# Pervasip Corp

2107 Elliott Avenue, Suite 310
Seattle, WA 98121

(206) 590-2408
www.pervasip.net
germanb@pervasip.net
SIC Code: 2833


# Quarterly Report

**For the period ending August 31, 2024 (the "Reporting Period")**

**Outstanding Shares**
The number of shares outstanding of our Common Stock was:

5,429,231,963 as of August 31, 2024

5,429,231,963 as of November 30, 2023

**Shell Status**
Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933, Rule 12b-2 of the Exchange Act of 1934 and Rule 15c2-11 of the Exchange Act of 1934):

Yes: ☐ No: ☒

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☐ No: ☒

**Change in Control**
Indicate by check mark whether a Change in Control[1] of the company has occurred over this reporting period:

Yes: ☐ No: ☒

## 1) Name and address(es) of the issuer and its predecessors (if any)

In answering this item, provide the current name of the issuer any names used by predecessor entities, along with the dates of the name changes.

Pervasip Corp. (the "Company", or the "Corporation") was incorporated in New York on July 22, 1964, as Sirco Products Co. Inc. On March 20, 1969, the Company changed its name to Sirco International Corp. On November 16, 1999, the Company changed its name to eLEC Communications Corp. On December 31, 2007, the Company changed its name to Pervasip Corp.

Current State and Date of Incorporation or Registration: July 22, 1964
Standing in this jurisdiction: (e.g. active, default, inactive): Active

Prior Incorporation Information for the issuer and any predecessors during the past five years:
None

Describe any trading suspension or halt orders issued by the SEC or FINRA concerning the issuer or its predecessors since inception:

None

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

The Company announced on January 17, 2023, its intent to spin-off its wholly-owned subsidiary, Artizen Corporation. The Company anticipates some type of divestiture will occur in fiscal 2024.

The address(es) of the issuer's principal executive office:

The Company's principal executive office is 2107 Elliott Avenue, Suite 310, Seattle, WA 98121.

The address(es) of the issuer's principal place of business:
☒ *Check if principal executive office and principal place of business are the same address:*

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

No: ☒ Yes: ☐ If Yes, provide additional details below:

## 2) Security Information

***Transfer Agent***

Name: ClearTrust, LLC
Phone: (201) 820-2008
Email: cg@wwstr.com
Address: 1 University Plaza Suite 505, Hackensack, NJ 07601

***Publicly Quoted or Traded Securities:***

*The goal of this section is to provide a clear understanding of the share information for its publicly quoted or traded equity securities. Use the fields below to provide the information, as applicable, for all outstanding classes of securities that are publicly traded/quoted.*

| | | |
|---|---|---|
| Trading symbol: | PVSP | |
| Exact title and class of securities outstanding: | common stock | |
| CUSIP: | 715709200 | |
| Par or stated value: | $0.00001 per share | |
| Total shares authorized: | 8,978,999,990 | as of date: August 31, 2024 |
| Total shares outstanding: | 5,429,231,963 | as of date: August 31, 2024 |
| Total number of shareholders of | 297 | as of date: August 31, 2024 |

*Please provide the above-referenced information for all other publicly quoted or traded securities of the issuer.*

***Other classes of authorized or outstanding equity securities:***

*The goal of this section is to provide a clear understanding of the share information for its other classes of authorized or outstanding equity securities (e.g. preferred shares). Use the fields below to provide the information, as applicable, for all other authorized or outstanding equity securities.*

| | | |
|---|---|---|
| Exact title and class of the security: | Series E preferred stock | |
| Par or stated value: | par value $0.00001 | |
| Total shares authorized: | 10 | as of date: August 31, 2024 |
| Total shares outstanding (if applicable): | 0 | as of date: August 31, 2024 |
| Total number of shareholders of record (if applicable): | 0 | as of date: August 31, 2024 |

| | | |
|---|---|---|
| Exact title and class of the security: | Series F preferred stock | |
| Par or stated value: | par value $0.00001 | |
| Total shares authorized: | 25,000 | as of date: August 31, 2024 |
| Total shares outstanding (if applicable): | 23,250 | as of date: August 31, 2024 |
| Total number of shareholders of record (if applicable): | 1 | as of date: August 31, 2024 |

| | | |
|---|---|---|
| Exact title and class of the security: | Series K preferred stock | |
| Par or stated value: | p ar value $0.00001 | |
| Total shares authorized: | 850,000 | as of date: August 31, 2024 |
| Total shares outstanding (if applicable): | 850,000 | as of date: August 31, 2024 |
| Total number of shareholders of record (if applicable): | 7 | as of date: August 31, 2024 |

***Security Description:***

*The goal of this section is to provide a clear understanding of the material rights and privileges of the securities issued by the company. Please provide the below information for each class of the company's equity securities, as applicable:*

1. **For common equity, describe any dividend, voting and preemption rights.**

Common shares have the right to one vote per share and the right to receive dividends if the board of directors authorizes dividends.

**2. For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions.**

There were 0 Series E preferred shares, 23,250 Series F preferred shares and 850,000 Series K preferred shares outstanding as of August 31, 2024.

The powers, preferences, qualifications, limitations or restrictions, and relative rights of the Series E Preferred Stock are as follows:

The Series E Preferred Stock has voting rights equal to 400% of the sum of the common stock and Series F Preferred Stock, but no dividend rights and no liquidation rights. The Series E Preferred Stock is convertible into the number of common shares equal to its voting rights. There are no redemption rights or sinking fund provisions.

The powers, preferences, qualifications, limitations or restrictions, and relative rights of the Series F Preferred Stock are as follows:

The Series F Preferred voting rights were amended by action of the Board of Directors to be equal to 100,000 common shares and a liquidation preference of $100,000 over junior securities. Each share of Series F Preferred Stock is now convertible by the holder into 100,000 shares of the Company's Common Stock. Prior to this action the Series F Preferred shares had voting rights equal to 250,000 common shares, a liquidation preference of $250,000, and were convertible into 250,000 common shares. Shares of Series F Preferred Stock are anti-dilutive to reverse splits, so that in the event of a reverse split, the shares are convertible into the same number of common shares after the reverse split as would have been issued before the reverse split. The conversion rate of Series F Preferred Stock, however, increases proportionately in the case of forward splits, and may not be diluted by a reverse split following a forward split. A holder of Series F Preferred Stock is blocked from owning more than 9.99% of the shares of common stock. There are no redemption rights or sinking fund provisions.

The powers, preferences, qualifications, limitations or restrictions, and relative rights of the Series K Preferred Stock are as follows:

Voting. The holders of shares of Series K Preferred Stock have the following voting rights: Each share of Series K Preferred Stock shall entitle the holder thereof, on all matters submitted to a vote of the stockholders of the Corporation, to that number of votes as shall be equal to the aggregate number of shares of Common Stock into which such holder's shares of Series K Preferred Stock are convertible on the record date for the stockholder action without taking into account potential conversions of any other convertible securities issued by the Corporation.

Dividends. In the event that the Corporation's Board of Directors declares a dividend payable to holders of any class of stock, the holder of each share of Series K Preferred Stock shall be entitled to receive a dividend equal in amount and kind to that payable to the holder of the number of shares of the Corporation's Common Stock into which that holder's Series K Preferred Stock could be converted on the record date for the dividend without application of the limitation on conversions.

Liquidation. Upon the liquidation, dissolution and winding up of the Corporation, the holders of the Series

K Preferred Stock shall be entitled to receive in cash out of the assets of the Corporation, whether from capital or from earnings available for distribution to its stockholders, before any amount shall be paid to the holders of common stock, the sum of one tenth of one cent ($0.001) per share, after which the holders of Series K Preferred Stock shall share in the distribution with the holders of the Common Stock on a pari passu basis, except that in determining the appropriate distribution of available cash among the shareholders, each share of Series K Preferred Stock shall be deemed to have been converted into the number of shares of the Corporation's Common Stock into which that holder's Series K Preferred Stock could be converted on the record date for the distribution without application of the limitation on conversions. Conversion. Any shares of Series K Preferred Stock may, at any time, at the option of the holder, be converted into fully paid and nonassessable shares of Common Stock (a "Conversion"). The number of shares of Common Stock to which a holder of Series K Preferred Stock shall be entitled upon a Conversion shall equal the product obtained by (a) multiplying the number of Fully-Diluted Common Shares by five and two-thirds (5.6666), then (b) multiplying the result by a fraction, the numerator of which will be the number of shares of Series K Preferred Stock being converted and the denominator of which will be the number of issued and outstanding shares of Series K Preferred Stock. The term "Fully-Diluted Common Shares" means the sum of the outstanding Common Stock plus all shares of Common Stock that would be outstanding if all securities that could be converted into Common Stock without additional consideration were converted on the conversion date but shall not include Common Stock issuable on conversion of the Series K Preferred Stock. The Company shall not affect any conversions of the Series K Preferred Stock and the holder shall not have the right to convert any shares of Series K Preferred Stock to the extent that after giving effect to such conversion, the Holder, together with any affiliate thereof, would beneficially own more than 9.99% of the number of shares of Common Stock outstanding immediately after giving effect to such conversion. There are no redemption rights or sinking fund provisions.

3. **Describe any other material rights of common or preferred stockholders.**

   None

4. **Describe any material modifications to rights of holders of the company's securities that have occurred over the reporting period covered by this report.**

   None

## 3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any changes to the total shares outstanding of any class of the issuer's securities **in the past two completed fiscal years and any subsequent interim period**.

