

**UPPER STREET MARKETING, INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 and 2019**  
**(Audited)**

	Pages
Report of Independent Registered Public Accounting Firm	F-2
Balance Sheets as of December 31, 2020 and 2019	F-4
Statements of Operations for the years ended December 31, 2020 and 2019	F-5
Statements of Shareholders' Equity for years ended December 31, 2020 and 2019	F-6
Statements of Cash flows for the years ended December 31, 2020 and 2019	F-8
Notes to the Financial Statements	F-9 to F-35

---

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders  
Upper Street Marketing, Inc.

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Upper Street Marketing, Inc. (the Company) as of December 31, 2020 and 2019, and the related consolidated statements of operations, stockholders' deficit, and cash flows for the years then ended, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

### **Consideration of the Company's Ability to Continue as a Going Concern**

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has an accumulated deficit and has generated losses since inception which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### **Basis for Opinion**

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated 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 audits to obtain reasonable assurance about whether the consolidated 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 audit, 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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.

#### *Stock-Based Compensation*

As described in Notes 11 and 12 to the consolidated financial statements, the Company recorded stock-based compensation related to the issuance of common stock and warrants. Management establishes their estimates for the value of the stock-based compensation related to common stock issued for services using historical stock price information. Management uses a valuation model requiring various inputs to establish their estimates for the value of stock options and warrants.

The principal considerations for our determination that performing procedures relating to stock-based compensation is a critical audit matter are due to the material impact it has on the consolidated financial statements.

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, evaluating the reasonableness of the historical stock price information used by management for the valuation of the common stock along with evaluating the reasonableness of the inputs management used in the valuation model related to the stock options to determine the stock-based compensation expense.

#### *Going Concern – Disclosure*

The consolidated financial statements of the Company are prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and, accordingly, will be able to realize its assets and discharge its liabilities in the normal course of operations. As noted in “Going Concern Consideration” above, the Company has an accumulated deficit and has generated losses since inception. The Company has contractual obligations such as commitments for repayments of accounts, notes payable, convertible notes and accrued interest (collectively “obligations”). Currently management’s forecasts and related assumptions illustrate their judgments as to the Company’s ability to meet the obligations through management of expenditures, obtaining additional loans from related and unrelated parties, and private placements of capital stock for additional funding to meet its operating needs. Should there be constraints on the ability to access financing through stock issuances, the Company will continue to manage cash outflows and meet the obligations through related and unrelated party loans.

We identified management’s assessment of the Company’s ability to continue as a going concern as a critical audit matter. Management made judgments regarding the Company’s ability to effectively implement its plans to provide the necessary cash flows to fund the Company’s obligations as they become due. Specifically, the judgments with the highest degree of impact and subjectivity in determining the Company’s ability to effectively implement its plans include its ability to manage expenditures, access funding from the capital market, and obtain loans from related and unrelated parties. Auditing the judgments made by management required a high degree of auditor judgment and an increased extent of audit effort.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the financial statements. These procedures included the following, among others, evaluating the Company’s ability to: (i) access funding from the capital markets, (ii) manage expenditures, and (iii) obtain loans from related and unrelated parties.

*/s/ Pinnacle Accountancy Group of Utah*

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

Pinnacle Accountancy Group of Utah  
(a dba of Heaton & Company, PLLC)  
Farmington, Utah  
September 20, 2022

**UPPER STREET MARKETING, INC. AND SUBSIDIARIES**  
**BALANCE SHEETS**

	December 31, 2020	December 31, 2019
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 5,127	\$ 31,718
Accounts receivable, net of allowance of \$3,380 and \$0, respectively	-	-
Prepaid expense and other	72,281	87,466
<b>Total Current Assets</b>	<b>77,408</b>	<b>119,184</b>
Fixed assets, net of accumulated depreciation of \$22,951 and \$34,117, and impairment charges of \$1,109,915 and \$0, respectively	16,433	1,115,082
Construction in progress - extraction equipment, net of impairment charges of \$4,808,590 and \$4,808,590, respectively	-	-
Inventory and other work-in-progress costs, net of impairment charges of \$725,050 and \$686,870, respectively	-	-
Investment in Catch Capital, net of impairment charges of \$1,000,000 and \$0, respectively	-	1,000,000
Right-of-use operating lease assets	853,124	1,060,265
Notes receivable – Prima Pharma, net of impairment charges of \$259,527 and \$154,500, respectively	-	238,983
Notes receivable – Levity, net of impairment charges of \$490,859 and \$411,468, respectively	500,000	500,000
Accrued interest receivable and fees, net of impairment charges of \$177,492 and \$70,340, respectively	-	-
<b>TOTAL ASSETS</b>	<b>\$ 1,446,965</b>	<b>\$ 4,033,514</b>
<b>LIABILITIES AND STOCKHOLDERS' (DEFICIT)</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 1,170,597	\$ 974,800
Overdrafts	304	304
Accrued expenses	2,148,807	718,332
Accrued expenses – related party	1,009,331	373,323
Right-of-use operating liability	853,124	1,060,265
Notes payable	3,953,090	3,953,090
Notes payable – related party	39,374	39,374
Convertible notes	600,000	600,000
Derivative liability	2,946,370	1,123,646
<b>TOTAL LIABILITIES</b>	<b>12,720,997</b>	<b>8,843,134</b>
Where is title heading for SE		
Preferred stock, \$0.0001 par value; 1,000,000 shares authorized; none issued and outstanding	-	-
Common stock, \$0.0001 par value; 300,000,000 shares authorized; 148,510,310 and 140,870,310 issued and outstanding as of December 31, 2020 and 2019, respectively	14,851	14,087
Additional paid in capital	21,451,836	20,842,604
Accumulated deficit	(32,740,719)	(25,666,311)
<b>TOTAL STOCKHOLDERS' (DEFICIT)</b>	<b>(11,274,032)</b>	<b>(4,809,620)</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT)</b>	<b>\$ 1,446,965</b>	<b>\$ 4,033,514</b>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**UPPER STREET MARKETING, INC. AND SUBSIDIARIES**  
**STATEMENTS OF OPERATIONS**

	For the year ended December 31, 2020	For the year ended December 31, 2019
Sales of product	\$ 3,380	\$ -
Cost of goods sold	-	909,814
Gross margin/(loss)	3,380	(909,814)
Expenses:		
Amortization and depreciation expense	38,536	33,125
Officer compensation	473,750	5,829,464
Director/consultant compensation – related parties	240,000	5,279,464
Agricultural/water technology expense	11,577	30,123
Land lease costs – Genji project	301,710	662,400
General and administrative expense	268,987	320,279
Professional fees, legal and other expense	237,300	1,015,382
Marketing, public and investor relations expense	260,290	2,307,960
Total expense	1,832,150	15,478,197
Net operating (loss) before other income (expense)	(1,828,770)	(16,388,011)
Other Income (Expense):		
Interest expense	(1,226,401)	(1,087,479)
Interest income	198,330	70,815
Bad debt expense	(3,380)	-
Gain on extinguishment of debt	-	32,703
Gain on sale of equipment/assets	-	58,840
Impairment charge on intangible and tangible assets	(2,389,863)	(6,131,768)
(Loss) on change in fair market value of derivative liabilities	(1,822,724)	(936,998)
Total other income (expense)	(5,244,038)	(7,993,887)
Net (loss) before income taxes	(7,072,808)	(24,391,898)
Provision for income tax	1,600	1,600
Net loss	\$ (7,074,408)	\$ (24,383,498)
Loss per share – basic and diluted	\$ (0.05)	\$ (0.19)
Weighted average common shares outstanding - basic and diluted	147,080,392	126,739,191

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**UPPER STREET MARKETING, INC. AND SUBSIDIARIES**  
**STATEMENT OF STOCKHOLDERS' (DEFICIT)**  
**For the Years Ended December 31, 2020 and 2019**

	Preferred Stock	Preferred Stock Amount	Common Stock	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit					
Balance – December 31, 2018	\$	-	\$	91,785,729	\$	9,178	\$	1,250,411	\$	(1,282,813)	\$	(23,224)
Shares issued for past due accounts payables, notes payable - parent company post-merger in current period	-	-	425,000	43	84,957	-	85,000					
Shares issued for services in current period	-	-	4,440,000	444	952,556	-	953,000					
Shares issued for 20% interest in Catch Capital, LLC (non-controlling interest)	-	-	5,000,000	500	999,500	-	1,000,000					
Shares issued for Senior Secured Debt facility as compensation	-	-	100,000	10	19,990	-	20,000					
Shares issued as compensation to consultants	-	-	10,800,000	1,080	2,158,920	-	2,160,000					
Shares issued for cash received through private placement offerings at \$0.10 per share	-	-	1,500,000	150	149,850	-	150,000					
Shares issued for cash received through private placement offerings at \$0.20 per share	-	-	11,842,500	1,184	2,367,316	-	2,368,500					
Shares issued for cash received through private placement offerings at \$0.25 per share	-	-	400,000	40	99,960	-	100,000					
Shares issued for cash received through private placement offerings at \$0.30 per share	-	-	3,666,665	367	1,099,633	-	1,100,000					
Shares issued for cash received through private placement offerings at \$0.35 per share	-	-	250,000	25	87,475	-	87,500					
Shares issued for cash received through private placement offerings at \$0.40 per share	-	-	1,363,750	136	545,364	-	545,500					
Shares issued for cash received through private placement offerings at \$0.50 per share	-	-	2,100,000	210	1,049,790	-	1,050,000					
Shares issued for cash received through private placement offerings at \$0.0869 per share	-	-	1,150,000	115	99,885	-	100,000					
Shares issued for cash received through private placement offerings at \$0.12 per share	-	-	7,471,666	747	895,853	-	896,600					
Shares issued for services	-	-	1,470,000	148	734,852	-	735,000					
Shares issued per vesting schedule under employment agreement – related party	-	-	1,500,000	150	522,350	-	522,500					
Shares issued for cash received through private placement offerings at \$0.12 per share	-	-	500,000	50	59,950	-	60,000					
Shares issued for cash received through private placement offerings at \$0.09 per share	-	-	125,000	12	9,988	-	10,000					
Shares issued for cash received through private placement offerings at \$0.0833 per share	-	-	1,500,000	150	124,850	-	125,000					
Shares issued for cash received through private placement offerings at \$0.10 per share	-	-	380,000	38	37,962	-	38,000					
Warrant issued in connection with Senior Secured Debt financing; exercise price \$0.25 per shares, cashless feature, five-year expiry	-	-	-	-	408,944	-	408,944					
Third tranche of PGII warrants; 4,000,000 warrants issued in connection with private placement offering – subject to completion of > \$1,000,000 from private placement offering at \$0.20 per share, exercise price of \$0.20 per share, two-year expiry	-	-	-	-	1,755,539	-	1,755,539					
Warrant issued to related party – J Earle; 10,000,000 shares with an exercise price of \$0.04 per share	-	-	-	-	5,028,214	-	5,028,214					
Exercised PGII warrants, capital raising costs attributable to \$0.10 private placement offering – closed offering	-	-	-	-	(236,624)	-	(236,624)					
Warrant issued to related party – G McDougall; 10,000,000 shares with an exercise price of \$0.04 per share	-	-	-	-	5,028,214	-	5,028,214					
Third tranche PGII warrants – capital raising costs attributable to \$0.20 private placement offering – closed offering	-	-	-	-	(1,755,539)	-	(1,755,539)					
Commissions paid in connection with private placement offering proceeds – closed offerings	-	-	-	-	(853,870)	-	(853,870)					
Shares issued upon the exercise of 3,900,000 PGII warrants with an exercise price of \$0.01 per share, recognizing \$39,000 in cash received	-	-	3,900,000	390	275,234	-	275,624					
Shares returned to treasury earlier in year issued as compensation	-	-	(1,800,000)	(1,080)	-	-	(2,160,000)					
Net loss – for the year ended December 31, 2019	-	-	-	-	-	(24,383,498)	(24,383,498)					
Balance – December 31, 2019	\$	-	\$	140,870,310	\$	14,087	\$	20,842,604	\$	(25,666,311)	\$	(4,809,620)

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**UPPER STREET MARKETING, INC. AND SUBSIDIARIES**  
**STATEMENT OF STOCKHOLDERS' (DEFICIT)**  
**For the Years Ended December 31, 2020 and 2019**

	Preferred Stock	Preferred Stock Amount	Common Stock	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
Balance – December 31, 2019	\$ -	\$ -	\$ 140,870,310	\$ 14,087	\$ 20,842,604	\$ (25,666,311)	\$ (4,809,620)
Shares issued for cash received through private placement offerings at \$0.10 per share	-	-	1,630,000	163	162,837	-	163,000
Shares to be issued per vesting schedule under employment agreement – related party	-	-	1,500,000	-	-	-	233,750
Shares to be issued for cash received through private placement offerings at \$0.10 per share	-	-	350,000	35	34,965	-	35,000
Shares to be issued for cash received through private placement offerings at \$0.05 per share	-	-	4,160,000	416	207,584	-	208,000
Fees paid in connection with private placement offering proceeds – deferred offering costs	-	-	-	-	(51,000)	-	(51,000)
Related party warrants – post issuance activity – J Earle, G McDougall	-	-	-	-	-	-	-
Rounding – cumulative adjustments	-	-	-	-	21,246	-	21,246
Reclassification of shares to be issued for compensation – pursuant to employment agreement – related party	-	-	-	150	233,600	-	-
Net loss – for the year ended December 31, 2020	-	-	-	-	-	(7,074,408)	(7,074,408)
Balance – December 31, 2020	\$ -	\$ -	\$ 148,510,310	\$ 14,851	\$ 21,451,836	\$ (32,740,719)	\$ (11,274,032)

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**UPPER STREET MARKETING, INC. AND SUBSIDIARIES**  
**STATEMENTS OF CASH FLOWS**

	For the year ended December 31, 2020	For the year end December 31, 2019
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (7,074,408)	\$ (24,383,498)
Amortization and depreciation expense	38,536	33,125
Bad debt expense	3,380	-
Gain on sale of equipment/assets	-	(58,840)
Gain on extinguishment of debt	-	(32,703)
Impairment charges on tangible and intangible assets	2,389,863	6,131,768
Financial fees issued as debt instrument	-	100,000
Loss on change in fair value of derivative liabilities	1,822,724	1,115,998
Common stock issued for services	-	1,708,000
Common stock issued for accounts payable and convertible debt	-	85,000
Common stock issued for services – employment agreement – related party	233,750	522,500
Related party contribution to capital	21,246	-
Compensation expense – warrants issued to related parties	-	10,056,428
Compensation expense - warrant HGC debt instrument	-	408,944
Adjustments to reconcile net loss to cash (used in) operating activities:		
Change in prepaid asset and other	11,806	(37,322)
Change in accrued interest receivable	(107,152)	(70,340)
Change in accounts payable	195,797	857,972
Change in accrued expense – non-related parties	1,430,476	621,977
Change in accrued expense – related parties	636,008	313,323
Net Cash (Used in) Operating Activities	<u>(397,974)</u>	<u>(2,627,668)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Cash overdraft with financial institution	-	304
Investment in note receivable – Levity	(44,436)	(541,900)
Investment in note receivable - PPI	-	(413,482)
Payments received on note receivable – PPI	99,000	20,000
Cash proceeds from sale of equipment/assets	-	58,840
Deposit payments on production equipment	-	(1,432,500)
Payments on inventory – work in progress	(38,181)	(686,197)
Property and equipment purchases	-	(233,283)
Net Cash (Used in) Investing Activities	<u>16,383</u>	<u>(3,228,218)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Proceeds from convertible debt	-	300,000
Payment on note payable	-	(200,000)
Payments on notes payable – related parties	-	(99,358)
Proceeds from private placements – common stock	406,000	6,631,100
Proceeds from warrant exercise - PGII	-	39,000
Costs incurred in connection with private placement – commissions	(51,000)	(853,870)
Net Cash Provided by Financing Activities	<u>355,000</u>	<u>5,816,872</u>
CHANGE IN CASH	(26,591)	(39,014)
CASH AT BEGINNING OF PERIOD	31,718	70,732
CASH AT END OF PERIOD	<u>\$ 5,127</u>	<u>\$ 31,718</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for:		
Interest	\$ 154,456	\$ 66,210
Income taxes	\$ -	\$ -
Non-cash investing and financing activities:		
Common stock issued with below market warrant exercise	-	236,624
Common stock issued for minority investment in Catch Capital	-	1,000,000
Common stock issued for debt payment and accrued interest	-	85,000
Warrants issued for private placement fees paid	-	1,755,539
Convertible note – issued as down payment on building purchase paid direct to seller	-	(200,000)
Notes payable – issued in connection with construction in progress – extraction equipment	-	(3,376,090)
Note payable – issued in connection with building purchase	\$ -	\$ (687,000)

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



**UPPER STREET MARKETING, INC. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1 – ORGANIZATION**

Prior Business

On January 3, 2014, we incorporated in the state of Oklahoma. We were initially organized as Knox Nursery, Inc. (“Knox”). Upper Street Marketing, Inc. (“Upper Street”) was also incorporated in the state of Oklahoma at the time to become a wholly-owned subsidiary of Knox. Upper Street merged with Knox and became the legal surviving entity (the “Company”). On January 3, 2014, Upper Street Activewear, Inc., an Oklahoma corporation, (formerly J & J Acquisitions Seven, Inc.) (“Activewear”) and the Company, entered into a share exchange agreement. 40,016,000 shares of common stock and 700,000 shares of preferred stock were exchanged by the shareholders of Activewear for new shares in the Company on a 1:1 basis. With the share exchange, Activewear became a wholly-owned subsidiary. The share exchange was accounted for as a capital reorganization of the Company.

