

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

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2021

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)

<u>Nevada</u> (State or Other Jurisdiction of Incorporation or Organization)	<u>26-3062661</u> (I.R.S. Employer Identification No.)
<u>3242 S. Halladay Street</u> <u>Santa Ana, California</u> (Address of Principal Executive Offices)	<u>92705</u> (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
<u>None</u>	<u>UNRV</u>	<u>OTCQX</u>

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 and 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 No

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 (section 232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit such files). Yes No

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. (Check one):

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

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

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

As of November 10, 2021, there were 445,293,039 shares of common stock issued and 447,601,447 shares outstanding 86,413,070 shares of common stock issuable upon the exercise of all our outstanding warrants and 8,484,181 shares of common stock issuable upon the exercise of all vested options.

UNRIVALED BRANDS, INC.
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QUARTERLY PERIOD ENDED SEPTEMBER 30, 2021

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UNRIVALED BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except shares)

	September 30, 2021 (Unaudited)	December 31, 2020
ASSETS		
Current Assets:		
Cash	\$ 15,238	\$ 888
Accounts receivable, net	8,433	835
Short term investments	-	34,045
Inventory	15,865	1,602
Prepaid expenses and other assets	3,260	234
Notes Receivables	750	-
Current assets of discontinued operations	-	2
Total current assets	43,546	37,606
Property, equipment and leasehold improvements, net	40,848	32,480
Intangible assets, net	135,752	7,714
Goodwill	23,575	6,171
Other assets	15,054	13,040
Investments	437	330
Assets of discontinued operations	109	2,953
TOTAL ASSETS	\$ 259,321	\$ 100,294
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Current liabilities:		
Accounts payable and accrued expenses	\$ 24,428	\$ 8,622
Deferred Gain on Sale of Assets	139	-
Short-term debt	8,648	8,033
Current liabilities of discontinued operations	8,632	9,768
Total current liabilities	41,847	26,423
Long-term liabilities:		
Long-term debt, net of discounts	13,545	6,632
Long-term lease liabilities	8,065	8,082
Long-term liabilities of discontinued operations	-	28
Total long-term liabilities	21,610	14,741
Total liabilities	63,457	41,164
STOCKHOLDERS' EQUITY:		
Common stock, par value 0.001:	460	218
990,000,000 shares authorized as of September 30, 2021 and December 31, 2020; 432,886,195 shares issued and 430,557,787 shares outstanding as of September 30, 2021; 196,512,867 shares issued and 194,204,459 shares outstanding as of December 31, 2020.		
Additional paid-in capital	373,878	275,060
Treasury Stock (2,308,408 shares of common stock, 4 shares of Preferred Stock Convertible Series A)	(808)	(808)
Accumulated deficit	(240,274)	(219,803)
Total Unrivald Brands, Inc. Stockholders' Equity	133,256	54,667
Non-controlling interest	62,608	4,463
Total stockholders' equity	195,864	59,130
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 259,321	\$ 100,294

