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

FORM 10-Q

x QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended June 30, 2023

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period From ____________ to ____________

Commission File Number: **000-54258**

UNRIVALED BRANDS, INC.

(Exact Name of Registrant as Specified in its Charter)

Nevada	**26-3062661**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

3242 S. Halladay Street, Suite 202 Santa Ana, California	**92705**
(Address of Principal Executive Offices)	(Zip Code)

(888) 909-5564
(Registrant's Telephone Number, Including Area Code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001	**UNRV**	**OTCQB**

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

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

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

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

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

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

As of August 10, 2023, there were 772,483,465 shares of common stock outstanding, 100,918,457 shares of common stock issuable upon the exercise of all our outstanding warrants, and 21,125,759 shares of common stock issuable upon the exercise of all vested options.

UNRIVALED BRANDS, INC.
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FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2023

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Cautionary Note Concerning Forward-Looking Statements

In addition to historical information, this Quarterly Report on Form 10-Q may contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which provides a "safe harbor" for forward-looking statements made by us. All statements, other than statements of historical facts, including statements concerning our plans, objectives, goals, beliefs, business strategies, future events, business conditions, results of operations, financial position, business outlook, business trends, and other information, may be forward-looking statements. Words such as "might," "will," "may," "should," "estimates," "expects," "continues," "contemplates," "anticipates," "projects," "plans," "potential," "predicts," "intends," "believes," "forecasts," "future," and variations of such words or similar expressions are intended to identify forward-looking statements. The forward-looking statements are not historical facts, and are based upon our current expectations, beliefs, estimates and projections, and various assumptions, many of which, by their nature, are inherently uncertain and beyond our control. Our expectations, beliefs, estimates, and projections are expressed in good faith and we believe there is a reasonable basis for them. However, there can be no assurance that management's expectations, beliefs, estimates, and projections will occur or can be achieved and actual results may vary materially from what is expressed in or indicated by the forward-looking statements.

There are a number of risks, uncertainties, and other important factors, many of which are beyond our control, that could cause actual results to differ materially from the forward-looking statements contained in this Quarterly Report on Form 10-Q. Such risks, uncertainties, and other important factors that could cause actual results to differ include, among others, the risk, uncertainties and factors set forth under "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022 and in other filings we make from time to time with the U.S. Securities and Exchange Commission ("SEC").

We caution you that the risks, uncertainties, and other factors set forth in our periodic filings with the SEC may not contain all of the risks, uncertainties, and other factors that are important to you. In addition, we cannot assure you that we will realize the results, benefits, or developments that we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our business in the way expected. There can be no assurance that: (i) we have correctly measured or identified all of the factors affecting our business or the extent of these factors' likely impact, (ii) the available information with respect to these factors on which such analysis is based is complete or accurate, (iii) such analysis is correct, or (iv) our strategy, which is based in part on this analysis, will be successful. All forward-looking statements in this report apply only as of the date of the report or as of the date they were made and, except as required by applicable law, we undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments, or otherwise.

ITEM 1. FINANCIAL STATEMENTS.

UNRIVALED BRANDS, INC.
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(in thousands, except for shares)

	June 30, 2023	December 31, 2022
	(Unaudited)	
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 588	$ 1,200
Accounts Receivable	862	313
Inventory	2,952	1,939
Prepaid Expenses & Other Assets	691	498
Notes Receivable	625	625
Total Current Assets	5,718	4,575
Property, Equipment and Leasehold Improvements, Net	12,577	13,000
Intangible Assets, Net	1,734	2,859
Goodwill	3,585	3,585
Other Assets	14,646	16,279
Investments	—	210
TOTAL ASSETS	**$ 38,260**	**$ 40,508**
LIABILITIES AND STOCKHOLDERS' DEFICIT		
LIABILITIES:		
Current Liabilities:		
Accounts Payable	$ 10,425	$ 12,990
Accrued Liabilities	5,608	4,424
Current Lease Liabilities	2,133	1,996
Current Portion of Notes Payable	25,879	29,662
Income Taxes Payable	8,771	10,071
Total Current Liabilities	52,816	59,143
Notes Payable, Net of Discounts	6,642	4,814
Lease Liabilities	12,304	13,088
TOTAL LIABILITIES	**71,762**	**77,045**
COMMITMENTS AND CONTINGENCIES (Note 18)	—	—
STOCKHOLDERS' DEFICIT:		
Preferred Stock, Convertible Series V, par value $0.001:		
25,000,000 shares authorized; 14,071,431 and nil shares outstanding as of June 30, 2023 and December 31, 2022, respectively	1	—
Common Stock, par value $0.001:		
990,000,000 shares authorized as of June 30, 2023 and December 31, 2022; 772,483,465 and 679,513,554 shares outstanding as of June 30, 2023 and December 31, 2022, respectively	797	701
Treasury Stock: nil and 2,308,420 shares of common stock as of June 30, 2023 and December 31, 2022, respectively	—	(808)
Additional Paid-In Capital	406,781	403,619
Accumulated Deficit	(441,081)	(440,049)
TOTAL STOCKHOLDERS' DEFICIT	**(33,502)**	**(36,537)**
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	**$ 38,260**	**$ 40,508**

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

UNRIVALED BRANDS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(in thousands, except for shares and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	**2022**	**2023**	**2022**
Revenue	$ 8,797	$ 15,801	$ 18,037	$ 34,650
Cost of Goods Sold	4,197	7,714	8,742	20,450
Gross Profit	4,600	8,087	9,295	14,200
Operating Expenses:				
Selling, General & Administrative	8,071	18,160	13,668	36,091
Impairment Expense	—	55,726	—	55,726
(Gain) Loss on Disposal of Assets	(1,739)	541	(1,739)	343
Total Operating Expenses	6,332	74,427	11,929	92,160
Loss from Operations	(1,732)	(66,340)	(2,634)	(77,960)
Other Income (Expense):				
Interest Expense, Net	(187)	(438)	(1,211)	(2,204)
Gain on Extinguishment of Debt	—	—	3,026	542
Gain on Settlement of Liabilities	110	—	110	—
Realized Loss on Sale of Investments	—	—	(61)	—
Unrealized Gain on Investments	—	963	—	963
Other Income	242	230	271	858
Total Other Income, Net	165	755	2,135	159
Loss from Continuing Operations Before Provision for Income Taxes	(1,567)	(65,585)	(499)	(77,801)
Provision for Income Tax Benefit (Expense) for Continuing Operations	125	448	(533)	2,136
Net Loss from Continuing Operations	(1,442)	(65,137)	(1,032)	(75,665)
Income from Discontinued Operations Before Provision for Income Taxes	—	1,419	—	3,349
Net Income from Discontinued Operations	—	1,419	—	3,349
NET LOSS	**$ (1,442)**	**$ (63,718)**	**$ (1,032)**	**$ (72,316)**
Less: Net Income from Discontinued Operations Attributable to Non-Controlling Interest	—	—	—	275
NET LOSS ATTRIBUTABLE TO UNRIVALED BRANDS, INC.	**$ (1,442)**	**$ (63,718)**	**$ (1,032)**	**$ (72,591)**
Net Loss from Continuing Operations per Common Share Attributable to Unrivaled Brands, Inc. - Basic and Diluted	$ —	$ (0.11)	$ —	$ (0.13)
Net Loss per Common Share Attributable to Unrivaled Brands, Inc. - Basic and Diluted	$ —	$ (0.11)	$ —	$ (0.13)
Weighted-Average Shares Outstanding - Basic	835,274,484	575,973,609	851,619,604	572,176,041
Weighted-Average Shares Outstanding - Diluted	835,274,484	575,973,609	851,619,604	572,176,041

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

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UNRIVALED BRANDS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' (DEFICIT) EQUITY (UNAUDITED)
FOR THE THREE MONTHS ENDED JUNE 30, 2023 AND 2022
(in thousands, except for shares)

	Convertible Series V Preferred Stock		Common Stock		Treasury Stock	Additional Paid-In Capital	Accumulated Deficit	Non-Controlling Interest	Total
	Shares	Amount	Shares	Amount	Amount				
BALANCE AT MARCH 31, 2023	**14,071,431**	**$ 1**	**695,694,794**	**$ 717**	**$ (810)**	**$ 406,029**	**$ (439,639)**	**$ —**	**$ (33,702)**
Net Loss Attributable to Unrivaled Brands, Inc.	—	—	—	—	—	—	(1,442)	—	(1,442)
Stock Compensation - Services Expense	—	—	79,997,091	80	—	1,473	—	—	1,553
Stock Option Expense	—	—	—	—	—	89	—	—	89
Forfeiture and Cancellation of Treasury Stock	—	—	(3,208,420)	—	810	(810)	—	—	—
BALANCE AT JUNE 30, 2023	**14,071,431**	**$ 1**	**772,483,465**	**$ 797**	**$ —**	**$ 406,781**	**$ (441,081)**	**$ —**	**$ (33,502)**

	Convertible Series V Preferred Stock		Common Stock		Treasury Stock	Additional Paid-In Capital	Accumulated Deficit	Non-Controlling Interest	Total
	Shares	Amount	Shares	Amount	Amount				
BALANCE AT MARCH 31, 2022	**—**	**$ —**	**530,329,995**	**$ 552**	**$ (808)**	**$ 399,536**	**$ (258,888)**	**$ 4,134**	**$ 144,526**
Net Loss Attributable to Unrivaled Brands, Inc.	—	—	—	—	—	—	(63,718)	—	(63,718)
Disposition of Non-Controlling Interest	—	—	—	—	—	—	(1,103)	(4,134)	(5,237)
Stock Compensation - Employees	—	—	1,200,000	1	—	169	—	—	170
Stock Compensation - Directors	—	—	259,796	—	—	29	—	—	29
Stock Compensation - Services Expense	—	—	725,000	1	—	128	—	—	129
Stock Option Expense	—	—	—	—	—	1,352	—	—	1,352
BALANCE AT JUNE 30, 2022	**—**	**$ —**	**532,514,791**	**$ 554**	**$ (808)**	**$ 401,214**	**$ (323,709)**	**$ —**	**$ 77,251**

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

UNRIVALED BRANDS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' (DEFICIT) EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022
(in thousands, except for shares)

	Convertible Series V Preferred Stock		Common Stock		Treasury Stock	Additional Paid-In Capital	Accumulated Deficit	Non-Controlling Interest	Total
	Shares	Amount	Shares	Amount	Amount				
BALANCE AT DECEMBER 31, 2022	**—**	**$ —**	**679,513,564**	**$ 701**	**$ (808)**	**$ 403,619**	**$ (440,049)**	**$ —**	**$ (36,537)**
Net Loss Attributable to Unrivaled Brands, Inc.	—	—	—	—	—	—	(1,032)	—	(1,032)
Stock Compensation - Services Expense	—	—	96,178,321	96	—	1,814	—	—	1,910
Stock Option Exercise	—	—	—	—	—	187	—	—	187
Stock Issued for Cash	14,071,431	1	—	—	—	1,969	—	—	1,970
Forfeiture and Cancellation of Treasury Stock	—	—	(3,208,420)	—	808	(808)	—	—	—
BALANCE AT JUNE 30, 2023	**14,071,431**	**$ 1**	**772,483,465**	**$ 797**	**$ —**	**$ 406,781**	**$ (441,081)**	**$ —**	**$ (33,502)**

	Convertible Series V Preferred Stock		Common Stock		Treasury Stock	Additional Paid-In Capital	Accumulated Deficit	Non-Controlling Interest	Total
	Shares	Amount	Shares	Amount	Amount				
BALANCE AT DECEMBER 31, 2021	**—**	**$ —**	**498,546,291**	**$ 521**	**$ (808)**	**$ 392,930**	**$ (250,015)**	**$ 3,859**	**$ 146,487**
Net Loss Attributable to Unrivaled Brands, Inc.	—	—	—	—	—	—	(72,591)	—	(72,591)
Debt Conversion - Common Stock	—	—	294,452	—	—	75	—	—	75
Warrants Exercise	—	—	4,759,708	4	—	(5)	—	—	(1)
Stock Compensation - Employees	—	—	2,100,000	2	—	350	—	—	352
Stock Compensation - Directors	—	—	943,128	1	—	212	—	—	213
Stock Compensation - Services Expense	—	—	725,000	1	—	128	—	—	129
Stock Option Exercise	—	—	146,212	—	—	—	—	—	—
Stock Issued for Cash	—	—	25,000,000	25	—	4,350	—	—	4,375
Stock Option Expense	—	—	—	—	—	3,174	—	—	3,174
Disposition of Non-Controlling Interest	—	—	—	—	—	—	(1,103)	(4,134)	(5,237)
Net Loss Attributable to Non-Controlling Interest	—	—	—	—	—	—	—	275	275
BALANCE AT JUNE 30, 2022	**—**	**$ —**	**532,514,791**	**$ 554**	**$ (808)**	**$ 401,214**	**$ (323,709)**	**$ —**	**$ 77,251**

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

UNRIVALED BRANDS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(in thousands)