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

## A. Changes to the Number of Outstanding Shares

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years :

No: ☐ Yes: ☒ (If yes, you must complete the table below)

| Shares Outstanding as of Second Most Recent Fiscal Year End: Opening Balance<br>Date 11/30/2021<br>Common: 4,979,231,963<br>Preferred:875,000 | *Right-click the rows below and select "Insert" to add rows as needed. | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Date of Transaction** | **Transaction type (e.g., new issuance, cancellation, shares returned to treasury)** | **Number of Shares Issued (or cancelled)** | **Class of Securities** | **Value of shares issued ($/per share) at Issuance** | **Were the shares issued at a discount to market price at the time of issuance? (Yes/No)** | **Individual/ Entity Shares were issued to. *You must disclose the control person(s) for any entities listed.** | **Reason for share issuance (e.g. for cash or debt conversion) -OR- Nature of Services Provided** | **Restricted or Unrestricted as of this filing.** | **Exemption or Registration Type.** |
| 3/24/2022 | New | 175,000,000 | Common | $0.0001 | Yes | Mammoth Corporation, Brad Hare, President | Debt conversion | Unrestricted | 4(a)(1) |
| 10/28/2022 | Share cancelation | (1,750) | Preferred | NA | NA | Mammoth Corporation, Brad Hare, President | NA | NA | NA |
| 10/28/2022 | New | 175,000,000 | Common | $0.00001 | Yes | Mammoth Corporation, Brad Hare, President | Debt conversion | Unrestricted | 4(a)(1) |
| 3/17/2023 | New | 100,000,000 | Common | $.001 | | Pacific Capital Markets LLC, Zachary Logan, Principal | Corporate consulting services | Restricted | 4(a)(2) |
| Shares Outstanding on Date of This Report: Ending Balance Ending Balance:<br>Date 8/31/2024<br>Common: 5,429,231,963<br>Preferred: 873,250 | | | | | | | | | |

***Example:*** A company with a fiscal year end of December 31st, in addressing this item for its Annual Report, would include any events that resulted in changes to any class of its outstanding shares from the period beginning on January 1, 2021 through December 31, 2022 pursuant to the tabular format above.

Use the space below to provide any additional details, including footnotes to the table above:

## B. Promissory and Convertible Notes

Indicate by check mark whether there are any outstanding promissory, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities:

No: ☒ Yes: ☐ (If yes, you must complete the table below)

| Date of Note Issuance | Outstan di ng Balance ($) | Principal Amount at Issuance ($) | Interes t Accrue d ($) | Maturit y Date | Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares) | Name of Noteholder. *You must disclose the control person(s) for any entities listed. | Reason for Issuance (e.g. Loan, Services, etc.) |
|---|---|---|---|---|---|---|---|
| 4/14/2011 | $50,000 | $50,000 | $143,266 | 11/30/19 | $.0025 per share | Mammoth Corporation, Brad Hare, President | Loan |
| 5/31/2011 | $140,000 | $140,000 | $75,807 | 11/30/19 | $.0025 per share | Mammoth Corporation, Brad Hare, President | Loan |
| 1/23/2014 | $115,000 | $120,000 | $98,186 | 10/25/15 | 30% discount to market per share | Patrick Cahill | Loan |
| 9/22/2021 | $55,000 | $55,000 | $12,971 | 12/31/21 | $.001 per share | Paul Riss | Loan |
| 6/10/2022 | $150,000 | $150,000 | $46,774 | 3/10/2023 | 10% discount to market per share | Mammoth Corporation, Brad Hare, President | Loan |

Use the space below to provide any additional details, including footnotes to the table above:

## 4) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations. (Please ensure that these descriptions are updated on the Company's Profile on www.otcmarkets.com).

A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

The Company generates revenue by providing consulting, IP licensing, management, staffing, leasing and support services. It is a diversified asset management company that was founded to acquire, develop, and support companies and technologies in the emerging cannabis industry.

B. List any subsidiaries, parent company, or affiliated companies.

The Company owns Artizen Corporation, which is the owner of Zen Asset Management LLC, which provides services to three grow facilities and two processing facility in the state of Washington. Affiliates are Zen IP Holdings LLC, Artizen Group LLC, Cascadia Growers Association LLC, KMH Housing LLC and PACALA, Inc.

C. Describe the issuers' principal products or services.

The Company's primary operation generates revenues by providing leasing, licensing, management, staffing, and supplies to cannabis production facilities. It specializes in best practices for commercial indoor growing, with state-of-the-art water filtration and heating systems and light technology that allows for high levels of photosynthetic energy, licensing of brands, and facility management.

## 5) Issuer's Facilities

The goal of this section is to provide a potential investor with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer and the extent in which the facilities are utilized.

In responding to this item, please clearly describe the assets, properties, or facilities of the issuer, give the location of the principal plants and other property of the issuer and describe the condition of the properties. If the issuer does not have complete ownership or control of the property (for example, if others also own the property or if there is a mortgage on the property), describe the limitations on the ownership.

If the issuer leases any assets, properties, or facilities, clearly describe them as above and the terms of their leases.

All of the leases, assets, properties or facilities are owned or managed by Artizen Corporation. In the state of Washington, their existing clients operate cultivation and processing facilities, totaling over 100,000 square feet, and are located in Port Townsend, Tacoma, and Tumwater. The Company's headquarters and registered address is 2107 Elliott Avenue Suite 310, Seattle, WA 98121.

The Lacey facility is comprised of 75,000 square feet and has been leased since 2015. The cultivation and processing operations are housed in 50,000 square feet of the building.

Current cultivation operations at the Tacoma facility take place in the 40,000 square foot lower-level unit. The facility is under a long-term lease through 2030.

As the third of three indoor cultivation facilities, the Tumwater facility totals 25,900 square feet. Leased and operating since 2016, all fulfillment for the Artizen branded products is centered at this location. The facility is under lease through 2026.

The Port Townsend facility, consisting of multiple outdoor light deprivation greenhouses, was purchased by Artizen three years after completion of full construction in 2015. The property is over 38,000 square feet, with plans for canopy expansion within the property as one of the company's short-term goals.

All equipment and machinery at each of the three facilities are owned by the company.

## 6) Officers, Directors, and Control Persons

Using the table below, please provide information, as of the period end date of this report, regarding all officers and directors of the company, or any person that performs a similar function, regardless of the number of shares they own.

In addition, list all individuals or entities controlling 5% or more of any class of the issuer's securities. If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity. Include Company Insiders who own any outstanding units or shares of any class of any equity security of the issuer.

*The goal of this section is to provide investors with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial owners.*

| Names of All Officers, Directors and Control Persons | Affiliation with Company (e.g. Officer Title /Director/Owner of more than 5%) | Residential Address (City / State Only) | Number of shares owned | Share type/class | Ownership Percentage of Class Outstanding | Names of control person(s) if a corporate entity |
|---|---|---|---|---|---|---|
| German Burtscher | CEO | Seattle, WA | 42,500 | Series K preferred | 5% | |
| George Jordan | 5% owner | Seattle, WA | 80,750 | Series K preferred | 9.5% | |
| Paul Riss | 5% owner | White Plains, NY | 321,953,833 | Common stock | 6.04 % | |
| Timothy Foia | 5% owner | Olympia, WA | 161,500 | Series K preferred | 19% | |
| Mammoth Corporation | 5% owner | Lake Zurich, IL | 23,250 | Series F preferred | 100% | Brad Hare |
| Mark Hutchison | 5% owner | Tacoma, WA | 161,500 | Series K preferred | 19% | |
| Bryce Nichter | 5% owner | Seattle, WA | 161,500 | Series K preferred | 19% | |
| Viridis Asset Management LLC | 5% owner | Miami, FL | 161,500 | Series K preferred | 19% | Kevin Kreisler |
| Jessica James | 5% owner | Lakewood, WA | 80,750 | Series K preferred | 9.5% | |

Confirm that the information in this table matches your public company profile on www.OTCMarkets.com. If any updates are needed to your public company profile, log in to www.OTCIQ.com to update your company profile.

## 7) Legal/Disciplinary History

A. Identify and provide a brief explanation as to whether any of the persons or entities listed above in Section 6 have, in the past 10 years:

1. Been the subject of an indictment or conviction in a criminal proceeding or plea agreement or named as a defendant in a pending criminal proceeding (excluding minor traffic violations);

None

2. Been the subject of the entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, financial- or investment-related, insurance or banking activities;

None

3. Been the subject of a finding, disciplinary order or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, a state securities regulator of a violation of federal or state

securities or commodities law, or a foreign regulatory body or court, which finding or judgment has not been reversed, suspended, or vacated;

None

4. Named as a defendant or a respondent in a regulatory complaint or proceeding that could result in a “yes” answer to part 3 above; or

None

5. Been the subject of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person’s involvement in any type of business or securities activities.

None

6. Been the subject of a U.S Postal Service false representation order, or a temporary restraining order, or preliminary injunction with respect to conduct alleged to have violated the false representation statute that applies to U.S mail.

None

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party to or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

None

## 8) Third Party Service Providers

Provide the name, address, telephone number and email address of each of the following outside providers. You may add additional space as needed.
Confirm that the information in this table matches your public company profile on www.OTCMarkets.com. If any updates are needed to your public company profile, update your company profile.

Securities Counsel (must include Counsel preparing Attorney Letters).

| | |
|---|---|
| Name: | Jonathan L. Endman |
| Firm: | Jonathan L. Endman, Esq |
| Address 1: | 2759 Burkshire Ave. |
| Address 2: | Los Angeles, CA 90064-3513 |
| Phone: | 818-481-78296 |
| Email: | jendman@msn.com |

Accountant or Auditor

| | |
|---|---|
| Name: | Kory Kolterman |
| Firm: | Fruci & Associates LLP |
| Address 1: | 802 N. Washington St |
| Address 2: | Spokane, WA 99201 |
| Phone: | 509-624-9223 |
| Email: | mail@fruci.com |

Investor Relations

| | |
|---|---|
| Name: | Zachary Logan |
| Firm: | Pacific Capital Markets LLC |
| Address 1: | 4770 Leathers Street |
| Address 2: | San Diego, CA 92117 |
| Phone: | 858-308-5835 |
| Email: | pacificcapitalmarketsllc@gmail.com |

*All other means of Investor Communication:*

| | |
|---|---|
| Twitter: | @PervasipC |
| Discord: | not used |
| LinkedIn | not used |
| Facebook: | not used |
| [Other ] | |

Other Service Providers
None

## 8) Financial Statements

A. This Disclosure Statement was prepared by German Burtscher

Name: German Burtscher
Title: President, CEO, & Interim Principal Financial Officer
Relationship to Issuer: President & CEO

B. The following financial statements were prepared in accordance with:

☐ IFRS
☒ U.S. GAAP

B. The following financial statements were prepared by (name of individual)
Name: German Burtscher
Title: Interim Principal Financial Officer
Relationship to Issuer: Officer
Describe the qualifications of the person or persons who prepared the financial statements: Master in Business Management & Accounting, 20+ years executive management.