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Total revenues	\$ 23,434	\$ 3,053	\$ 34,809	\$ 9,806
Cost of goods sold	21,146	1,615	27,750	4,796
Gross profit	2,288	1,438	7,059	5,010
Selling, general and administrative expenses	13,516	5,588	33,841	20,409
Impairment of assets	-	9,792	-	19,910
(Gain) / Loss on sale of assets	-	-	6	(35)
Loss from operations	(11,227)	(13,943)	(26,788)	(35,273)
Other income (expense):				
(Gain) / Loss on Extinguishment of Debt	185	-	(5,976)	-
Interest expense, net	(740)	(529)	(1,344)	(1,885)
Other income/loss	5	372	367	349
Gain (loss) on investments	-	-	5,337	-
Total other income (expense)	(550)	(157)	(1,616)	(1,536)
Income (Loss) from continuing operations	11,777	(14,100)	(28,404)	(36,809)
Income (Loss) from discontinued operations, net of tax	6,312	(4,199)	6,270	(17,342)
NET INCOME (LOSS)	5,465	(18,299)	(22,134)	(54,151)
Less: Income (Loss) attributable to non-controlling interest from continuing operations	(118)	(138)	(604)	(479)
Less: Income (Loss) attributable to non-controlling interest from discontinued operations	-	-	-	-
NET LOSS ATTRIBUTABLE TO UNRIVALED BRANDS, INC.	\$ (5,347)	\$ (18,161)	\$ (21,530)	\$ (53,672)
Income / (Loss) from continuing operations per common share attributable to Unrivald Brands, Inc. common stockholders – basic and diluted	\$ 0.03	\$ (0.07)	\$ (0.09)	\$ (0.20)
Net Loss per common share attributable to Unrivald Brands, Inc. common stockholders – basic and diluted	\$ 0.01	\$ (0.09)	\$ (0.07)	\$ (0.29)
Weighted-average number of common shares outstanding – basic and diluted	457,745,655	206,828,614	317,491,979	186,295,127

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

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

	Nine Months Ended September 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	\$ (22,134)	\$ (54,151)
Less: Net Income (loss) from discontinued operations	6,270	(17,342)
Net loss from continuing operations	(28,404)	(36,809)
Adjustments to reconcile net loss to net cash used in operating activities:		
Bad debt expense	-	650
Gain from debt forgiveness	(86)	-
(Gain) loss on sale of assets	6	(35)
Amortization of debt discount	-	845
Depreciation and amortization	4,480	5,062
Operating lease expense	633	680
Stock based compensation	2,884	1,672
Impairment loss	-	19,910
Gain on sale of investments	(5,337)	-
Non-cash portion of severance expense	7,990	-
Loss (gain) on extinguishment of debt	5,976	-
Non cash interest expense	30	-
Change in operating assets and liabilities:		
Accounts receivable	(1,766)	292
Inventory	3,100	(518)
Prepaid expenses and other current assets	(1,392)	218
Other assets	338	(1,024)
Accounts payable and accrued expenses	(3,798)	1,567
Operating lease liabilities	(45)	(380)
Net cash provided by / (used in) operating activities - continuing operations	(15,391)	(7,870)
Net cash provided by / (used in) operating activities - discontinued operations	(925)	(5,020)
NET CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES	(16,316)	(12,890)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, equipment and leasehold improvements	(6,442)	(46)
Purchase of equity investment	-	243
Proceeds from sale of investments	39,382	-
Cash outflow for loans	-	(250)
Cash paid for acquisitions	(15,000)	-
Cash from acquisitions	2,258	57
Proceeds from sales of assets	72	35
Net cash provided by / (used in) investing activities - continuing operations	20,271	39
Net cash provided by / (used in) investing activities - discontinued operations	8,350	11,189
NET CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES	28,621	11,228
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of notes payable	6,000	2,954
Payments of debt principal	(3,778)	(430)
Cash paid for debt discount	-	(8)
Proceeds from issuance of common stock	-	250
Cash contribution from non-controlling interest	-	152
Cash paid for debt issuance cost	(178)	-
Cash distribution to non-controlling interest	-	(145)
Purchase of treasury stock	-	-
Net cash provided by / (used in) financing activities - continuing operations	2,044	2,773
Net cash provided by / (used in) financing activities - discontinued operations	-	-
NET CASH PROVIDED BY / (USED IN) FINANCING ACTIVITIES	2,044	2,773
NET CHANGE IN CASH	14,350	1,112
Cash at beginning of period	888	1,226
CASH AT END OF PERIOD	\$ 15,238	\$ 2,338
SUPPLEMENTAL DISCLOSURE FOR OPERATING ACTIVITIES:		
Cash paid for interest	\$ 705	\$ 892
SUPPLEMENTAL DISCLOSURE FOR NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Debt principal and accrued interest converted into common stock	\$ 5,056	\$ 2,252
Stock Issued for the acquisition of OneQor	\$ -	\$ 9,305
Stock options exercised on a net share basis	\$ 3	\$ -
Stock, stock options and warrants issued for the acquisition of UMBRLA	\$ 79,032	\$ -
Assumption of Halladay mortgage	\$ 2,986	\$ -
Promissory note issued for severance	\$ 2,100	\$ -
Fixed assets in accounts payable	\$ 100	\$ 792
Non-cash contribution from non-controlling interest	\$ -	\$ 702
Net assets acquired from acquisitions of Umbrla and People's	\$ 153,571	\$ -