	Six Months Ended June 30,	
	2023	**2022**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	$ (1,032)	$ (72,316)
Less: Net Income from Discontinued Operations	—	3,349
Net Loss from Continuing Operations	(1,032)	(75,665)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:		
Deferred Income Tax Benefit	—	(2,137)
Bad Debt (Recovery) Expense	(7)	1,220
Gain on Settlement of Liabilities	(110)	—
Realized Loss on Sale of Investments	61	—
Gain on Extinguishment of Debt	(3,026)	(542)
Non-Cash Interest Expense	193	676
(Gain) Loss on Disposal of Assets	(1,739)	343
Depreciation and Amortization	1,558	6,602
Amortization of Operating Lease Right-of-Use Asset	999	1,080
Stock-Based Compensation	2,097	3,868
Unrealized Gain on Investments	—	(963)
Impairment Loss	—	55,726
Change in Operating Assets and Liabilities:		
Accounts Receivable	(542)	2,434
Inventory	(1,013)	434
Prepaid Expenses and Other Current Assets	(193)	(1,885)
Other Assets	—	(2,520)
Accounts Payable and Accrued Expenses	1,256	9,776
Operating Lease Liabilities	(647)	200
Net Cash Used in Operating Activities - Continuing Operations	(2,145)	(1,353)
Net Cash Used in Operating Activities - Discontinued Operations	—	(1,150)
NET CASH USED IN OPERATING ACTIVITIES	**(2,145)**	**(2,503)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(91)	(2,035)
Proceeds from Notes Receivable	634	375
Proceeds from Sale of Investments	149	—
Proceeds from Sale of Assets	—	450
Net Cash Provided by (Used in) Investing Activities - Continuing Operations	692	(1,210)
Net Cash Provided by Investing Activities - Discontinued Operations	—	20,709
NET CASH PROVIDED BY INVESTING ACTIVITIES	**692**	**19,499**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of Debt Principal	(1,129)	(21,634)
Proceeds from Issuance of Common Stock	1,970	4,375
Net Cash Provided by (Used in) Financing Activities - Continuing Operations	841	(17,259)
Net Cash Used in Financing Activities - Discontinued Operations	—	(11)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**841**	**(17,270)**
NET CHANGE IN CASH	(612)	(274)
Cash at Beginning of Period	1,200	6,700
Cash Reclassed to Discontinued Operations	—	(442)
CASH AT END OF PERIOD	**$ 588**	**$ 5,984**
SUPPLEMENTAL DISCLOSURE FOR OPERATING ACTIVITIES:		
Cash Paid for Interest	$ 182	$ 1,552
SUPPLEMENTAL DISCLOSURE FOR NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Debt Principal and Accrued Interest Converted into Common Stock	$ —	$ 52
Reclass of Accrued Interest to Principal	$ 1,896	$ —
Net Assets Transferred to Assets Held For Sale	$ —	$ 1,328

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

UNRIVALED BRANDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 – DESCRIPTION OF BUSINESS

Unrivaled Brands, Inc. (the "Company") is a cannabis company with operations in retail, production, distribution, and cultivation throughout California, with an emphasis on providing the highest quality of medical and adult use cannabis products. The Company is home to Korova, a brand of high potency products across multiple product categories, currently available in California, Oregon, Arizona, and Oklahoma. With the acquisition of People's First Choice, the Company operates a premier cannabis dispensary in Orange County, California. The Company also owns dispensaries in California which operate as The Spot in Santa Ana, Blüm in Oakland, and Blüm in San Leandro.

Unrivaled is a holding company with the following subsidiaries:

- 121 North Fourth Street, LLC, a Nevada limited liability company ("121 North Fourth")
- 620 Dyer LLC, a California corporation ("Dyer")
- 1815 Carnegie LLC, a California limited liability company ("Carnegie")
- Black Oak Gallery, a California corporation ("Black Oak")
- Blüm San Leandro, a California corporation ("Blüm San Leandro")
- Halladay Holding, LLC, a California limited liability company ("Halladay")
- People's First Choice, LLC, a California limited liability company ("People's")
- UMBRLA, Inc., a Nevada corporation ("UMBRLA")

References in this document to the "Company", "Unrivaled", "we", "us", or "our" are intended to mean Unrivaled Brands, Inc., individually, or as the context requires, collectively with its subsidiaries on a consolidated basis.

During the fiscal second quarter of 2023, the Company received confirmation for the legal dissolution of UMBRLA, Inc. As a result, all liabilities and existing obligations of the dissolved entity were extinguished and the Company recognized a gain on disposal of assets of $1.74 million during the three and six months ended June 30, 2023.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and with the instructions to U.S. Securities and Exchange Commission ("SEC") Form 10-Q and Article 10 of Regulation S-X of the Securities Act of 1933 and reflect the accounts and operations of the Company and those of its subsidiaries in which the Company has a controlling financial interest. In accordance with the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 810, *"Consolidation,"* the Company consolidates any variable interest entity ("VIE") of which it is the primary beneficiary. The typical condition for a controlling financial interest ownership is holding a majority of the voting interests of an entity; however, a controlling financial interest may also exist in entities, such as VIEs, through arrangements that do not involve controlling voting interests. ASC 810 requires a variable interest holder to consolidate a VIE if that party has the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. The Company does not consolidate a VIE in which it has a majority ownership interest when it is not considered the primary beneficiary. The Company evaluates its relationships with all the VIEs on an ongoing basis to reassess if it continues to be the primary beneficiary.

All intercompany transactions and balances have been eliminated in consolidation. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation of the consolidated financial position of the Company as of June 30, 2023 and December 31, 2022, and the consolidated results of operations and cash flows for the periods ended June 30, 2023 and 2022 have been included. These interim unaudited condensed consolidated financial statements do not include all disclosures required by GAAP for complete financial statements and, therefore, should be read in conjunction with the more detailed audited consolidated financial statements for the year ended December 31, 2022. The December 31, 2022 balances reported herein are derived from the audited consolidated financial statements for the year ended December 31, 2022. The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the full year.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation. Specifically, the Company determined the presentation of promotion and marketing program ("PMP") revenue should be included as revenue. Prior period presentation of PMP was included as a component of other income in the consolidated statement of operations. In addition, the Company determined certain amounts pertaining to the gain on settlement of liabilities should be a categorized as a component of selling, general and administrative expenses. These reclassifications did not affect total assets, total liabilities, stockholders' deficit or net loss.

Going Concern

The Company incurred a pre-tax net loss from continuing operations of $1.57 million and $0.50 million for the three and six months ended June 30, 2023, respectively, and $65.59 million and $77.80 million for the three and six months ended June 30, 2022, respectively. As of June 30, 2023 and December 31, 2022, the Company had an accumulated deficit of $441.08 million and $440.05 million, respectively. At June 30, 2023, the Company had a consolidated cash balance of $0.59 million. Management expects to experience further net losses in 2023 and in the foreseeable future. The Company may not be able to generate sufficient cash from operating activities to fund its ongoing operations. The Company's future success is dependent upon its ability to achieve profitable operations and generate cash from operating activities. There is no guarantee that the Company will be able to generate enough revenue or raise capital to support its operations.

The Company will be required to raise additional funds through public or private financing, additional collaborative relationships or other arrangements until it is able to raise revenues to a point of positive cash flow. The Company is evaluating various options to further reduce its cash requirements to operate at a reduced rate, as well as options to raise additional funds, including obtaining loans and selling common stock. There is no guarantee that it will be able to generate enough revenue or raise capital to support its operations, or if it is able to raise capital, that it will be available to the Company on acceptable terms, on an acceptable schedule, or at all.

The issuance of additional securities may result in a significant dilution in the equity interests of the Company's current stockholders. Obtaining loans, assuming these loans would be available, will increase the Company's liabilities and future cash commitments. There is no assurance that the Company will be able to obtain further funds required for its continued operations or that additional financing will be available for use when needed or, if available, that it can be obtained on commercially reasonable terms. If the Company is not able to obtain the additional financing on a timely basis, it will not be able to meet its other obligations as they become due and the Company will be forced to scale down or perhaps even cease its operations.

The risks and uncertainties surrounding the Company's ability to continue to raise capital and its limited capital resources raise substantial doubt as to the Company's ability to continue as a going concern for twelve months from the issuance of these financial statements.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. In an effort to achieve liquidity that would be sufficient to meet all of its commitments, the Company has undertaken a number of actions, including minimizing capital expenditures and reducing recurring expenses. However, management believes that even after taking these actions, the Company will not have sufficient liquidity to satisfy all of its future financial obligations. The risks and uncertainties surrounding the ability to raise capital, the limited capital resources, and the weak industry conditions impacting the Company’s business raise substantial doubt as to its ability to continue as a going concern.

Significant Accounting Policies

The significant accounting policies and critical estimates applied by the Company in these interim unaudited condensed consolidated financial statements are the same as those applied in the Company's audited consolidated financial statements and accompanying notes included in the Company's 2022 Form 10-K, unless otherwise disclosed in these accompanying notes to the unaudited consolidated financial statements for the interim period ended June 30, 2023.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of total net revenue and expenses in the reporting periods. The Company regularly evaluates estimates and assumptions related to revenue recognition, allowances for doubtful accounts, sales returns, inventory valuation, stock-based compensation expense, goodwill and purchased intangible asset valuations, derivative liabilities, deferred income tax asset valuation allowances, uncertain tax positions, tax contingencies, litigation and other loss contingencies.

These estimates and assumptions are based on current facts, historical experience and various other factors that the Company believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the recording of revenue, costs and expenses that are not readily apparent from other sources. The actual results the Company experiences may differ materially and adversely from these estimates. To the extent there are material differences between the estimates and actual results, the Company's future results of operations will be affected.

Loss Per Common Share

In accordance with the provisions of ASC 260, *"Earnings Per Share",* net loss per share is computed by dividing net income or loss by the weighted-average shares of common stock outstanding during the period. During a loss period, the effect of the potential exercise of stock options, warrants, convertible preferred stock, and convertible debt are not considered in the diluted loss per share calculation since the effect would be anti-dilutive. If the Company is in a net income position, diluted earnings per share includes stock options, warrants, convertible preferred stock, and convertible debt that are determined to be dilutive using the treasury stock method for all equity instruments issuable in equity units and the "if converted" method for the Company's convertible debt. The Company's operations resulted in net loss for the three and six months ended June 30, 2023 and 2022. Therefore, the basic and diluted weighted-average shares of common stock outstanding were the same for all periods presented.

Dilutive securities that are not included in the calculation of diluted net loss per share because their effect is anti-dilutive are as follows (in common equivalent shares):

	Six Months Ended June 30,	
	2023	**2022**
Common Stock Warrants	100,918,457	85,826,872
Common Stock Options	21,125,759	88,126,615
	122,044,216	**173,953,487**

Recently Adopted Accounting Standards

In October 2021, the FASB issued ASU 2021-08, "*Business Combinations (Subtopic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*" ("ASU 2021-08"), which is intended to improve the accounting for acquired revenue contracts with customers in a business combination by addressing diversity in practice and inconsistency. ASU 2021-08 is effective for fiscal years beginning after December 15, 2022. This update should be applied prospectively on or after the effective date of the amendments. The adoption of the standard did not have a material impact on the Company's consolidated financial statements.

In March 2022, the FASB issued ASU 2022-02, "*Financial Instruments—Credit Losses (Topic 326) Troubled Debt Restructurings and Vintage Disclosures*" ("ASU 2022-02"), which eliminates the accounting guidance on troubled debt restructurings for creditors and amends the guidance on "vintage disclosures" to require disclosure of current-period gross write-offs by year of origination. The ASU also updates the requirements related to accounting for credit losses under the current guidance and adds enhanced disclosures for creditors with respect to loan refinancings and restructurings for borrowers experiencing financial difficulty. ASU 2022-02 is effective for fiscal years beginning after December 15, 2022. The adoption of the standard did not have a material impact on the Company's consolidated financial statements.

In June 2016, the FASB ASU 2016-13, *"Financial Instruments – Credit Losses (Topic 326) – Measurement of Credit Losses on Financial Instruments*" ("ASU 2016-13"). ASU 2016-13 replaces the "incurred loss" credit losses framework with a new accounting standard that requires management's measurement of the allowance for credit losses to be based on a broader range of reasonable and supportable information for lifetime credit loss estimates. Effective January 1, 2023, the Company adopted the standard. The adoption of this standard do not have a material impact on our financial statements.

Recently Issued Accounting Standards

In June 2022, the FASB issued ASU 2022-03, "*Fair Value Measurements—Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions (Topic 820)*". ASU 2022-03 clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. It also clarifies that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. For public business entities, the ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. The Company is currently evaluating the effect of adopting this ASU.

NOTE 3 – CONCENTRATIONS OF BUSINESS AND CREDIT RISK

The Company maintains cash balances in several financial institutions that are insured by either the Federal Deposit Insurance Corporation or the National Credit Union Association up to certain federal limitations. At times, the Company's cash balance exceeds these federal limitations, and it maintains significant cash on hand at certain of its locations. The Company has not historically experienced any material loss from carrying cash on hand. The amount in excess of insured limitations was nil and nil as of June 30, 2023 and December 31, 2022, respectively.

The Company provides credit in the normal course of business to customers located throughout the U.S. The Company performs ongoing credit evaluations of its customers and maintains allowances for doubtful accounts based on factors surrounding the credit risk of specific customers, historical trends, and other information. There were no customers that comprised more than 10.0% of the Company's revenue for the three and six months ended June 30, 2023 and 2022.