Provide the following financial statements for the most recent fiscal year or quarter. For the initial disclosure statement (qualifying for Pink Current Information for the first time) please provide reports for the two previous fiscal years and any subsequent interim periods.

a. Audit letter, if audited;
b. Balance Sheet;
c. Statement of Income;
d. Statement of Cash Flows;
e. Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
f. Financial Notes

**9) Issuer Certification**

*Principal Executive Officer:*

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

I, German Burtscher, certify that:

**1.** I have reviewed this Disclosure Statement for Pervasip Corp;

**2.** Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

**3.** Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

10/20/2024

/s/ German Burtscher

*Principal Financial Officer:*

I, German Burtscher, certify that:

1. I have reviewed this Disclosure Statement for Pervasip Corp;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

10/20/2024

/s/ German Burtscher

**PERVASIP CORP. AND SUBSIDIARIES**

**UNAUDITED**
**CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF AND FOR THE**
**THREE AND NINE MONTHS ENDED AUGUST 31, 2024 AND 2023**

**PERVASIP CORP. AND SUBSIDIARIES**

**AS OF AND FOR THE**
**THREE- AND NINE- MONTH PERIODS ENDED AUGUST 31, 2024 AND 2023**

**INDEX TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**CONTENTS**

## PERVASIP CORP. AND SUBSIDIARIES

## UNADUITED CONSOLIDATED BALANCE SHEETS

| | | August 31, 2024 | | November 30, 2023 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Current assets | | | | |
| Cash | $ | 129,142 | $ | 73,442 |
| Accounts receivable | | 410,320 | | 371,968 |
| Inventory | | 1,607,697 | | 2,138,820 |
| Prepaid expenses | | 39,763 | | 187,747 |
| Other current assets | | 21,907 | | 17,122 |
| Total current assets | | 2,208,830 | | 2,789,099 |
| Fixed assets, net | | 3,057,814 | | 3,571,859 |
| Right of use assets | | 2,724,823 | | 3,529,884 |
| Intangible assets | | 500,000 | | 500,000 |
| Other assets | | 152,120 | | 147,583 |
| Investments | | 5 | | 74,500 |
| **TOTAL ASSETS** | $ | 8,643,592 | $ | 10,612,925 |
| **LIABILITIES & SHAREHOLDERS' EQUITY** | | | | |
| Current liabilities | | | | |
| Accounts payable | $ | 3,915,609 | $ | 2,680,978 |
| Accrued expenses | | 908,832 | | 881,449 |
| Income tax liability | | 4,196,971 | | 3,067,905 |
| Interest payable | | 466,716 | | 389,751 |
| Derivative liability | | 119,059 | | 7,160 |
| Notes payable | | 1,523,602 | | 1,135,796 |
| Tenant Liabilities | | 100,000 | | 100,000 |
| Current portion of lease liability | | 417,884 | | 888,691 |
| Total current liabilities | | 11,648,673 | | 9,151,730 |
| Long-term lease liability | | 2,184,265 | | 2,590,074 |
| Legacy tax liabilities | | 3,184,609 | | 3,169,850 |
| Long-term debt less current portion | | 13,967,387 | | 14,462,181 |
| Total liabilities | | 30,984,934 | | 29,373,835 |
| Commitments and contingencies | | - | | |
| Shareholders' equity | | | | |
| Convertible preferred stock, par value $.00001, 850,010 shares authorized | | | | |
| Series F: 23,250 shares issued and outstanding | | - | | - |
| Series K: 850,000 shares issued and outstanding | | 8 | | 8 |
| Common stock, par value $.00001, 8,978,999,990 shares authorized, 5,429,231,963 and 5,329,231,963 issued and outstanding | | 54,292 | | 54,292 |
| Capital in excess of par value | | 545,967 | | 545,967 |
| Less: treasury stock | | (25,000) | | - |
| Retained earnings | | (6,443,789) | | (5,305,666) |
| Total Pervasip Corp. shareholders' equity | | (5,868,522) | | (4,705,399) |
| Noncontrolling interest | | (16,472,820) | | (14,055,511) |
| Total Shareholders' equity | | (22,341,342) | | (18,760,910) |
| **TOTAL LIABILITIES & SHAREHOLDERS' EQUITY** | $ | 8,643,592 | $ | 10,612,925 |

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

## PERVASIP CORP. AND SUBSIDIARIES

## UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

## FOR THE NINE- AND THREE- MONTH PERIODS ENDED AUGUST 31, 2024 AND 2023

| | Nine Months Ended August 31, 2024 | Nine Months Ended August 31, 2023 | Three Months Ended August 31, 2024 | Three Months Ended August 31, 2023 |
|---|---|---|---|---|
| Revenue | $ 8,193,617 | $ 11,920,638 | $ 2,071,580 | $ 4,404,356 |
| Cost of Goods Sold | 6,273,886 | 7,879,869 | 1,144,522 | 2,409,891 |
| Gross Profit | 1,919,731 | 4,040,769 | 927,058 | 1,994,465 |
| | | | | |
| Costs and expenses: | | | | |
| Payroll expenses | 1,965,176 | 2,274,952 | 517,393 | 771,154 |
| Office and professional fees | 353,236 | 451,418 | 64,545 | 155,889 |
| Insurance | 154,895 | 158,873 | 37,767 | 48,831 |
| Occupancy | 182,859 | 396,477 | 41,715 | 145,714 |
| Advertising | 64,945 | 118,323 | 5,856 | 54,218 |
| Business taxes and licensing | 526,157 | 249,967 | 379,861 | 89,805 |
| General and administrative | 214,165 | 272,598 | 46,233 | 137,103 |
| Total costs and expenses | 3,461,433 | 3,922,608 | 1,093,370 | 1,402,714 |
| Income (loss) from operations | (1,541,702) | 118,161 | (166,312) | 591,751 |
| | | | | |
| Other income (expense): | | | | |
| Other income | 20,648 | 298,399 | (143,834) | 83,035 |
| Other expense | (159,174) | (230,573) | (62,932) | (139,861) |
| Change in value of derivatives | (111,899) | - | (57,500) | - |
| Realized loss on investments | (49,000) | - | - | - |
| Unrealized loss on marketable securities | (995) | (213,000) | (1,495) | (46,000) |
| Interest expense | (583,794) | (898,751) | (208,652) | (317,105) |
| Total other income (expense) | (884,213) | (1,043,925) | (474,412) | (419,931) |
| Net loss before income taxes | (2,425,915) | (925,764) | (640,724) | 171,820 |
| Income tax expense | 1,129,517 | 1,320,791 | 209,458 | 544,565 |
| Net loss | (3,555,432) | (2,246,555) | (850,182) | (372,745) |
| Loss (income) from noncontrolling interest | (2,417,309) | (805,770) | (563,202) | 178,028 |
| Net loss attributable to Pervasip Corp. | $ (1,138,123) | $ (1,440,785) | $ (286,980) | $ (550,773) |
| | | | | |
| Basic and diluted income per share | $ (0.00) | $ (0.00) | $ (0.00) | $ (0.00) |
| | | | | |
| Weighted Average Number of Shares Outstanding | | | | |
| Basic | 5,429,231,963 | 5,390,404,124 | 5,429,231,963 | 5,429,231,963 |
| Diluted | 5,429,231,963 | 5,390,404,124 | 5,429,231,963 | 5,429,231,963 |

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

**PERVASIP CORP. AND SUBSIDIARIES**

**UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHODER’S EQUITY (DEFICIT)**

**FOR THE NINE MONTHS ENDED AUGUST 31, 2024 AND THE YEAR ENDED NOVEMBER 30, 2023 AND 2022**

**UNAUDITED**

| | Common Shares | Common Stock, Par | Preferred Shares | Preferred Stock, Par | Additonal Paid in Capital | Treasury Stock | Retained Earnings (Deficit) | Non-Controlling Interest | Total Stockholders' Equity (Deficit) |
|---|---|---|---|---|---|---|---|---|---|
| Balance, November 30, 2021 | 4,979,231,963 | $ 49,792 | 875,000 | $ 8 | $ 157,968 | $ - | $ (1,369,949) | $ (9,248,215) | $ (10,410,396) |
| Stock issuance for debt conversion | 175,000,000 | 1,750 | - | - | 330,749 | - | - | - | - |
| Partnership tax distributions | - | - | - | - | - | - | - | - | - |
| Stock issuance for preferred conversion | 175,000,000 | 1,750 | (1,750) | - | (1,750) | - | - | - | - |
| Net loss November 30, 2022 | - | - | - | - | - | - | (1,588,457) | (3,142,189) | (4,730,645) |
| Balance, November 30, 2022 | 5,329,231,963 | 53,292 | 873,250 | 8 | 486,967 | | (2,958,405) | (12,456,116) | (14,874,254) |
| Stock issuance for services | 100,000,000 | 1,000 | - | - | 59,000 | - | - | - | 60,000 |
| Partnership tax distributions | - | - | - | - | - | - | - | (107,720) | (107,720) |
| Net loss November 30, 2023 | - | - | - | - | - | - | (2,347,261) | (1,491,675) | (3,838,936) |
| Balance November 30, 2023 | 5,429,231,963 | 54,292 | 873,250 | 8 | 545,967 | | (5,305,666) | (14,055,511) | (18,760,910) |
| Purchase of outstanding common stock | | | | | | (25,000) | | | (25,000) |
| Net loss nine months ended August 31, 2024 | - | - | - | - | - | | (1,138,123) | (2,417,309) | (3,555,432) |
| Balance August 31, 2024 | 5,429,231,963 | $ 54,292 | 873,250 | $ 8 | $ 545,967 | $ (25,000) | $ (6,443,789) | $ (16,472,820) | $ (22,341,342) |

The accompanying notes are an integral part of these consolidated financial statments