New Business

On September 14, 2018 the Company and Growing Springs Holdings Corporation (“GSHC”) a Nevada corporation entered into a share exchange agreement (the “Merger”). Under the terms of the Merger the shareholders of GSHC would receive new shares in the Company on a 1:1 basis. On October 1, 2018 the terms of the Merger were completed. The existing shareholders of GSHC received 27,000,000 shares of common stock of the Company. In connection with the Merger, Tezi Advisory Inc. (“Tezi”) our former control shareholder, owned and operated by Mr. Gordon McDougall (“Mr. McDougall”) a former officer and director of the Company, entered into an assignment of certain shares of common stock owned by Tezi (the “Tezi Assignment”) with Mr. Joseph Earle (“Mr. Earle”), the controlling shareholder of GSHC. Upon completion of the Merger, Tezi transferred its ownership to Mr. Earle of 23,000,000 shares of common stock of the Company. Mr. Earle through the Tezi Assignment became the majority shareholder of the Company.

GSHC was incorporated on September 14, 2018 as a Nevada corporation. Authorized capital of GSHC is 100,000,000 shares of \$0.001 par value common stock. Growing Springs LLC (“GS LLC”) was formed on September 20, 2017 as a Nevada limited liability company. GS LLC entered into an agreement to be acquired by GSHC on or about September 14, 2018. The agreement provided for GSHC to assume all the assets and liabilities of GS LLC through the issuance of 15,000,000 shares of GSHC. GSHC issued the shares in exchange for 100% of the issued and outstanding membership interests of GS LLC

GS LLC became a wholly-owned subsidiary of GSHC on September 14, 2018. Assets and liabilities acquired in the transaction consisted of cash of approximately \$7,000, notes receivable of \$55,000, furniture and equipment of \$500, net of liabilities of \$62,500 owed to its managing member, Mr. Aziz Patel (“Mr. Patel”), along with 2 leases for properties essential in the business of GS LLC and a license obligating GS LLC to distribute and sell a minimum number of water technology systems annually. GSHC and GS LLC became wholly-owned subsidiaries of the Company upon completion of the Merger on or about October 1, 2018.

The Company through GS LLC provided an exclusive liquid conversion water technology to agricultural cultivators in North America. These operations were in existence and functional through fiscal year ending December 31, 2019. The Company through GSHC was obligated under several agreements to acquire licenses, inclusive of a licensed dispensary and cultivation operations, along with a commercial hemp cultivation operations. Subsequent to year end the Company through its wholly-owned subsidiary GS LLC received a notice of default judgement from the provider of the liquid conversion water technology company stating that the Company is obligated to them for approximately \$178,000. The Company recorded this amount within its accounts payable balance at December 31, 2019 and 2020.

The Company on or about July 17, 2019 established a new wholly-owned entity called Linear Park Marketing, Inc. (“LPM”) incorporated in the state of Nevada. The Company and its former management set out to make LPM the acquirer of substantially all of the assets of the parent company and certain of its liabilities, and proceeded to seek out a viable merger candidate that would provide access to capital as well as audited financial statements. Activities of LPM besides the corporate acquisition activity was to become the sales and marketing arm for the Company’s intended products and to interface with industry counterparts both within the US and abroad.

Year-end

The Company and its three wholly-owned subsidiaries year-end’s all are December 31st.

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### Basis of Presentation and Use of Estimates

The accompanying audited financial statements and related notes have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The audited financial statements furnished reflect all adjustments (consisting of normal recurring accruals) which are, in the opinion of management, necessary to a fair and reasonable statement of the results for the periods presented. The financial statements are recorded in U.S. dollars.

### Principles of Consolidation and Presentation

The consolidated financial statements include the accounts of Upper Street Marketing, Inc. and its wholly-owned subsidiaries, Growing Springs Holdings Corporation, Growing Springs LLC and Linear Park Marketing, Inc. (the Company). All significant intercompany accounts and transactions have been eliminated in consolidation.

### Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. At December 31, 2020 and December 31, 2019, the Company had cash and cash equivalents of \$5,127 and \$31,718, respectively. There are no amounts that are uninsured by the FDIC (Federal Deposit Insurance Corporation).

### Accounts Receivable

We record accounts receivable at net realizable value. This value includes an appropriate allowance for estimated uncollectible accounts to reflect any loss anticipated on the accounts receivable balances and is charged to other income (expense) in the consolidated statements of operations. The Company calculates this allowance based on its history of write-offs, the level of past-due accounts based on the contractual terms of the receivables, and the relationships with, and the economic status of, the customers (or note-holders in the case of notes receivable). For all of the period presented there were no balances for accounts receivable. Allowance for estimated, uncollectible accounts was determined to be unnecessary. The Company reserved entirely for its allowance for doubtful accounts of \$3,380 with respect to billings incurred during the year ended December 31, 2020.

### Property and Equipment

Property and equipment is recorded at cost. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method for financial statement purposes. Amortization of leasehold improvements is computed on the straight-line method over the shorter of the lease term or estimated useful life of the asset.

### Impairment of Goodwill and Indefinite Life Intangible Assets

Goodwill and indefinite life intangible assets are tested for impairment annually, or more frequently when events or circumstances indicate that impairment may have occurred. As part of the impairment evaluation, the Company may elect to perform an assessment of qualitative factors. If this qualitative assessment indicates that it is more likely than not that the fair value of the indefinite-lived intangible asset or the reporting unit (for goodwill) is less than its carrying value, a quantitative impairment test comparing fair value to carrying value and the recording of an impairment charge when the carrying value exceeds fair value is conducted by management each reporting period.

### Derivative Financial Instruments

The Company evaluates its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the consolidated statements of operations. For stock-based derivative financial instruments, the Company used the Black-Scholes option pricing model to value the derivative instruments at inception, and on subsequent valuation dates uses the Black-Scholes Model as well. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date.

### Warrant Accounting

The Company accounts for common stock warrants in accordance with applicable accounting guidance provided in ASC 815 as either derivative liabilities or as equity instruments depending on the specific terms of the warrant agreement. We classify derivative warrant liabilities on the balance sheet as a current liability, which are revalued at each balance sheet date subsequent to its initial issuance. We use the Black-Scholes pricing model to value the derivative warrant liability. Changes in the fair value of the warrants would be reflected as other income (expense) in the consolidated statement of operations. We do not have any common stock warrants that require accounting for as derivative liabilities.

### Leases

Prior to January 1, 2019, the Company accounted for leases under ASC 840, Accounting for Leases. Effective January 1, 2019, the Company adopted the guidance of ASC 842 (see Note 2 – Summary of Significant Accounting Policies), which required an entity to recognize a right-of-use asset and a lease liability for virtually all leases. The implementation of ASC 842 did not have a material impact on the Company's consolidated financial statements and did not have an impact on our liquidity or on our compliance with our financial covenants associated with any of our loans. The Company adopted ASC 842 using a modified retrospective approach. As a result, the comparative financial information for prior to January 1, 2019 were not updated and required disclosures prior to the adoption date were not updated and continue to be reported under the accounting standards in effect for the periods presented. The adoption of ASC 842 on January 1, 2019 (primarily with respect to our lease entered into on or about April 2, 2019) resulted immediately in the recognition of operating lease right-of-use assets of approximately \$1.3 million and lease liabilities for operating leases of approximately \$1.3 million, and a zero cumulative-effect adjustment to accumulated deficit. The Company elected to exclude from its consolidated balance sheet recognition of leases having a term of 12 months or less ("short-term leases") and elected to not separate lease components and non-lease components for its long-term leases. Lease expense is recognized on a straight-line basis over the lease term.

The Company leases office space and time-to-time certain office equipment and other machinery under operating lease agreements. The lease term begins on the date of possession of the leased property for purposes of recognizing lease expense on a straight-line basis over the term of the lease. Lease renewal periods are considered on a lease-by-lease basis and are generally not included in the initial lease term.

### Net Loss per Share

Net loss per common share is computed by dividing net loss by the weighted average common shares outstanding during the period as defined by ASC 260 - Earnings per Share. Basic earnings per common share ("EPS") calculations are determined by dividing net income by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per common share calculations are determined by dividing net income by the weighted average number of common shares and dilutive common share equivalents outstanding. Dilutive common share equivalents are negligible or immaterial as dilutive shares to be issued during the net loss years were non-existent. For the years ended December 31, 2020 and 2019, net loss per share was \$(0.05) and \$(0.19), respectively.

### Revenue Recognition

Revenue is recognized when a customer obtains control of promised goods or services and is recognized in an amount that reflects the consideration that an entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The amount of revenue that is recorded reflects the consideration that the Company expects to receive in exchange for those goods. The Company applies the following five-step model in order to determine this amount: (i) identification of the promised goods in the contract; (ii) determination of whether the promised goods are performance obligations, including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Company satisfies each performance obligation.

The Company applies the five-step model to contracts when it is probable that we will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. Once a contract is determined to be within the scope of ASC 606, the Company at contract inception reviews the contract to determine which performance obligations the Company must deliver and which of these performance obligations are distinct. The Company recognizes revenues as the amount of the transaction price that is allocated to each respective performance obligation when the performance obligation is satisfied or as it is to be satisfied. Generally, the Company's performance obligations are transferred to the customer at a point in time, typically upon delivery.

### Advertising Costs

Advertising costs are expensed as incurred. For the years ended December 31, 2020 and 2019, advertising costs totaled \$0 and \$0, respectively.

### Fair Value of Financial Instruments

The Company applies the accounting guidance under Financial Accounting Standards Board (“FASB”) ASC 820-10, “Fair Value Measurements”, as well as certain related FASB staff positions. This guidance defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact business and considers assumptions that marketplace participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance.

The guidance also establishes a fair value hierarchy for measurements of fair value as follows:

- Level 1 - quoted market prices in active markets for identical assets or liabilities.
- Level 2 - inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The carrying amount of the Company's financial instruments approximate fair value as of December 31, 2020 and 2019 due to the short-term nature of these financial instruments.

#### Recently Issued Accounting Pronouncements

Company's management evaluated recent accounting pronouncements through December 31, 2020 and believe that there are none that would have a material effect on the Company's financial statements.

In August 2020, the FASB issued Accounting Standards Update No. 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, which simplifies accounting for convertible instruments by removing major separation models required under current GAAP. The ASU also removes certain settlement conditions that are required for equity-linked contracts to qualify for the derivative scope exception, and it simplifies the diluted earnings per share calculation in certain areas. The Company adopted ASU 2020-06 on January 1, 2021 using the modified retrospective method for transition. Adoption of the ASU we believe will not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In June 2018, the FASB issued Accounting Standards Update 2018-07, Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting. ASU 2018-07 expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. ASU 2018-07 also clarifies that Topic 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under Revenue from Contracts with Customers (Topic 606). ASU 2018-07 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company adopted the provisions of ASU 2018-07. The adoption of ASU 2018-07 did not have a material impact on the Company's consolidated financial statement presentation or disclosures.

In June 2016, the FASB issued a new standard that modifies the recognition of credit losses related to financial assets. Under the new standard, an entity must measure and record its total expected credit losses, rather than recording such losses when it is probable that they have occurred, as was required under the previous standard. We adopted the new guidance on January 1, 2020 using a modified retrospective approach applied to our portfolio of trade receivables as of that date, of which we have none.

In February 2016, the FASB issued a new standard related to leases. The most significant change for us was the recognition of new assets and liabilities for leases classified as operating leases. The standard also expanded disclosures about the amount, timing, and uncertainty of cash flows arising from leases. Our accounting for finance leases was substantially unchanged. Those new disclosures are provided in Note 16 – Lease and Leased Premises.

We adopted the standard effective January 1, 2019 using a modified retrospective transition approach whereby the new standard was applied to all leases existing at January 1, 2019 with a cumulative effect adjustment recorded in equity representing the cumulative earnings effect of this new standard. We elected to utilize the package of practical expedients permitted under the transition guidance in the standard which allowed us to not reassess (i) whether any expired or existing contracts contain leases, (ii) historical lease classification and (iii) initial direct costs.

Company's management does not believe that any other recently issued, but not yet effective, accounting standards updates, if currently adopted, would have a material effect on the accompanying consolidated financial statements. Other recent accounting pronouncements included those issued by the FASB, including its Emerging Issues Task Force, the American Institute of Certified Public Accountants, and the Securities and Exchange Commission.

## Income Taxes

Income taxes are computed using the asset and liability method of accounting. Under the asset and liability method, a deferred tax asset or liability is recognized for estimated future tax effects attributable to temporary differences and carry-forwards. The measurement of deferred income tax assets is adjusted by a valuation allowance, if necessary, to recognize future tax benefits only to the extent, based on available evidence; it is more likely than not such benefits will be realized. The Company's deferred tax assets were fully reserved for as of December 31, 2020 and 2019.

The Company accounts for income taxes applying FASB ASC 740, which requires the recognition of deferred tax liabilities and assets for expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

## Going Concern

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As of December 31, 2020, the Company had an accumulated deficit of \$32,740,719 and has generated losses since inception. These factors, among others, raise substantial doubt about the ability of the Company to continue as a going concern.

In December 2019, a novel strain of coronavirus (COVID-19) emerged. Because COVID-19 infections have been reported throughout the United States, certain federal, state and local governmental authorities have issued stay-at-home orders, proclamations and/or directives aimed at minimizing the spread of COVID-19. The ultimate impact of the COVID-19 pandemic on the Company's operations is unknown and will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the COVID-19 outbreak, new information which may emerge concerning the severity of the COVID-19 pandemic, and any additional preventative and protective actions that governments, or the Company, may direct, which may result in an extended period of continued business disruption, and reduced operations. Any resulting financial impact cannot be reasonably estimated at this time but it may have a material adverse impact on our business, financial condition and results of operations. Management expects that its business will be impacted to some degree, but the significance of the impact of the COVID-19 outbreak on the Company's business and the duration for which it may have an impact cannot be determined at this time.

The Company intends to fund operations through equity financing arrangements, which may not be sufficient to fund its capital expenditures, working capital and other cash requirements for the foreseeable future. Subsequent to the year ended December 31, 2020, the Company sold 5,500,000 shares of its common stock at \$0.02 and \$0.05 per share and received cumulative proceeds of \$170,000 and settled debt and accounts payable totaling \$167,500 through the issuance of 2,750,000 shares of its common stock (see Note 17 - Subsequent Events).

## **NOTE 3 – NOTES RECEIVABLE**

### Levity Wellness

On October 1, 2018 the Company through its wholly-owned subsidiary GSHC entered into a revolving credit agreement ("Notes receivable – Levity") with High Mountain Medz LLC, dba Levity Wellness ("Levity"). Levity is a licensed holder of an active operating Colorado dispensary. In association with the Notes receivable – Levity a verbal agreement was entered into by and between Levity and GSHC that provided the Company with the option to purchase Levity. During the year ended December 31, 2019 the laws relating to ownership of licensed Colorado dispensaries changed allowing public company ownership of Colorado licensed dispensaries subject to certain ownership suitability standards.

The Notes receivable – Levity provided for a line of credit of \$1,700,000 in financing to Levity. The Company provided Levity with a statement of the outstanding balance each month. Interest is calculated on that outstanding balance at a rate of 8.0% per annum. The Notes receivable – Levity provided for a minimum payment to be paid by Levity each month, requirements for the request of funding by Levity, as well as delinquency and default. Pursuant to its verbal agreement with Levity the Company had not negotiated a pre-determined purchase price of Levity.