The Company sources cannabis products for retail, cultivation, and production from various vendors. However, as a result of regulations in the State of California, the Company's California retail, cultivation, and production operations must use vendors licensed by the State. As a result, the Company is dependent upon the licensed vendors in California to supply products. If the Company is unable to enter into relationships with sufficient members of properly licensed vendors, the Company's sales may be impacted. During the three and six months ended June 30, 2023 and 2022, the Company did not have any concentration of vendors for inventory purchases. However, this may change depending on the number of vendors who receive appropriate licenses to operate in the State of California.

NOTE 4 – INVENTORY

Raw materials consist of materials and packaging for manufacturing of products owned by the Company. Work-in-progress consists of cultivation materials and live plants. Finished goods consists of cannabis products sold in retail and distribution. Inventory as of June 30, 2023 and December 31, 2022 consisted of the following:

	(in thousands)	
	June 30, 2023	December 31, 2022
Raw Materials	$ 674	$ 524
Work-In-Progress	649	284
Finished Goods	1,629	1,131
Total Inventory	**$ 2,952**	**$ 1,939**

NOTE 5 – INVESTMENTS

On May 3, 2022, Edible Garden Corp. ("Edible Garden"), an entity in which the Company had an investment of common stock, completed a 1-for-5 reverse stock split of its outstanding common stock. As a result, the Company held 1,000,000 shares in Edible Garden. On May 5, 2022, Edible Garden announced the pricing of its initial public offering of 2,930,000 shares of its common stock and accompanying warrants to purchase up to 2,930,000 shares of common stock for an exercise price of $5.00 per share. Each share of common stock was sold together with one warrant at a combined offering price of $5.00, for gross proceeds of approximately $14.70 million. As a result of the initial public offering, the Company reassessed its write down on the investment and recorded a write up to its fair value, which is categorized within the fair value hierarchy as Level 2. In November 2022, the lock-up restriction on the Company's shares in Edible Garden expired and accordingly, the Company's investment transferred from Level 2 to Level 1 fair value measurement. During the fiscal first quarter ended March 31, 2023, the Company sold all its shares in Edible Garden and received $0.15 million. As a result, the Company recorded a realized loss on the sale of investments of $0.06 million during the six months ended June 30, 2023. Durng the six months ended June 30, 2022, the Company recorded nil in realized or unrealized losses related to its investment in Edible Garden.

NOTE 6 – PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Property, equipment, and leasehold improvements as of June 30, 2023 and December 31, 2022 consisted of the following:

	(in thousands)	
	June 30, 2023	December 31, 2022
Land and Building	$ 7,581	$ 7,581
Furniture and Equipment	1,314	1,336
Computer Hardware	334	299
Leasehold Improvements	7,901	8,009
Vehicles	57	103
Construction in Progress	2,565	2,565
Subtotal	19,752	19,893
Less Accumulated Depreciation	(7,175)	(6,893)
Property, Equipment and Leasehold Improvements, Net	**$ 12,577**	**$ 13,000**

Depreciation expense related to continuing operations was $0.22 million and $0.93 million for the three months ended June 30, 2023 and 2022, respectively, and $0.43 million and $1.84 million for the six months ended June 30, 2023 and 2022, respectively.

NOTE 7 – INTANGIBLE ASSETS

Intangible assets as of June 30, 2023 and December 31, 2022 consisted of the following:

		(in thousands)					
		June 30, 2023			December 31, 2022		
	Estimated Useful Life in Years	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Amortizing Intangible Assets:							
Customer Relationships	3 to 5	$ 7,400	$ (7,400)	$ —	$ 7,400	$ (7,400)	$ —
Trademarks and Patent	2 to 8	4,500	(4,116)	384	4,500	(2,991)	1,509
Operating Licenses	14	12,239	(12,239)	—	12,239	(12,239)	—
Total Amortizing Intangible Assets		**24,139**	**(23,755)**	**384**	**24,139**	**(22,630)**	**1,509**
Non-Amortizing Intangible Assets:							
Trade Name	Indefinite	1,350	—	1,350	1,350	—	1,350
Total Non-Amortizing Intangible Assets		**1,350**	**—**	**1,350**	**1,350**	**—**	**1,350**
Total Intangible Assets, Net		**$ 25,489**	**$ (23,755)**	**$ 1,734**	**$ 25,489**	**$ (22,630)**	**$ 2,859**

Amortization expense related to continuing operations was $0.56 million and $2.42 million for the three months ended June 30, 2023 and 2022, respectively, and $1.13 million and $4.77 million for the six months ended June 30, 2023 and 2022, respectively.

NOTE 8 – GOODWILL

As of June 30, 2023, changes in the carrying amount of goodwill during the period presented were as follows:

	(in thousands)
Balance as of December 31, 2022	**$ 3,585**
Balance as of June 30, 2023	**$ 3,585**

The Company conducts its annual goodwill impairment assessment on September 30, and between annual tests if the Company becomes aware of an event or a change in circumstances that would indicate the carrying value may be impaired. Management did not identify any impairment triggers during the three and six months ended June 30, 2023 and concluded there was no impairment of goodwill.

For the purpose of the goodwill impairment assessment, the Company has the option to perform a qualitative assessment (commonly referred to as “step zero”) to determine whether further quantitative analysis for impairment of goodwill or indefinite-lived intangible assets is necessary or a quantitative assessment (“step one”) where the Company estimates the fair value of each reporting unit using a discounted cash flow method (income approach). Goodwill is assigned to the reporting unit, which is the operating segment level or one level below the operating segment. The balance of goodwill at June 30, 2023 and December 31, 2022 remained unchanged at $3.59 million.

NOTE 9 – ACCRUED LIABILITIES

Accrued liabilities consisted of the following:

	(in thousands)	
	June 30, 2023	December 31, 2022
Tax Liabilities	$ 2,663	$ 1,018
Accrued Payroll and Benefits	602	628
Accrued Interest	1,053	2,113
Other Accrued Expenses	1,290	665
Total Accrued Liabilities	**$ 5,608**	**$ 4,424**

NOTE 10 – LEASES

A lease provides the lessee the right to control the use of an identified asset for a period of time in exchange for consideration. Operating lease right-of-use assets are included in other assets while lease liabilities are a line item on the Company's consolidated balance sheets. Right-of-use assets represent the Company's right to use an underlying asset for the lease term and operating lease liabilities represent the Company's obligation to make lease payments arising from the lease. The Company determines if an arrangement is a lease at inception. Right-of-use assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Most operating leases contain renewal options that provide for rent increases based on prevailing market conditions. The terms used to calculate the right-of-use assets for certain properties include the renewal options that the Company is reasonably certain to exercise.

The discount rate used to determine the commencement date present value of lease payments is the interest rate implicit in the lease, or when that is not readily determinable, the Company utilizes its secured borrowing rate. Right-of-use assets include any lease payments required to be made prior to commencement and exclude lease incentives. Both right-of-use assets and lease liabilities exclude variable payments not based on an index or rate, which are treated as period costs. The Company's lease agreements do not contain significant residual value guarantees, restrictions or covenants.

The Company occupies office facilities under lease agreements that expire at various dates. In addition, office, production and transportation equipment is leased under agreements that expire at various dates. The Company does not have any significant finance leases. Total operating lease costs were $0.86 million and $1.37 million for the three months ended June 30, 2023 and 2022, respectively, and $1.50 million and $2.47 million for the six months ended June 30, 2023 and 2022, respectively. Short-term lease costs during the fiscal quarters ended June 30, 2023 and 2022 were not material.

As of June 30, 2023 and December 31, 2022, the Company has short-term lease liabilities of $2.13 million and $2.00 million, respectively. The table below presents total operating lease right-of-use assets and lease liabilities as of June 30, 2023 and December 31, 2022:

	(in thousands)	
	June 30, 2023	December 31, 2022
Operating Lease Right-of-Use Assets	$ 12,946	$ 13,946
Operating Lease Liabilities	$ 14,437	$ 15,084

The table below presents the weighted average remaining lease term for operating leases and weighted average discount rate used in calculating operating lease right-of-use assets:

	Six Months Ended	
	June 30, 2023	June 30, 2022
Weighted Average Remaining Lease Term (Years)	8.0	5.7
Weighted Average Discount Rate	11.7 %	11.4 %

NOTE 11 – NOTES PAYABLE

Notes payable as of June 30, 2023 and December 31, 2022 consisted of the following:

	(in thousands)	
	June 30, 2023	**December 31, 2022**
Promissory note dated May 4, 2020, issued to Harvest Small Business Finance, LLC, an unaffiliated third party. Loan was part of the Paycheck Protection Program ("PPP Loan") offered by the U.S. Small Business Administration. The interest rate on the note was 1.0%. The note required interest and principal payments seven months from July 2020. The note matures in February 2025.	$ 14	$ 14
Convertible promissory note dated January 25, 2021, issued to accredited investors, which matured July 22, 2022 and bears interest at a rate of 8.0% per annum. The conversion price is $0.175 per share.	3,253	3,450
Promissory note dated July 27, 2021, issued to Arthur Chan which matures July 26, 2024, and bears interest at a rate of 8.0% per annum.	2,500	2,500
Unsecured promissory note dated December 28, 2022 due to a related party. The interest rate on the note is 1.0% and matures on December 28, 2027.	94	154
Promissory note dated October 1, 2021, issued to Sterling Harlan as part of the SilverStreak Solutions acquisition. The interest rate on the note was 10.0%. The note matures in March 2028.	308	2,000
Promissory note dated October 1, 2021, issued to Sterling Harlan as part of the SilverStreak Solutions acquisition. The interest rate on the note was 10.0%. The note matures in March 2028.	1,230	2,500
Secured promissory notes dated March 6, 2023 issued to People's California, LLC, which matures in March 2028 and bears interest at a rate of 10.0% per annum on the first $3.00 million due in December 2023, and 5.0% per annum on the remaining balance through September 2023 and 10.0% per annum thereafter. Payment of the remaining balance is due in March 2028.	22,200	21,569
Promissory note dated May 1, 2019, assumed by the Company on July 1, 2021 in connection with the purchase of real property, from a related party. The note matures on May 15, 2039 and bears interest at a rate of 9.9% per year.	2,876	2,882
Notes Payable - Promissory Notes	$ 32,475	$ 35,069
Vehicle Loans	57	76
Less: Short-Term Debt	(25,879)	(29,662)
Less: Debt Discount, Net	(11)	(669)
Net Long-Term Debt	**$ 6,642**	**$ 4,814**

Amendments of Promissory Note Related to People's California, LLC

On March 6, 2023, the Company entered into a binding settlement term sheet ("Settlement Term Sheet") to resolve pending litigation matters with People's California, LLC, whereby the parties agreed to amend the terms of that certain secured promissory note ("Original Note"), issued by the Company to People's California, LLC on November 22, 2021. The Original Note was amended and restated into two secured promissory notes: a $3.00 million note ("$3M Note") and a $20.00 million note ("Settlement Note"). The $3M Note accrues simple interest at 10.0% annually, interest payable monthly in cash, and principal is due 180 days after effective date of the Settlement Term Sheet.

The Settlement Note accrues interest at 5.0% for the first 180 days, and 10.0% thereafter, interest is paid in cash (or the Company's common stock based on the 10-day volume-weighted average price ("VWAP") at the date of issuance) starting 180 days after the effective date of the Settlement Term Sheet and on the first of the month thereafter. The amount of $5.00 million of principal is due in cash within 90 days of the effective date of the Settlement Term Sheet with the balance due on the fifth anniversary of the effective date of the Settlement Term Sheet, which is March 6, 2028. When the $5.00 million principal payment for the Settlement Note and the $3.00 million payment under the $3M Note are paid ("Up-front Settlement") in accordance with the Settlement Term Sheet, People's California, LLC will be obligated to transfer the Riverside and Costa Mesa licenses and stores to the Company as described in that certain membership interest purchase agreement, dated as of November 22, 2021, with People's California, LLC for no additional consideration.

On the earlier of the date of the Up-front Settlement payment or 180 days after the effective date of the Settlement Term Sheet, People's California, LLC will have the option to convert a portion or all of the principal balance of the Settlement Note into the Company's common stock subject to certain requirements in the Settlement Term Sheet. The conversion price is the lower of $0.20 or the 10-day VWAP of the Company's common stock. Upon payment of the Up-front Settlement, the Company has the option to convert the unpaid principal balance of either notes into the Company's common stock at a conversion price of $0.20 per share as long as the at the time of the conversion the Company's common stock has a 10-day VWAP of $0.20 per share or greater.

After the first $5.00 million principal payment on the Settlement Note, principal payments made in cash prior to the first anniversary of the Settlement Term Sheet reduce the principal balance by twice the amount of the cash payment. The modification to the Company's promissory note under the Settlement Term Sheet was classified as troubled debt restructuring pursuant to ASC 470-60, "*Troubled Debt Restructurings by Debtors"* ("ASC 470-60") and the Company recorded a premium of $0.47 million. See "*Note 18 – Commitments and Contingencies*" for details on the related litigation matters.

On May 17, 2023, the Company amended the Settlement Term Sheet wherein the maturity date of the $3M Note was extended to December 6, 2023 and payments of the $5.00 million portion of the Up-front Settlement was extended through September 6, 2023, with $0.80 million being due and paid in cash on May 18, 2023. In addition, the Company shall make an additional $2.20 million principal repayment on or before July 6, 2023. Monthly interest payments were amended to provide the Company with the option to pay 50% of interest in the form of registered shares of common stock. Further, upon payment of the $0.80 million on May 18, 2023, People's California, LLC shall transfer the Riverside and Costa Mesa licenses and stores to the Company for no additional consideration. Such assets have not been transferred to the Company as of June 30, 2023 and the Company has not recorded a debt premium for the contingent free assets. The amendment to the Settlement Term Sheet was classified as a troubled debt restructuring pursuant to ASC 470-60.