**PERVASIP CORP. AND SUBSIDIARIES**

**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**FOR THE NINE MONTHS ENDED AUGUST 31, 2024 AND 2023**

| | Nine Months Ended August 31, 2024 | Nine Months Ended August 31, 2023 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net loss | $ (3,555,432) | $ (2,246,555) |
| Adjustment to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 514,045 | 454,663 |
| Impairment expense | - | - |
| Amortization of debt discount | - | 405 |
| Unrealized gain or loss from change in investments | 995 | 213,000 |
| Bad debt expense (recovery) | 90,947 | 69,489 |
| Loss on sale of investment | 48,500 | - |
| Stock based compensation to employees and consultants | - | 29,425 |
| Gain/Loss on disposal of asset | - | - |
| Change in value of derivative liabilities | 111,899 | 30,668 |
| Changes in working capital items: | | |
| Accounts receivable | (129,299) | (248,663) |
| Inventory | 531,123 | 134,952 |
| Other current assets | (4,785) | 1,527 |
| Other assets | (4,537) | (12,000) |
| Prepaid expenses | 147,984 | (51,358) |
| Accounts payable and accrued liabilities | 1,234,631 | 218,393 |
| Lease liability | (71,555) | 21,576 |
| Accrued Expenses | 27,383 | 33,661 |
| Interest payable | 76,965 | 63,405 |
| Tenant Liabilities | - | 100,000 |
| Deferred Tax Liability | 1,129,066 | 1,317,548 |
| Cash provided by operating activities | 147,929 | 130,136 |
| | | |
| **INVESTING ACTIVITIES** | | |
| Purchase of fixed assets | - | (17,389) |
| Cash used in investing activities | - | (17,389) |
| | | |
| **FINANCING ACTIVITIES** | | |
| Payments of notes payble | (106,988) | (1,165,161) |
| Payments of legacy tax liabilities | 14,759 | (89,454) |
| Partnership tax distributions | - | (11,335) |
| Proceeds from Loans | - | 1,084,375 |
| Cash provided by used in financing activities | (92,229) | (181,575) |
| | | |
| Net change in cash | 55,700 | (68,828) |
| Cash at beginning of the period | 73,442 | 178,951 |
| Cash at end of the period | $ 129,142 | $ 110,123 |
| | | |
| **Supplemental disclosure of cash flow information:** | | |
| Cash paid for taxes | $ 175,734 | $ 305,000 |
| Cash paid for interest | $ 144,902 | $ 557,781 |

The accompanying notes are an integral part of these consolidated financial statments

**PERVASIP CORP. AND SUBSIDIARIES**

**UNAUDITED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE- AND THE NINE-MONTH PERIODS ENDED AUGUST 31, 2024 AND 2023**

## 1. Description of Business and Summary of Accounting Policies

***Description of Business***

Pervasip Corp. ("Pervasip", "we," "our," or the "Company") is incorporated in New York State and its head office is located at 1917 1st Avenue, Suite 400, Seattle, Washington 98101. The principal activities of the Company are consulting, IP licensing, management, staffing, leasing, and support services. We are a diversified asset management company that was founded to acquire, develop, and support companies and technologies in the emerging cannabis industry. We also own the rights to multiple cannabis brands.

***Fiscal Year-End***

The Company has a November 30 fiscal year end.

***Functional Currency***

The Company and its subsidiaries' functional currency, as determined by management, is the United States ("U.S.") dollar.

***Variable Interest Entities***

A variable interest entity ("VIE") is an entity that does not have sufficient equity at risk to finance its activities without additional subordinated financial support or is structured such that equity investors lack the ability to control the entity's activities or do not substantially participate in the gains and losses of the entity. Upon inception of a contractual agreement, and thereafter, if a reconsideration event occurs, the Company performs an assessment to determine whether the arrangement contains a variable interest in an entity and whether that entity is a VIE. The primary beneficiary of a VIE is the party that has both the power to direct the activities that most significantly impact the VIE's economic performance and the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. Under guidance in the Financial Accounting Standards Board (the "FASB") Accounting Standards Codification ("ASC") 810 – *Consolidations*, where the Company concludes that it is the primary beneficiary of a VIE, the Company consolidates the accounts of that VIE.

The Company is able to report results for all entities as a November 30th fiscal year, and prior consolidations of VIEs did not necessarily have the same fiscal year end. The prior year financial results have been reclassified to conform to the current year presentation The following are the Company's VIE that are included in these consolidated financial statements as of and for the three-month and nine-month periods ended August 31, 2024 and 2023

| | | | **Ownership** | |
|---|---|---|---|---|
| **Entity** | **Location** | **Purpose** | **2023** | **2022** |
| AFHHJJN, LLC *(1)(5)* | Lacey, WA | Cultivation and Processing | 0% | 0% |
| KMH Housing, LLC *(2)(5)* | Tacoma, WA | Cultivation and Processing | 0% | 0% |
| Cascadia Growers Association, LLC *(3)(5)* | Tumwater, WA | Cultivation | 0% | 0% |
| PACALA Inc. (*4)(6)* | Port Townsend, WA | Cultivation | 0% | 0% |

*(1) As the sole member of Zen Asset Management, LLC ("ZAM"), the Company is the primary beneficiary of the management services, staffing, consulting, and brand licensing agreements between ZAM and AFHHJJN, LLC. The Company does not hold any ownership interests in AFHHJJN, LLC.*
*(2) As the sole member of ZAM, the Company is the primary beneficiary of the management services, staffing, and consulting agreements between ZAM and KMH Housing, LLC. The Company does not hold any ownership interests in KMH Housing, LLC.*
*(3) As the sole member of ZAM, the Company is the primary beneficiary of the management services, staffing, and consulting agreements between ZAM and Cascadia Growers Association, LLC. The Company does not hold any ownership interests in Cascadia Growers Association, LLC.*
*(4) As the sole member of ZAM, the Company is the primary beneficiary of the management services, staffing, and consulting agreements between ZAM and PACALA Inc. The Company does not hold any ownership interests in PACALA Inc.*
*(5) A Washington Limited Liability Company*
*(6) A Washington Corporation*

***Principles of Consolidation***

The consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, and entities over which the Company has control as defined in ASC 810 after elimination of significant intercompany balances and transactions. Subsidiaries over which the Company has control are fully consolidated from the date control commences until the date control ceases. Control exists when the Company has ownership of a majority voting interest, and, therefore, as a general rule ownership by one reporting entity, directly or indirectly, of more than 50 percent of the outstanding voting shares of another entity. In assessing control, potential voting rights that are currently exercisable are taken into account. The Company uses the accrual basis of accounting and accounting principles generally accepted in the United States of America.

The following are the Company's principal whole-owned subsidiaries that are included in these consolidated financial statements as of and for the three- and nine-month periods ended August 31, 2024 and 2023:

| | | | **Ownership** | |
|---|---|---|---|---|
| **Entity** | **Location** | **Purpose** | **2023** | **2022** |
| Zen Asset Management, LLC *(1)* | Seattle, WA | Management of Operations | 100% | 100% |
| G.R.P.T., LLC *(2)* | Seattle, WA | Real Estate | 100% | 100% |
| Artizen Oregon, LLC (*3)* | Seattle, WA | Consulting Services | 100% | 0% |
| Artizen Nano, LLC (*4)* | Seattle, WA | Technology Services | 100% | 0% |

*(1) A Delaware Limited Liability Company*
*(2) A Washington Limited Liability Company*
*(3) A Delaware Limited Liability Company*
*(4) A Delaware Limited Liability Company*

***Non-Controlling Interest***

Non-controlling interest represents equity interests owned by parties that are not shareholders of the ultimate parent. The share of net assets attributable to non-controlling interests is presented as a component of equity. Their share of net income or loss is recognized directly in equity. Changes in the parent company's ownership interest that do not result in a loss of control are accounted for as equity transactions.

***Use of Estimates***

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The most significant estimates relate to the derivative liabilities, the income tax valuation allowance, income taxes payable and the allowance for doubtful accounts receivable. On a continual basis, management reviews its estimates, utilizing currently available information, changes in facts and circumstances, historical experience and reasonable assumptions. After such reviews, and if deemed appropriate, those estimates are adjusted accordingly. Actual results could differ from those estimates.

***Segment Reporting***

Management makes significant operating decisions based upon the analysis of the entire Company and financial performance is evaluated on a company-wide basis. Accordingly, the various products sold are aggregated into one reportable operating segment as under guidance in ASC Topic 280 for segment reporting.

***Cash and Cash Equivalents***

The Company considers all highly liquid investments with maturities of three months or less to be cash equivalents. The Company has no cash equivalents.

***Accounts Receivable***

Accounts receivable are stated at the amount the Company expects to collect from balances outstanding at period-end, based on the Company's assessment of the credit history with customers having outstanding balances and current relationships with them. A reserve for uncollectible receivables is established when collection of amounts due is deemed improbable. Indicators of improbable collection include client bankruptcy, client litigation, client cash flow difficulties or ongoing service or billing disputes. As of August 31, 2024, and November 30, 2023, the Company established an allowance for doubtful accounts of $207,222 and $116,275

We are exposed to credit risk in the normal course of business, primarily related to accounts receivable. We are affected by general economic conditions in the United States. To limit credit risk, management periodically reviews and evaluates the financial condition of its customers and maintains an allowance for doubtful accounts. As of August 31, 2024, and November 30, 2023, we do not believe that we have significant credit risk. As of August 31, 2024, our accounts receivable balance stood at $410,320. Our annual sales for the prior fiscal year totaled $15,527,626, with a Days Sales Outstanding ("DSO") of approximately 9.6 days. This low DSO highlights the short credit terms extended to our customers and minimal credit risk that we assume.

***Inventory***

Inventory consists of raw materials, supplies and consumables used in the inventory process, merchandise for sale, finished goods and work-in-process. Inventory is valued at the lower of cost and net realizable value, with cost determined using the weighted average cost method. Costs are capitalized to inventory, until substantially ready for sale. Costs include direct and indirect labor, consumables, materials, packaging supplies, utilities, facilities costs, quality and testing costs, production related depreciation and other overhead costs. The Company records inventory reserves for obsolete and slow-moving inventory. Inventory reserves are based on inventory obsolescence trends, historical experience, and application of the specific identification method. The Company classifies cannabis inventory as a current asset, although part of such inventory, because of the duration of the cultivation, drying, and conversion process, may not ordinarily be utilized within one year.

***Property, Plant, and Equipment***

Property, plant, and equipment is recorded at cost less accumulated depreciation. Major additions and improvements are capitalized, while maintenance and repairs are expensed as incurred. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items or components of property, plant and equipment. When assets are retired or disposed of, the cost and accumulated depreciation are removed from the respective accounts and any related gain or loss is recognized in net income (loss).