During the year ended December 31, 2019, Levity defaulted on the note as to non-payment of the required minimum monthly amounts. The Company along with Levity applied for several growing and manufacturing licenses with the state of Colorado. The licenses include a Colorado Department of Agriculture ("CDA") – Outdoor Commercial Industrial Hemp Registration 65 Acres, issued June 6, 2019, CDA – Outdoor Commercial Industrial Hemp Registration 60 Acres, issued June 6, 2019, CDA – Indoor Commercial Industrial Hemp Registration 90,000 Square Feet, issued June 6, 2019, CDA – Outdoor Commercial Industrial Hemp Registration 60 Acres, issued June 6, 2019, and CDA – Outdoor Commercial Industrial Hemp Registration 91 Acres. Each license is valid for a year from issuance and is in the name of Growing Springs Holdings Corporation with Levity as the initial applicant. As of December 31, 2020 management believed the licenses were in default and had been in the process of regaining compliance through the efforts of Mr. Roger Christensen, ("Mr. Christensen") the principal of Genji Organics, LLC (see Note 4 – Plant, Property and Equipment and Note 6 – Joint Ventures) on behalf of the Company. Subsequent to year end

the true status of the licenses are in question, as well as the prospects of any repayment of the note by Levity. The Company to-date has made minimal efforts to enforce collection of both the notes with Levity.

The Company through its wholly-owned subsidiary GS LLC lent \$55,000 to Levity on or about May 21, 2018. No written agreement exists for the \$55,000 loan. This amount predates the primary written note receivable with Levity. The Company loaned approximately \$369,000 in total proceeds during the year ended December 31, 2018, along with another \$541,900 during the year ended December 31, 2019, with total of another \$44,436 during the year ended December 31, 2020. The Company made no further loans to Levity due to its limited available working capital.

The Company subsequent to year end, see Note 17 - Subsequent Events, entered into a settlement agreement which addressed certain outstanding items with Levity. As part of that settlement agreement the shareholders who sued former officers and directors Mr. Earle, Mr. McDougall, as well as Mr. Livingston (the former CEO of LPM for the period encompassing calendar years 2019 and 2020) agreed to transfer/hypothecate the Company's option to purchase Levity and the associated debt owed by Levity to the Company to Green Tower Enterprises, Inc. ("Green Tower"). Mr. Livingston, at the time, is believed to be the control shareholder of Green Tower, and one of the defendants in the aforementioned settlement agreement. Green Tower has agreed to acquire or purchase the Levity note, the Levity purchase option for a promissory note(s) made by Green Tower to the benefit of the Company. The promissory note(s) from Green Tower provides for subordination terms, 0% interest with a balloon payment to be made 5 years from the date of execution. The promissory note(s) from Green Tower will also provide for the Company the ability to convert the principal into a non-dilutive 10% ownership interest in Green Tower any time prior to the 5-year anniversary. No terms as to value or potential value has been determined for Green Tower or the likelihood of Green Tower's business prospects.

The Company complies with ASC 820, Fair Value Measurements, for its financial assets and liabilities that are re-measured and reported at fair value at each reporting period, and non-financial assets and liabilities that are re-measured and reported at fair value at least annually. Due to the lack of available observable inputs and reliance upon the current conditions the Company recognized an impairment charge with respect to the Notes receivable – Levity of \$490,859 and \$411,468 for the years ended December 31, 2020 and 2019, respectively, of the amounts in excess of the proposed \$500,000 promissory note(s) from Green Tower. The Company recognized additional impairment charges with respect to the accrued interest receivable recorded by the Company for the Notes receivable – Levity of \$142,035 and \$57,695 for the years ended December 31, 2020 and 2019, respectively.

Notes receivable outstanding from Levity as of December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Note receivable - Levity - GS LLC	\$ 55,000	\$ 55,000
Note receivable - Levity – GSHC	935,859	856,468
Total notes receivable - Levity	990,859	910,468
Less Impairment charge reserve	(490,859)	(411,468)
Plus accrued interest receivable – Levity – 8% Note	142,035	57,695
Less Impairment charge reserve - interest receivable	(142,035)	(57,695)
	<u>\$ 500,000</u>	<u>\$ 500,000</u>

The Company records interest on the outstanding Levity balance at a rate of 8.0% per annum. No additional loans have been made to Levity, furthermore Levity has not made any payments to the Company. As of the date of this report the Company has not taken any further legal action with respect to Levity or Green Tower. The Company upon final resolution of its negotiation with Green Tower may recognize a loss on forgiveness of debt to Levity of somewhere between \$460,000 and \$490,000; informing Levity and its owners of such taxable income to them which may be recognized in tax year 2022.

#### Prima Pharma, Inc.

On July 2, 2019 the Company lent approximately \$300,000 to PrimaPharma, Inc. (“PPI”) for working capital purposes. The note payable was due on or before October 1, 2019 and accrued interest at 10% per annum. The note may be extended for a fee of \$3,000 and provides for a 3 month deferral. The Company and PPI’s control shareholder entered into a letter of intent (“PPI LOI”) to acquire the shares of Mr. Hampar Karageozian (“Mr. Karageozian”). The PPI LOI provided for certain payments and conditions to be described in a definitive agreement between Mr. Karageozian and the Company and PPI’s senior secured creditor, Mr. Roger Callas (“Mr. Callas”). Mr. Livingston at the time of the PPI LOI was the Chief Executive Officer of PPI and managed the daily activities of PPI as well as his informal role with the Company under a consulting agreement by and between Mr. Livingston and the Company.

On August 16, 2019 the Company lent an additional \$30,000 to PPI under the same terms and conditions of the \$300,000 note. On October 1, 2019 PPI requested an extension of payment of the \$300,000 note for an additional 3 months, while the notes interest rate increased to 12% until payment is received. On October 15, 2019 the Company lent an additional \$23,576 to PPI under the same terms of the \$300,000 note. On November 8, 2019 the Company lent an additional \$55,000 to PPI under the same terms of the \$300,000 note. On November 15, 2019, PPI requested an extension of payment on the \$30,000 note for an additional 3 months, while the notes interest rate increased to 12% until payment is received. For the year ended December 31, 2019 the Company received \$20,000 as repayment on the principal of the \$300,000 note, and for the year ended December 31, 2020 an additional \$99,000 was received as repayment on the principal of the \$300,000 note. The Company also received approximately \$71,000 in interest payments from PPI during the year ended December 31, 2020. These payments reduced total accrued interest and penalties and late fees/extension fees due from PPI.

The Company during the year ended December 31, 2020 terminated the PPI LOI and demanded repayment on the 4 notes totaling in the aggregate \$259,527 from PPI. PPI and its senior secured creditor conducted an asset sale of PPI’s assets and operations. PPI for all intent and purposes is bankrupt and continues as a corporate entity with no assets, nor operations. The likelihood of collection is highly improbable due to PPI’s impending bankruptcy and or dissolution.

The Company complies with ASC 820, Fair Value Measurements, for its financial assets and liabilities that are re-measured and reported at fair value at each reporting period, and non-financial assets and liabilities that are re-measured and reported at fair value at least annually. Due to the lack of available observable inputs and reliance upon the current conditions the Company recognized a reserve for impairment with respect to the Notes receivable – PPI of \$259,527 and \$154,500 as of December 31, 2020 and 2019, respectively. The Company recognized additional impairment charges with respect to the accrued interest receivable recorded by the Company for the Notes receivable – PPI of \$35,457 and \$12,646 as of December 31, 2020 and 2019, respectively.

Notes receivable outstanding from PPI as of December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Promissory Note \$300,000 - PPI	\$ 150,951	\$ 284,907
Promissory Note \$30,000 - PPI	30,000	30,000
Promissory Note \$23,576 - PPI	23,576	23,576
Promissory Note \$55,000 - PPI	55,000	55,000
Total notes receivable - Levity	259,527	393,483
Less Impairment charge reserve	(259,527)	(154,500)
Plus accrued interest receivable – PPI – 10% Note	35,457	12,646
Less Impairment charge reserve - interest receivable	(35,457)	(12,646)
	<u>\$ -</u>	<u>\$ 238,983</u>

The Company records interest on the outstanding balance at a rate of 10.0% per annum, with a default interest rate of 12.0%. No additional loans have been made to PPI, furthermore PPI has not made any payments to the Company. As of the date of this report the Company has not taken any further action with respect to PPI and the collection of the debt.

#### NOTE 4 – PLANT, PROPERTY, AND EQUIPMENT

Property, plant and equipment, including rental equipment are recorded at cost. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets, generally two to ten years except for buildings, which are depreciated over an estimated useful life of 40 years. Maintenance and repairs are charged to expense as incurred. During the year ended December 31, 2019, the Company purchased a building located in Colorado for the purposes of its business operations from the owner of Genji Organics, LLC, Mr. Roger Christensen and his business partner for approximately \$1.1 million; the Company due to its limited financial resources defaulted on several loans which had secured a first lien position on the building and its contents. Subsequent to the year ending December 31, 2020 the lien holder (Harbor Gates Capital, LLC) foreclosed on the building and sold the building and its contents for an undisclosed amount. The Company recognized a reserve for impairment of approximately \$1.1 million which was the book value (cost less depreciation) of the building at the time of the notice of intent to foreclose (see Note 17 – Subsequent Events).

Property, plant and equipment were comprised of the following as of December 31, 2020 and 2019.

	December 31, 2020	December 31, 2019
Commercial building and improvements	\$ 1,109,915	\$ 1,109,915
Furniture and equipment	26,734	26,734
Machinery – Vehicles and other	12,550	12,550
Total property and equipment	1,149,199	1,149,199
Less accumulated depreciation	(22,951)	(34,117)
	1,126,248	1,115,082
Less impairment charge from foreclosure	(1,109,915)	-
	<u>\$ 16,433</u>	<u>\$ 1,115,082</u>

#### Construction in Progress - Extraction Equipment, Deposits and Reserve for Impairment

During the year ended December 31, 2019 the Company placed deposits of \$1,432,500 on state-of-the-art extraction equipment for its hemp and CBD harvest. The Company entered into a contract to purchase approximately \$4,800,000 in equipment from ICC Northwest Inc., (“ICC”) a pharmaceutical equipment manufacturer. On or about November 26, 2019 the Company entered into a formal financing agreement with ICC. The note payable (see Note 8 – Notes Payable) with ICC called for a one year term, maturity date of December 1, 2020, requiring the Company to make interest only payments to ICC, with an effective interest rate of 18.0% per annum, along with a loan origination fee of \$60,000 being paid in advance along with the \$1,432,500 in payments being applied to deposits on the equipment with ICC. In the case of default the Company has options to cure the default, in the absence of the ability to cure, the Company loses the \$1,432,500 in deposits, the \$60,000 in loan origination fee, as well as any payments made to ICC, of which the Company made 3 interest only payments totaling \$154,455. With the inability to cure its default on the ICC note, the Company lost \$1,646,955 in payments on extraction equipment that it never fully took possession of.

In order to mitigate the purchase and short term note payable with ICC the Company sought out to finance the equipment through a “master” capital lease with NFS Leasing, Inc. (“NFS”) a national equipment financing lease business. Pursuant to the terms of the master lease agreement and negotiations the Company entered into a definitive term sheet with NFS. These terms were defined on or about November 1, 2019. The Company made good faith payments and entered into the note payable with ICC based on these discussions with NFS. Subsequent to 1<sup>st</sup> of January 2020, negotiations and the execution of a master lease agreement failed with NFS and its team. With NFS and its failed negotiations the Company was left with deposits placed on the equipment with ICC at risk, and the inability to finance the total purchase price through a financial institution. NFS failed to perform on several key terms of its master lease agreement and credit conditions and therefore the Company is not obligated to any of the terms and payments that were required to be made under the negotiations to NFS.

The Company incurred significant legal and accounting fees to negotiate and secure a proper financing plan for the extraction equipment. These fees approximate in excess of \$200,000, as well as a referral fee (see Note 17 – Subsequent Events) to one of the owners of Catch Capital Partners, Inc. (see Note 5 – Investment – Minority Ownership) for his introduction of NFS to the Company. The referral fee as requested from management was \$75,000 which was settled subsequent to year-end through the issuance of 1,500,000 shares of the Company’s common stock to that individual. ICC did not construct or manufacture the equipment on behalf of the Company for which it had placed several deposits on, and as of the date of this report has not refunded the Company the deposit monies due to certain terms and conditions that former CEO Mr. Earle entered into with ICC through its note payable. Current management with the advice of legal counsel have not determined the likelihood of recovery of these monies and therefore have reserved for the entire amount, \$4,808,590 as an impairment charge recognized in 2019, with the impairment reserve carrying into 2020 and beyond. If the Company is successful in any recovery effort it will reverse the reserve for impairment in the year of recovery.

Construction in progress – extraction equipment were comprised of the following as of December 31, 2020 and 2019.



	December 31, 2020	December 31, 2019
Financed capital equipment – extraction equipment	\$ 3,376,090	\$ 3,376,090
Deposits placed on extraction equipment	<u>1,432,500</u>	<u>1,432,500</u>
Total Construction in progress – extraction equipment	4,808,590	4,808,590
Less accumulated depreciation (not placed in service)	<u>( - )</u>	<u>( - )</u>
	4,808,590	4,808,590
Less impairment charge - default on note payable	<u>(4,808,590)</u>	<u>(4,808,590)</u>
	<u>\$ -</u>	<u>\$ -</u>

The Company subsequent to year end was notified by legal counsel that ICC responded that they are not obligated to the Company for any damages or monies to be returned. ICC asserts that pursuant to the agreement and understanding between them, our former CEO and the Company that substantially all the work was completed in a timely manner, and that breach by the Company early in 2020 precludes the Company from any claim of damages and the loss of funds. The Company subsequent to year end recognized a gain on discharge of indebtedness from the Note Payable – ICC of approximately \$522,000 representing accrued interest on the ICC note.

#### **NOTE 5 – INVESTMENT – MINORITY OWNERSHIP – CATCH CAPITAL**

On April 15, 2019 the Company issued 5,000,000 shares of its common stock to the principals of Catch Capital Partners, Inc. (“Catch Capital”) for a 20% ownership interest (or 20 common shares) in Catch Capital. Besides the ownership interest “exchange” Catch Capital and the Company entered into a partnership to develop cannabis and hemp production and extraction within the provinces of Canada. The Company issued the shares to the two Catch Capital principals, Mr. Jeffery Wareham (“Mr. Wareham”) and Mr. Andrew McKay (“Mr. McKay”). It was told to the Company that due to suitability standards the reason for the issuance personally as the shares of an OTC (over-the-counter) company cannot be owned as an asset of Catch Capital, and through this transaction may be considered as payment to the principals through a dividend or other type of income distribution to the two principals of Catch Capital. The Company does not know what the basis or ownership percentages that Mr. Wareham or Mr. McKay have in Catch Capital, nor the income on the distribution of the shares of the Company received through the exchange and issued in their personal names that may have been assessed by the Canadian tax authorities. The Company is not obligated for backup withholding on the fair value of the shares received on the date of issuance in the ownership interest “exchange.” Mr. Wareham and Mr. McKay have indemnified the Company for any backup withholding that would have been required on their behalf or on behalf of Catch Capital.

The Company for financial statement reporting purposes is required at the end of each reporting period to estimate the fair value of its minority interest in Catch Capital, along with reporting of any related party activity and expenditures incurred with this partnership and Catch Capital or its principals due to their ownership in the Company. The Company recorded an initial investment in Catch Capital of \$1,000,000 for the year ended December 31, 2019. The shares were recorded at fair value which was the then current offering price of the Company’s common stock through its exempt private placement offering in process on the date of issuance. During the year ended December 31, 2020 the Company recognized a reserve for impairment of \$1,000,000 with respect to the Investment in Catch Capital. The Company has attempted to determine if there is any tangible value to Catch Capital and its future prospects in Canada as of December 31, 2020 and determined that it is appropriate to reserve for the entire investment at that date.

The Company complies with ASC 820, Fair Value Measurements, for its financial assets and liabilities that are re-measured and reported at fair value at each reporting period, and non-financial assets and liabilities that are re-measured and reported at fair value at least annually. Due to the lack of available observable inputs and reliance upon the current conditions the Company recognized an impairment charge with respect to the Investment in Catch Capital of \$1,000,000 and none for the years ended December 31, 2020 and 2019, respectively. The Company did not incur any significant costs associated with its ownership in Catch, nor its majority owners Mr. Wareham or Mr. McKay. Subsequent to year-end the Company was notified by Mr. Wareham, the majority owner of Catch Capital that the Company was obligated to Mr. Wareham for his services in connection with the NFS transaction which occurred in the year ended December 31, 2020. The Company negotiated the payment of the obligation through the issuance of 1,500,000 shares of its common stock. The shares are valued at \$75,000 for services rendered by Mr. Wareham and included in our accounts payable at year end. These shares were issued to Mr. Wareham in 2022 (see Note 17 - Subsequent Events).