On July 10, 2023, the Company received a notice of breach and demand to cure from People's California, LLC in respect of the Settlement Term Sheet, as amended on May 17, 2023, wherein People's California, LLC stated that the Company failed to make the principal repayment of $2.20 million on July 6, 2023 and a monthly interest payment of $25,000 for the month of June 2023. As a result, the promissory notes became callable by the creditor subsequent to the balance sheet date but before these consolidated financial statements are issued. Accordingly, the Company classified the long-term debt as current notes payable in the consolidated balance sheet as of June 30, 2023. The Company is currently in ongoing discussions with People's California, LLC to renegotiate the debt.

Amendment of Promissory Notes Related to SilverStreak Acquisition

On March 23, 2023, the Company entered into a binding term sheet to modify the terms of the $2.00 million and $2.50 million unsecured promissory notes originally issued on October 1, 2021 in connection with that certain stock purchase agreement dated June 9, 2021 and amended on July 13, 2021, which reduced the principal to an aggregate of $1.25 million, with required monthly aggregate payments of approximately $0.03 million, interest of 10% per annum, and maturing on March 15, 2028 ("Notes Modification"). The parties also agreed that the Company shall be responsible for certain tax liabilities of approximately $0.53 million. The Notes Modification was classified as a troubled debt restructuring pursuant to ASC 470-60, "*Troubled Debt Restructurings by Debtors,"* and the Company recorded a gain on extinguishment of debt of $3.03 million and reduced the carrying value of the promissory notes to total future cash payments of $1.59 million.

On April 30, 2023, the Company entered into a Settlement Agreement and Release (the “Settlement Agreement”) as definitive documentation of the binding term sheet dated March 23, 2023 related to the unsecured promissory notes issued on October 1, 2021 in connection with the acquisition of SilverStreak Solutions, Inc.

NOTE 12 – STOCKHOLDERS' DEFICIT

Series V Preferred Stock

In December 2022, the Company filed a Certificate of Designation of Rights, Privileges, Preferences, and Restrictions with the Secretary of State of the State of Nevada to establish a new class of preferred shares, the Series V Preferred Stock, $0.001 par value. The number of authorized shares of Series V Preferred Stock is25,000,000 shares. Each share of Series V Preferred Stock is convertible into ten shares of Common Stock at any time from and after the first anniversary of the issuance date. Each share of Series V Preferred Stock will automatically be converted into ten fully paid and non-assessable shares of Common Stock on the second anniversary of the date on which the holder's shares of Series V Preferred Stock were issued. The Series V Class of Preferred Stock have a one-year lock-up and have a two times voting right which automatically expires in two years.

In January 2023, the Company entered into Securities Purchase Agreements with certain investors, including Sabas Carrillo, the Company's Chief Executive Officer, Patty Chan, the Company's Chief Financial Officer, James Miller, the Company's Chief Operating Officer, and Robert Baca, the Company's Chief Legal Officer (the "Private Placement"). Pursuant to the SPA, the Company issued (i) 14,071,431 shares of Series V Preferred Stock at $0.14 per share which is equal to the closing share price of the Company's common stock on December 30, 2022 on an as-converted-to-common stock-basis of ten shares of common stock for each one share of Series V Preferred Stock or $0.014 per share of common stock and (ii)70,357,155 warrants to purchase up to 70,357,155 of common stock with an exercise price of $0.028 or equivalent to two times the as-converted-to-common stock purchase price of $0.014. The Company received total gross proceeds of $1.97 million from the Private Placement. The purchasers in the Private Placement entered into a voting agreement to assign their voting rights to Sabas Carrillo, the Company's Chief Executive Officer.

Series N Preferred Stock

In February 2023, the Company filed a Certificate of Designation of Rights, Privileges, Preferences, and Restrictions with the Secretary of State of the State of Nevada to establish a new class of preferred shares, the Series N Preferred Stock, $0.001 par value. The number of authorized shares of Series N Preferred Stock is2,500,000 shares. Each share of Series N Preferred Stock is convertible into 100 shares of the Company's common stock at any time from and before the first anniversary of the issuance date. Each share of Series N Preferred Stock will automatically be converted into 100 fully paid and non-assessable shares of the Company's common stock on the first anniversary of the issuance date.

Common Stock

The Company authorized 990,000,000 shares of common stock with $0.001 par value per share. As of June 30, 2023 and December 31, 2022, 772,483,465 and 679,513,554 shares of common stock were outstanding, respectively.

During the six months ended June 30, 2023, the Company issued 96,178,321 shares of common stock to a related party service provider. As a result, the Company recorded $1.91 million of stock-based compensation expense for services during the six months ended June 30, 2023. See "*Note 17 – Related Party Transactions*" for further information.

During the six months ended June 30, 2023, a member of the Company's board of directors forfeited 900,000 shares of the Company's common stock to the Company for no cash value. Subsequent to the forfeiture, the Company cancelled 3,208,420 shares of treasury stock during the six months ended June 30, 2023. Accordingly, treasury stock outstanding as of June 30, 2023 and December 31, 2022 was nil and 2,308,420 shares of common stock, respectively.

NOTE 13 – STOCK-BASED COMPENSATION

Equity Incentive Plans

In the first quarter of 2016, the Company adopted the 2016 Equity Incentive Plan. In the fourth quarter of 2018, the Company adopted the 2018 Equity Incentive Plan. In July 2021, the Company assumed the 2019 Equity Incentive Plan as part of the acquisition of UMBRLA. The following table contains information about the Company's equity incentive plans as of June 30, 2023:

	Awards Reserved for Issuance	Awards Exercised	Awards Outstanding	Awards Available for Grant
2016 Equity Incentive Plan	497,776	—	248,888	248,888
2018 Equity Incentive Plan	17,364,171	4,022,133	6,754,353	6,587,685
2019 Equity Incentive Plan	24,062,129	34,884	14,027,519	9,999,726

Stock-Based Compensation Expense

The following table sets forth the total stock-based compensation expense resulting from stock options and restricted grants of common stock to employees, directors and non-employee consultants in the consolidated statement of operations which are included in selling, general and administrative expenses:

	(in thousands, except for shares / options)			
	For the Three Months Ended			
	June 30, 2023		June 30, 2022	
Type of Award	Number of Shares or Options Granted	Stock-Based Compensation Expense	Number of Shares or Options Granted	Stock-Based Compensation Expense
Stock Options	—	$ 89	400,000	$ 1,352
Stock Grants:				
Employees (Common Stock)	—	—	1,200,000	170
Directors (Common Stock)	—	—	259,796	29
Non–Employee Consultants (Common Stock)	79,997,091	1,553	725,000	129
Total Stock–Based Compensation Expense		**$ 1,642**		**$ 1,680**

	(in thousands, except for shares / options)			
	For the Six Months Ended			
	June 30, 2023		June 30, 2022	
Type of Award	Number of Shares or Options Granted	Stock-Based Compensation Expense	Number of Shares or Options Granted	Stock-Based Compensation Expense
Stock Options	—	$ 187	400,000	$ 3,174
Stock Grants:				
Employees (Common Stock)	—	—	2,100,000	352
Directors (Common Stock)	—	—	943,128	213
Non–Employee Consultants (Common Stock)	96,178,321	1,910	725,000	129
Total Stock–Based Compensation Expense		**$ 2,097**		**$ 3,868**

Stock Options

The following table summarizes the Company’s stock option activity and related information for the six months ended June 30, 2023:

	Number of Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value of In-the-Money Options
Options Outstanding as of January 1, 2023	**52,821,099**	$ 0.23		
Forfeited	(31,695,340)	$ 0.23		
Options Outstanding as of June 30, 2023	**21,125,759**	$ 0.23	7.1 years	$ —
Options Exercisable as of June 30, 2023	**15,931,299**	$ 0.28	7.5 years	$ —

As of June 30, 2023, total unrecognized stock-based compensation was $0.21 million. Such costs are expected to be recognized over a weighted-average period of approximately 1.01 years. The Company recognizes compensation expense for stock option awards on a straight-line basis over the applicable service period of the award. The service period is generally the vesting period.

The Company does not have sufficient historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior. Hence, the Company uses the “simplified method” described in Staff Accounting Bulletin 107 to estimate the expected term of share option grants. The expected stock price volatility assumption was determined by examining the historical volatilities for the Company’s common stock. The Company will continue to analyze the historical stock price volatility and expected term assumptions as more historical data for the Company’s common stock becomes available. The risk-free interest rate assumption is based on the U.S. treasury instruments whose term was consistent with the expected term of the Company’s stock options. The expected dividend assumption is based on the Company’s history and expectation of dividend payouts. The Company has never paid dividends on its common stock and does not anticipate paying dividends on its common stock in the foreseeable future. Accordingly, the Company has assumed no dividend yield for purposes of estimating the fair value of the Company stock-based compensation.

NOTE 14 – WARRANTS

The following table summarizes the Company's warrant activity for the six months ended June 30, 2023:

	Warrants	Weighted-Average Exercise Price
Warrants Outstanding as of January 1, 2023	80,881,817	$ 0.11
Issued	70,357,155	$ 0.03
Expired	(560,211)	$ 2.43
Warrants Outstanding as of June 30, 2023	**150,678,761**	$ 0.06

NOTE 15 – DISCONTINUED OPERATIONS

Oregon Operations

On December 28, 2022, the Company entered into a Stock Purchase and Sale Agreement pursuant to which the Company sold all of its equity interests in LTRMN, Inc., which conducts cannabis distribution and wholesale activities in Oregon, for an aggregate purchase price of $0.25 million. The purchase price was paid in the form of a secured promissory note at a rate of 8.0% per annum due and payable on the third anniversary of the date of issuance. However, upon a final and binding settlement of certain ongoing litigation that is approved by UMBRLA, the purchase price shall be automatically revised to be nil and the promissory note shall be deemed paid and satisfied in-full.

On December 28, 2022, the Company entered into a Membership Interest Purchase and Sale Agreement pursuant to which the Company sold its 50.0% equity interests in Psychonaut Oregon, LLC ("Psychonaut") to Joseph Gerlach for an aggregate purchase price of $1.00. Mr. Gerlach owns the other 50.0% of the equity interests in Psychonaut and is also the Company's Chief Cultivation Officer. In connection with the sale of Psychonaut, the Company entered into an unsecured promissory note dated December 28, 2022 (the "Psychonaut Note") pursuant to which the Company consolidated all current liabilities due to Mr. Gerlach totaling $0.15 million. The Psychonaut Note accrues interest at a rate of 1.0% per annum and is due and payable on the fifth anniversary of the date of issuance.

The Company concluded that the sale of LTRMN, Inc. and Psychonaut (together, the "Oregon operations") represented a strategic shift that will have a major effect on the Company's operations and financial results and thus all assets and liabilities allocable to the operations within the state of Oregon were classified as discontinued operations. The assets associated with the Oregon operations were measured at the lower of their carrying amount or fair value less costs to sell ("FVLCTS"). Revenue and expenses, gains or losses relating to the discontinuation of Oregon operations were eliminated from profit or loss from the Company's continuing operations and are shown as a single line item in the consolidated statements of operations for all periods presented.

The Company recognized a loss upon sale of the Oregon operations of $0.50 million for the net carrying value of the assets as of the disposition date which was determined as the book value less direct costs to sell and is recognized as a component of loss on disposal of assets and other expense in the Consolidated Statements of Operations for Discontinued Operations during the year ended December 31, 2022. As of December 31, 2022, the Oregon operations have been fully deconsolidated by the Company and the Company does not have any continuing involvement with the former subsidiary outside of the Magee litigation disclosed in "*Note 18 – Commitments and Contingencies*".

NuLeaf

On November 17, 2021, Medifarm III, LLC ("Medifarm III"), a wholly-owned subsidiary of the Company, entered into a Membership Interest Purchase Agreement (the "NuLeaf Purchase Agreement") with NuLeaf, Inc., a Nevada corporation ("NuLeaf"). Upon the terms and subject to the satisfaction of the conditions described in the NuLeaf Purchase Agreement, Medifarm III agreed to sell its 50.0% of the outstanding membership interests of each of NuLeaf Reno Production, LLC ("NuLeaf Reno") and NuLeaf Sparks Cultivation, LLC ("NuLeaf Sparks") to NuLeaf, which owned the remaining 50.0% of the membership interests of NuLeaf Reno and NuLeaf Sparks, for aggregate consideration of $6.50 million in cash. The transaction closed in April 2022.

OneQor

During fiscal year 2020, management suspended the operations of OneQor due to (i) a lack of proper growth in customer acquisition and revenue for this CBD operation during the COVID-19 pandemic and (ii) the overall financial health of the Company as a result of COVID-19 and social unrest. The Company plans to focus its attention and resources on growing its THC business. In November 2022, the Company received confirmation for the legal dissolution of OneQor. Accordingly, all liabilities and existing obligations related to OneQor were extinguished as of December 31, 2022.