Depreciation is calculated on a straight-line basis over the expected useful lives of the assets, which are as follows:

| | Years |
|---|---|
| Buildings and greenhouses | 20 -50 |
| Production and warehouse equipment | 5 -30 |
| Leasehold improvements | 3 -20 |
| Office and lab equipment | 3 -10 |
| Vehicles | 3 -7 |

Estimates of useful life and residual value, and the method of depreciation, are reviewed only when events or changes in circumstances indicate that the current estimates or depreciation method are no longer appropriate. Any changes are accounted for on a prospective basis as a change in estimate.

***Investments***

The Company follows ASU No. 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, for the recognition, measurement, presentation, and disclosure of financial instruments.

***Revenue Recognition***

The Company follows ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)" for revenue recognition. Topic 606 established that the Company recognize revenue using the following five-step model:
• Identification of the contract, or contracts, with a customer;
• Identification of the performance obligations in the contract;
• Determination of the transaction price;
• Allocation of the transaction price to the performance obligations in the contract; and
• Recognition of revenue when or as the Company satisfies a performance obligation.

The Company identifies performance obligations in contracts with customers, and primarily satisfies its performance obligations when a customer takes possession of a product. The transaction price is determined based on the amount the Company expects to be entitled to receive in exchange for transferring the products to the customer. The transaction price in the contract is allocated to each distinct performance obligation in an amount that represents the relative amount of consideration expected to be received in exchange for satisfying each performance obligation. Revenue is recognized when performance obligations are satisfied. The Company usually bills its customers as a customer takes possession of the product. Contracts are typically less than one year.

***Judgments and Estimates***

The estimation of variable consideration for each performance obligation requires the Company to make subjective judgments. The Company occasionally enters contracts with customers that regularly include promises to transfer multiple products at different times. For arrangements with multiple products, the Company evaluates whether the individual services qualify as distinct performance obligations.

If an agreement involves multiple distinct performance obligations, the Company allocates arrangement consideration to all performance obligations at the inception of an arrangement based on the relative standalone selling prices ("SSP") of each performance obligation. Where the Company has standalone sales data for its performance obligations which are indicative of the price at which the Company sells a product separately to a customer, such data is used to establish SSP. In instances where standalone sales data is not available for a particular performance obligation, the Company estimates SSP by the use of observable market and cost-based inputs. The Company continues to review the factors used to establish list price and will adjust standalone selling price methodologies as necessary on a prospective basis.

***Contract Assets***

Contract assets are recorded for those parts of the contract consideration not yet invoiced but for which the performance obligations are completed. The revenue is recognized when the customer receives services. Contract assets are included in other current or non-current assets in the consolidated balance sheets, depending on if their reduction will be recognized during the succeeding twelve-month period or beyond.

***Deferred Revenue***

Deferred revenues represent billings or payments received in advance of revenue recognition and are recognized upon transfer of control. Balances consist primarily of prepaid services or product sales not yet provided as of the balance sheet date. Deferred revenues that will be recognized during the succeeding twelve-month period are recorded as current deferred revenues in the consolidated balance sheets, with the remainder recorded as other non-current liabilities in the consolidated balance sheets. Deferred revenue amounted to $0 as of August 31, 2024, and November 30, 2023.

***Costs to Obtain a Customer Contract***

Sales commissions and related expenses are considered incremental and recoverable costs of acquiring customer contracts. These costs are capitalized as other current or non-current assets and amortized on a straight-line basis over the life of the contract, which approximates the benefit period. The benefit period was estimated by taking into consideration the length of customer contracts, technology lifecycle, and other factors. All sales commissions are recorded as consulting fees within the Company's consolidated statement of operations.

***Remaining Performance Obligations***

The Company's subscription terms are typically less than one year. All the Company's revenues are considered contract revenues. As of August 31, 2024 and 2023, there is no contract revenue which has not yet been recognized.

***Cost of Services***

The types of costs included in cost of goods sold are raw materials, packaging materials, manufacturing costs, plant facilities administrative support and overheads, and freight and warehouse costs, including distribution costs.

***Leases***

We account for leases in accordance with the FASB ASC 842, Leases. We assess whether an arrangement is a lease at inception. Leases with an initial term of 12 months or less are not recorded on the balance sheet. We have elected the practical expedient to not separate lease and non-lease components for all assets. Operating lease assets and operating lease liabilities are calculated based on the present value of the future minimum lease payments over the lease term at the lease start date. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the lease start date in determining the present value of future payments. The operating lease asset is increased by any lease payments made at or before the lease start date and reduced by lease incentives and initial direct costs incurred. The lease term includes options to renew or terminate the lease when it is reasonably certain that we will exercise that option. The exercise of lease renewal options is at our sole discretion. The depreciable life of lease assets and leasehold improvements are limited by the lease term. Lease expense for operating leases is recognized on a straight-line basis over the lease term.

***Fair Value of Financial Instruments***

Under the Fair Value Measurements Topic of the FASB Accounting Standards Codification, the Company bases its fair value on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is the Company's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy. Fair value measurements for assets and liabilities where there exists limited or no observable market data and, therefore, are based primarily upon management's own estimates, are often calculated based on current pricing policy, the economic and competitive environment, the characteristics of the asset or liability and other such factors. Therefore, the results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset or liability. Additionally, there may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, that could significantly affect the results of current or future value.

**Impairment of long-lived assets**

The Company periodically reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. The Company recognizes an impairment loss when the sum of expected undiscounted future cash flows is less than the carrying amount of the asset. The amount of impairment is measured as the difference between the asset's estimated fair value and its book value. During the three- and nine-month periods ended August 31, 2024 and 2023, the Company did not record any impairment expense.

**Income Taxes**

The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and the reversal of deferred tax liabilities during the period in which related temporary differences become deductible. A valuation allowance has been established to eliminate the Company's deferred tax assets as it is more likely than not that any of the deferred tax assets will be realized.

The Company records uncertain tax positions in accordance with ASC 740 on the basis of a two-step process whereby (1) we determine whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority.

Based on the Company's history of losses, it has been concluded that there are no significant uncertain tax positions requiring recognition in the Company's financial statements. The Company believes that its income tax positions would be sustained on audit and does not anticipate any adjustments that would result in a material change to its financial position.

The Company may in the future become subject to foreign, federal, state and local income taxation though it has not been since inception. The Company is not presently subject to any income tax audit in any taxing jurisdiction.

**Basic Income (Loss) Per Share**

Basic income (loss) per share is calculated by dividing the Company's net income or loss applicable to common shareholders by the weighted average number of common shares during the period. Diluted earnings per share is calculated by dividing the Company's net income available to common shareholders by the diluted weighted average number of shares outstanding during the year. The diluted weighted average number of shares outstanding is the basic weighted number of shares adjusted for any potentially dilutive debt or equity.

**Stock-Based Compensation**

The Company utilizes the Black-Scholes option pricing model to estimate the fair value of warrant issuances or stock option awards at the date of grant, which requires the input of highly subjective assumptions, including expected volatility and expected life. Changes in these inputs and assumptions can materially affect the measure of estimated fair value of share-based compensation. These assumptions are subjective and generally require significant analysis and judgment to develop. The Company estimates volatility by considering the historical stock volatility. The Company has opted to use the simplified method for estimating the expected term.

***Convertible Instruments***

The Company evaluates and accounts for conversion options embedded in convertible instruments in accordance with ASC 815 "Derivatives and Hedging Activities".

Accounting standards require companies to bifurcate conversion options from their host instruments and account for them as free-standing derivative financial instruments according to certain criteria. The Company accounts for convertible instruments (when we have determined that the embedded conversion options should not be bifurcated from their host instruments) as follows: We record, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their stated date of redemption.

The Company accounts for the conversion of the underlying derivative of a convertible debt instrument as a gain or loss. The decrease in debt that results from a debt conversion is calculated and compared to the then-current fair value of shares issued with any difference recorded as a gain or loss.

We have determined that common stock equivalents in excess of available authorized common shares are not derivative instruments due to the fact that an increase in authorized shares is within the control of our Series K preferred shareholders who control over 50% of our voting power. These shareholders include all of the board members and can act by themselves to increase the authorized shares of common stock.

**Concentrations**

No customer concentrations existed for the three- and nine-month periods ended August 31, 2024 and 2023.

***Recent Accounting Pronouncements***

From time to time, the Financial Accounting Standards Board ("FASB") or other standard setting bodies issue new accounting pronouncements. Updates to the FASB Accounting Standards Codification are communicated through issuance of an Accounting Standards Update ("ASU"). We have implemented all new accounting pronouncements that are in effect and that may impact our financial statements. We have evaluated recently issued accounting pronouncements and determined that there is no material impact on our financial position or results of operations.

The Company accounts for allowance for credit losses under the current expected credit loss ("CECL") impairment model for its financial assets, including accounts receivable, and presents the net amount of the financial instrument expected to be collected. The CECL impairment model requires an estimate of expected credit losses, measured over the contractual life of an instrument, which considers forecasts of future economic conditions in addition to information about past events and current conditions. Based on this model, the Company estimates the amount of uncollectible accounts receivable at the end of each reporting period based on the aging of the receivable balance, current and historical customer trends, communications with its customers, and macro-economic conditions. Amounts are written off after considerable collection efforts have been made and the amounts are determined to be uncollectible.

Management does not believe that any recently issued, but not yet effective, accounting standards could have a material effect on the accompanying financial statements. As new accounting pronouncements are issued, we will adopt those that are applicable under the circumstances.

**2. <u>Going Concern Matters and Realization of Assets</u>**

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the ordinary course of business. However, the Company has had negative working capital and a stockholders' deficit. In addition, the Company is unable to meet its obligations as they become due and sustain its operations. The Company believes that its existing cash resources are not sufficient to fund its debt payments and working capital requirements.

The Company may not be able to raise sufficient additional debt, equity, or other cash on acceptable terms, if at all. Failure to generate sufficient revenues, achieve certain other business plan objectives or raise additional funds could have a material adverse effect on the Company's results of operations, cash flows and financial position, including its ability to continue as a going concern, and may require it to significantly reduce, reorganize, discontinue, or shut down its operations.