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

UNRIVALED BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021
(UNAUDITED)

(in thousands, except for shares)

	Preferred Stock		Common Stock		Additional Paid-In Capital	Treasury Stock		Accumulated Deficit	Non- Controlling Interest	Total
	Convertible Series A		Shares	Amount		Shares	Amount			
	Shares	Amount								
Balance at June 30, 2021	-	\$ -	234,237,000	\$ 258	\$ 291,026	2,308,420	\$ (808)	\$ (234,927)	\$ 3,977	\$ 59,526
Stock compensation - employees	-	-	-	-	-	-	-	-	-	-
Stock compensation - directors	-	-	124,998	0	32	-	-	-	-	32
Stock compensation - services expense	-	-	3,234,428	3	870	-	-	-	-	874
Stock option exercise	-	-	1,434,608	1	(1)	-	-	-	-	(0)
Debt conversion - common stock	-	-	4,548,006	5	1,041	-	-	-	-	1,046
Stock issued for Umbrla acquisition	-	-	191,772,781	192	80,130	-	-	-	-	80,322
Stock option expense	-	-	-	-	780	-	-	-	-	780
Net assets attributable to non-controlling interest	-	-	-	-	-	-	-	-	58,749	58,749
Net income attributable to non-controlling interest	-	-	-	-	-	-	-	-	(118)	(118)
Net loss attributable to Unrivald Brands, Inc.	-	-	-	-	-	-	-	(5,347)	-	(5,347)
Balance at September 30, 2021	-	\$ -	<u>435,351,821</u>	<u>\$ 460</u>	<u>\$ 373,878</u>	<u>2,308,420</u>	<u>\$ (808)</u>	<u>\$ (240,274)</u>	<u>\$ 62,608</u>	<u>\$ 195,864</u>
	Preferred Stock		Common Stock		Additional Paid-In Capital	Treasury Stock		Accumulated Deficit	Non- Controlling Interest	Total
	Convertible Series A		Shares	Amount		Shares	Amount			
	Shares	Amount								
Balance at December 31, 2020	8	\$ -	194,204,459	\$ 218	\$ 275,060	2,308,412	\$ (808)	\$ (219,803)	\$ 4,463	\$ 59,130
Adoption of ASU 2020-06	-	-	-	-	(1,071)	-	-	1,059	-	(12)
Debt conversion - common stock	-	-	24,939,780	25	5,031	-	-	-	-	5,056
Warrants issued to Dominion	-	-	-	-	5,978	-	-	-	-	5,978
Stock compensation - employees	-	-	250,000	1	67	-	-	-	-	68
Stock compensation - directors	-	-	1,010,157	1	245	-	-	-	-	246
Stock compensation - services expense	-	-	3,557,375	4	903	-	-	-	-	907
Stock option exercises	-	-	3,131,555	3	(1)	-	-	-	-	2
Acquisition of A shares	(8)	-	16,485,714	16	5,873	8	(0)	-	-	5,889
Stock option expense	-	-	-	-	1,664	-	-	-	-	1,664
Stock issued for Umbrla Acquisition	-	-	191,772,781	192	80,130	-	-	-	-	80,322
Net assets attributable to non-controlling interest	-	-	-	-	-	-	-	-	58,749	58,749
Net income attributable to non-controlling interest	-	-	-	-	-	-	-	-	(604)	(604)
Net loss attributable to Unrivald Brands, Inc.	-	-	-	-	-	-	-	(21,530)	-	(21,530)
Balance at September 30, 2021	-	\$ -	<u>435,351,821</u>	<u>\$ 460</u>	<u>\$ 373,878</u>	<u>2,308,420</u>	<u>\$ (808)</u>	<u>\$ (240,274)</u>	<u>\$ 62,607</u>	<u>\$ 195,864</u>