The completed sales of our NuLeaf and Oregon operations during the periods presented represented a strategic shift that had a major effect on the Company's operations and financial results. As a result, management determined the results of these components qualified for discontinued operations presentation in accordance with ASC 205, "*Reporting Discontinued Operations and Disclosure of Disposals of Components of an Entity*".

Operating results for the discontinued operations were comprised of the following:

	(in thousands)	
	Three Months Ended June 30,	Six Months Ended June 30,
	2022	2022
Total Revenues	$ 1,948	$ 6,833
Cost of Goods Sold	1,549	3,648
Gross Profit	399	3,185
Selling, General & Administrative Expenses	1,137	3,608
Gain on Sale of Assets	(2,047)	(3,728)
Income from Operations	1,309	3,305
Interest Expense	(6)	(6)
Other Income	21	50
Income from Discontinued Operations Before Provision for Income Taxes	1,324	3,349
Income Tax Expense	95	—
Income from Discontinued Operations	**$ 1,419**	**$ 3,349**
Income from Discontinued Operations per Common Share Attributable to Unrivaled Brands, Inc. Common Stockholders - Basic And Diluted	**$ —**	**$ 0.01**

As of June 30, 2023 and December 31, 2022, the assets and liabilities related to discontinued operations were deconsolidated and no balance remained.

NOTE 16 – SEGMENT INFORMATION

The Company operates in two segments:

(i) *Cannabis Retail* – Either independently or in conjunction with third parties, the Company operates medical marijuana and adult use cannabis dispensaries in California. All retail dispensaries offer a broad selection of medical and adult use cannabis products including flower, concentrates, and edibles.

(ii) *Cannabis Cultivation and Distribution* – The Company operates a cultivation facility in Oakland, California and distributes flower grown from the facility to other manufacturers or to its own retail cannabis dispensaries in California under the Korova brand.

For the periods presented, revenue by reportable segments are as follows:

	(in thousands) Total Revenue		% of Total Revenue		(in thousands) Total Revenue		% of Total Revenue	
	Three Months Ended June 30,				Six Months Ended June 30,			
Segment	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Cannabis Retail	$ 8,415	$ 11,140	95.7 %	70.5 %	$ 16,885	$ 23,653	93.6 %	68.3 %
Cannabis Cultivation & Distribution	382	4,661	4.3 %	29.5 %	1,152	10,997	6.4 %	31.7 %
Total	**$ 8,797**	**$ 15,801**	**100.0 %**	**100.0 %**	**$ 18,037**	**$ 34,650**	**100.0 %**	**100.0 %**

For the periods presented, results of operations by reportable segments are as follows:

	(in thousands)							
	Three Months Ended June 30, 2023				Three Months Ended June 30, 2022			
	Cannabis Retail	**Cannabis Cultivation & Distribution**	**Corporate & Other**	**Total**	**Cannabis Retail**	**Cannabis Cultivation & Distribution**	**Corporate & Other**	**Total**
Total Revenues	$ 8,415	$ 382	$ —	$ 8,797	$ 11,140	$ 4,661	$ —	$ 15,801
Cost of Goods Sold	3,963	234	—	4,197	5,430	2,284	—	7,714
Gross Profit	4,452	148	—	4,600	5,710	2,377	—	8,087
Gross Profit %	*52.9 %*	*38.7 %*			*51.3 %*	*51.0 %*		
Selling, General & Administrative Expenses	2,852	312	4,907	8,071	6,427	3,886	7,847	18,160
Impairment Expense	—	—	—	—	—	—	55,726	55,726
(Gain) Loss on Disposal of Assets	—	—	(1,739)	(1,739)	542	—	(1)	541
Income (Loss) from Operations	1,600	(164)	(3,168)	(1,732)	(1,259)	(1,509)	(63,572)	(66,340)
Other Income (Expense):								
Interest Income (Expense)	48	—	(235)	(187)	—	(11)	(427)	(438)
Gain on Settlement of Liabilities	110	—	—	110	—	—	—	—
Unrealized Gain on Investments	—	—	—	—	—	—	963	963
Other Income (Expense)	(31)	9	264	242	(71)	112	189	230
Total Other Income (Expense), Net	127	9	29	165	(71)	101	725	755
Income (Loss) Before Provision for Income Taxes	**$ 1,727**	**$ (155)**	**$ (3,139)**	**$ (1,567)**	**$ (1,330)**	**$ (1,408)**	**$ (62,847)**	**$ (65,585)**
Total Assets (Liabilities)	**$ 18,231**	**$ 4,456**	**$ 15,573**	**$ 38,260**	**$ 51,162**	**$ (73)**	**$ 129,166**	**$ 180,255**

	(in thousands)							
	Six Months Ended June 30, 2023				Six Months Ended June 30, 2022			
	Cannabis Retail	Cannabis Cultivation & Distribution	Corporate & Other	Total	Cannabis Retail	Cannabis Cultivation & Distribution	Corporate & Other	Total
Total Revenues	$ 16,885	$ 1,152	$ —	$ 18,037	$ 23,653	$ 10,997	$ —	$ 34,650
Cost of Goods Sold	7,768	974	—	8,742	12,311	8,139	—	20,450
Gross Profit	9,117	178	—	9,295	11,342	2,858	—	14,200
Gross Profit %	*54.0 %*	*15.5 %*			*48.0 %*	*26.0 %*		
Selling, General & Administrative Expenses	5,310	467	7,891	13,668	11,452	8,486	16,153	36,091
Impairment Expense	—	—	—	—	—	—	55,726	55,726
(Gain) Loss on Disposal of Assets	—	—	(1,739)	(1,739)	542	—	(199)	343
Income (Loss) from Operations	3,807	(289)	(6,152)	(2,634)	(652)	(5,628)	(71,680)	(77,960)
Other Income (Expense):								
Interest Expense	—	—	(1,211)	(1,211)	—	(176)	(2,028)	(2,204)
Gain on Extinguishment of Debt	—	—	3,026	3,026	—	—	542	542
Gain on Settlement of Liabilities	110	—	—	110	—	—	—	—
Realized Loss on Investments	—	—	(61)	(61)	—	—	—	—
Unrealized Gain on Investments	—	—	—	—	—	—	963	963
Other Income (Expense)	(317)	324	264	271	(397)	527	728	858
Total Other Income (Expense), Net	(207)	324	2,018	2,135	(397)	351	205	159
Income (Loss) Before Provision for Income Taxes	**$ 3,600**	**$ 35**	**$ (4,134)**	**$ (499)**	**$ (1,049)**	**$ (5,277)**	**$ (71,475)**	**$ (77,801)**
Total Assets (Liabilities)	**$ 18,231**	**$ 4,456**	**$ 15,573**	**$ 38,260**	**$ 51,162**	**$ (73)**	**$ 129,166**	**$ 180,255**

NOTE 17 – RELATED PARTY TRANSACTIONS

All related party transactions are monitored quarterly by the Company and approved by the Audit Committee of the Company's board of directors.

During the three and six months ended June 30, 2023, the Company incurred a total of $0.60 million and $1.05 million in fees pursuant to the engagement letter with Adnant, LLC ("Adnant") dated August 12, 2022, as amended on June 30, 2023, for executive level consulting and related business support services (the "Engagement"). Effective April 1, 2023, Adnant is entitled to receive monthly fees of $0.20 million through September 30, 2023 as compensation for Adnant's continued services. The Engagement, as amended, provides Adnant with the option to convert accrued and unpaid service fees into shares of common stock of the Company. In accordance with the Engagement, the Company issued 79,997,091 and 96,178,321 shares of the Company's common stock under the performance bonus award valued at $1.55 million and $1.91 million for the three and six months ended June 30, 2023, respectively.

During the six months ended June 30, 2023, a member of the Company's board of directors forfeited 900,000 shares of the Company's common stock to the Company for no cash value. Refer to *"Note 12 - Stockholders' Deficit"* for further information.

During the six months ended June 30, 2023, the Company's CEO advanced the Company $0.20 million for working capital needs. The advance is non-interest bearing and due on demand. The related party advance is presented as a component of accounts payable and accrued expenses in the consolidated balance sheet as of June 30, 2023.

NOTE 18 – COMMITMENTS AND CONTINGENCIES

California Operating Licenses

The Company's subsidiaries have operated compliantly and have been eligible for applicable licenses and renewals of those licenses.

Litigation and Claims

The Company is the subject of lawsuits and claims arising in the ordinary course of business from time to time. The Company reviews any such legal proceedings and claims on an ongoing basis and follows appropriate accounting guidance when making accrual and disclosure decisions. The Company establishes accruals for those contingencies where the incurrence of a loss is probable and can be reasonably estimated, and it discloses the amount accrued and the amount of a reasonably possible loss in excess of the amount accrued if such disclosure is necessary for the Company's financial statements to not be misleading. To estimate whether a loss contingency should be accrued by a charge to income, the Company evaluates, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of the loss. The Company does not record liabilities when the likelihood that the liability has been incurred is probable, but the amount cannot be reasonably estimated. Based upon present information, the Company determined that there was one matter that required an accrual as of June 30, 2023.

Magee v. UMBRLA, Inc. et al. - The Company is currently involved in a breach of contract action brought by former LTRMN, Inc. ("LTRMN") employee, Kurtis Magee, which was filed by Mr. Magee in the Superior Court of the State of California, County of Orange, on July 21, 2020. Mr. Magee alleges breach of contract in connection with Mr. Magee's separation agreement with LTRMN. Trial in this matter is set for April 29, 2024. The Company believes the likelihood of a loss contingency is probable. Accordingly, the Company has accrued $0.50 million for this matter in the consolidated balance sheet.

Terra Tech Corp. v. National Fire & Marine Ins. Co., et al. - On or about December 6, 2021, the Company initiated an action in California Superior Court, County of Alameda, against National Fire & marine Insurance Company ("National Fire"), Woodruff-Sawyer & Co., and R-T Specialty, LLC in connection with the denial of an insurance claim by National Fire following the vandalism and looting of the Company's Bay Area dispensaries in May 2020. The Company alleges that coverage levels for the Company were changed after the policy was bound, in a manner inconsistent with the binder, which prevented the Company from fully recovering its losses in connection with the incidents. Trial in this matter has not been set. No amount has been recognized in the consolidated balance sheets as of June 30, 2023 and December 31, 2022 for the gain contingency.

Unrivaled Brands, Inc. et al v. Mystic Holdings, Inc., et al. - On May 11, 2022, Unrivaled and its wholly-owned subsidiary, Medifarm I, LLC ("Plaintiffs") initiated an action in the Second Judicial District of the State of Nevada, County of Washoe, against Mystic Holdings, Inc. ("Mystic") and Picksy Reno LLC (collectively with Mystic, "Defendants") in connection with Defendants' failure to honor Plaintiffs' exercise of a put option entitling Plaintiffs to the repurchase of approximately 8,332,096 shares of Mystic at a price of $1.00 per share. A trial date has not yet been set. No amount has been recognized in the consolidated balance sheets as of June 30, 2023 and December 31, 2022 for the gain contingency.

Fusion LLF, LLC v. Unrivaled Brands, Inc. - On June 27, 2022, Fusion LLF, LLC filed an action against the Company, in the Superior Court for the State of California, County of Orange, alleging claims for breach of contract, account stated, and right to attach order and writ of attachment. The complaint claims at least $4.55 million in damages. On August 11, 2022, the Company filed an answer to the complaint. On August 5, 2022, Fushion LLF, LLC filed an application for a right to attach order and writ of attachment, which was denied on December 8, 2022.

People's California, LLC v. Unrivaled Brands, Inc. - On July 19, 2022, People's California, LLC, the sellers of People's First Choice, filed an action against the Company in the Superior Court for the State of California, County of Orange, bringing claims for breach of contract and breach of the covenant of good faith and fair dealing stemming from the Company's alleged breach of certain agreements with People's California, LLC. The complaint claims at least $23.00 million in damages.

On September 20, 2022, the Company filed a cross-complaint in the matter in November 2021. The Company was seeking a minimum of $5.40 million in damages.

On March 6, 2023, the parties entered into a binding term sheet to settle the litigation. The litigation is stayed pending final documentation of the settlement agreement. The litigation is expected to be dismissed in the next 180 days. Refer to *"Note 11 – Notes Payable"* for further details.

People's California, LLC v. Kovacevich, et al - On August 1, 2022, People's California, LLC filed an action against certain current and former officers and directors of the Company in the Superior Court for the State of California, County of Orange, derivatively on behalf of the Company and listing the Company as a nominal defendant alleging claims for breach of fiduciary duty, abuse of control, self-dealing, corporate waste, and unjust enrichment based on a series of corporate transactions and management decisions. The Complaint does not state a specific claim for damages.

On March 6, 2023, the parties entered into a binding term sheet to settle the litigation. The litigation is stayed pending final documentation of the settlement agreement. The litigation is expected to be dismissed in the next 180 days.

1149 South LA Street Fashion District, LLC vs Unrivaled Brands, Inc. - On January 30, 2023, 1149 South LA Street Fashion District, LLC and 1135 South LA Street Fashion District LLC filed an action against the Company and other defendants in the Superior Court of the State of California, County of Los Angeles, alleging claims for breach of written contract, breach of written guaranty, breach of implied covenant of good faith and fair dealing, waste, and declaratory relief. The complaint claims at least $0.58 million in damages. On April 10, 2023, the Company filed an answer to the complaint. Because no conclusion has been formed as to whether an unfavorable outcome is either probable or remote, no opinion is expressed as to the likelihood of an unfavorable outcome or the amount or range of any possible loss to the Company.