#### **NOTE 6– JOINT VENTURES**

On October 26, 2018, the Company entered into a joint venture and exclusive agreement with Genji Organics, LLC (the “Genji JV”) for the development, planting of, growing of and cultivation of hemp plants for commercialization, extraction and sale of. Genji Organics is located in the central valley of the state of Colorado. The Genji JV obligated the Company to make payments of \$50,000 per trimester for each year (‘land lease’), along with bi-monthly payments of \$7,600 on the 1<sup>st</sup> and 15<sup>th</sup> of each month in order to pay for management services (‘royalty’) of the Genji JV partner. The land lease and royalty payments are paid three times a year or monthly depending on the payment requirements of a 20-year agreement to operate an agricultural property with the Genji JV partner. The Genji JV provided the Company with an initial term of 10-years with an additional 10-years at the sole discretion of the Company. The Company had all rights and privileges under the agreement as long as it continued to make its required payments to the Genji JV partner, if it failed to pay the Genji JV partner any of its payments due, the Company has the ability to cure the deficiency and no termination would be allowed by the Genji JV partner. The Company

does not have the right to terminate the Genji JV without cause. Total land lease and royalty payments to the Genji JV over the 20-years (assuming the 10-year extension was exercised) is approximately \$6,648,000. This did not include one-time payments of share compensation of 3,500,000 and 1,500,000 shares of the Company's common stock. All payments are to be made to Genji Organics, LLC or its principal, Mr. Roger Christensen ("Mr. Christensen").

The Genji JV provided for the Company with the ability to earn 80% of the net profits derived from the planting, cultivation and harvest of the 360 acre hemp grow. Net profits were determined to be gross sales of the hemp bio-mass product, less costs to grow, cultivate, extract along with the cumulative bi-monthly payments made to the Genji JV partner until that hemp bio-mass product grow ('grows') is available to a willing buyer. To date there have been no successful grows conducted by the Company and the Genji JV partner. The Company for the year ended December 31, 2018 paid either Genji or Mr. Christensen \$30,000 in payments towards the land lease and royalty requirements, for the year ended December 31, 2019 paid either Genji or Mr. Christensen \$105,000 in payments towards the land lease and royalty requirements along with \$260,000 in payments towards costs directly associated with the grow that we reimbursed Mr. Christensen for, and for the year ended December 31, 2020 paid either Genji or Mr. Christensen \$62,500 in payments towards the land lease and royalty requirements. As of December 31, 2020 we owed Genji approximately \$512,000 in unpaid land lease and royalty payments. The Company and Mr. Christensen, along with Genji have agreed in principal to terminate the Genji JV as of March 31, 2022, whereby Mr. Christensen will retain ownership of the shares of common stock received from the Company during 2018 and 2019, and will forgive all amounts known and unknown due and owing to Mr. Christensen or Genji by the Company pursuant to a written settlement between the parties (see Note 17 - Subsequent Events).

During 2018 the Company recorded \$350,000 in connection with its obligation to issue 3,500,000 shares of its common stock to its Genji JV partner. The Company determined that fair value was \$0.10 per share which was the price the Company was selling its common stock through its first exempt private placement offering. During the year ended December 31, 2019, the Company issued another 1,500,000 shares of its common stock to the Genji JV partner and recorded additional expense of \$300,000. The Company determined that fair value of its common stock at the time of (second) grant for the additional 1,500,000 shares was \$0.20 per share. Both the share issuances and the required payments are included in Land lease costs – Genji Project within its consolidated statement of operations.

The Company entered into a joint venture agreement with another industrial hemp agricultural located in the state of Colorado. The terms and payments are that both the Company and the joint venture partner will receive 50/50 of the net profits from the operation upon harvest and extraction. On April 12, 2019 the Company entered into a farm lease with Circle D Farms, Inc. ("Circle D") for the Company to operate and lease the properties owned by Circle D. The Company will retain all profits from this operation, with the obligation to pay Circle D approximately \$45,000 in land lease costs, \$10,000 in cultivation work performed by Circle D and other ancillary costs that the Company is obligated for. The Company paid Circle D approximately \$67,000 during the year ended December 31, 2019 and none during the year ended December 31, 2020. The Company and Circle D terminated its joint venture agreement during the year ended December 31, 2019. The Company is not obligated to Circle D for any additional costs.

On May 27, 2019 the Company entered into a binding letter of intent with Fox Organic Farms Inc. ("Fox Organic") to cultivate, harvest and the extraction of CBD oil from the cultivation of approximately 830 acres of industrial hemp bio-mass. Fox Organic is located in the state of Colorado. The agreement provided for both the Company and Fox Organic to split the net profits from operations. Net profits and the application of overhead costs were defined in a definitive agreement. Fox Organic planted and cultivated the 900 acres. The Company was obligated as part of the agreement Fox Organic to construct the extraction facility within the state of Colorado. As of December 31, 2019 the Company and Fox Organic terminated its agreement as the Company had failed to construct the extraction facility. The Company is not obligated to Fox Organic for any costs. The Company paid Fox Organic approximately \$72,000 during the year ended December 31, 2019 and none during the year ended December 31, 2020. These costs were recorded as part of our inventory and other work-in-progress costs on our consolidated balance sheet, and fully reserved for due to the loss from the inventory and other work-in-progress efforts.

On February 19, 2020 the Company entered into an agreement with Victory Americas Group, LLC ("Victory") to process hemp biomass into T-Free CBD distillate and remit an agreed upon amount from the sale of the distillate. This agreement and future extraction process and potential sales produced approximately \$0 from the extraction and distillate. It was determined that the hemp biomass was of such low quality and the extraction process produced a non-saleable product. The Company and Victory shared offices in our corporate facility for a period of time in 2020 (see Note 16 - Leases and Leased Premises).

#### **NOTE 7 – RELATED PARTY TRANSACTIONS**

During October, 2018 the Company entered into a long-term employment agreement (the "Earle Agreement") with Mr. Earle. The Earle Agreement provided for a five (5) year term. The Earle Agreement provided for a base salary of \$240,000 per annum or \$20,000 per month. The Earle Agreement provided for a bonus plan established by the board of directors and paid out quarterly in accordance with the bonus plan. Upon signing of the Earle Agreement the Company was obligated to issue certain shares of its common stock under a Cashless Warrant provision. The total amount of shares to be received by Mr. Earle under the Earle Agreement was 4,500,000 shares of the Company's common stock. The Company instituted a policy decision pursuant to paragraph 718-10-35-8 as to whether it considered the award as in-substance, multiple awards each with its own requisite service period or not. Pursuant to this policy decision the entire 4,500,000 shares was valued on the grant date with 1/3<sup>rd</sup> of this amount 100% vested on the one-year anniversary date (a minimum of 1 year of service required), another 1/3<sup>rd</sup> vested upon the two-year anniversary date (a minimum of 2 years of service required), and the remaining 1/3<sup>rd</sup> vested upon the three-

year anniversary (a minimum of 3 years of service required). The Company recognized compensation expense each quarter based on Mr. Earle's agreement and the continued employment for each required service period and respective award. For tax-purposes the Company will recognize 100% of the taxable amount in the period in which Mr. Earle receives and/or takes constructive receipt of the shares and provides for a Section 83(b) election. The Section 83(b) election must be made and filed within 30 days of the date the restricted shares were granted or purchased by Mr. Earle, recognizing the fair market value attributable to the shares on that date versus the vesting date for each restricted share-award. For tax purposes this value is to be determined by the total number of shares issued multiplied by the fair market value of the Company's common stock on the date when issued, determined without regard to any restriction other than a restriction which by its terms will never lapse. The Company never officially issued those shares, nor did Mr. Earle ever take constructive receipt of the shares. If Mr. Earle had taken constructive receipt Mr. Earle may have had a tax liability associated with the shares on that date, and pursuant to the settlement agreement would have returned those shares to treasury, see Note 17 - Subsequent Events.

With respect to non-employee share-awards fair value is determined by the value of the Company's common stock on that date; in accordance with ASC 718 'fair value' is the amount at which an asset (or liability) could be bought (or incurred) or sold (or settled) in a current transaction between two willing parties, that is, other than in a forced or liquidation sale. The price (fair value) at the end of 2018 was \$0.10 per share. In accordance with ASC 718-10-55-11 the Company used the market price of the Company's common stock on the date that the grant was awarded for employees. This price differed substantially as the trading price of the Company's common stock was significantly higher than what the Company was selling its shares of common stock to investors in its private placement offerings, or considered as an arms-length transaction price. The market price on the date of grant was \$0.22 per share.

Under ASC 718 the Company is required to measure the value of the stock-based compensation, to Mr. Earle, based on the grant date (October 1, 2018) using the "fair-value based method" of accounting. This requires the Company to re-measure for footnote disclosure purposes only the market value of the share-award and its effect on the profit and loss statement and for balance sheet purposes as if it were made on the last day of the reporting period. For other share-based awards to Mr. Earle that occur the Company may be required to use the option-pricing model adjusted to accommodate for the unique characteristics such as restriction, nonhedgability, as well as certain vesting period metrics that may be placed upon the share-based awards.

The Company in 2018 reserved for the entire 4,500,000 shares of common stock at fair-value, using the option-pricing model been determined to be mark-to-market for our common stock; we had a fairly liquid and non-volatile publicly traded equity through the shares of our common stock. That price was determined to be \$0.22 per share, fair value at the time of grant. For 2018 the Company recognized for accounting purposes 3 months of the one-year service award (3/12<sup>th</sup>), 3 months of the two-year service award (3/24<sup>th</sup>), and 3 months of the three-year service award (3/36<sup>th</sup>) as compensation to Mr. Earle under the employment agreement. The remaining 4,125,000 shares of common stock was held in reserve as deferred compensation to the employee. Pursuant to ASC 718 the Company recognized any change in deferred compensation for the unvested shares utilizing the options-pricing model at the end of each reporting period. In 2018 compensation expense recognized for share-based awards to Mr. Earle was \$151,250. During the year ended December 31, 2019 the Company recognized an additional \$522,500 in compensation expense for share-based awards of an additional 1,500,000 shares of common stock earned out in 2019. During the year ended December 31, 2020 the Company recognized an additional \$233,750 in compensation expense for share-based awards of an additional 1,500,000 shares of common stock earned out in 2020. See Note 17 - Subsequent Events, for the year ended December 31, 2021 Mr. Earle would have earned out 1,125,000 shares of the Company's common stock, with an additional \$82,500 of compensation being recorded. In addition the Company recognized recovery of compensation expense of the entire amount in income and a reduction in equity of \$990,000, the value of the original share grant to Mr. Earle pursuant to the terms of the settlement agreement, see Note 17 - Subsequent Events.

The Company had a balance at December 31, 2020 and 2019 of \$316,250 and \$82,500 in deferred compensation for the remaining, unvested and, unearned awards (1,125,000 and 2,625,000 shares of common stock) attributable to the 1 year service award and the 2 multi-year service awards, respectively. The Company upon the grant date reserved for these shares in their entirety and expected to issue the shares to Mr. Earle during the periods presented.

Utilizing the option-pricing model for the Earle Agreement shares, upon the original grant date the Company would have recorded an additional \$82,500 in compensation expense – share award and recognized an additional \$540,000 in deferred compensation. This assumes the closing price of the Company's common stock on December 31, 2018 was measurement date fair-value of the share-award granted to the former employee, Mr. Earle. The closing price for the Company's common stock as of December 31, 2018 was \$0.34 per share. For the years ended December 31, 2019 and 2020 the Company recognized compensation expense of \$522,500 and \$233,750, respectively, and utilizing the option-pricing model the Company would have recorded additional compensation expense/(income) of \$110,590 and \$(277,300), respectively, with closing prices of the Company's common stock (as of December 31, 2019 and 2020) of \$0.30 and \$0.01 per share, respectively. With the Company's descending market price of its common stock, the Company has or will have recovered the entire compensation amount associated with the Earle Agreement shares.

The Earle Agreement provided for relocation expense, benefits inured to the employee, as well as 20 days of vacation time per annum (the Company has not accrued any vacation time, nor any benefits inured to Mr. Earle at December 31, 2019 or 2020). The Earle Agreement provided for reasonable business expenses to be reimbursed by the Company. The Earle Agreement provided for withholding of taxes on behalf of Mr. Earle. At December 31, 2020 the Company estimates the request(s) for non-withholding by the employee may subject the Company to backup withholding penalties and interest of 24% or more for federal and another 7% or more for the state of California for

which Mr. Earle is a resident of (based on approximately \$108,000 in total payments being made to Mr. Earle this may amount to approximately \$34,000 in additional liabilities due and owing by the Company on Mr. Earle's behalf). Other local and other taxing authorities may assess the Company penalties for non-withholding at the source on its share awards and other payments made to Mr. Earle which we have not recorded as a liability at each balance sheet date. This may require the Company record additional state and local payroll taxes, penalties and interest. As described above Mr. Earle received payments of \$21,000 as part of his base compensation during 2018, along with payments on his base compensation of \$47,000 and \$39,600 for the years ended December 31, 2019 and 2020, respectively. Other amounts that Mr. Earle may have received were most likely earned prior to the acquisition of GS LLC by GSHC, and of course the acquisition of GSHC by UPPR. Pursuant to the Earle Agreement upon a change in control transaction involving the Company, Mr. Earle's entire common stock award will immediately vest and title and receipt of the shares may be transferred in their entirety to Mr. Earle. Accrued compensation amounts for Mr. Earle included in Accrued expense – related party was \$60,000 at the beginning of 2019, increasing to a balance of \$300,000 as of December 31, 2019, and a balance of \$540,000 as of December 31, 2020. See Note 17 – Subsequent Events, the Company accrued another \$150,968 in compensation expense to Mr. Earle through the date of the settlement agreement. The Company recognized total forgiveness of \$690,968 in compensation expense accrued and unpaid associated with the settlement agreement.

During the year ended December 31, 2019, the Company's board of directors authorized and approved the issuance of certain warrants to Mr. Earle to purchase 10 million shares of the Company's common stock. The April 9, 2019 grant and issuance of the warrants provided for an immediate vesting of the underlying shares with a below market exercise price of \$0.04 per share (the "Earle Warrants"). On the date of grant, April 9, 2019, fair value (for non-employees) was determined to be \$0.20 per share, and market value (mark-to-market) of the Company's common stock was \$0.54 per share. For the year ended December 31, 2019 the Company recorded compensation expense of \$5,028,214 for the difference between an exercise price of \$0.04 per share and a market value of \$0.54 per share on the date of grant along with the option/warrant value of \$0.0028 per share as determined using the Black Scholes option pricing model multiplied by the number warrants and common stock underlying those warrants with a corresponding entry to Additional Paid in Capital for the warrants issued to Mr. Earle. No risk of loss associated with these warrants exists and these warrants have been determined to be owned outright by Mr. Earle on the grant date and therefore the Company recorded the entire warrant value as compensation to Mr. Earle in 2019. Subsequent to year end the Company entered into a settlement agreement with Mr. Earle (see Note 17 - Subsequent Events) and have received the notice of cancellation and the end to any rights that Mr. Earle may have with respect to the Earle Warrants. The Company recorded the cancellation and return of the 10,000,000 warrants as well as recorded any final compensation expense associated with the Earle Warrants and the recovery of the warrants from Mr. Earle. Mr. McDougall our former CEO and President (prior to the Merger) and former director of the Company had been granted the same number of warrants with the same terms as Mr. Earle (the "McDougall Warrants"). As the case with Mr. Earle, subsequent to year end the Company entered into a settlement agreement with Mr. McDougall (see Note 17 - Subsequent Events) and have received the cancellation and end to any rights that Mr. McDougall may have with respect to the McDougall Warrants.

In accordance with ASC 718-10-30-9, the fair value of an equity share option or similar instrument shall be estimated using a valuation technique such as an option-pricing model. For this purpose, a similar instrument is one whose fair value differs from its intrinsic value, that is, an instrument that has time value. The Company in applying ASC 718 for both employees and non-employee equity share option awards (i.e. common stock warrants) uses the option-pricing model to value these warrants on the date of grant and each subsequent reporting period thereafter until the warrants are exercised or terminate due to contractual agreement. This did not affect the warrant treatment by the Company, during the years ended December 31, 2019 and 2020 as both the Earle Warrants and McDougall Warrants were not derivative instruments.

Mr. Earle for a number of years provided office space for the Company's executive offices at a facility which he owns for no cost. The Company has not determined the fair market value of the free-rent as to the minimal nature of the use of office compared to the Company's operations. The Company may be subject to backup withholding penalties and interest on the payments made to Mr. Earle that are outside of his employment agreement. The Company estimates that this could have ranged from \$8,000 to \$10,000 in total. Subsequent to year end, see Note 17 - Subsequent Events, the Company and Mr. Earle entered into a settlement agreement whereby Mr. Earle forgave and released the Company from any financial obligations that the Company may or might owe to Mr. Earle and any of his affiliates or associated entities. The Company has the right to sue Mr. Earle for any breach of this settlement.