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

UNRIVALED BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020
(UNAUDITED)
(in thousands, except for shares)

	Preferred Stock		Common Stock		Additional Paid-In Capital	Treasury Stock		Accumulated Deficit	Non- Controlling Interest	Total
	Convertible Series A Shares	Amount	Shares	Amount		Shares	Amount			
Balance at June 30, 2020	8	\$ -	204,777,168	\$ 207	\$ 273,526	2,308,412	\$ (808)	\$ (225,198)	\$ 4,923	\$ 52,651
Debt conversion - common stock	-	-	5,627,487	6	417	-	-	-	-	423
Stock compensation - employees	-	-	-	-	-	-	-	-	-	-
Stock compensation - directors	-	-	1,082,700	1	118	-	-	-	-	119
Stock compensation - services expense	-	-	84,615	0	11	-	-	-	-	11
Stock option expense	-	-	-	-	298	-	-	-	-	298
Net contribution from non-controlling interest	-	-	-	-	-	-	-	-	(48)	(48)
Net income attributable to non-controlling interest	-	-	-	-	-	-	-	-	(138)	(138)
Net loss attributable to Unrivald Brands, Inc.	-	-	-	-	-	-	-	(18,161)	-	(18,161)
Balance at September 30, 2020	8	\$ -	211,571,970	\$ 214	\$ 274,370	2,308,412	\$ (808)	\$ (243,358)	\$ 4,738	\$ 35,156
	Preferred Stock		Common Stock		Additional Paid-In Capital	Treasury Stock		Accumulated Deficit	Non- Controlling Interest	Total
	Convertible Series A Shares	Amount	Shares	Amount		Shares	Amount			
Balance at December 31, 2019	8	\$ -	118,004,978	\$ 120	\$ 260,516	2,308,412	\$ (808)	\$ (189,686)	\$ 5,184	\$ 75,327
Debt conversion - common stock	-	-	27,694,543	28	2,224	-	-	-	-	2,252
Stock compensation - employees	-	-	3,179,544	3	431	-	-	-	-	434
Stock compensation - directors	-	-	909,090	1	18	-	-	-	-	19
Stock compensation - services expense	-	-	1,159,615	1	151	-	-	-	-	152
Stock issued for cash	-	-	2,470,173	2	248	-	-	-	-	250
Stock issued for OneQor acquisition	-	-	58,154,027	58	9,246	-	-	-	-	9,304
Stock option expense	-	-	-	-	1,536	-	-	-	-	1,536
Net contribution from non-controlling interest	-	-	-	-	-	-	-	-	33	33
Net income attributable to non-controlling interest	-	-	-	-	-	-	-	-	(479)	(479)
Net loss attributable to Unrivald Brands, Inc.	-	-	-	-	-	-	-	(53,672)	-	(53,672)
Balance at September 30, 2020	8	\$ -	211,571,970	\$ 214	\$ 274,370	2,308,412	\$ (808)	\$ (243,358)	\$ 4,738	\$ 35,156

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

UNRIVALED BRANDS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF BUSINESS

References in this document to “the Company”, “Unrivald”, “we”, “us”, or “our” are intended to mean Unrivald Brands, Inc., individually, or as the context requires, collectively with its subsidiaries on a consolidated basis. Effective July 7, 2021 the Company changed its corporate name from “Terra Tech Corp.” to “Unrivald Brands, Inc.” in connection with the Company’s acquisition of UMBRLA, Inc (“UMBRLA”).