Greenlane Holdings, LLC v. Unrivaled Brands, Inc. - On February 6, 2023, Greenlane Holdings, LLC, a related party, filed an action against the Company in the Superior Court of the State of California, County of Los Angeles, alleging claims for breach of contract, account stated, and unjust enrichment. The complaint alleges damages of $0.40 million. On April 10, 2023, the Company filed an answer to the complaint. Because no conclusion has been formed as to whether an unfavorable outcome is either probable or remote, no opinion is expressed as to the likelihood of an unfavorable outcome or the amount or range of any possible loss to the Company.

WGS Group, Inc. vs Unrivaled Brands, Inc. - On July 17, 2023 WGS Group, Inc. filed an action against the Company in the Superior Court of California, County of Orange Central Justice Center, alleging claims for damages and declaratory relief, breach of security service agreements, breach of the implied covenant of good faith and fair dealing, quantum meruit, violations of business and professional code sections 17200 Et SEQ., declaratory relief regarding successor-in-interest liability, and declaratory relief regarding ultra vires actions imposing personal liability on chief financial officer. Because no conclusion has been formed as to whether an unfavorable outcome is either probable or remote, no opinion is expressed as to the likelihood of an unfavorable outcome or the amount or range of any possible loss to the Company.

NOTE 19 – SUBSEQUENT EVENTS

The Company has evaluated subsequent events through August 14, 2023, which is the date these consolidated financial statements were issued, and has concluded no subsequent events have occurred that would require recognition in the consolidated financial statements or disclosure in the notes to the consolidated financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

This management's discussion and analysis ("MD&A") of the financial condition and results of operations of Unrivaled Brands, Inc. ("Unrivaled Brands", "Unrivaled", or the "Company") is for the three and six months ended June 30, 2023. The following discussion should be read in conjunction with, and is qualified in its entirety by, the consolidated financial statements and the accompanying notes presented in Item 1 of this Quarterly Report on Form 10-Q (this "Form 10-Q") and those discussed in Item 8 of the Company's Annual Report on Form 10-K (the "Form 10-K") filed with the SEC on April 10, 2023. Except for historical information, the discussion in this section contains forward-looking statements that involve risks and uncertainties. Future results could differ materially from those discussed below for many reasons, including the risks described in "Cautionary Language Concerning Forward-Looking Statements," "Item 1A—Risk Factors" and elsewhere in this Form 10-Q.

COMPANY OVERVIEW

Our Business

The Company is a cannabis company with retail, production, distribution, and cultivation operations throughout California, with an emphasis on providing the highest quality of medical and adult use cannabis products. The Company is home to Korova, a brand of high potency products across multiple product categories, currently available in California, Oregon, Arizona, and Oklahoma. With the acquisition of People's First Choice, the Company operates a premier cannabis dispensary in Orange County, California, regularly servicing upwards of 1,000 customers each day. The Company also owns dispensaries in California which operate as The Spot in Santa Ana, Blüm in Oakland, and Blüm in San Leandro. As of June 30, 2023, the Company had 145 employees.

We are organized into two reportable segments:

- ***Cannabis Retail*** – Includes cannabis-focused retail, both physical stores and non-store front delivery
- ***Cannabis Cultivation and Distribution*** – Includes cannabis cultivation, manufacturing, and distribution operations

Either independently or in conjunction with third parties, we operate medical marijuana retail and adult use dispensaries and cultivation and production facilities in California.

Our corporate headquarters are located at 3242 S. Halladay St, Santa Ana, California 92705 and our telephone number is (888) 909-5564. Our website address is www.unrivaledbrands.com. No information available on or through our websites shall be deemed to be incorporated into this Form 10-Q. Our common stock, par value $0.001 (the "Common Stock"), is quoted on the OTC Markets Group, Inc's OTCQB tier under the symbol "UNRV."

Fiscal Second Quarter 2023 Highlights

Amendments of Promissory Note Related to People's California, LLC

On May 17, 2023, the Company amended the binding settlement term sheet ("Settlement Term Sheet") with People's California, LLC to extend the maturity date of certain principal repayments as originally agreed upon in the Settlement Term Sheet dated March 6, 2023. In addition, the Company shall make an additional $2.20 million principal repayment on or before September 6, 2023. Monthly interest payments were amended to provide the Company with the option to pay 50% of interest in the form of registered shares of common stock. Refer to Note 11 of the Consolidated Financial Statements for additional details.

Management Changes

On June 5, 2023, the Company announced the resignation of two of its board members, Nicholas Kovacevich and Eric Baum, effective July 1, 2023.

On June 12, 2023, the Company appointed Patty Chan as its Chief Financial Officer. Ms. Chan previously served as the Company's Interim Chief Financial Officer since September 2022. Effective June 26, 2023, Chris Rivera was appointed as Interim Chief Financial Officer during Ms. Chan's parental leave through November 2023.

On June 30, 2023, the Company's board of directors (the "Board") appointed Sabas Carrillo, the Chief Executive Officer, as Chairman of the Board and James Miller, the Chief Operating Officer, as a director on the Board, effective July 1, 2023. Mr. Carrillo has served as a member of the Board since December 2022.

On June 30, 2023, the Company amended and restated its engagement letter ("A&R Engagement Letter") with Adnant, LLC ("Adnant") dated August 12, 2022 pursuant to which Adnant will continue to provide certain executive level consulting and related business support and services through September 30, 2023. Effective April 1, 2023, as compensation for such services, Adnant is entitled to receive a monthly flat fee of $0.20 million. Adnant has the option to convert accrued and unpaid service fees into shares of common stock of the Company.

In addition to the monthly fee described above, a Performance Bonus Award of $2.50 million shall be payable to Adnant in shares of the Company's common stock ("Performance Bonus Award Shares") based upon the achievement of the Performance Bonus Award Objectives set forth in the A&R Engagement Letter and the continued performance of Adnant towards obtaining such Performance Bonus Award Objectives. A transaction bonus award of $1.25 million is also available to Adnant subject to a change of control event approved by the Company's Board of Directors with a value equal to or greater than $40.00 million in the aggregate.

Outlook

The Company will continue to focus on its performing assets, particularly California retail assets. In particular, the Company intends to emphasize retail business fundamentals including a robust and diverse product offering, improving inventory and vendor management, effective marketing, and reinvigorating its Korova brand. The Company will continue to focus on reducing and streamlining its corporate overhead and rightsizing the Company. This outlook is based on several management assumptions that are largely outside the control of the Company. With a disciplined approach to retail performance, a management team with extensive cannabis industry, capital markets experience, deep relationships in the industry, and a commitment to investing in its team and, specifically, its company culture, the Company is encouraged that Unrivaled will emerge from its current restructuring efforts as an effective cannabis company. We will continue to seek further opportunities to expand profitability and maximize returns for its shareholders.

RESULTS OF OPERATIONS

The below table outlines our consolidated statements of operations for the three and six months ended June 30, 2023 and 2022:

	(unaudited)							
	Three Months Ended June 30,				**Six Months Ended June 30,**			
($ in thousands)	**2023**	**2022**	**$ Change**	**% Change**	**2023**	**2022**	**$ Change**	**% Change**
Revenue	$ 8,797	$ 15,801	$ (7,004)	(44.0)%	$ 18,037	$ 34,650	$ (16,613)	(48.0)%
Cost of Goods Sold	4,197	7,714	(3,517)	(46.0)%	8,742	20,450	(11,708)	(57.0)%
Gross Profit	4,600	8,087	(3,487)	(43.0)%	9,295	14,200	(4,905)	(35.0)%
Gross Profit %	*52.3 %*	*51.2 %*	*1.1 %*		*51.5 %*	*41.0 %*	*10.6 %*	
Operating Expenses:								
Selling, General & Administrative Expenses	8,071	18,160	(10,089)	(55.6)%	13,668	36,091	(22,423)	(62.1)%
Impairment Expense	—	55,726	(55,726)	(100.0)%	—	55,726	(55,726)	(100.0)%
(Gain) Loss on Disposal of Assets	(1,739)	541	(2,280)	(421.4)%	(1,739)	343	(2,082)	(607.0)%
Total Operating Expense, Net	6,332	74,427	(68,095)	(91.5)%	11,929	92,160	(80,231)	(87.1)%
Loss from Operations	(1,732)	(66,340)	64,608	(97.4)%	(2,634)	(77,960)	75,326	(96.6)%
Other Income, Net	165	755	(590)	(78.1)%	2,135	159	1,976	1,242.8 %
Loss from Continuing Operations Before Provisions for Income Taxes	(1,567)	(65,585)	64,018	(97.6)%	(499)	(77,801)	77,302	(99.4)%
Provision for Income Tax Benefit (Expense) for Continuing Operations	125	448	(323)	(72.1)%	(533)	2,136	(2,669)	(125.0)%
Net Loss from Continuing Operations	(1,442)	(65,137)	63,695	(97.8)%	(1,032)	(75,665)	74,633	(98.6)%
Net Income from Discontinued Operations	—	1,419	(1,419)	(100.0)%	—	3,349	(3,349)	(100.0)%
Net Loss	(1,442)	(63,718)	62,276	(97.7)%	(1,032)	(72,316)	71,284	(98.6)%
Net Income from Discontinued Operations Attributable to Non-Controlling Interest	—	—	—	— %	—	275	(275)	(100.0)%
Net Loss Attributable to Unrivaled Brands, Inc.	**$ (1,442)**	**$ (63,718)**	**$ 62,276**	**(97.7)%**	**$ (1,032)**	**$ (72,591)**	**$ 71,559**	**(98.6)%**

Three Months Ended June 30, 2023 Compared to Three Months Ended June 30, 2022

Revenue

Overall revenue for the three months ended June 30, 2023 was $8.80 million compared to $15.80 million for the same period in 2022, a decrease of $7.00 million or 44.0%. During the three months ended June 30, 2023, the Company generated revenue from continuing operations of $8.80 million composed of retail revenue of $8.42 million and cultivation/distribution revenue of $0.38 million. This compared to revenue from continuing operations of $15.80 million for the quarter ended June 30, 2022, which included retail revenue of $11.14 million and cultivation/distribution revenue of $4.66 million.

Retail revenue for the three months ended June 30, 2023 decreased compared to the same period in the prior year by $2.73 million or 24.5% due to the closure of our non-storefront delivery in Sacramento, California, the divestiture of the Downtown Los Angeles retail operations during the second quarter of 2022, and a general decline in the cannabis market during the last half of 2022. While we operated the non-storefront Sacramento retail operation and the Los Angeles retail operations during the first quarter of 2022, there were no operations of the same non-storefront Sacramento retail and Los Angeles retail operations during the quarter ended June 30, 2023, which contributed $0.91 million in revenues in the prior year.

Cultivation and distribution revenue for the three months ended June 30, 2023 decreased by $4.28 million or 91.8% compared to the same period in the prior year due to the closure of all operations except for one growing facility in Northern California that was implemented as part of the Company's turnaround plan in 2022. In addition, we eliminated third-party distribution operations in California which contributed $4.66 million of revenue in the same period in the prior year. We also ceased growing operations at a facility in Northern California which provided no revenue in 2023 and began slowing down cultivation operations at our remaining facility in Northern California which provided $0.34 million of revenue in the current year. Combined revenues from both facilities provided $1.11 million in the prior year.

Gross Profit

Cost of goods sold for the three months ended June 30, 2023 was $4.20 million, a decrease of $3.52 million, or 46.0%, compared to $7.71 million for the three months ended June 30, 2022. The decrease in cost of goods sold was directly impacted by the decrease in revenues for the current reporting period as compared to the prior year.

Gross profit from continuing operations for the three months ended June 30, 2023 was $4.60 million compared to a gross profit of $8.09 million for the three months ended June 30, 2022, a decrease of $3.49 million or 43.0%. The decrease in gross profit was directly impacted by the decrease in revenues for the current reporting period as compared to the prior year. However, the Company's gross margin improved for the three months June 30, 2023 to 52.3% as compared to 51.2% for the same period in the prior year as the Company focused on its core assets and divested non-performing assets related to its distribution operations. Gross profit for on-going retail operations improved to 52.9% for the three months ended June 30, 2023 compared to 51.3% for the same period in the prior year.

Selling, General & Administrative Expenses

Selling, general and administrative expenses for the three months ended June 30, 2023 were $8.07 million, compared to $18.16 million for the three months ended June 30, 2022, a decrease of $10.09 million or 55.6%. As a result of the Company's restructuring plan implemented during the third fiscal quarter of 2022, the Company saw significant reductions in expenses during the three months ended June 30, 2023 as compared to the same period in the prior year. Specifically, the Company saw a decrease of $2.57 million in depreciation and amortization expense, a decrease of $1.40 million in facility related expenses, such as rent, utilities, repairs and maintenance, security, and insurance, a decrease of $3.00 million in salaries and benefits, and a decrease of $0.04 million in stock-based compensation. Management expects to continue focusing on efficiencies within its core assets and reducing non-core assets and expenditures.

Operating Loss

The Company realized an operating loss from continuing operations of $1.73 million for the three months ended June 30, 2023 compared to $66.34 million for the three months ended June 30, 2022, a decrease of $64.61 million or 97.4%. This improvement from the same period in the prior year was primarily attributable to the results of the Company's restructuring objectives noted above and an impairment charge of $55.73 million recognized in the three months ended June 30, 2022, where no impairment charge was recognized during the current period.