During the years ended December 31, 2019 and 2020, the Company made certain payments to Tezi Advisory, Inc. ("Tezi"), and CI Magnolia, Inc. ("Magnolia") both related parties. Mr. McDougall is the sole shareholder and owner of Tezi as well as Magnolia. Payments of \$79,000 were made for services provided to the Company by Tezi and Magnolia for the year ending December 31, 2019. An additional \$8,000 was paid to Magnolia for services for the year ending December 31, 2020. The Company made payments to both Tezi and Mr. McDougall for services provided prior to the Merger and in 2018, these payments and expenses prior to the Merger however were not included in the consolidated financial statements of the accounting acquiror, GSHC. Mr. McDougall, Tezi and Magnolia, collectively are owed approximately \$7,900 and \$7,900 through various notes payable as of December 31, 2020 and 2019, respectively. The Company during the years ended December 31, 2019 and 2020 did not negotiate a formal repayment plan with respect to either of the notes payable. Subsequent to year end, see Note 17 - Subsequent Events, the Company and Mr. McDougall entered into a settlement agreement whereby Mr. McDougall forgave and released the Company from any financial obligations that the Company may or might owe to Mr. McDougall or any of his affiliates or associated business entities. The Company has the right to sue Mr. McDougall for any breach of this settlement.

During the years ended December 31, 2019 and 2020, the Company made certain payments to Mr. Livingston in association with his consulting agreement as well as his role as an officer and director of one of our wholly-owned subsidiaries (LPM). Mr. Livingston received approximately \$12,000 and \$0 in payments for his role as a consultant from the Company in 2019 and 2020, respectively. The Company

recorded \$240,000 in compensation expense for the year ending December 31, 2019, an additional \$240,000 in compensation expense for the year ending December 31, 2020 and subsequent to year end an additional \$150,968 in compensation expense (through the date of the Settlement Agreement). Accrued compensation amounts for Mr. Livingston included in Accrued expense – related party was none at the beginning of 2019, increasing to a balance of \$240,000 as of December 31, 2019, with a further increase to the balance of \$480,000 as of December 31, 2020. See Note 17 – Subsequent Events, the Company accrued another \$150,968 in compensation through the date of the settlement agreement. The Company recognized a gain on forgiveness of \$630,968 in compensation expense associated with the settlement agreement.

During the year ended December 31, 2019, Mr. Livingston received 10,000,000 shares of the Company’s common stock with immediate vesting, and a stock award of 10,000,000 shares that would reverse vest on the 1-year, 2-year and 3-year anniversary of the consulting agreement. The Company recognized \$2,000,000 immediately upon the grant of the first 10,000,000 shares of common stock and will recognize another \$2,000,000 over a period of 36 months as the other 10,000,000 shares of common stock is earned out. Fair value of the Company’s common stock was determined to be \$0.20 per share on the date of grant. Subsequent to the grant and issuance of the shares Mr. Livingston recognizing the tax implications of the share grant as well as the stock award, Mr. Livingston returned the shares and cancelled the stock award portion of the consulting agreement. This all occurred prior to December 31, 2019 not requiring the Company to issue the appropriate filings to the federal and state taxing authorities for the value of the equity issuances. Subsequent to year end, see Note 17 - Subsequent Events, the Company and Mr. Livingston entered into a settlement agreement whereby Mr. Livingston forgave and released the Company from any financial obligations that the Company may or might owe to Mr. Livingston and any of his affiliates or associated entities. The Company has the right to sue Mr. Livingston for any breach of this settlement.

During July 2019, the Company entered into a consulting agreement (the “Koziol Agreement”) with Mr. Daniel Koziol (“Mr. Koziol”). The Koziol Agreement provided for compensation to Mr. Koziol through his corporate entity, Crowd Management, Inc. for the services of Mr. Koziol as Vice-President of Marketing to the Company. This agreement had the usual compensatory language that the Company enters into with a monthly compensation provided for of \$15,417. Mr. Koziol received approximately \$79,252 and \$25,000 in payments as a consultant from the Company in 2019 and 2020, respectively. The Company recorded \$92,500 in compensation expense for the year ending December 31, 2019, an additional \$185,000 in compensation for the year ending December 31, 2020 and subsequent to year end an additional \$116,371 in compensation expense (through the date of the Koziol settlement). Accrued compensation for Mr. Koziol included in Accrued expense – related party was none as of the beginning of 2019, increasing to a balance of \$92,500 as of December 31, 2019, a balance of \$185,000 as of December 31, 2020. See Note 17 – Subsequent Events, the Company accrued another \$116,371 in compensation for Mr. Koziol. The Company recognized a gain on forgiveness of \$393,871 in compensation expense less the value of the shares issued to Mr. Koziol in 2022, personally, see Note 17 – Subsequent Events, of \$92,500.

During the years ended December 31, 2019 and 2020, the Company paid various business entities and their affiliates for investor relations services. These business entities have not been verified without further confirmation that these amounts should not be classified as related party payments due to the holder’s business ownership and/or personal relationship with Mr. McDougall a former director of the Company. The Company paid to these related parties a total of \$36,000 and \$6,000 which has been included in investor relations expense in our consolidated statement of operations, for the years ended December 31, 2019 and 2020, respectively.

**NOTE 8 - NOTES PAYABLE**

During the year ended December 31, 2018 the Company entered into or assumed several short-term loans received in the Merger transaction. Short-term notes payable balance as of December 31, 2018 was \$90,000. The Company during the year ended December 31, 2019 entered into a note payable associated with its purchase of a commercial building in Colorado, as well as a note payable to finance the construction in progress on its extraction equipment.

The following table summarizes notes payable as of December 31, 2020 and December 31, 2019:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Note payable – an individual holder, principal and interest due and payable on July 3, 2019 (currently in default as of December 31, 2020), interest – 5.0% per annum. The note payable is secured by the Colorado property, and the assets of the Company. The original principal amount on the note payable was \$687,000. The Company is obligated to a 10% late fee if not paid by July 13, 2109. The original issuance date of the note payable was April 3, 2019. The note holder is Mr. Roger Christensen.	\$ 487,000	\$ 487,000
Note payable – a corporate entity, principal and interest due and payable on December 1, 2020 (currently in default as of December 31, 2020), interest - 18.0% per annum. The note payable is secured by the construction in progress extraction machines currently being built, and the deposits of \$1,432,500 that was paid to the lender. The original principal amount on the note payable was \$3,376,090. The original issuance date of the note payable was November 26, 2019. The note holder is ICC Northwest, Inc. or ICC Group.	3,376,090	3,376,090
Note payable – an individual holder, principal and interest due and payable on December 23, 2016 (currently in default as of December 31, 2020), interest - 10.0% per annum. The accompanying note payable was assumed in the Merger by the Company. The Company has not determined if the notes payable were primarily from services or from funds loaned directly from the holder. The original issuance date of the note payable was November 5, 2015. The note holder is Mr. Peter Henricsson.	75,000	75,000

Note payable – an individual holder, principal and interest due and payable on December 23, 2016 (currently in default as of December 31, 2020), interest - 10.0% per annum. The accompanying note payable was assumed in the Merger by the Company. The Company has not determined if the notes payable were primarily from services or from funds loaned directly from the holder. The original issuance date of the note payable was November 5, 2015. The note holder is Mr. Peter Henricsson.

	15,000	15,000
Total notes payable	3,953,090	3,953,090
Less current maturities	(3,953,090)	(3,953,090)
Long term portion of notes payable	\$ -	\$ -

On April 3, 2019 the Company purchased a commercial warehouse and its equipment content in the state of Colorado for \$1,100,000. The Company remitted \$413,000 as a deposit and down-payment on the property and received seller financing of \$687,000 (allowing for payments of \$200,000 made by the Company during that period). The seller is the principal owner of Genji Organics LLC our Genji JV partner. Mr. Christensen provided the Company with a note payable in the amount of \$687,000, interest accruing at 5.0% per annum. Principal and interest is payable in a lump-sum on or before July 12, 2019. The note payable is secured by the property known as 710 3<sup>rd</sup> Street, Center, Colorado, the equipment and property contained within the building as well as all of the assets of Upper Street Marketing Inc. and Growing Springs Holdings Corporation.

On November 26, 2019 the Company entered into an agreement to have several (CBD Ethanol based extractors) extraction machines built by ICC in order to use this equipment in its commercial warehouse location and several of its joint ventures. The Company remitted \$1,432,500 in deposit monies on the equipment to be manufactured by ICC, a \$60,000 loan origination fee and received a note in the amount of \$3,376,090 to be paid on or before December 1, 2020 or within 7 days that ICC has provided notice that the extraction machines are complete, whichever occurs first. The note provides for interest only payments to be made at the 1<sup>st</sup> of each month until the maturity date. Delinquency charges are assessed at 5% per each payment missed per the note agreement, with no set default interest if the Company defaults. The Company as of the end of 2020 is considered in default of the ICC note payable and may be liable for the note payable, accrued interest payable and delinquency charges on the entire note despite the fact that ICC never delivered the equipment, nor ever informed the Company of its progress on the equipment post the last payment made in March of 2020. The Company and its current management have sought the advice of legal counsel to determine the likelihood of recovery of the \$1.432 million in production deposits, as well as the likelihood of the Company being obligated to ICC for the note payable, interest, delinquency charges or other damages.

The notes accrue interest at a rate of 10% for the Henricsson note, 5% for the Christensen note, and 18% for the ICC note. The Company records interest expense in the period incurred. During the year ended December 31, 2019, the Company received notice from Mr. Christensen that the note was in default. The Company through its negotiations and dealings with NFS on the master lease agreement was also seeking to refinance its note on the building. This however failed to occur. During the year ended December 31, 2020 the Company received notice from the Senior Secured Debt Holder who held a first lien position on the property that its intent was to foreclose on the Colorado building and sell the property as it had a right to do. Mr. Christensen had subordinated his first lien position to the Senior Secured Debt Holder who held two notes of \$550,000 and \$50,000 that were recorded with the local governments. Mr. Christensen’s remaining balance of \$487,000 plus accrued interest and late penalties for the original \$687,000 note payable was discharged in the foreclosure sale. The foreclosure sale of the property occurred on June 4, 2021. The Company recognized the termination of the two Harbor Gate notes and the termination of the Christensen note payable of \$487,000.

The Company in 2020 removed the building, its cost and any associated depreciation from its books, and in 2021 removed the Christensen note and its associated accrued interest payable from its books. The Company for the year ending December 31, 2021 recognized a total loss from the impending forced sale of the property of approximately \$1.2 million which includes the impairment charges recognized in 2020 of \$1,109,915. The Company does not believe that it has any further obligation to Mr. Christensen with respect to the note payable, or the building. Current management intends on negotiating with Mr. Henricsson to remove the debt from its books and may do so with a cash payment or a combination of cash and equity, or just equity. The Company may seek redress from Mr. McDougall pursuant to the settlement agreement and assert that Mr. Henricsson is in fact an associate or related party with Mr. McDougall.

**NOTE 9 - NOTES PAYABLE – RELATED PARTIES**

During the year ended December 31, 2018 the Company assumed several short-term loans received in the Merger transaction. Short-term notes payable – related parties balance as of December, 31 2018 was \$110,110. The Company during the year ended December 31, 2019 paid down related party balances by approximately \$70,000. No additional funds were borrowed as notes payable – related parties.

The following table summarizes notes payable – related parties as of December 31, 2020 and December 31, 2019:

	December 31, 2020	December 31, 2019
Note payable – a business entity holder, principal and interest due and payable on June 1, 2016 (currently in default as of December 31, 2018), interest - 10.0% per annum. The accompanying note payable was assumed in the Merger by the Company. The Company has not determined if the notes payable were from services or from funds loaned directly from the holder. The original issuance date of the note payable was June 2, 2015. The Company has not determined without further confirmation that the note payable should have been classified as a related party note payable due to the holder’s business ownership or personal relationship with Mr. McDougall a former director of the Company. The holder is a revoked corporate entity with no determinative officer, director or owners. The holder is AZ Asset Management, Inc. a Nevada corporation.		



	\$	4,000	\$	4,000
Note payable – a business entity holder, principal and interest due and payable on June 1, 2016 (currently in default as of December 31, 2018), interest - 10.0% per annum. The accompanying note payable was assumed in the Merger by the Company. The Company has not determined if the notes payable were from services or from funds loaned directly from the holder. The original issuance date of the note payable was June 2, 2015. The Company has not determined without further confirmation that the note payable should have been classified as a related party note payable due to the holder’s business ownership or personal relationship with Mr. McDougall a former director of the Company. The holder is a revoked corporate entity with no determinative officer, director or owners. The holder is AZ Asset Management, Inc. a Nevada corporation.		20,000		20,000
Note payable – a former officer and director of a wholly-owned subsidiary. No payment terms and the funds were borrowed originally from the cousin of this person. Mr. Aziz Patel with the belief and understanding by the Company assigned certain shares to Aryn Merchant as payment and assumption of this debt. The Company believes that it is not obligated for this amount and that barring receipt of release will have the power to write off this debt based on statute of limitations.		8,174		8,174
Note payable – a business entity holder, principal and interest due and payable on November 29, 2016, interest - 10.0% per annum. The accompanying note payable was assumed in the Merger transaction by the Company. The note payable is classified as a related party note payable due to the holder’s ownership being Mr. McDougall. The holder is a revoked corporate entity with the state of Nevada. The holder is Tezi Advisory Inc.		7,200		7,200
Total notes payable		39,734		39,374
Less current maturities		(39,374)		(39,374)
Long term portion of notes payable	\$	-	\$	-

During 2019 and 2020 the Company borrowed no additional funds from these related-parties. The notes accrue interest at a rate of ten percent per annum and usually have a one-year term and are in default. The Company records interest and records it as related party interest expense in the period incurred. Subsequent to year end, see Note 17 - Subsequent Events, the Company and Mr. McDougall entered into a settlement agreement whereby Mr. McDougall forgave and released the Company from any financial obligations that the Company may or might owe to Mr. McDougall and any of his affiliates or associated business entities. The Company has the right to sue Mr. McDougall for any breach of this settlement. The Company recorded a gain on settlement of notes payable of \$31,200 that Mr. McDougall assumed full responsibility of these notes and their repayment.

#### NOTE 10 – CONVERTIBLE NOTES

During the year ended December 31, 2018, the Company assumed several short-term loans received in the Merger transaction. Short-term convertible notes – balance as of December, 31 2018 was \$17,145. The Company during the year ended December 31, 2019 paid down convertible note balances by approximately \$17,000. The Company entered into two new convertible notes during the year ended December 31, 2019.

The following table summarizes notes payable – related parties as of December 31, 2020 and December 31, 2019:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Senior Secured Fixed Convertible Promissory Note – an business entity holder, principal and interest due and payable on April 23, 2019 (in default as of December 31, 2019), interest - 10.0% per annum. Convertible into common stock, at the lesser of \$0.20 per share or at a 60% discount to the lowest trading day based on the closing market price of the Company’s common stock. The holder may not convert if the conversion of such debt would provide for more than 9.99% ownership in the Company’s common stock on the date of conversion. Default interest shall be 20.0% per annum (the Company was in default on November 23, 2019). The Harbor Gate Senior Secured Fixed Convertible Promissory Note holds a first lien position on the Colorado building. See other terms below.	\$ 550,000	\$ 550,000
Senior Secured Fixed Convertible Promissory Note – an business entity holder, principal and interest due and payable on April 23, 2019 (in default as of December 31, 2019), interest - 10.0% per annum. Convertible into common stock, at the lesser of \$0.20 per share or at a 60% discount to the lowest trading day based on the closing market price of the Company’s common stock. The holder may not convert if the conversion of such debt would provide for more than 9.99% ownership in the Company’s common stock on the date of conversion. Default interest shall be 20.0% per annum (the Company was in default on November 23, 2019). The Harbor Gate 2 <sup>nd</sup> Senior Secured Fixed Convertible Promissory Note holds a first lien position with the other Senior Secured note on the Colorado building. See other terms below.	50,000	50,000
Total convertible notes payable	600,000	600,000
Less current maturities	(600,000)	(600,000)
Long term portion of convertible notes payable	\$ -	\$ -

#### Harbor Gate Transactions and Foreclosure of Colorado Property

On April 23, 2019, the Company entered into a 10% Senior Secured Fixed Convertible Promissory Note (the “Senior Secured Note”) with Harbor Gates Capital, LLC (“Harbor Gate”), in the aggregate principal amount of \$550,000. The Senior Secured Note bears interest at 10% per annum. Default interest is 20% per annum. Maturity date for the \$500,000 initial principal balance and the \$50,000 due diligence fee was November 23, 2019. The Senior Secured Note may be repaid in whole or in part up at a premium based on the following chart:

Days since Effective Date	Payment Amount
Under 90	130% of Principal Amount so paid
91-135	135% of Principal Amount so paid
136-210	140% of Principal Amount so paid

As part of the Harbor Gate transaction the Company issued 100,000 shares of its common stock within 3 days-time of executing the Senior Secured Note. The Company recorded at the time \$20,000 to Interest Expense within its consolidated statement of operations. It was determined that fair value on the date of grant, April 23, 2019, was \$0.20 per share.

