manner specified in the preceding subsection, and thereafter notices, requests and other communications shall be delivered to the most recent address so furnished.

9. Counterparts. This Agreement may be executed in any number of counterparts. Each counterpart of an agreement so executed shall be deemed an original, but all such counterparts shall together constitute but one and the same instrument.

[Signature page follows immediately]

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

TREES CORPORATION

By: _____

Name: Adam Hershey
Title: Interim CEO

INDEMNITEE:

Print Name:

Signature: _____

Email:

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INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in this Registration Statement of Trees Corporation, on Form S-8 (File Nos. 333-225413 and 333-210910) of our report dated April 5, 2024, with respect to our audit of the consolidated financial statements of Trees Corporation as of December 31, 2023, and for the period ended December 31, 2023, appearing in the Annual Report on Form 10-K of Trees Corporation for the year ended December 31, 2023.

/s/ Haynie & Company

Salt Lake City, Utah
April 10, 2024

CERTIFICATIONS
Pursuant To Section 906 of the Sarbanes-Oxley Act Of 2002
(Subsections (A) And (B) Of Section 1350, Chapter 63 of Title 18, United States Code)

I, Adam Hershey, certify that:

1. I have reviewed this annual report on Form 10-K of TREES Corporation;
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 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 control 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 procedures 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 cause 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 on 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 fiscal 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 the 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 significant role in the registrant's internal control over financial reporting.

April 10, 2024

/s/ Adam Hershey

Adam Hershey, Interim Chief Executive Officer,
Principal Executive Officer

CERTIFICATIONS
Pursuant To Section 906 of the Sarbanes-Oxley Act Of 2002
(Subsections (A) And (B) Of Section 1350, Chapter 63 of Title 18, United States Code)

I, Edward Myers, certify that:

1. I have reviewed this annual report on Form 10-K of TREES Corporation;
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 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 control 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 procedures 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 cause 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 on 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 fiscal 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 the 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 significant role in the registrant's internal control over financial reporting.

April 10, 2024

/s/ Edward Myers

Edward Myers, Interim Chief Financial Officer
Principal Financial and Accounting Officer

In connection with the Annual Report of TREES Corporation (the "Company") on Form 10-K for the period ended December 31, 2023, as filed with the Securities and Exchange Commission (the "Report"), Adam Hershey, the Company's Principal Executive Officer, and Edward Meyers, the Company's Principal Financial and Accounting Officer, 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 their knowledge:

- (1) The Report fully complies with the requirements of Section 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 the Company.

April 10, 2024	<div>/s/ Adam Hershey</div> <div>Adam Hershey, Interim Chief Executive Officer, Principal Executive Officer</div>
April 10, 2024	<div>/s/ Edward Myers</div> <div>Edward Myers, Interim Chief Financial Officer Principal Financial and Accounting Officer</div>