Other Income

Other income for the three months ended June 30, 2023 of $0.17 million was generally consistent compared to $0.76 million for the three months ended June 30, 2022. During the three months ended June 30, 2023, the Company recognized a gain on settlement of liabilities of $0.11 million versus none in the comparative prior period. This was offset by an unrealized gain on investments of $0.96 million during the three months ended June 30, 2022 compared to none in the current period.

Discontinued Operations

Net income from discontinued operations was nil for the three months ended June 30, 2023 compared to $1.42 million for the comparative prior period. All discontinued operations were fully divested as of December 31, 2022, and as a result, the Company had no income or loss from discontinued operations for the three months ended June 30, 2023.

Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022

Revenue

Overall revenue was $18.04 million for the six months ended June 30, 2023 compared to $34.65 million for the same period in 2022, a decrease of $16.61 million or 48.0%. Revenue from continuing operations was $18.04 million for the six months ended June 30, 2023 which was composed of retail revenue of $16.89 million and cultivation/distribution revenue of $1.15 million. This compared to revenue from continuing operations of $34.65 million for the six months ended June 30, 2022, which included retail revenue of $23.65 million and cultivation/distribution revenue of $11.00 million.

Retail revenue for the six months ended June 30, 2023 decreased compared to the same period in the prior year by $6.77 million or 28.6% due to the closure of our non-storefront delivery in Sacramento, California, the divestiture of the Downtown Los Angeles retail operations during the second quarter of 2022, and a general decline in the cannabis market during the last half of 2022. While we operated the non-storefront Sacramento retail operation and the Los Angeles retail operations during the first two quarters of 2022, there were no operations of the same non-storefront Sacramento retail and Los Angeles retail operations during the first two quarters of 2023, which contributed $2.29 million in revenues in the prior year.

Cultivation and distribution revenue for the six months ended June 30, 2023 decreased by $9.85 million or 89.5% compared to the same period in the prior year due the closure of all operations except one growing facility in Northern California that was implemented as part of the Company's turnaround plan. In addition, we eliminated third-party distribution operations in California which contributed $11.87 million of revenue in the same period in the prior year. We also ceased growing operations at a facility in Northern California which provided no revenue in 2023 and began slowing down cultivation operations at our remaining facility in Northern California which provided $0.99 million of revenue in the current year compared to $2.21 million in the prior year.

Gross Profit

Cost of goods sold for the six months ended June 30, 2023 was $8.74 million, a decrease of $11.71 million or 57.0% compared to $20.45 million for the six months ended June 30, 2022. The decrease in cost of goods sold was directly impacted by the decrease in revenues for the current reporting period as compared to the prior year.

Gross profit from continuing operations for the six months ended June 30, 2023 was $9.30 million compared to a gross profit of $14.20 million for the six months ended June 30, 2022, a decrease of $4.91 million or 35.0%. The decrease in gross profit was directly impacted by the decrease in revenues for the current reporting period as compared to the prior year. However, the Company's overall gross margin improved for the six months June 30, 2023 to 51.5% as compared to 41.0% for the same period in the prior year as the Company focused on its core assets and divested non-performing assets related to its distribution operations. Gross profit for on-going retail operations improved to 54.0% for the six months ended June 30, 2023 compared to 48.0% for the same period in the prior year.

Selling, General & Administrative Expenses

Selling, general and administrative expenses for the six months ended June 30, 2023 were $13.67 million, compared to $36.09 million for the six months ended June 30, 2022, a decrease of $22.42 million or 62.1%. As a result of the Company's restructuring plan implemented during the third fiscal quarter of 2022, the Company saw significant reductions in expenses during the six months ended June 30, 2023 as compared to the same period in the prior year. Specifically, the Company saw a decrease of $5.04 million in depreciation and amortization expense, a decrease of $3.03 million in facility related expenses, such as rent, utilities, repairs and maintenance, security, and insurance, a decrease of $5.93 million in salaries and benefits, and a decrease of $1.77 million in stock-based compensation. Management expects to continue focusing on efficiencies within its core assets and reducing non-core assets and expenditures.

Operating Loss

The Company realized an operating loss from continuing operations of $2.63 million for the six months ended June 30, 2023 compared to $77.96 million for the six months ended June 30, 2022, a decrease of $75.33 million or 96.6%. This improvement from the same period in the prior year was primarily attributable to the results of the Company's restructuring objectives noted above and an impairment charge of $55.73 million recognized in the six months ended June 30, 2022, where no impairment charge was recognized for the three months ended June 30, 2023.

Other Income

Other income for the six months ended June 30, 2023 was $2.14 million compared to $0.16 million for the six months ended June 30, 2022, an increase of $1.98 million. The change from the prior year was primarily attributable to an increase in gain on extinguishment of debt due to the $3.03 million recognized during the current period, offset by a decrease in other income of $0.59 million compared to the same period in the prior year.

Discontinued Operations

Net income from discontinued operations was nil for the six months ended June 30, 2023 compared to $3.35 million for the comparative prior period. All discontinued operations were fully divested as of December 31, 2022, and as a result, the Company had no income or loss from discontinued operations for the six months ended June 30, 2023.

Three Months Ended June 30, 2023 Compared to Three Months Ended March 31, 2023

The below table outlines our consolidated statements of operations for the fiscal second quarter of 2023 compared to the fiscal first quarter of 2023:

	(unaudited)			
	Three Months Ended			
($ in thousands)	**June 30, 2023**	**March 31, 2023**	**$ Change**	**% Change**
Revenue	$ 8,797	$ 9,240	$ (443)	(5.0)%
Cost of Goods Sold	4,197	4,545	(348)	(8.0)%
Gross Profit	4,600	4,695	(95)	(2.0)%
Gross Profit %	*52.3 %*	*50.8 %*	*1.5 %*	
Operating Expenses:				
Selling, General & Administrative Expenses	8,071	5,597	2,474	44.2 %
Gain on Disposal of Assets	(1,739)	—	(1,739)	100.0 %
Total Operating Expenses	6,332	5,597	735	13.1 %
Loss from Operations	(1,732)	(902)	(830)	92.0 %
Other Income, Net	165	1,970	(1,805)	(91.6)%
(Loss) Income Before Provisions for Income Taxes	(1,567)	1,068	(2,635)	(246.7)%
Provision for Income Tax Benefit (Expense)	125	(658)	783	(119.0)%
Net (Loss) Income	**$ (1,442)**	**$ 410**	**$ (1,852)**	**(451.7)%**

Revenue

Revenues for the three months ended June 30, 2023 were generally consistent with the preceding quarter ended March 31, 2023. The decrease in consolidated revenue of $0.44 million was primarily due to a $0.39 million decrease in cultivation/distribution revenue quarter over quarter due to the Company's focus on its retail operations during the current period. Retail revenue was generally consistent with the prior quarter.

Gross Profit

Cost of goods sold for the three months ended June 30, 2023 was $4.20 million, a decrease of $0.35 million or 8.0%, compared to $4.55 million for the three months ended March 31, 2023. The decrease in cost of goods sold was primarily due to the improvement in efficiency and focus on cost-cutting measures at the Company's cultivation facility and its operations.

Gross profit from continuing operations for the three months ended June 30, 2023 was $4.60 million compared to $4.70 million for the three months ended March 31, 2023, an decrease of $0.10 million or 2.0%. The decrease in gross profit was directly impacted by the decrease in promotion and marketing program ("PMP") revenue compared to the immediate prior quarter. The Company's overall gross profit improved for the three months June 30, 2023 to 52.3% as compared to 50.8% for the immediate prior quarter. Gross profit for on-going retail operations declined to 52.9% for the three months ended June 30, 2023 compared to 55.1% for the preceding quarter as a result of a decline in PMP revenue during the three months ended June 30, 2023. Gross profit for on-going retail operations remained consistent from product sales.

Selling, General & Administrative Expenses

Selling, general and administrative expenses for the three months ended June 30, 2023 were $8.07 million, compared to $5.60 million for the three months ended March 31, 2023. The quarter-over-quarter increase of $2.47 million or 44.2%.was primarily related to an increase in stock-based compensation of $1.19 million for shares issued pursuant to a related party for executive-level consulting and related business support services and an increase in professional fee expenses of $0.47 million due to professional fees related to legal services.

Operating Loss

The Company realized an operating loss from continuing operations of $1.73 million for the three months ended June 30, 2023 compared to $0.90 million for the three months ended March 31, 2023, an increase of $0.83 million or 92.0%. The increase in operating loss from the immediate prior quarter was primarily due to the $2.47 million increase in selling, general and administrative expenses as described above, offset by a gain on disposal of assets of $1.74 million for the dissolution of UMBRLA, Inc.

Other Income

Other income for the three months ended June 30, 2023 was $0.17 million compared to $1.97 million for the three months ended March 31, 2023, a decrease of $1.81 million. This change from was primarily attributable to the gain on extinguishment of debt of $3.03 million during the first quarter of 2023, versus none in the current quarter.

Non-GAAP Reconciliations

Non-GAAP earnings is a supplemental measure of our performance that is neither required by, nor presented in accordance with, U.S. generally accepted accounting principles (“US GAAP”). Non-GAAP earnings is not a measurement of the Company's financial performance under US GAAP and should not be considered as alternative to net income, operating income, or any other performance measures derived in accordance with US GAAP, or as alternative to cash flows from operating activities as a measure of the Company's liquidity. In addition, in evaluating non-GAAP earnings, you should be aware that in the future the Company will incur expenses or charges such as those added back to calculate non-GAAP earnings. The Company's presentation of non-GAAP earnings should not be construed as an inference that its future results will be unaffected by unusual or nonrecurring items.

Non-GAAP earnings has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of the Company's results as reported under US GAAP. Some of these limitations are (i) it does not reflect the Company's cash expenditures, or future requirements for capital expenditures or contractual commitments, (ii) it does not reflect changes in, or cash requirements for, the Company's working capital needs, (iii) it does not reflect interest expense, or the cash requirements necessary to service interest or principal payments, on the Company's debt, (iv) although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and non-GAAP earnings does not reflect any cash requirements for such replacements, (v) it does not adjust for all non-cash income or expense items that are reflected in the Company's statements of cash flows, and (vi) other companies in our industry may calculate this measure differently than we do, limiting its usefulness as comparative measures.

The Company compensates for these limitations by providing specific information regarding the US GAAP amounts excluded from such non-GAAP financial measures. The Company further compensates for the limitations in our use of non-GAAP financial measures by presenting comparable US GAAP measures more prominently.

The Company believes that non-GAAP earnings facilitates operating performance comparisons from period to period by isolating the effects of some items that vary from period to period without any correlation to core operating performance or that vary widely among similar companies.

These potential differences may be caused by variations in capital structures (affecting interest expense) and the age and book depreciation of facilities and equipment (affecting relative depreciation expense). The Company also presents non-GAAP earnings because (i) it believes that this measure is frequently used by securities analysts, investors and other interested parties to evaluate companies in the Company's industry, (ii) the Company believes that investors will find these measures useful in assessing the Company's ability to service or incur indebtedness, and (iii) the Company uses non-GAAP earnings internally as benchmark to compare its performance to that of its competitors.

In the presentation of the financial results below, the Company reconciles non-GAAP Adjusted EBITDA Income (Loss) with net income (loss) attributable to continuing operations, the most directly comparable GAAP measure. Management believes that this presentation may be more meaningful in analyzing our income generation.

On a non-GAAP basis, the Company recorded non-GAAP Adjusted EBITDA Loss of $0.80 million for the three months ended June 30, 2023 compared to $4.61 million for the three months ended June 30, 2022. For the six months ended June 30, 2023, the Company recorded non-GAAP Adjusted EBITDA Loss of $0.45 million compared to $9.69 million for the six months ended June 30, 2022. The details of those expenses and non-GAAP reconciliation of these non-cash items are set forth below:

	(in thousands)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net Loss	$ (1,442)	$ (63,718)	$ (1,032)	$ (72,316)
Less: Net Income from Discontinued Operations, Net	—	(1,419)	—	(3,349)
Add (Deduct) Impact of:				
Interest Expense	187	438	1,211	2,204
Provision for Income Tax (Benefit) Expense	(125)	(448)	533	(2,136)
Depreciation Expense	221	930	433	1,837
Amortization of Intangible Assets	562	2,422	1,125	4,765
EBITDA Income (Loss) from Continuing Operations (Non-GAAP)	**$ (597)**	**$ (61,795)**	**$ 2,270**	**$ (68,995)**
Non-GAAP Adjustments:				
Stock-based Compensation Expense	1,642	1,680	2,097	3,868
Impairment of Assets	—	55,726	—	55,726
Severance Expense for Series A Share Repurchases	—	201	—	871
Realized Loss on Sale of Investments	—	—	61	—
Unrealized Gain on Investments	—	(963)	—	(963)
(Gain) Loss on Disposal of Assets	(1,739)	541	(1,739)	343
Gain on Settlement of Liabilities	(110)	—	(110)	—
Gain on Extinguishment of Debt	—	—	(3,026)	(542)
Adjusted EBITDA Loss from Continuing Operations (Non-GAAP)	**$ (804)**	**$ (4,610)**	**$ (447)**	**$ (9,692)**

LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN

We incurred net losses for the three and six months ended June 30, 2023 and 2022, respectively and have an accumulated deficit of $441.08 million and $440.05 million at June 30, 2023 and December 31, 2022, respectively. As of June 30, 2023, we had a working capital deficit of$47.10 million, including $0.59 million of cash compared to a working capital deficit of $54.57 million, including $1.20 million of cash, as of December 31, 2022. Current assets were approximately 0.11 times current liabilities as of June 30, 2023, compared to approximately 0.08 times current liabilities as of December 31, 2022.