The Senior Secured Note was convertible into shares of the Company's common stock at a conversion price of \$0.20 per share. If the Senior Secured Note was not paid back on or before the maturity date, the conversion price of the Senior Secured Note would then be adjusted to be equal to the lower of: (i) \$.20 or (ii) 60% multiplied by the lowest trading price of the Company's common stock in the 15 consecutive trading day period immediately preceding the day that the Company receives a notice of conversion of the Senior Secured Note (the "Default Conversion"). The Senior Secured Note is subject to certain events of default as set forth therein. Upon the occurrence of any such events of default, the Senior Secured Note shall become immediately due and payable.

As part of the Harbor Gate transaction the Company granted a right of first refusal on any future equity or debt financings and agreed to revise the Senior Secured Note to include any better terms in the event of a more favorable note financing. As of the date of this report no additional equity or debt financings have been entered into by the Company.

Additionally, on April 23, 2019, the Company entered into \$10,000,000 equity line financing agreement ("Equity Line") with Harbor Gate. The financing was over a period not to exceed 36 months. The expiration of this agreement and the various Harbor Gate transactions is believed to be April 23, 2022. The maximum number of shares of common stock that the Company shall be entitled to put to Harbor Gate shall equal 200% of the average daily trading volume of our common stock over the 10 consecutive days prior to the put notice so long as it is at least \$5,000 in volume and does not exceed \$500,000 in total. Under the Equity Line and the registration rights agreement for the financing, the Company was required to file a registration statement ("Registration Statement") under the Securities Act of 1933, as amended, and to make any required filings under applicable state securities laws to register the shares of our common stock to be purchased by Harbor Gate pursuant to the Equity Line. The Company was required to use its best efforts to file the Registration Statement within 45 days of the date the Equity Line is executed, and to have it declared effective within 75 days but no more than 120 days after the Registration Statement is filed. As of the date of this report the Company has not been able to accomplish any of these requirements and commitments related to the Registration Statement.

As part of executing the Equity Line with Harbor Gate the Company issued a 10% \$50,000 promissory note as a commitment fee (the "Commitment Fee Note"). The Commitment Fee Note will have the same 7 month maturity, which was November 23, 2019. In the event that the S-1 was declared effective within 90 days following document execution, \$12,500 would automatically be deducted from the balance of the Commitment Fee Note. In the event that the S-1 was declared effective within 135 days (but more than 90 days) following document execution, \$6,250 would automatically be deducted from the balance of the Commitment Fee Note. The Company agreed that the issuance of the Commitment Fee Note was a material obligation and that the Commitment Fee Note was considered fully earned as of the execution date of the Equity Line, regardless of whether or not the Company filed the S-1 or was successful in having it deemed effective by the SEC. None of these activities ever occurred within the time frame allowed.

Total amounts owing to Harbor Gate for the two Senior Secured Notes comprising \$550,000 and \$50,000 at December 31, 2020 and December 31, 2019 was \$1,114,773 and \$914,205, respectively. This includes all premiums, penalties and interest as well default interest imposed on the Company by Harbor Gate since October 23, 2019 and its inability to cure the default.

During the year ended December 31, 2019 the Company received notice from Harbor Gate that each of its Senior Secured notes was in default. The Company through its negotiations and dealings with NFS was seeking the means to refinance the two notes with Harbor Gate. These efforts with NFS failed to ever materialize. During the year ended December 31, 2020 the Company received further notice from Harbor Gate who held the first lien position on the Colorado property that its intent was to foreclose on the building and sell the property in foreclosure. The foreclosure sale of the property occurred on June 4, 2021. During the year ended December 31, 2021 the Company recognized the termination of the two Harbor Gate notes and the termination of the Christensen note payable of \$487,000. Subsequent to year end, the two Senior Secured Fixed Convertible Notes and any associated interest were discharged in accordance with the foreclosure sale. The Company recognized a gain on the debt forgiveness of \$600,000. The Company believes with the 3 year expiry of the Equity Line agreement that its obligations and liabilities with Harbor Gate terminated on April 23, 2022.

#### Derivative Liability

The Company in years prior would have analyzed its conversion option for derivative accounting under ASC 815-15 Derivatives and Hedging and may have determined that the beneficial conversion feature afforded the convertible notes would be recorded as a discount to debt. The note conversion features were effective immediately and would have been afforded to the holder immediately as well. With no expressed limit to the number of shares to be ultimately delivered upon settlement this necessitated the Company recognizing a discount equal to the entire debt instrument despite the instrument precluded the holder from converting into common stock of the Company representing more than 4.99% ownership in the case of the two lesser notes and 9.99% ownership in the case of the Harbor Gate notes.

For prior periods the notes and their conversion features would have been measured against fair value at the end of each reporting period with the Company recording the change in fair value to earnings through its consolidated statement of operations. Since the Company settled



the two lesser convertible notes payable (approximating \$17,000) for shares of its common stock no fair value measurement or reporting was required for those two lesser notes.

The Company accounts for fair value of its conversion features in accordance with ASC 815-15, Derivatives and Hedging; Embedded Derivatives. The Company is required to carry the embedded derivative on its balance sheet at fair value and account for any unrealized change in fair value as a component of its results of operations. The Company valued the embedded derivatives using the Black-Scholes pricing model. Fair value of the conversion feature was \$2,946,370 and \$1,123,646 for the years ended December 31, 2020 and 2019, respectively. Fair value of the embedded derivatives conversion feature at January 1, 2019 was \$7,348, which was attributable to two convertible notes payable and their accrued interest which were paid off in early 2019. The Company recognized a change in fair market value of its embedded derivatives of \$1,123,616 for the year ended December 31, 2019 and \$1,822,724 for the year ended December 31, 2020. The Company's two convertible notes have all but ceased to exist with both the two Harbor Gate Senior Secured Notes being discharged through the 2021 foreclosure transaction (see Note 17 – Subsequent Events).

Expected volatility was based on the historical volatility of the Company's publicly traded common stock. Historical volatility was computed using daily pricing observations for each comparable time period. The Company believed this method to produce an estimate that is representative of the Company's expectations of future volatility over the expected term. The Company has no reason to believe future volatility over the expected remaining life of these common stock equivalents was likely to differ materially from historical volatility. Expected life is based on one year (or in case of longer lived assets, 2 years, to 3 years) or less due to the expiry of maturity. The risk-free rate was based on the U.S. Treasury rate that corresponded to the expected term of the common stock equivalents. The following table was used in the calculation for derivative accounting for the two Harbor Gate notes.

	For the year ended December 31, 2020	For the year ended December 31, 2019
Fair Value	\$0.01	\$0.30
Exercise Price	\$0.003	\$0.13
Term (expected life in years)	.01	.33
Volatility	140.7%	59.6%
Annual Rate of Dividends	0.00%	0.00%
Risk Free Rate	0.09%	1.60%

The Company during 2019 settled two convertible notes payable and accrued interest for 44,462 shares of its common stock. The fair value of our common stock at the time of settlement was \$0.20 per share. The Company recognized a gain on settlement of debt of \$5,860 after taking into account a \$5,000 payment on the debt as well. The Company recorded upon issuance of the two Harbor Gate notes \$682,423 and \$62,038 as a derivative liability, and for the year ended December 31, 2019 an additional \$347,558 and \$31,597 as an increase to the derivative liability, for a total derivative liability outstanding as of December 31, 2019 of \$1,123,646. The Company for the year ended December 31, 2020 recorded an additional \$1,670,831 and \$151,893 as an increase to the derivative liability, for a total derivative liability outstanding as of December 31, 2020 of \$2,946,370. Subsequent to year-end the Company reversed these numbers and reduced derivative liability balance by \$2,946,370 due to the discharge of indebtedness from the two Harbor Gate notes through the foreclosure process (see Note 17 – Subsequent Events).

## NOTE 11 - WARRANTS

### Warrants Issued in Connection with Exempt Private Placement Offerings

The Company in connection with its exempt private placement offering offered investors the opportunity to acquire warrants to purchase shares of its common stock with a two-year expiry term. The warrants were offered to each and every shareholder that invested as long as they invested in the aggregate more than \$30,000 in the exempt private offering(s). The warrants provided for 100% coverage of the original investment made by the investor, with an exercise price equal to 120% of the original investment price. The Company issued the following warrants during the years 2018 and 2019 in connection with its various exempt private placement offerings which concluded during the year ended December 31, 2020:

General Terms of the Warrants issued in the Exempt Private Placements	Number of Shares Exercisable	Intrinsic Value at Time of the Grant
\$0.12 warrants issued in connection with \$0.10 private placement offering; 8,810,000 issued, two year expiry	8,810,000	\$ 1,427,181
\$0.24 warrants issued in connection with \$0.20 private placement offering; 275,000 issued, two year expiry	275,000	46,193
\$0.12 warrants issued in connection with \$0.10 private placement offering; 1,500,000 issued, two year expiry	1,500,000	637,395
\$0.24 warrants issued in connection with \$0.20 private placement offering; 11,567,500 issued, two year expiry	11,567,500	3,736,820
\$0.36 warrants issued in connection with \$0.30 private placement offering; 3,666,665 issued, two year expiry	3,666,665	2,763,673
\$0.48 warrants issued in connection with \$0.40 private placement offering; 1,363,750 issued, two year expiry	1,363,750	894,554
\$0.60 warrants issued in connection with \$0.50 private placement offering; 5,583,833 issued, two year expiry	5,583,833	5,302,016
Total	32,766,748	\$ 14,807,832

The Company analyzed its conversion option of the exempt private placement offering warrants for derivative accounting under ASC 815-15 Derivatives and Hedging. The warrants associated with the exempt private placements were not determined to be derivatives and recorded in equity.

In applying the Black-Scholes pricing model expected volatility is based on the historical volatility of the Company's publicly traded common stock. Historical volatility is computed using daily pricing observations for comparable periods of time. The Company believes this method would produce an estimate that was the best representative of the Company's expectations of future volatility over expected term. The Company has no reason to believe future volatility over the expected remaining life of the common stock equivalent is likely to differ materially from historical volatility. Expected life was based on two years due to the expiry of warrants. The risk-free rate was based on the U.S. Treasury rate that corresponded to the expected term of the common stock equivalent.

The following table summarizes the assumptions used to estimate the fair value of warrants granted during the years presented below:

	2018	2019
Expected dividend yield	0%	0%
Weighted-average expected volatility	47.8-48.1%	50.6-59.6%
Weighted-average risk-free interest rate	2.48-2.86%	1.59-2.34%
Expected life of warrants	2 years	2 years

The Company's outstanding and exercisable exempt private placement offering warrants as of December 31, 2020 is presented below:

	Number Outstanding	Exercise Price	Contractual Life in Years	Fair Value
Warrants Outstanding as of December 31, 2018	9,085,000	0.12	1.80	1,473,374
Warrants granted	23,681,748	0.35	2.00	13,334,458
Warrants forfeited	-	-	-	-
Warrants exercised	-	-	-	-
Warrants Outstanding as of December 31, 2019	32,766,748	0.28	1.50	14,807,832
Warrants granted	-	-	-	-
Warrants forfeited	(9,085,000)	-	-	(1,473,374)
Warrants exercised	-	-	-	-
Warrants Outstanding as of December 31, 2020	23,681,748	\$ 0.28	0.50 \$	13,334,458

#### Warrants Issued in Connection with Employment Agreement and Director Consulting Agreement

On April 9, 2019 the Company authorized the grant of 10,000,000 shares of its common stock underlying warrants to its former CEO, Mr. Earle. Additionally on that date the Company authorized the grant of 10,000,000 shares of its common stock underlying warrants to a former member of its board of directors, Mr. McDougall. Each of the warrants are exercisable at a price of \$0.04 per share. The warrants may be exercised beginning six months from the date of the warrant issuance, and may be paid with funds borrowed from the Company by Mr. Earle or Mr. McDougall to purchase the shares. The terms of the note have not been determined as to interest rate or repayment terms, however the former board of directors authorized such approval of the loaned monies to exercise if Mr. Earle or Mr. McDougall executed the warrants. The warrants have an expiry of 3 years from the date of issuance. The Company upon initial grant of the warrants recognized base compensation expense of \$5,000,000 with a resulting addition to compensation expense of \$28,214 due to the increased valuation of the warrants upon grant date using Black-Scholes. The Company recorded \$5,028,214 in compensation expense and recorded a corresponding entry to Additional paid in capital for the Earle Warrants on the date of grant. The Company recorded a corresponding \$5,028,214 in compensation expense for the McDougall Warrants as their term and attributes mirror the Earle Warrants.

As of the date of this report neither, Messrs. Earle or McDougall exercised any of the warrants underlying the employment agreement or consulting agreement. The Company entered into a settlement agreement with both Messrs. Earle and McDougall to return all equity ownership positions they may have as well as any common stock equivalents of which comprised the 4,500,000 shares of common stock to be issued under the deferred compensation plan to Mr. Earle and the two 10,000,000 share warrants issued to Messrs. Earle and McDougall (see Note 17 - Subsequent Events).

#### Project Growth International (PGII) Warrants

During September, 2018, 6,500,000 warrants (the "September 2018 Warrant") were issued to Project Growth International, Inc. ("PGI") a business that provides introductions to accredited investors in connection with the Company's private placement offerings. During November, 2018, 6,000,000 warrants (the "November 2018 Warrant") were issued to that same service provider for introductions to accredited investors in connection with the Company's Series-A private placement offering. During May, 2019, 4,000,000 warrants (the "May 2019 Warrant") were issued to that same service provider for introductions to accredited investors associated with the Company's Series-B private placement offering which began in late 2018 and completed during early 2019.

The September 2018 Warrant is exercisable into common stock of the Company at a price of \$0.01 per share. The September 2018 Warrant has a two year expiry. The service provider upon receipt and acceptance by the Company of its merger transaction with GSHC and the receipt

of any accredited investor capital satisfied the terms of the warrant agreement. The Company recorded \$458,374 in compensation expense associated with the September 2018 Warrant and recorded a corresponding entry to Additional Paid in Capital.

During 2019 the holders of the September 2018 Warrant exercised 3,900,000 warrants into 3,900,000 shares of the Company's common stock with actual payments totaling \$39,000. The Company recorded the cash payment along with the corresponding fair value of the warrants under which the shares were issued to the holders.

The November 2018 Warrant is exercisable into common stock of the Company at a price of \$0.10 per share. The November 2018 Warrant has a two year expiry. The service provider upon receipt and acceptance by the Company for a total of \$600,000 in accredited investor capital satisfied the terms of the warrant agreement. The Company received in excess of the \$600,000 in investment under the Series-A private placement offering. No increase to the number of shares exercisable under the November 2018 Warrant is possible for any additional capital amount received over \$600,000. The Company recorded \$550,235 in compensation expense associated with the November 2018 Warrant and recorded a corresponding entry to Additional Paid in Capital. The Company is limited in recording the common stock warrant fair value on the date of grant subject to the gross proceeds received from the financing less any commissions or other expenses associated with the offering; that amount was determined to be limited to \$550,235 as the total fair value of the November 2018 Warrant on the date of grant was determined to be \$968,835.

The May 2019 Warrant is exercisable into common stock of the Company at a price of \$0.20 per share. The May 2019 Warrant has a two year expiry. The service provider upon receipt and acceptance by the Company for a total of \$1,000,000 in accredited investor capital satisfied the terms of the warrant agreement. The Company received in excess of the \$1,000,000 in investment under the Series-B private placement offering. No increase to the number of shares exercisable under the May 2019 Warrant is possible for any additional capital amount received over \$1,000,000. The Company recorded \$1,755,539 in compensation expense associated with the May 2019 Warrant and recorded a corresponding entry to Additional Paid in Capital. The Company was not limited in its recording the common stock warrant fair value on the date of grant subject to the gross proceeds received from the financing less any commissions or other expenses associated with the offering; total fair value of the November 2018 Warrant on the date of grant was determined to be \$1,755,539.

The following table summarizes the assumptions used to estimate the fair value of warrants granted during the years presented below:

	2018	2019
Expected dividend yield	0%	0%
Weighted-average expected volatility	47.8-48.1%	50.6-59.6%
Weighted-average risk-free interest rate	2.48-2.86%	1.59-2.34%
Expected life of warrants	2 years	2 years

The Company's outstanding and exercisable PGI warrants as of December 31, 2020 is presented below:

	Number Outstanding	Weighted Average Exercise Price	Contractual Life in Years	Fair Value
Warrants Outstanding as of December 31, 2018	12,500,000	\$ 0.05	1.75	762,209
Warrants granted	4,000,000	\$ 0.20	2.00	1,755,539
Warrants forfeited	-	-	-	-
Warrants exercised	(3,900,000)	\$ 0.01	-	(236,624)
Warrants Outstanding as of December 31, 2019	12,600,000	\$ 0.11	1.5	2,281,124
Warrants granted	-	\$ -	-	-
Warrants forfeited	(8,600,000)	-	-	(525,585)
Warrants exercised	-	\$ -	-	-
Warrants Outstanding as of December 31, 2020	4,000,000	\$ 0.20	0.50	\$ 1,755,539

Total compensation cost related to the September 2018 Warrant was \$393,374 for the year ended December 31, 2018 which the Company recognized as a cost of the Series-A private placement offering and offset against the proceeds received and recorded in additional paid in capital. Total compensation cost related to the November 2018 Warrant was \$368,835 for the year ended December 31, 2018 which the Company recognized as a cost of the Series-A private placement offering and offset against the proceeds received and recorded in additional paid in capital. The Company recorded \$763,209 in compensation costs which was offset against the proceeds of Series-A private placement as deferred offering costs. As of December 31, 2018 the Company recorded cumulative warrant expense of \$762,209 to Additional Paid in Capital upon issuance.