In view of the matters described above, recoverability of a major portion of the recorded asset amounts shown in the accompanying balance sheet is dependent upon continued operations of the Company which, in turn, is dependent upon the Company's ability to meet its financing requirements on a continuing basis, and to succeed in its future operations. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Company be unable to continue in its existence. Management's plans include efforts to develop new revenue sources and negotiate further debt reductions with creditors.

There can be no assurance that the Company will be able to achieve its business plan objectives or be able to achieve or maintain cash-flow-positive operating results. If the Company is unable to generate adequate funds from operations or raise sufficient additional funds, the Company may not be able to repay its existing debt, continue to operate its network, respond to competitive pressures, or fund its operations. As a result, the Company may be required to significantly reduce, reorganize, discontinue, or shut down its operations. Accordingly, the management of the Company has concluded that there is substantial doubt about the Company's ability to continue as a going concern within one year after the issuance date of these financial statements.

**3. <u>Accounts Receivable and Revenue Recognition</u>**

Revenues disaggregated by revenue source consist of the following:

| | Nine Months Ended August 31, 2024 | Nine Months Ended August 31, 2023 |
|---|---|---|
| Retail activities | $ 4,711,519 | $ 6,974,795 |
| Wholesale activities | 3,000,381 | 4,920,186 |
| Other | 481,717 | 25,658 |
| Total revenues | $ 8,193,617 | $ 11,920,639 |

Contract Balances

Depending on the timing of when a customer takes possession of product and when a customer makes payments for such product, the Company recognizes a customer trade receivable (asset) or a customer deposit (liability). The difference between the opening and closing balances of the Company's customer trade receivables and the customer deposit liability results from timing differences between the Company's performance and the customer's payment. As of August 31, 2024 and November 30, 2023, the company had no customer deposit liabilities.

The opening and closing balances of the Company's customer trade receivables are as follows:

| Contract Balances | | |
|---|---|---|
| Opening balance, net of allowance for doubtul accounts, November 30, 2023 | $ | 371,968 |
| Closing balance, net of allowance for doubtful accounts, August 31, 2024 | | 410,320 |
| Increase (decrease) | $ | 38,352 |

## 4. Inventory

The following table summarizes the components of inventory as of August 31, 2024, and November 30, 2023.

| | August 31, 2024 | | November 30, 2023 | |
|---|---|---|---|---|
| Raw materials | $ | 171,598 | $ | 300,280 |
| Work-in-process | | 1,385,242 | | 1,784,267 |
| Finished goods | | 60,857 | | 148,185 |
| Reserve for expired and obsolete inventory | | (10,000) | | (93,912) |
| Total inventory | $ | 1,607,697 | $ | 2,138,820 |

In 2022, the company adjusted its cost allocation and standard pricing model to allocate all production costs to primary products. Standard by-products, such as trim and other material suitable for extraction, were eliminated as cost carrying items in inventory.

## 5. Property and Equipment

Property and equipment as of August 31, 2024, and November 30, 2023, consisted of the following:

| | August 31, 2024 | | November 30, 2023 | |
|---|---|---|---|---|
| Machinery and equipment | $ | 6,099,878 | $ | 6,099,878 |
| Vehicles | | 105,603 | | 105,603 |
| Buildings | | 2,034,364 | | 2,034,364 |
| Leasehold improvements | | 1,662,253 | | 4,043,517 |
| Construction-in-progress | | 31,644 | | 31,644 |
| Land | | 169,307 | | 169,307 |
| Total property and equipment | | 10,103,048 | | 12,484,313 |
| Accumulated depreciation and amortization | | (7,045,235) | | (8,912,454) |
| Property and equipment, net | $ | 3,057,814 | $ | 3,571,859 |

Depreciation expense amounted to $514,045 and $454,663 for the nine months ended August 31, 2024 and 2023, respectively.

6. **Intangible Assets**

Intangible assets are recorded at cost less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization of definite life intangibles is provided on a straight-line basis over their estimated useful lives. The estimated useful lives, residual values, and amortization methods are reviewed at each year end, and any changes in estimates are accounted for prospectively.

On August 31, 2024, and November 30, 2023, intangible assets consisted of the following:

The Company recorded amortization expense for the nine months ended August 31, 2024 and 2023 of $0.

| | August 31, 2024 | November 30, 2023 |
|---|---|---|
| Processing licenses | $ 500,000 | $ 900,000 |
| Total intangibles | 500,000 | 900,000 |
| Accumulated depreciation and amortization | - | - |
| Intangible assets, net | $ 500,000 | $ 900,000 |

7. **Debt**

The following table summarizes components of debt as of August 31, 2024 and November 2023:

| | August 31, 2024 | November 30, 2023 |
|---|---|---|
| Senior secured debt | $ 2,614,383 | $ 2,614,383 |
| Convertible subordinated debt | 170,000 | 170,000 |
| Demand notes | 95,000 | 95,000 |
| Short-term debt | 150,000 | 773,560 |
| Long-term debt | 12,461,606 | 11,945,035 |
| Total debt | 15,490,989 | 15,597,978 |
| Less: current portion | (1,523,602) | (1,135,796) |
| Total long-term debt | $ 13,967,387 | $ 14,462,182 |

In May 2022, the company entered into a new secured loan for equipment upgrades of $250,000. The secured loan is a 36-month term loan at 12% interest, with monthly payments of $8,303.58. As of August 31, 2024, and November 30, 2023, the outstanding principal was $86,088 and $136,164, respectively. Payments have been suspended during the company's operating entity's current restructuring program.

A senior secured lender is owed $140,000 and $50,000 for two convertible debentures that are past due. The $140,000 debenture accrues interest at a rate of 18% per annum. The principal and interest are convertible into shares of common stock at a price of $0.0025 per share. Accrued interest payable as of August 31, 2024, and November 30, 2023, amounts to $75,807 and $56,821, respectively. The $50,000 debenture accrues interest at a rate of 24% per annum. The principal and interest are convertible into shares of common stock at a price of $0.0025 per share. Accrued interest payable as of August 31, 2024, and November 30, 2023, amounts to $143,266 and $134,225, respectively.

As of August 31, 2024, and November 30, 2023, the Company owed a secured lender $274,871 and $275,824, respectively. The debenture is due on January 1, 2025, bears an interest rate of 8% from January 2023 through December 2024. Monthly payments are $2,155 from January 2023 through December 2024. Payments are current

As of August 31, 2024, and November 30, 2023, the Company owed a secured lender $36,650 and $36,777, respectively. The debenture is due on January 1, 2025, bears an interest rate of 8% from January 2023 through December 2024. Monthly payments are $287 from January 2023 through December 2024. Payments are current

As of August 31, 2024, and November 30, 2023, the Company owed a secured lender $1,968,786 and $1,975,617, respectively. The debenture is due on March 1, 2030, bears an interest rate of 8% from January 2023 through March 2025, and 10% until March 2030. Monthly payments are $15,433 from January 2023 through February 2025, and $16,882 from March 2025 through March 2030. Payments are current.

*Related party Secured debt*

A variable interest entity carries an outstanding note with a principal amount of $203,621 for a related party. The related party is Larry Nichter, father of Bryce Nichter, a beneficial owner of the Company. The note is in default and bears an 18% annual interest rate.

*Subordinated debt*

*Convertible debt with a fixed conversion rate issued for cash*

On September 22, 2021, the Company borrowed $55,000 from Paul Riss, a related party, and issued a convertible debenture due on December 31, 2021, that bears interest at a rate of 8% per annum and is convertible into the Company's common stock at a fixed rate of $0.001 per share, unless the Company is in default on the secured debenture, in which case it is convertible at the stated default rate if such rate is lower than $0.001. As of August 31, 2024, and November 30, 2023, accrued interest payable on the convertible debenture totaled $12,971 and $9,656, respectively.

*Convertible debt with a variable conversion rate issued for cash*

As of August 31, 2024, and November 30, 2023, the Company owed a lender $115,000 in connection to a note that is past due, in default, bears an interest rate of 8% per annum, and is convertible at a price of 70% of the average closing price of the Company's common stock during the five trading days prior to conversion. As of August 31, 2024, and November 30, 2023, accrued interest payable on the convertible debenture totaled $98,186 and $91,254, respectively.

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*Other short-term debt*

As of August 31, 2024, and November 30, 2023, the Company owed a single lender $95,000 for a demand note that does not bear interest.

On April 26, 2022, May 3, 2022, May 20, 2022, September 9, 2022, November 9, 2022, November 30, 2022, December 21, 2022, January 4, 2023, January 19, 2023, and February 14, 2023, the company borrowed $250,000, $150,000, $100,000, $200,000, $100,000, $100,000, $100,000, $150,000, $100,000, and $250,000 respectively, from the same lender, secured by future trade receivables. On March 14, 2023, the company refinanced existing loans on a new 48-week payment schedule and borrowed a further $300,000. On June 8, 2023 and July 20, 2023 additional loans were accessed of $150,000 and $34,376 respectively. As of August 31, 2024, and November 30, 2023, the secured lender was owed $538,976 and $500,460, respectively. As of August 31, 2024, weekly payments of $14,493 are due, reflecting an effective interest rate of 30%. Payments have been suspended under the company's operating entity restructuring.

On June 26, 2022, the company entered into an agreement with a landlord to defer certain portions of the lease payments to 2023. The total amount of deferred payments totaled $170,000, with $161,485 deferred as of November 30, 2022. Repayments covering a 12-month period started January of 2023, carrying a 7% interest rate. As of August 31, 2024, the outstanding principal was $0.

On June 6, 2022, the company borrowed $100,000 with a 9-month term, $50,000 debt discount and 6% annual interest rate. As of August 31, 2024, and November 30, 2023, $50,000 and $50,000 of the discount had been amortized, respectively.

Interest payable as of August 31, 2024, and November 30, 2023, were $46,774 and $26,433, respectively.

*Unsecured long-term debt*

*Related party Unsecured long-term debt*

$296,692 of the Unsecured long-term debt is attributable to distribution and note payables from various variable interest entities held by related parties. The related parties consist of George Jordan, Director and Chief Financial and Operating Officer of the Company; Timothy Foia, a beneficial owner of the Company; Mark Hutchison, a beneficial owner of the Company; Jessica James, a beneficial owner of the Company; and Bryce Nichter, a beneficial owner of the Company. The payables carry no interest rate and have no established term of payment.