We have not been able to generate sufficient cash from operating activities to fund our ongoing operations. Since our inception, we have raised capital through private sales of common stock, preferred stock and debt securities. Our future success is dependent upon our ability to achieve profitable operations and generate cash from operating activities. There is no guarantee that we will be able to generate enough revenue and/or raise capital to support our operations.

We will be required to raise additional funds through public or private financing, additional collaborative relationships or other arrangements until we are able to raise revenues to a point of positive cash flow. We believe our existing and available capital resources will be sufficient to satisfy our funding requirements through the end of 2023. However, we continue to evaluate various options to further reduce our cash requirements to operate at a reduced rate, as well as options to raise additional funds, including obtaining loans and selling common stock. There is no guarantee that we will be able to generate enough revenue and/or raise capital to support our operations, or if we are able to raise capital, that such capital will be available to us on acceptable terms, on an acceptable schedule, or at all.

The risks and uncertainties surrounding the Company's ability to continue to raise capital and its limited capital resources raise substantial doubt as to the Company's ability to continue as a going concern for twelve months from the issuance of these financial statements. The accompanying consolidated financial statements have been prepared in accordance with US GAAP, which contemplate our continuation as a going concern.

Operating Activities

Cash used in operating activities for the six months ended June 30, 2023 was $2.15 million, compared to $2.50 million for the six months ended June 30, 2022, a decrease of $0.36 million, or 14.3%. The decrease in cash used in operating activities was primarily due to a slowdown in cash payments of payables and accrued expenses, partly due to the lack of capital during the current period as compared to the same period in the prior year and our increased efforts to scale back on non-accretive expenditures. For the latter half of fiscal year 2022, management focused on its turnaround plan to stabilize operations to put the Company on a path to profitability. Management took decisive action to preserve operating cash flow by reducing cash burn, prioritizing payments, renegotiating vendor agreements and closing underperforming business units. Management expects to see improvements in cash flow from operating activities as the Company continues to execute its strategic restructuring.

Investing Activities

Cash provided by investing activities for the six months ended June 30, 2023 was $0.69 million, compared to $19.50 million for the six months ended June 30, 2022, a decrease of $18.81 million, or 96.5%. The decrease in cash provided by investing activities was primarily due to the cash received upon disposing some of the Company's subsidiaries, which the Company had no such transactions in the current year.

Financing Activities

Cash provided by financing activities for the six months ended June 30, 2023 was $0.84 million, compared to cash used in financing activities of $17.27 million for the six months ended June 30, 2022, an improvement of $18.11 million, or 104.9%. The decrease in cash used in financing activities as compared to the prior year was primarily due to the significant debt payments made on the Company's debt in the prior year, while the Company has minimal debt payments in the current year.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* section discusses our unaudited consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments, including those related to revenue recognition, accrued expenses, financing operations, and contingencies and litigation. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The most significant accounting estimates inherent in the preparation of our financial statements include estimates as to the appropriate carrying value of certain assets and liabilities which are not readily apparent from other sources. These accounting policies are described in "*Note 2 – Summary of Significant Accounting Policies"* of the notes to unaudited consolidated financial statements included in this Form 10-Q.

DISCLOSURE ABOUT OFF-BALANCE SHEET ARRANGEMENTS

As of June 30, 2023, the Company does not have any transactions, agreements or other contractual arrangements that constitute off-balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

This item is omitted as it is not required for a smaller reporting company.

ITEM 4. CONTROLS AND PROCEDURES.

Under the supervision and with the participation of our management, our principal executive officer and our principal financial officer are responsible for conducting an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of June 30, 2023. Based on this evaluation, our principal executive officer and principal financial officer concluded as of the evaluation date that our disclosure controls and procedures were not effective to a reasonable level as of June 30, 2023.

Based on the results of its assessment, our management concluded that our internal control over financial reporting was not effective as of June 30, 2023 based on such criteria due to material weaknesses in internal control over financial reporting described below:

Material Weaknesses in Internal Control over Financial Reporting

- The Company's primary user access controls (i.e., provisioning, de-provisioning, and quarterly user access review) to ensure appropriate segregation of duties that would adequately restrict user and privileged access to the financially relevant systems and data to appropriate Company personnel were not operating effectively. Automated process-level controls and manual controls that are dependent upon the information derived from such financially relevant systems were also determined to be ineffective as a result of such deficiency.

- The Company did not maintain adequate and timely review transactions and account reconciliations resulting in material audit adjustments.

Remediation Plan

We plan to enhance our internal control over financial reporting in an effort to remediate the material weaknesses described above. We are committed to ensuring that our internal control over financial reporting is designed and operating effectively. Our remediation process will include:

- Investing in IT systems to enhance our operational and financial reporting and internal controls.
- Enhancing the organizational structure to support financial reporting processes and internal controls.
- Providing guidance, education and training to employees relating to our accounting policies and procedures.
- Further developing and documenting detailed policies and procedures regarding business processes for significant accounts, critical accounting policies and critical accounting estimates.
- Establishing effective general controls over IT systems to ensure that information produced can be relied upon by process level controls is relevant and reliable.

We expect to remediate these material weaknesses during fiscal year 2023. However, we may discover additional material weaknesses that may require additional time and resources to remediate.

Changes in Internal Control Over Financial Reporting

We regularly assess the adequacy of our internal controls over financial reporting and enhance our controls in response to internal control assessments and external audit and regulatory recommendations. No changes in internal control over financial reporting have been identified in connection with the evaluation of disclosure controls and procedures during the quarter ended June 30, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

The Company is the subject of lawsuits and claims arising in the ordinary course of business from time to time. See "*Note 18 – Commitments and Contingencies"* for further information about litigation and claims.

ITEM 1A. RISK FACTORS.

There have been no material changes to the risk factors disclosed in Part I, Item 1A,*"Risk Factors",* of our Annual Report on Form 10-K for the year ended December 31, 2022, except for the risk factors noted below. Please refer to that section for disclosures regarding the risk and uncertainties relating to our business.

We have entered into binding term sheets with third parties and cannot assure you that any anticipated arrangements under such term sheets will lead to definitive agreements. If we are unable to complete these arrangements in a timely manner and on terms favorable to us, our business may be adversely affected.

We have engaged in negotiations with a number of third parties and have agreed to terms regarding settlement of litigation in which the Company is involved and restructuring of certain debt. We may be unable to negotiate final terms in a timely manner, or at all, and there is no guarantee that the terms of any final, definitive, binding agreement will be the same or similar to those currently contemplated in the term sheets. Final terms may be less favorable to us than those set forth in the term sheets. Delays in negotiating final, definitive, binding agreements could slow the Company's development, divert management's attention from other matters, result in wasted resources, and cause the Company to consume capital significantly faster than it currently anticipates.

The effects of war, acts of terrorism, threat of terrorism, or other types of violence, could adversely affect our business.

Some of our stores are located in areas with a high amount of foot traffic. Any threat of terrorist attacks or actual terrorist events, or other types of violence, such as shootings or riots, could lead to lower consumer traffic and a decline in sales. Decreased sales could have a material adverse effect on our business, financial condition and results of operations.

If our acquired intangible assets become impaired in the future, we may incur significant impairment charges.

At least annually, or whenever events or circumstances arise indicating impairment may exist, we review goodwill for impairment as required by generally accepted accounting principles in the United States. Long-lived assets other than goodwill and indefinite-lived intangible assets, held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable.

In the future, we may need to further reduce the carrying amount of goodwill and incur additional non-cash charges to our results of operations. Such charges could have the effect of reducing goodwill with a corresponding impairment expense and may have a material effect upon our reported results. The additional expense may reduce our reported profitability or increase our reported losses in future periods and could negatively affect the value of our securities, our ability to obtain other sources of capital, and may generally have a negative effect on our future operations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

None.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

Exhibit	Description
2.1	Agreement and Plan of Merger, dated March 2, 2021
2.2	Name Change Agreement and Plan of Merger, dated as of June 30, 2021, by and between Terra Tech Corp. and Unrivaled Brands, Inc.
2.3	Membership Interest Purchase Agreement, dated as of July 1, 2021, by and among the Company and Nicholas Kovacevich and Dallas Imbimbo.
2.4	Membership Interest Purchase Agreement, dated August 15, 2021.
2.5	Membership Interest Purchase Agreement, dated as of November 17, 2021.
2.6	Membership Interest Purchase Agreement, dated November 22, 2021.
3.1	Certificate of Withdrawal of Certificate of Designation of Series A Preferred Stock
3.2	Certificate of Withdrawal of Certificate of Designation of Series B Preferred Stock
3.3	Articles of Merger, filed with the Nevada Secretary of State on July 1, 2021.
3.4	Name Change Articles of Merger, filed with the Nevada Secretary of State on July 1, 2021.
3.5	Articles of Incorporation.
3.6	Certificate of Amendment.
3.7	Certificate of Change.
3.8	Certificate of Amendment.
3.9	Second Amended and Restated Bylaws.
3.10	Certificate of Designation of Series V Preferred Stock.
3.11	Amended and Restated Certificate of Designation of Series V Preferred Stock.
3.12	Second Amended and Restated Certificate of Designation of Series V Preferred Stock.
3.13	Certificate of Designation of Series N Preferred Stock.
4.1	Form of Amendment No. 1 to 7.5% Senior Convertible Promissory Note.
4.2	Form of Amendment No. 2 to 7.5% Senior Convertible Promissory Note, dated January 11, 2021.
4.3	Form of Amendment No. 3 to 7.5% Senior Convertible Promissory Note.
4.4	Form of Common Stock Purchase Warrant
4.5	Form of 3.0% Senior Convertible Promissory Note.
4.6	Form of Common Stock Purchase Warrant (“A Warrant”).
4.7	Form of Common Stock Purchase Warrant (“B Warrant”).
4.8	Form of Straight Promissory Note (“6-Month Note”).
4.9	Form of Straight Promissory Note (“12-Month Note”).
4.10	Common Stock Purchase Warrant
4.11	Form of Senior Secured Promissory Note.
4.12	Secured Promissory Note, dated November 22, 2021.
10.1	Settlement Agreement and Release, dated April 30, 2023, by and between Unrivaled Brands, Inc. and Matthew Guild and Sterling Harlan
10.2	Amended and Restated Engagement Letter, dated June 30, 2023, between Unrivaled Brands, Inc. and Adnant, LLC
31.1	Certification of Sabas Carrillo, Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
31.2	Certification of Chris Rivera, Interim Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
32.1	Certification of Sabas Carrillo, Chief Executive Officer, pursuant to Sections 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350. **
32.2	Certification of Chris Rivera, Interim Chief Financial Officer, pursuant to Sections 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350. **
101	The following financial statements from the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2023, formatted in Inline XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Cash Flow, (iv) Consolidated Statements of Stockholders Equity, and (v) Notes to Unaudited Consolidated Financial Statements.*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).*

* Filed herewith
** Furnished herewith

*** Certain schedules and exhibits to this agreement have been omitted pursuant to Item 601(a)(5) of Regulation S-K. A copy of any omitted schedule and/or exhibit will be furnished to the Securities and Exchange Commission upon request.

♦ Indicates a management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

UNRIVALED BRANDS, INC.

Date: August 14, 2023	By:	*/s/ Chris Rivera*
		Chris Rivera
		Interim Chief Financial Officer (Principal Accounting Officer and Principal Financial Officer)

EXHIBIT 31.1

Certifications pursuant to Securities and Exchange Act of 1934
Rule 13a-14 as adopted pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, Sabas Carrillo, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of the Unrivaled Brands, Inc. (the "Registrant");

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

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the Registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: August 14, 2023

By: */s/ Sabas Carrillo*
Sabas Carrillo
Chief Executive Officer

EXHIBIT 31.2

Certifications pursuant to Securities and Exchange Act of 1934
Rule 13a-14 as adopted pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, Chris Rivera, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Unrivaled Brands, Inc. (the "Registrant");

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

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and 15d – 15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the Registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: August 14, 2023

By: */s/ Chris Rivera*
Chris Rivera
Interim Chief Financial Officer

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Unrivaled Brands, Inc.(the “Company”) on Form 10-Q for the quarter ended June 30, 2023 (the “Form 10-Q”), I, Sabas Carrillo, Chief Executive Officer of the Company, certify, as of the date hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge, that the Company’s Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Form 10-Q, fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 14, 2023	By:	*/s/ Sabas Carrillo*
		Sabas Carrillo
		Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Unrivaled Brands, Inc. (the “Company”) on Form 10-Q for the quarter ended June 30, 2023 (the “Form 10-Q”), I, Chris Rivera, Interim Chief Financial Officer of the Company, certify, as of the date hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge, that the Company’s Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Form 10-Q, fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 14, 2023

By: */s/ Chris Rivera*
Chris Rivera
Interim Chief Financial Officer