Total compensation cost related to the May 2019 Warrant was \$1,755,539 for the year ended December 31, 2019 which the Company recognized as a cost of the Series-B private placement offering and offset against the proceeds received and recorded in additional paid in capital. The Company recorded \$1,755,539 in compensation costs which was offset against the proceeds of Series-B private placement as deferred offering costs. During the year ended December 2019 the holders of the September 2018 Warrant exercised and tendered 3,900,000 of the warrants. As of December 31, 2019 the Company recorded cumulative warrant expense of \$1,755,539 to Additional Paid in Capital upon issuance.

During the year ended December 2020 the holders of the remaining amount of September 2018 Warrant and the November 2018 Warrant, were forfeited through its expiry. The Company recorded no income from the warrant forfeiture as the entire fair value of the warrant was included in Additional Paid in Capital.

Compensation cost associated with the warrants is recognized on the date the warrants were available for issuance and exercise by the holder. Since the September 2018 Warrant, November 2018 Warrant and the May 2019 Warrant are static in their pricing and exercise with a two-year term they are not considered derivative instruments.

#### Harbor Gate Capital (HGC) Warrant

On April 23, 2019 the Company entered into a 10% Senior Secured Fixed Convertible Promissory Note (the “Senior Secured Note”) with Harbor Gates Capital, LLC (“Harbor Gate”), in the aggregate principal amount of \$550,000. The Senior Secured Note bears interest at 10%. The Senior Secured Note shall bear a default interest rate of 20% per annum. The Senior Secured Note has a maturity date of seven months from the date when each advance is made.

As an investment incentive to the Senior Secured Note, the Company issued to Harbor Gate a 5-year cashless warrant, exercisable at \$0.25 per share for an aggregate of up to 1,500,000 shares of common stock (the “HGC Warrant”). As of the date of this report the HGC Warrant has not been exercised.

The Company analyzed its conversion option of the HGC Warrant for derivative accounting under ASC 815-15 Derivatives and Hedging. The HGC Warrant and its conversion feature was determined not to be a derivative. The Company recorded \$408,944 in additional interest expense with a corresponding entry to Additional Paid in Capital.

The Company subsequent to year end recognized the expiration of approximately 27 million warrants issued in association with the exempt private placement offerings, the 1,500,000 warrants issued to Harbor Gate as the underlying debt was cancelled through the foreclosure sale, and 20 million warrants that were issued in connection with Messrs. Earle and McDougall compensation agreements and the resulting settlement agreement entered into August 2021. See Note 17 - Subsequent Events.

#### **NOTE 12 – STOCKHOLDERS' EQUITY**

The Company is authorized to issue 300,000,000 shares of its \$0.0001 par value common stock and 1,000,000 shares of its \$0.0001 par value preferred stock. On February 24, 2019 the Company through unanimous written consent of the board of directors increased its authorized capital of its \$0.0001 par value common stock from 100,000,000 shares to 200,000,000 shares. On April 2, 2019 the Company through unanimous written consent of the board of directors increased the Company’s authorized capital from 200,000,000 to 300,000,000 shares of common stock. The authorized capital of its \$0.0001 preferred stock has not increased with either of the two unanimous written consents.

#### Common Stock

The Company began to accept subscription agreements for investment in shares of our common stock through various exempt stock offering or private placements. Common stock was sold at a price of \$0.10 per share for an aggregate offering proceeds of \$150,000 for the period ending December 31, 2019. In connection with this exempt private placement offering the Company sold 1,500,000 warrants for the period ending December 31, 2019. In connection with the first exempt private placement offering warrants are exercisable by the holder into common stock of the Company at 120% of their original purchase price or \$0.12 per share. Warrants are exercisable immediately and are valid for 24 months from the original date of issuance. The accompanying table identifies the various exempt private placement offerings along with gross proceeds received, the number of shares issued and the number of warrants attached to those shares for the years ended December 31, 2019 and 2020.

	Common Stock	Gross Proceeds from Offering(s)	Warrants Attached	Exercise Price of Warrants
<b>Exempt Private Placement Offerings - 2019</b>				
Shares issued for cash received through private placement offerings at \$0.10 per share	1,500,000	150,000	1,500,000	\$0.12
Shares issued for cash received through private placement offerings at \$0.20 per share	11,567,500	2,313,500	11,567,500	\$0.24
Shares issued for cash received through private placement offerings at \$0.25 per share	400,000	100,000	400,000	\$0.30
Shares issued for cash received through private placement offerings at \$0.30 per share	3,666,665	1,100,000	3,666,665	\$0.36
Shares issued for cash received through private placement offerings at \$0.35 per share	250,000	87,500	250,000	\$0.42
Shares issued for cash received through private placement offerings at \$0.40 per share	1,363,750	545,500	1,363,750	\$0.48
Shares issued for cash received through private placement offerings at \$0.50 per share	2,100,000	1,050,000	2,100,000	\$0.60
Shares issued for cash received through private placement offerings at \$0.0869 per share	1,150,000	100,000	**	-
Shares issued for cash received through private placement offerings at \$0.12 per share	7,971,666	956,600	**	-
Shares issued for cash received through private placement offerings at \$0.09 per share	125,000	10,000	**	-
Shares issued for cash received through private placement offerings at \$0.0833 per share	1,500,000	125,000	**	-
Shares issued for cash received through private placement offerings at \$0.10 per share	380,000	38,000	**	-
Balance for the year ending December 31, 2019	<u>31,974,581</u>	<u>\$ 6,576,100</u>	<u>20,847,915</u>	
<b>Exempt Private Placement Offerings – 2020</b>				
Shares issued for cash received through private placement offerings at \$0.10 per share	1,630,000	163,000	**	-

Shares to be issued for cash received through private placement offerings at \$0.10 per share	350,000	35,000	**	-
Shares to be issued for cash received through private placement offerings at \$0.05 per share	4,160,000	208,000	**	-
Balance for the year ending December 31, 2020	6,140,000	\$ 406,000	-	-

\*\* No warrants were issued with these exempt private placement offerings

The exempt private placement offerings were conducted in compliance with the rules and regulations of the US Securities and Exchange Commission and limited the offering to accredited investors as that term is defined under Regulation D. Each investor was required to sign an accredited investor questionnaire and provide that signed questionnaire back to the Company. The Company sold minimal number of its shares of common stock in these private placement offerings to non-accredited investors.

### Need for Authorized Capital Increase

An increase to the Company's authorized capital is necessary. In order to maintain our financing and capital raising efforts we must increase our authorized capital. Additional authorized limits on our common stock should be available for issuance by the board of directors for stock splits, stock dividends, acquisitions, raising additional capital, stock options and/or other corporate purposes as necessary. Additional shares of common stock may be used for strategic transactions, including, among other things, strategic partnerships, joint ventures, restructurings, business combinations and/or capital investments. Assurances cannot be provided that any such transactions will be consummated on favorable terms or at all, or that they will enhance stockholder value or that they will not adversely affect the Company's business or ultimately the price of the Company's common stock. The immediate need for increasing our authorized shares is to provide for enough shares required for the conversion of outstanding convertible debt, as well as future financings and as well compensation plans. Additional shares of common stock may also be used for future issuances of stock options pursuant to employee benefit plans and to provide for issuances to satisfy conversions of future convertible debt or convertible preferred stock.

### Deferred Offering Costs

Deferred offering costs consisted of accounting fees, legal fees and other fees incurred related to our private placement offerings. Upon completion of the first exempt private placement offering in 2018, we recognized as deferred offering costs, commission paid of \$111,930 against net offering proceeds of \$881,000 received through our exempt private placement offering. During 2018 we recognized an additional \$919,070 in warrant expense as a deferred offering cost associated with the 6,000,000 warrants issued to PGI for less than market value on the date of grant. These warrants were issued in connection with the first exempt private placement offering and PGI efforts. During 2018 we recognized and additional \$458,374 in warrant expense as a deferred offering cost associated with the initial referral agreement with PGI providing for 6,500,000 warrants with a less than market value exercise price of \$0.01 per share. Total deferred offering costs for 2018 was approximately \$1,490,000. For the year ended December 31, 2019 we recognized as deferred offering costs, commissions paid of \$853,870 against net offering proceeds of \$2,463,000 received through our second exempt private placement offering. We recognized \$1,755,539 in warrant expense as a deferred offering cost associated with the 4,000,000 warrants issued to PGI for less than market value on the date of grant. These warrants were issued in connection with the second exempt private placement offering and PGI efforts. For the year ended December 31, 2020 we recognized as deferred offering costs, commission paid of \$51,000 against net offering proceeds of \$270,000. No additional warrants were issued in connection with the referral efforts of the exempt private placement offerings.

### Shares Reserved For Issuance Pursuant to CEO Employment Agreement

The Company in connection with its employment agreement with Mr. Earle issued 4,500,000 shares of its common stock. Per Mr. Earle's employment agreement entered into on October 1, 2018, the share-award grant is to vest 1/3<sup>rd</sup> of the initial amount upon the one-year anniversary of Mr. Earle's employment, another 1/3<sup>rd</sup> upon the second-year anniversary, and the remaining 1/3<sup>rd</sup> upon the third-year anniversary. The Company recognized \$990,000 as a charge for the share-award grant and recognized \$151,250 in compensation expense for 2018 for the grants and respective earn-outs of the common stock under the employment agreement. The Company values the shares granted and earned out, as well as the additional shares granted but not earned out in accordance with ASC 718 and employee share-awards. Market value for the Company's publicly traded stock at the time of grant for Mr. Earle's shares was \$0.22. The Company recognized \$1,500,00 and \$1,200,000 in compensation expense for grants and respective earn-outs of common stock under the employment agreement for the years ended December 31, 2019 and 2020, respectively.

### Shares Issued As Compensation

The Company in connection with various consulting and advisory agreements is required to issue shares of its common stock. The value of the shares issued is determined by the fair value of the Company's common stock that was being offered through its private placement offerings. This value on the date of grant is afforded the Company for the recording of stock compensation to non-employees and the recognition of this expense over the period in when the services were incurred. Most of the Company's agreement for stock compensation provide for services to have been satisfied upon the initial grant, thereby incurring the cost immediately for the grant.

Stock-based compensation is presented in accordance with the guidance of ASC Topic 718, "Compensation – Stock Compensation" ("ASC 718"). Under the provisions of ASC 718, the Company is required to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in our statements of operations. Where the stock-based compensation is not an award, option, warrant or other



common stock equivalent, the Company values the shares based on fair value with respect to its grant date and the price that investors may have been paying for the Company's common stock on that date in its various exempt private placement offerings.

The accompanying table identifies total shares issued for compensation (including shares issued to related party as deferred compensation) its related cost recognized in the consolidated statement of operations for the years ended December 31, 2019 and 2020.

	Common Stock	Shares Issued for Compensation
<b>Stock Based Compensation Issued - 2019</b>		
Shares issued for past due accounts payables, notes payable - parent company post-merger in current period	425,000	\$ 85,000
Shares issued for services in current period	4,440,000	953,000
Shares issued for Senior Secured Debt facility as compensation	100,000	20,000
Shares issued as compensation to consultants	10,800,000	2,160,000
Shares to be issued for services	1,470,000	735,000
Shares to be issued per vesting schedule under employment agreement – related party	1,500,000	522,500
Shares returned to treasury earlier in year issued as compensation to consultants	(10,800,000)	(2,160,000)
<b>Balance for the year ending December 31, 2019</b>	<b>7,935,000</b>	<b>\$ 2,315,500</b>
<b>Stock Based Compensation Issued - 2020</b>		
Shares to be issued per vesting schedule under employment agreement – related party	1,500,000	\$ 233,750
<b>Balance for the year ending December 31, 2020</b>	<b>1,500,000</b>	<b>\$ 233,750</b>

### Shares Returned to Treasury

During the year ended December 31, 2019 Mr. Livingston and three other individuals received approximately 10,800,000 shares of the Company's common stock with immediate vesting under various consulting agreement. The Company recognized \$2,160,000 immediately upon the grant of the common stock. Fair value of the Company's common stock was determined to be \$0.20 per share on the date of the grants. Subsequent to the grant and issuance of the shares Mr. Livingston and the three other individuals recognized the significant and immediate tax implications of the share grants, Mr. Livingston and the three other individuals returned the shares and cancelled the stock award portion of their consulting agreements.

## **NOTE 13 – COMMITMENTS AND CONTINGENCIES**

### Executive Employment Agreements and Independent Contractor Agreements

The Company had a written employment agreement with Mr. Earle its former CEO. All payments made to its executive officers and other service providers were determined by prior management to be as independent contractors and not subject to backup withholding or the withholding of payroll taxes. The individual officer and all service providers are responsible for their own withholding and payment of taxes. Certain state taxing authorities may otherwise disagree with that analysis, especially in the state of California.

### Contingent Liability for Income Tax Withholding

The Company has not assessed its entire financial obligation or contingent liability for income tax withholding from the misclassification of independent contractors that may be determined to be employees under the laws of the state of California (or other jurisdictions). The California Supreme Court decision on April 30, 2018, held there is a presumption that all workers are employees, and a business entity classifying a worker as an independent contractor bears the burden of establishing such a classification is proper under a new test called the "ABC test." This test or the lack of compliance thereof under the ABC test, by our management could ultimately make the Company subject to and be held liable for penalties, interest, tax withholdings which we currently believe to be immaterial.

### Financial Advisory Agreements and Contingent Payments

The Company entered into several agreements, both verbal and written, with various advisors to compensate them for introductions to financial sources, acquisition targets or strategic ventures. The Company cannot assess the financial impact of these agreements as of year-end as portions of their agreements are contingent upon the actions of third-parties.

### Litigation

The Company may be subject to other liabilities under government regulations and various claims and legal actions that may be asserted. Matters may arise in the ordinary course and conduct of the Company's business, as well as through its acquisitions or joint ventures. Claim estimates that are probable and can be reasonably estimated are reflected as liabilities of the Company. The ultimate resolution of these matters is subject to many uncertainties. It is reasonably possible that matters, which may be asserted, could ultimately be decided unfavorably for the Company.

## NOTE 14 – IMPAIRMENT LOSS ON CAPITAL AND INTANGIBLE ASSETS

A reconciliation of the impairment charges recognized by the Company for each of the periods presented:

	For the year ended December 31, 2020	For the year ended December 31, 2019
Impairment loss on intangible and capital assets		
Impairment loss – Notes - Levity	\$ (79,392)	\$ (411,468)
Impairment loss – Deposits production equipment and estimated costs underlying \$3.376 million note payable to ICC	-	(4,808,590)
Impairment loss – Accrued interest - Levity	(29,340)	(52,788)
Impairment loss – Work in progress – Harvest	(38,096)	(686,870)
Impairment loss – Notes - PPI	(100,120)	(159,406)
Impairment loss – Accrued interest - PPI	(33,000)	(12,646)
Impairment loss – Investment in Catch Capital	(1,000,000)	-
Impairment loss - Building	(1,109,915)	-
Total	<u>\$ (2,389,863)</u>	<u>\$ (6,131,768)</u>

## NOTE 15 – INCOME TAXES

A reconciliation of statutory income tax rate to effective tax rate was as follows for each of the periods presented:

	For the year ended December 31, 2020	For the year ended December 31, 2019
Federal income taxes at statutory rate	21.0%	21.0%
State income taxes at statutory rate	8.84%	8.84%
Valuation allowance	(29.84%)	(29.84%)
Effective tax rate	<u>0.0%</u>	<u>0.0%</u>

As of December 31, 2020 and December 31, 2019 the Company had a net operating loss for tax purposes of \$32,740,719 and \$25,666,311, respectively.

The Company's policy is to recognize potential interest and penalties accrued related to unrecognized tax benefits within income tax expense. For the years ended December 31, 2019 and 2020 the Company did not recognize any interest or penalties in its consolidated statement of operations, nor did it have any interest or penalties accrued on its consolidated balance sheet at December 31, 2020 relating to unrecognized tax benefits.