*Debt Restructuring*

Effective April 1, 2020, as part of various assets being assumed by Zen Asset Management ("ZAM"), ZAM agreed to provide asset holders with a preferred security in exchange for a restructuring of current debt. All interest and principal payable from restructured debt, totaling $11,471,989, was reclassified as long-term debt. No additional interest is accrued. Rights associated with that security are to be funded through a fifty percent (50%) sweep of free cash-flow, less ordinary course debt service, interest and tax payments. As a result, since April 1, 2020, the Company has not made any service payment. While interest is no longer accruing, the company is still obligated to repay these loans if the conditions of the security are met.

Effective September 1, 2021, in connection with the completion of the Securities Exchange Agreement between Artizen and Pervasip, Zen Organization, Inc. ("ORG"), an entity owned by four of Artizen's selling shareholders, contributed 100% of the issued and outstanding Class A membership interest units of Zen Asset Management LLC ("ZAM") to Artizen. ORG beneficially owns 161,146 Class B membership interest units of ZAM, which units are non-voting and redeemable by ZAM at a rate equal to $100 per Class B unit and 50% of ZAM's net cash after all expenses, taxes, and ordinary course debt service until fully redeemed. An additional 75,996 Class B units were issued into escrow for the benefit of several third parties in connection with the initial acquisition and restructuring of ZAM's historical operations effective April 1, 2020

## 8. Derivative Liabilities

The Company evaluated their convertible note agreements pursuant to ASC 815 and due to there being no minimum or fixed conversion price resulting in an indeterminate number of shares to be issued in the future, the Company determined an embedded derivative existed and ASC 815 applied for their convertible notes. The Company valued the embedded derivatives using the Black-Scholes valuation model.

*Convertible debt with a variable conversion feature*

As of August 31, 2024, we estimated the fair value of the derivatives using the Black-Scholes valuation method with assumptions including: (1) term of 0.001 years; (2) a computed volatility rate of 214% (3) a discount rate of 5.41% and (4) zero dividends.

As of November 30, 2023, we estimated the fair value of the derivatives using the Black-Scholes valuation method with assumptions including: (1) term of 0.001 years; (2) a computed volatility rate of 123% (3) a discount rate of 4.07% and (4) zero dividends.

## 9. Stockholders' Equity

The Company has authorized 8,978,999,990 shares of common stock, $0.00001 par value, and had 5,429,231,963 shares issued as of August 31, 2024 and November 30, 2023. The Company has 875,010 shares authorized of preferred stock.

In the second quarter of fiscal 2023, the Company issued 100,000,000 shares of common stock as payment for corporate marketing and consulting services for the period of one year. On the day of issuance, the closing price was $0.0006 per share. At $0.00001 par value for common stock, this resulted in a $1000 increase to common stock and a $59,000 increase to paid in capital.

***Outstanding Series of Preferred Stock***

*Series E, F and K Preferred Stock*

As of August 31, 2024 and November 30, 2023, the Company had three series of preferred stock authorized that consists of 10 shares of Series E Preferred Stock, 25,000 shares of Series F Preferred Stock and 850,000 shares of Series K Preferred Stock. Preferred stock outstanding consists of 23,250 shares of Series F Preferred Stock and 850,000 shares of Series K Preferred Stock

The Series E Preferred Stock has voting rights equal to 400% of the sum of the common stock and Series F Preferred Stock, but no dividend rights and no liquidation rights. The Series E Preferred Stock is convertible into the number of common shares equal to its voting rights. As of August 31, 2024 and November 30, 2023, there were no outstanding shares of Series E Preferred Stock.

The Series F Preferred voting rights were amended by action of the Board of Directors to be equal to 100,000 common shares and a liquidation preference of $100,000 over junior securities. Each share of Series F Preferred Stock is now convertible by the holder into 100,000 shares of the Company's Common Stock. Prior to this action the Series F Preferred shares had voting rights equal to 250,000 common shares, a liquidation preference of $250,000, and were convertible into 250,000 common shares. Shares of Series F Preferred Stock are anti-dilutive to reverse splits, so that in the event of a reverse split, the shares are convertible into the same number of common shares after the reverse split as would have been issued before the reverse split. The conversion rate of Series F Preferred Stock, however, increases proportionately in the case of forward splits, and may not be diluted by a reverse split following a forward split. A holder of Series F Preferred Stock is blocked from owning more than 9.99% of the shares of common stock.

Each share of Series K Preferred Stock shall have a stated value equal to ten cents ($0.10) (the "Stated Value"). The relative rights, preferences and limitations of the Series K Preferred Stock are as follows:

Voting. The holders of shares of Series K Preferred Stock have the following voting rights: Each share of Series K Preferred Stock shall entitle the holder thereof, on all matters submitted to a vote of the stockholders of the Corporation, to that number of votes as shall be equal to the aggregate number of shares of Common Stock into which such holder's shares of Series K Preferred Stock are convertible on the record date for the stockholder action without taking into account potential conversions of any other convertible securities issued by the Corporation.

Dividends. In the event that the Corporation's Board of Directors declares a dividend payable to holders of any class of stock, the holder of each share of Series K Preferred Stock shall be entitled to receive a dividend equal in amount and kind to that payable to the holder of the number of shares of the Corporation's Common Stock into which that holder's Series K Preferred Stock could be converted on the record date for the dividend without application of the limitation on conversions.

Liquidation. Upon the liquidation, dissolution and winding up of the Corporation, the holders of the Series K Preferred Stock shall be entitled to receive in cash out of the assets of the Corporation, whether from capital or from earnings available for distribution to its stockholders, before any amount shall be paid to the holders of common stock, the sum of one tenth of One Cent ($0.001) per share, after which the holders of Series K Preferred Stock shall share in the distribution with the holders of the Common Stock on a pari passu basis, except that in determining the appropriate distribution of available cash among the shareholders, each share of Series K Preferred Stock shall be deemed to have been converted into the number of shares of the Corporation's Common Stock into which that holder's Series K Preferred Stock could be converted on the record date for the distribution without application of the limitation on conversions.

Conversion. Any shares of Series K Preferred Stock may, at any time, at the option of the holder, be converted into fully paid and nonassessable shares of Common Stock (a "Conversion"). The number of shares of Common

Stock to which a holder of Series K Preferred Stock shall be entitled upon a Conversion shall equal the product obtained by (a) multiplying the number of Fully-Diluted Common Shares by five and two-thirds (5.6666), then (b) multiplying the result by a fraction, the numerator of which will be the number of shares of Series K Preferred Stock being converted and the denominator of which will be the number of issued and outstanding shares of Series K Preferred Stock. The term "Fully-Diluted Common Shares" means the sum of the outstanding Common Stock plus all shares of Common Stock that would be outstanding if all securities that could be converted into Common Stock without additional consideration were converted on the conversion date but shall not include Common Stock issuable on conversion of the Series K Preferred Stock. The Company shall not affect any conversions of the Series K Preferred Stock and the holder shall not have the right to convert any shares of Series K Preferred Stock to the extent that after giving effect to such conversion, the Holder, together with any affiliate thereof, would beneficially own more than 9.99% of the number of shares of Common Stock outstanding immediately after giving effect to such conversion.

W***arrants***

The following tables summarize information about warrants outstanding as of August 31, 2024 and November 30, 2023:

| | Warrants Outstanding | | | Warrants Exercisable | |
|---|---|---|---|---|---|
| Range of Exercise Prices | Number Outstanding | Weighted-Average Remaining Contractual Life (Years) | Weighted-Average Exercise Price | Number Outstanding | Weighted-Average Exercise Price |
| As of August 31, 2024 | | | | | |
| $0.0008 - $0.005 | 191,000,000 | 1.18 | $ 0.003 | 191,000,000 | $ 0.003 |
| As of November 30, 2023 | | | | | |
| $0.0008 - $0.005 | 191,000,000 | 1.93 | $ 0.003 | 191,000,000 | $ 0.003 |

| | Number of Shares | Exercise Price Per Share | Average Exercise Price |
|---|---|---|---|
| Warrants outstanding November 30, 2021 | 236,533,333 | $0.0008-$0.005 | $ 0.003 |
| Exercised/canceled during the year ended November 30, 2022 | - | - | $ - |
| Warrants outstanding November 30, 2022 | 236,533,333 | $0.0008-$0.005 | $ 0.003 |
| Exercised/canceled during the year ended November 30, 2023 | (45,533,333) | $ 0.005 | $ - |
| Warrants outstanding November 30, 2023 | 191,000,000 | $0.0008-$0.005 | $ 0.003 |
| Exercised/canceled during nine months ended August 31, 2024 | - | - | $ - |
| Warrants outstanding August 31, 2024 | 191,000,000 | $0.0008-$0.005 | $ 0.003 |

## 10. Income Taxes

Pervasip, the parent company, has accumulated net operating losses of approximately $11 million for United States federal tax purposes as of August 31, 2024, and November 30, 2023.

Due to the net operating loss carryforward, Pervasip did not recognize income tax expense in the nine- and three-month periods ended August 31, 2024 and 2023. However, the VIEs that are included in the consolidated financial statements, have recorded a tax expense and a current income tax liability. Recent court cases regarding the interpretation of IRC 280E have made it more likely than not that the net operating loss deduction in the VIEs would be disallowed. Consequently, the company recorded tax provisions for its VIEs.

Income tax expenses of $1,129,517 and $209,458 were recorded in the nine- and three-month periods ended August 31, 2024, respectively, and $1,320,791 and $544,565 were recognized in the nine- and three-month periods ended August 31, 2023, respectively, in conjunction with the consolidation of variable interest entities that incur tax expense.

## 11. Fair Value Measurements

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures of financial instruments on a recurring basis.

***Fair Value Hierarchy***

The Fair Value Measurements Topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

***Determination of Fair Value***

Under the Fair Value Measurements Topic of the FASB Accounting Standards Codification, the Company bases its fair value on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is the Company's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy. Fair value measurements for assets and liabilities where there exists limited or no observable market data and, therefore, are based primarily upon management's own estimates, are often calculated based on current pricing policy, the economic and competitive environment, the characteristics of the asset or liability and other such factors. Therefore, the results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset or liability. Additionally, there may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, that could significantly affect the results of current or future value.