Unrivald is a holding company with the following subsidiaries:

- 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”)
- MediFarm, LLC, a Nevada limited liability company (“MediFarm”)
- MediFarm I, LLC, a Nevada limited liability company (“MediFarm I”)
- 121 North Fourth Street, LLC, a Nevada limited liability company (“121 North Fourth”)
- OneQor Technologies, Inc., a Delaware corporation (“OneQor”)
- Umbrla, Inc., a Nevada corporation (“Umbrla”)
- Halladay Holding, LLC (“Halladay”)

The Company is a multi-state operator (MSO) with retail, production, distribution, and cultivation operations, with an emphasis on providing the highest quality of medical and adult use cannabis products. From the acquisition of UMBRLA, the Company has multiple cannabis lifestyle brands. The Company is home to Korova, a brand of high potency products across multiple product categories, currently available in California, Oregon, Arizona, and Oklahoma. Other Company brands include Cabana, a boutique cannabis flower brand, and Sticks, a mainstream value-driven cannabis brand, active in California and Oregon. With the Management Services Agreement and pending acquisition of People’s First Choice, the Company operates the premier cannabis dispensary in Orange County California. The Company also owns dispensaries in California which operate as The Spot in Santa Ana and Blum in Oakland and San Leandro. The Company also has licensed distribution facilities in Portland, Los Angeles, and Sonoma County.

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 our subsidiaries in which we have a controlling financial interest. In accordance with the provisions of FASB or ASC 810, “*Consolidation*,” we consolidate any variable interest entity (“VIE”) of which we are 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. We do not consolidate a VIE in which we have a majority ownership interest when we are not considered the primary beneficiary. We evaluate our relationships with all the VIEs on an ongoing basis to reassess if we continue 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 September 30, 2021 and December 31, 2020, and the consolidated results of operations and cash flows for the quarters ended September 30, 2021 and 2020 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, 2020. The December 31, 2020 balances reported herein are derived from the audited consolidated financial statements for the year ended December 31, 2020. The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the full year.

Going Concern

The accompanying financial statements have been prepared assuming that we will continue as a going concern. The risks and uncertainties on the future of our business due to COVID-19 and regulatory uncertainty, combined with the fact that we have historically lost money, have in the past, raised substantial doubt as to our ability to continue as a going concern. However, management believes that the acquisition of UMBRLA and consolidation of People's, management's on-going efforts to trim costs and management's recent efforts to boost sales will lead to cash sustainability. Therefore, management believes that there is no material uncertainty as to the Company's ability to continue as a going concern. See Note 6 – *Investments in Unconsolidated Affiliates* for more details about the Hydrofarm investment.

Non-Controlling Interest

Non-controlling interest is shown as a component of stockholders' equity on the consolidated balance sheets and the share of net income (loss) attributable to non-controlling interest is shown as a component of net income (loss) in the consolidated statements of operations.

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.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation. These reclassifications did not affect net loss, revenues or stockholders' equity. See Note 17 – *Discontinued Operations* for further discussion regarding discontinued operations.

Trade and Other Receivables

The Company extends noninterest bearing trade credit to its customers in the ordinary course of business which is not collateralized. Accounts receivable are shown on the face of the consolidated balance sheets, net of an allowance for doubtful accounts. The Company analyzes the aging of accounts receivable, historical bad debts, customer creditworthiness and current economic trends, in determining the allowance for doubtful accounts. The Company does not accrue interest receivable on past due accounts receivable. The allowance for doubtful accounts was zero as of September 30, 2021 and December 31, 2020.

Investments

Investments in unconsolidated affiliates are accounted for under the cost or the equity method of accounting, as appropriate. The Company accounts for investments in limited partnerships or limited liability corporations, whereby the Company owns a minimum of 5% of the investee's outstanding voting stock, under the equity method of accounting. These investments are recorded at the amount of the Company's investment and adjusted each period for the Company's share of the investee's income or loss, and dividends paid. As investments accounted for under the cost method do not have readily determinable fair values, the Company only estimates fair value if there are identified events or changes in circumstances that could have a significant adverse effect on the investment's fair value.