Under the provisions of ASC 740, Accounting for Uncertainty in Income Taxes, the Company identified no significant uncertain tax positions for 2019 and 2020. The Company files income tax returns in U.S. jurisdiction. There are no federal or state income tax examinations underway for these, and tax returns for the current year are still open to examination as neither year, nor the years prior have been filed with the appropriate taxing authorities.

Utilization of our net operating losses (NOL) carryforwards may be subject to a substantial annual limitation due to ownership change limitations that may have occurred or that could occur in the future, as required by Section 382 of the Internal Revenue Code (IRC) of 1986, as amended (the Code), as well as similar state provisions. These ownership changes may limit the amount of NOL carryforwards that can be utilized annually to offset future taxable income. In general, an "ownership change" as defined by Section 382 of the Code results from a transaction or series of transactions over a three-year period resulting in an ownership change of more than 50 percentage points of the outstanding stock of a company by certain stockholders. At the time of closing the consolidated books, the Company had not yet completed a study to determine the extent of the limitation based on ownership changes that may have occurred.

## NOTE 16 – LEASES AND LEASED PREMISES

During the years ended December 31, 2019 and 2020 the Company utilized office space from its former CEO, Mr. Earle, at no cost. Mr. Earle incurred no additional expenses to house the corporate offices temporarily at his address. During the year ended December 31, 2019 the Company established corporate facilities with a lease acquisition of 3444 Tripp Court in San Diego California. These facilities were directly across from PPI and its operations.

On April 2, 2019 the Company entered into a 5-year lease with an option to extend for 3 years on a 13,500 square feet facility in San Diego, California. The facility was used for the Company's extraction business in California and become a cGMP outfit for the CBD and hemp market in California. The lease began on June 1, 2019 calling for an initial monthly lease payment of \$20,925. Total lease obligation for the 5 year lease is \$1,333,316 with additional costs pursuant to lease options. The lease calls for specific use of the facility to be primarily for office and manufacturing including pharmaceutical – biological and extraction. The Company's business and its intended operations would have complied with the specified operational limitations.

During the year ended December 31, 2020 the Company defaulted on the 5-year operating lease due to financial capabilities and the inability to raise sufficient capital for its operations. During the year ended December 31, 2020 the Company subleased a portion of the facilities to

Victory to conduct a business arrangement by and between the Company and Victory. The business arrangement ceased to continue after 6 months-time. The Company received \$29,000 during the year ended December 31, 2020 as sub-lease income from Victory as well as the Company charged PPI for the shared use of its facilities which was \$48,000 in total, \$24,000 was billed for the year ended December 31, 2019 and \$24,000 was billed for the year ended December 31, 2020. The Company does not believe that it will be able to collect the remained \$24,000 in shared use charges from PPI and therefore has written the amount off in that year.

On January 1, 2019, the Company adopted ASC 842 which increases transparency and comparability by recognizing a lessee's rights and obligations resulting from leases by recording them on the balance sheet as lease assets and lease liabilities. ASC 842 requires the recognition of the right-of-use ("ROU") assets and related operating and finance lease liabilities on the balance sheet. The Company adopted the new guidance using the modified retrospective approach with a cumulative-effect adjustment recorded on January 1, 2019.

The adoption of ASC 842 resulted in the recognition of ROU assets of \$0 and lease liabilities for operating leases of \$0 on the Company's consolidated balance sheet as of January 1, 2019, with no material impact to its consolidated statements of operations. The difference between the ROU assets and the operating lease liability represents the reclassification of (i) deferred rent balances, resulting from the historical operating leases, and (ii) certain accrued restructuring liabilities. The Company's accounting for finance leases remained substantially unchanged from its accounting for capital leases in prior periods. The Company entered into the only qualifying lease liability on April 2, 2019 thus negating any beginning of year recognition. Upon entering into the lease on April 2, 2019 the Company recognized an ROU asset of \$1,173,914 and a lease liability for the operating lease of \$1,173,914 on the Company's consolidated balance sheet.

The Company elected the package of practical expedients permitted within the standard, which allow an entity to forgo reassessing (i) whether a contract contains a lease, (ii) classification of leases, and (iii) whether capitalized costs associated with a lease meet the definition of initial direct costs. Also, the Company elected the expedient allowing an entity to use hindsight to determine the lease term and impairment of ROU assets and the expedient related to land easements which allows the Company not to retrospectively treat land easements as leases; however, the Company must apply lease accounting prospectively to land easements if they meet the definition of a lease.

For contracts entered into on or after the effective date, at the inception of a contract the Company will assess whether the contract is, or contains, a lease. The Company's assessment is based on: (i) whether the contract involves the use of a distinct identified asset, (ii) whether the Company obtained the right to substantially all the economic benefit from the use of the asset throughout the period, and (iii) whether the Company has the right to direct the use of the asset. Leases entered into prior to January 1, 2019, are accounted for under ASC 840 and were not reassessed for classification.

For operating leases, the lease liability is initially and subsequently measured at the present value of the unpaid lease payments. For finance leases, the lease liability is initially measured in the same manner and date as for operating leases, and is subsequently measured at amortized cost using the effective interest method. The Company generally uses its incremental borrowing rate as the discount rate for leases, unless an interest rate is implicitly stated in the lease. The lease term for all of the Company's leases includes the noncancellable period of the lease plus any additional periods covered by either a Company option to extend the lease that the Company is reasonably certain to exercise, or an option to extend the lease controlled by the lessor. All ROU assets are reviewed for impairment.

Lease expense for operating leases consists of the lease payments plus any initial direct costs, net of lease incentives, and is recognized on a straight-line basis over the lease term. Lease expense for finance leases consists of the amortization of the asset on a straight-line basis over the earlier of the lease term or its useful life and interest expense determined on an amortized cost basis. The lease payments are allocated between a reduction of the lease liability and interest expense.

The Company's operating leases are comprised primarily of a facility lease and we have no finance leases for our vehicles or equipment.

Balance sheet information related to our leases is presented below:

	Balance Sheet location	December 31,	
		2020	2019
<i>Operating leases:</i>			
Right-of-use lease assets	Right-of-use operating lease assets	\$ 853,124	\$ 1,060,265
Right-of-use lease liability, current	Other current liabilities	225,578	207,141
Right-of-use lease liability, long-term	Right-of-use operating lease liability	627,546	853,124
<i>Finance leases:</i>			
Right-of-use lease assets	Property, plant and equipment	-	-
Right-of-use lease liability, current	Current portion of long-term debt	-	-
Right-of-use lease liability, long-term	Long-term debt	-	-



The following provides details of the Company's lease expense:

	Years Ended December 31,	
	2020	2019
Operating lease expense, net	\$ 207,141	\$ 113,649
Finance lease expense:		
Amortization of assets	-	-
Interest on lease liabilities	-	-
Total finance lease expense	-	-
Operating lease expense, net	\$ 207,141	\$ 113,649

Other information related to leases is presented below:

	2020	2019
Right-of-use assets acquired in exchange for operating lease obligations	\$ -	\$ 1,173,914
Cash Paid For Amounts Included In Measurement of Liabilities:		
Operating cash flows from finance leases	-	-
Operating cash flows from operating leases	255,496	146,475
Weighted Average Remaining Lease Term:		
Operating leases	3.5 years	4.5 years
Finance leases	0.0 years	0.0 years
Weighted Average Discount Rate:		
Operating leases	5.00 %	5.00 %
Finance leases	n/a %	n/a %

The minimum future annual payments under non-cancellable leases during the next five years and thereafter, at rates now in force, are as follows:

	Finance leases	Operating leases
2021	\$ -	\$ 263,158
2022	-	271,050
2023	-	279,182
2024	-	117,755
2025	-	-
Thereafter	-	-
Total future minimum lease payments, undiscounted	-	931,600
Less: Imputed interest	( - )	(78,476)
Present value of future minimum lease payments	\$ -	\$ 853,124

## NOTE 17 – SUBSEQUENT EVENTS

The Company evaluated all events that occurred after the balance sheet date of December 31, 2020 through the date the financial statements were issued. The following occurred:

On June 4, 2021 the Company received an Order Authorizing a Foreclosure Sale of its property located in the state of Colorado from the District Court, Saguache County, Colorado. The Order informed the Company of the public foreclosure sale of the property and the evidence of debt secured by a deed of trust or other lien being foreclosed upon. The available public information informed the Company and its prior management that the property was sold for approximately \$1,266,357 which was the total debt owed on the property lien by Harbor Gate. Harbor Gate listed amounts due under evidence of debt: Principal note balances of \$600,000 (comprised of the Senior Secured Convertible Note in the amount of \$550,000 and the Senior Secured 2<sup>nd</sup> Convertible Note in the amount of \$50,000) plus accrued interest (presumed to be as of the date of the foreclosure sale) of \$292,767, plus late charges (presumed to be as of the date of the foreclosure sale) of \$357,107, plus attorneys' fees of \$15,650 and other costs of \$830. The Roger Christensen Note Payable with an original principal balance of \$687,000, now with a residual balance of \$487,000 plus accrued interest and late penalties which was secured by a second deed of trust, or lien, on the property was discharged. The Company reserved for impairment or write down of the buildings value during the year ended December 31, 2019, as it was aware of Harbor Gate's intention to foreclose on the property. The Company subsequent to year-end wrote down the outstanding obligations owing to Harbor Gate and Mr. Christensen along with accrued interest as of the date of the foreclosure sale.

During the year ending December 31, 2020 the Company was informed of a shareholder derivative lawsuit being filed against the former management of the Company, including Mr. Earle, Mr. McDougall, and Mr. Livingston, along with the Company, Upper Street Marketing, Inc. Growing Springs Holdings Corporation, Linear Park Marketing, Inc. and Jane Does and John Does. On August 17, 2021 the shareholders who brought the derivative lawsuit and Messrs. Earle, McDougall and Livingston entered into a settlement agreement and mutual general releases ("Settlement Agreement"). The basic tenants of the Settlement Agreement are that both Messrs. Earle and McDougall resign from

their respective positions with the Company and its subsidiaries, and return all of their equity that they may own in the Company and its subsidiaries. Mr. Livingston had already resigned from his positions with the Company subsequent to the NFS transaction that occurred in 2020. Mr. Livingston had no equity ownership in the Company or its subsidiaries at the time of settlement, and during the year ended December 31, 2019, Mr. Livingston had relinquished ownership of the 10,000,000 shares and 10,000,000 share cashless warrant grant that he had received early in 2019 pursuant to a consulting agreement. For primarily tax reasons Mr. Livingston returned the shares and warrants to treasury on or before November 11, 2019. Mr. Earle returned to treasury of the Company, 35,000,000 shares of common stock that he owned in his name. Mr. Earle also waived any rights and privileges to the 4,500,000 shares that he was to receive under the deferred compensation plan pursuant to his employment agreement, as well as the 10,000,000 share warrant grant that provided Mr. Earle with a below market exercise price. Furthermore Mr. Earle was to provide acknowledgement that the Company has no financial obligations to him, effectively removing any accrued compensation or other expenses that may have been due to Mr. Earle as former CEO. Mr. Earle accomplished these acts in their entirety by January 15, 2022. Mr. McDougall returned to treasury of the Company, 14,784,242 shares of common stock that he owned in the name of his company Tezi. Mr. McDougall also waived any rights and privileges to the 10,000,000 share warrant grant that provided Mr. McDougall with a below market exercise price. Furthermore Mr. McDougall was to provide acknowledgement that the Company has no financial obligations owing to him, to Tezi, or to any known or unknown affiliated entities, effectively removing any accrued compensation or other expenses that may have been due to Mr. McDougall as a former member of the board of directors. Mr. McDougall accomplished these acts in their entirety by November 15, 2021.

Further to the share returns, the forgiveness of debt and other obligations, the Company and Mr. Livingston agreed that the Company would use its best efforts to assist in the “sale of Levity” to an affiliated entity of Mr. Livingston’s. It was agreed by the parties to transfer/hypothecate the option to purchase Levity and the associated debt owed by Levity to the Company to Green Tower Enterprises, Inc. (“Green Tower”). Mr. Livingston it was determined is the control shareholder of Green Tower. Green Tower agreed to acquire or purchase the Levity note, the levity purchase option for a like-kind promissory note (two notes; one in the amount of \$150,000 and the other in the amount of \$350,000) made by Green Tower to the Company. The promissory notes from Green Tower will provide for subordination terms, 0% interest with a payment to be made 5 years from the date of the settlement. The promissory notes from Green Tower also provide for the Company at any time prior to the 5 year balloon payment date the ability to convert the two promissory notes into a combined non-dilutive 10% ownership interest in Green Tower. No terms as to fair value or market value has been determined for Green Tower or the likelihood of Green Tower’s business prospects. The Company is not aware of any other members or owners of Green Tower, and cannot assess any related party transactions requiring disclosure.

The last tenant of the Settlement Agreement is the appointment of Mr. Jim Janis (“Mr. Janis”) as Chief Executive Officer of the Company and as the Chairman of the board of directors. Mr. Earle accomplished this upon the due resignation from his various executive roles so that Mr. Janis may assume his positions. The Company was not obligated in any way for the legal fees associated with this shareholder derivative lawsuit, and Mr. Livingston was the only defendant required per the Settlement Agreement to pay for law fees.

On or about October 27, 2021 Mr. Janis assumed the management of the Company and appointed other members to the board of directors, as well as an appointment of Mr. John Quinn (“Mr. Quinn”) as president of the Company. Both Mr. Janis and Mr. Quinn have taken responsibility for the management and direction of the Company and its subsidiaries, as well as the various corporate items that need addressing and resolution in the short-term. (As of the date of this report, Mr. Janis has resigned from all of his positions, and Mr. Quinn has assumed the role of Chief Executive Officer and Chief Financial Officer in addition to his role as president of the Company).

On or about October 27, 2021 the new members of management were informed by Mr. Christensen that he, personally, had purchased the property in Colorado from Harbor Gate and that his business was undergoing significant changes in its business direction. It was agreed that the Company and Mr. Christensen need to address the Genji JV, as well as any undisclosed or unrecorded liabilities that have been incurred by Mr. Christensen pursuant to prior management’s actions or requests. Mr. Christensen has conceptually agreed that the Genji agreement and all of the accrued payments and expenses should be terminated and forgiven as the Company does not have the financial wherewithal to pay any of these costs. As well Mr. Christensen confirmed to the Company that the original \$687,000 note payable secured by a second trust deed on the Colorado property and any associated interest, penalties and fees imposed on the note payable were discharged in the foreclosure sale. Mr. Christensen proposed an offer and compromise of all liabilities and obligations to cease as of December 31, 2021, and that Mr. Christensen may keep all rights and title to the 5,000,000 shares of common stock that he currently owns in his name. No definitive agreement has been signed by the Company or Mr. Christensen. The Company currently has recorded on its books and records \$375,000 in accrued royalty fees that are included in Accrued expenses in its consolidated balance sheet as of December 31, 2020, along with another \$420,000 in expenses incurred by Mr. Christensen that were at the direct request by former management to grow product for the Company in the Colorado area. Mr. Christensen incurred these costs out of his own account and has billed the Company for these costs and services. These amounts are included in Accrued expense in its consolidated balance sheet as of December 31, 2020.

The Company’s board of directors during the year ending December 31, 2021 cancelled 1,470,000 shares of common stock that were granted and were to be issued to an investor relations services firm for services performed. These services were not performed to the satisfactory of the Company. The shares were valued at \$735,000 on the date of grant. The Company’s board of directors has commissioned management to look into each and every share transaction as compensation and determine that proper value was received by the Company for the issuance of the shares.

The Company granted and to be issued 15,650,000 shares of its common stock for services valued at \$78,250 prior to December 31, 2021. The services were deemed to have been performed or provided upon the date of grant. The Company granted and to be issued another 8,130,000 shares of its common stock for services valued at \$40,650 subsequent to December 31, 2021 and prior to the issuance date of this report. The services have varying degrees of service terms or performed or provided upon the date of grant. The Company settled two accounts payable for 2,750,000 shares of its common stock for obligations totaling \$167,500, these shares were issued subsequent to December 31, 2021. The Company in addition is to issue 5,500,000 shares of its common stock for \$170,000 in cash investments received during 2021.

The Company in February 2022 received notice from Harbor Gate that the 13 million share reserve established for the Equity Line had been terminated or cancelled. The Company does not have any existing reserves placed upon its capital stock and the ability to issue shares from authorized capital.

The Company on May 2, 2022 received a Wells Notice from the SEC alleging violations of Section 5(a), 5(c), and 17(a) of the Securities Act of 1933 and Section 10(b) of the Securities and Exchange Act of 1934 and Rule 10b-5. These allegations are directed primarily at the actions of the Company's old management and the Company's current management is vigorously addressing these allegations with its legal counsel.

The Company received notice from several of its vendors that they will seek payment on their outstanding invoices and seek payment of their legal fees in pursuing the satisfaction of the accounts payable. Two of these vendors are former legal professionals with accounts payable totaling approximately \$650,000.