Following is a description of valuation methodologies used for assets and liabilities recorded at fair value and for estimating fair value where it is practicable to do so for financial instruments not recorded at fair value (disclosures required by the Fair Value Measurements Topic of the FASB Accounting Standards Codification).

***Cash and cash equivalents, accounts receivable, and accounts payable***

In general, carrying amounts approximate fair value because of the short maturity of these instruments.

***Debt***

As of August 31, 2024, and November 30, 2023, long-term debt was carried at its face value plus accrued interest due. The Company estimates the fair value of its short-term debt is equal to its face value.

***Investments and Liabilities Measured and Recognized at Fair Value on a Recurring Basis***

The following table presents the amounts of available-for-sale securities and liabilities measured at fair value on a recurring basis as of August 31, 2024 and November 30, 2023.

The fair value of investments is measured with quoted prices in active markets. The fair value of the derivatives that are traded in less active over-the-counter markets are generally measured using pricing models with no observable inputs. These measurements are classified as Level 3 within the fair value of hierarchy.

| | Total | (Level 1) | (Level 2) | (Level 3) |
|---|---|---|---|---|
| August 31, 2024 | | | | |
| Equity securities at fair value | $ 5 | $ 5 | | |
| Derivative liabilities | 119,059 | | | 119,059 |
| | | | | |
| November 30, 2023 | | | | |
| Equity securities at fair value | $ 74,500 | $ 74,500 | - | |
| Derivative liabilities | 7,160 | | | 7,160 |
| | | | | |

The Company has no instruments with significant off-balance sheet risk.

## 12. Commitments and Contingencies

A novel strain of coronavirus, or COVID-19, has spread throughout the world and has been declared to be a pandemic by the World Health Organization. As of the date this report was issued, our operations have not been significantly impacted by the COVID-19 outbreak. However, we cannot at this time predict the specific extent, duration, or full impact that the COVID-19 outbreak will have on our financial condition, operations, and business plans for 2024. Our operations have adopted social distancing practices, and the next expected milestones of our product may be impacted, and we may experience delays in anticipated timelines and milestones.

***Litigation***

The Company is subject to legal proceedings and claims that arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability, if any, is not likely to have a material effect on the financial condition, results of operations or liquidity of the Company. However, as the outcome of litigation or legal claims is difficult to predict, significant changes in the estimated exposures could occur.

***Redemption Agreement***

Effective September 1, 2021, in connection with the completion of the Securities Exchange Agreement between Artizen and Pervasip, Zen Organization, Inc. (“ORG”), an entity owned by four of Artizen’s selling shareholders, contributed 100% of the issued and outstanding Class A membership interest units of Zen Asset Management LLC (“ZAM”) to Artizen. ORG beneficially owns 161,146 Class B membership interest units of ZAM, which units are non-voting and redeemable by ZAM at a rate equal to $100 per Class B unit and 50% of ZAM’s net cash after all expenses, taxes, and ordinary course debt service until fully redeemed. An additional 75,996 Class B units were issued into escrow for the benefit of several third parties in connection with the initial acquisition and restructuring of ZAM’s historical operations effective April 1, 2020.

## 13. Leases

We determine if a contract contains a lease at inception. Our material operating leases consist of cultivation and processing locations as well as office space. Our leases generally have remaining terms of 1-10 years, most of which include options to extend the leases for additional 3 to 5-year periods. Generally, the lease term is the minimum of the noncancelable period of the lease or the lease term inclusive of reasonably certain renewal periods.

Operating lease assets and liabilities are recognized at the lease commencement date. Operating lease liabilities represent the present value of lease payments not yet paid. Operating lease assets represent our right to use an underlying asset and are based upon the operating lease liabilities adjusted for prepayments or accrued lease payments, initial direct costs, lease incentives, and impairment of operating lease assets. To determine the present value of lease payments not yet paid, we estimate incremental secured borrowing rates corresponding to the maturities of the leases. Our leases typically contain rent escalations over the lease term. We recognize expense for these leases on a straight-line basis over the lease term.

We have elected the practical expedient to account for lease and non-lease components as a single component for our entire population of leases.

Short-term disclosures include only those leases with a term greater than one month and 12 months or less, and expense is recognized on a straight-line basis over the lease term. Leases with an initial term of 12 months or less, that do not include an option to purchase the underlying asset that we are reasonably certain to exercise, are not recorded on the balance sheet.

Lease expense is recorded within our consolidated statements of operations based upon the nature of the assets. Where assets are used to directly serve our customers, such as facilities dedicated to customer contracts, lease costs are recorded in cost of goods sold. Facilities and assets which serve management and support functions are expensed through general and administrative expenses.

| | August 31, 2024 | | November 30, 2023 | |
|---|---|---|---|---|
| Right to use assets, operating lease assets | $ | 2,724,823 | $ | 3,529,884 |
| | | | | |
| Current lease liability | $ | 417,884 | $ | 888,691 |
| Non-current lease liability | | 2,184,265 | | 2,590,074 |
| Total lease liability | $ | 2,602,149 | $ | 3,478,765 |
| | | | | |
| Weighted average remaining lease term | | 27 | | 42 |
| Weighted average discount rate | | 6% | | 6% |
| | | | | |
| Operating lease costs | $ | 1,117,093 | $ | 1,117,093 |
| Variable lease costs | | 594,669 | | 594,669 |
| Short-term lease costs | | 255,918 | | 255,918 |
| Total operating lease costs | $ | 1,967,680 | $ | 1,967,680 |

The following table presents the maturity of the Company's operating lease liabilities as of August 31, 2024

| | | |
|---|---|---|
| 2024 | $ | 428,089 |
| 2025 | | 412,715 |
| 2026 | | 378,096 |
| 2027 | | 389,439 |
| 2028 | | 401,122 |
| 2029 | | 413,156 |
| 2030 | | 425,550 |
| 2031 | | 438,317 |
| 2032 | | 36,615 |
| Total lease payments | | 3,323,099 |
| Less: imputed interest | | 720,950 |
| Lease liability at August 31, 2024 | $ | 2,602,149 |

## 14. Net Loss Per Common Share

Basic net income (loss) per share is computed by dividing net income available to common stockholders (numerator) by the weighted average number of vested, unrestricted common shares outstanding during the period (denominator). Diluted net income per share is computed on the basis of the weighted average number of shares of common stock outstanding plus the effect of dilutive potential common shares outstanding during the period using the if-converted method. Dilutive potential common shares include shares issuable upon exercise of outstanding stock options, warrants and convertible debt agreements. Net loss per common and diluted share was calculated as follows for the three- month and nine- month periods ended August 31, 2024 and 2023:

| | Nine Months Ended August 31, 2024 | Nine Months Ended August 31, 2023 | Three Months Ended August 31, 2024 | Three Months Ended August 31, 2023 |
|---|---|---|---|---|
| Net loss attributable to common stockholders - basic | $ (1,138,123) | $ (1,440,785) | $ (286,980) | $ (550,773) |
| Adjustments to net loss | - | - | - | - |
| Net loss attributable to common stockholders - diluted | $ (1,138,123) | $ (1,440,785) | $ (286,980) | $ (550,773) |
| Weighted average common shares outstanding - basic | 5,429,231,963 | 5,390,404,124 | 5,429,231,963 | 5,429,231,963 |
| Effect of dilutive securities | - | - | - | - |
| Weighted average common shares outstanding - diluted | 5,429,231,963 | 5,390,404,124 | 5,429,231,963 | 5,429,231,963 |
| Earnings per common share - basic | $ (0.00) | $ (0.00) | $ (0.00) | $ (0.00) |
| Earnings per common share - diluted | $ (0.00) | $ (0.00) | $ (0.00) | $ (0.00) |

Conversions of preferred stock and convertible debt into approximately 4.9 billion shares of common stock were not taken into consideration in calculating the net loss per common share because any conversions are anti-dilutive.

## 15. Related Party Transactions

Parties can be entities or individuals and are related if either party has the ability, directly or indirectly, to control or exercise significant influence over the other party in making financial and operational decisions. Entities and individuals are also considered to be related if they are subject to the common control or significant influence of another party. The following related party transactions occurred during the three- and nine- month periods ended August 31, 2024, and 2023:

For the nine months ended August 31, 2024 and 2023, the Company's chief executive officer earned a salary of $128,269 and $139,808, respectively. For nine months ended August 31, 2024, and 2023, the Company's former chief financial officer earned a salary of $77,787 and $119,615, respectively.

The Company entered into a consulting agreement with Paul Riss, former Director and Chief Executive Officer of the Company, upon closing of the aforementioned Securities Exchange Agreement. The company paid him a total of $5,000 and $6,000 during the three- and nine-month periods ended August 31, 2024 and 2023, respectively. Accounts payable to Mr. Riss amounted to $123,000 and $72,000 as of August 31,2024, and November 30, 2023, respectively.

## 16. Investments

During fiscal 2021, the company provided services to and received 5,000,000 shares of common stock of Tamino Minerals Inc. (OTC:TINO). The stock was valued at $58,000 when it was acquired on September 1, 2021. As of November 30, 2023, the stock's value decreased $500. As of August 31, 2024, the stock's value is $5.

During fiscal 2021, the Company purchased a 5% interest in KRTL Biotech Inc. for a purchase price of 50,000,000 shares of its common stock, valued at $210,000 and as a result, the Company owned one share of Special 2021 Series A Preferred Stock. The Company reversed the share exchange, and as a result it recorded the 50,000,000 shares of common stock as treasury stock, valued at $25,000, and it recorded a loss of $49,000 on the disposal of the KRTL preferred stock.

The above investments in equity securities are within the scope of ASC 321. The Company monitors the investments for any changes in observable prices from orderly transactions. All investments are initially measured at cost and evaluated for changes in estimated fair value.

## 17. Subsequent Events

The Company evaluated subsequent events through the date these financial statements were available to be issued.

The Company has entered into negotiations to transfer operational control of its cultivation and fulfillment operations in Oregon to a third party. The Company will execute a brand licensing agreement with the third-party operator to continue retail sales of the Artizen brand in the market.