Publicly held equity securities are recorded at fair value with unrealized gains or losses resulting from changes in fair value reflected as unrealized gains or losses on equity securities in our consolidated statements of operations.

Inventory

Inventory is stated at the lower of cost or net realizable value, with cost being determined on the first-in, first-out (“FIFO”) method of accounting. The Company periodically reviews physical inventory for excess, obsolete, and potentially impaired items and reserves. The reserve estimate for excess and obsolete inventory is based on expected future use. The reserve estimates have historically been consistent with actual experience as evidenced by actual sale or disposal of the goods.

Prepaid Expenses and Other Current Assets

Prepaid expenses consist of various payments that the Company has made in advance for goods or services to be received in the future. These prepaid expenses include advertising, insurance, and service or other contracts requiring upfront payments.

Property, Equipment and Leasehold Improvements, Net

Property, equipment and leasehold improvements are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The approximate useful lives for depreciation of our property, equipment and leasehold improvements are as follows: thirty-two years for buildings; three to eight years for furniture and equipment; three to five years for computer and software; five years for vehicles and the shorter of the estimated useful life or the underlying lease term for leasehold improvements. Repairs and maintenance expenditures that do not extend the useful lives of related assets are expensed as incurred.

Expenditures for major renewals and improvements are capitalized, while minor replacements, maintenance and repairs, which do not extend the asset lives, are charged to operations as incurred. Upon sale or disposition, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is included in operations. The Company continually monitors events and changes in circumstances that could indicate that the carrying balances of its property, equipment and leasehold improvements may not be recoverable in accordance with the provisions of ASC 360, “*Property, Plant, and Equipment*.” When such events or changes in circumstances are present, the Company assesses the recoverability of long-lived assets by determining whether the carrying value of such assets will be recovered through undiscounted expected future cash flows. If the total of the future cash flows is less than the carrying amount of those assets, the Company recognizes an impairment loss based on the excess of the carrying amount over the fair value of the assets. See Note 8, “*Property, Equipment and Leasehold Improvements, Net*” for further information.

Intangible Assets

Intangible assets continue to be subject to amortization, and any impairment is determined in accordance with ASC 360, “*Property, Plant, and Equipment*,” intangible assets are stated at historical cost and amortized over their estimated useful lives. The Company uses a straight-line method of amortization unless a method that better reflects the pattern in which the economic benefits of the intangible asset are consumed can be reliably determined. The approximate useful lives for amortization of our intangible assets are as follows:

Customer relationships	3 to 5 Years
Trademark and patent	2 to 8 Years
Dispensary licenses	14 Years

The Company reviews intangible assets subject to amortization quarterly to determine if any adverse conditions exist or a change in circumstances has occurred that would indicate impairment or a change in the remaining useful life. Conditions that may indicate impairment include, but are not limited to, a significant adverse change in legal factors or business climate that could affect the value of an asset, a product recall, or an adverse action or assessment by a regulator. If an impairment indicator exists, we test the intangible asset for recoverability. For purposes of the recoverability test, we group our amortizable intangible assets with other assets and liabilities at the lowest level of identifiable cash flows if the intangible asset does not generate cash flows independent of other assets and liabilities. If the carrying value of the intangible asset (asset group) exceeds the undiscounted cash flows expected to result from the use and eventual disposition of the intangible asset (asset group), the Company will write the carrying value down to the fair value in the period identified.

Intangible assets that have indefinite useful lives (e.g. Trade Names) are tested annually for impairment and are tested for impairment more frequently if events and circumstances indicate that the asset might be impaired. An impairment loss is recognized to the extent that the carrying amount of the asset group exceeds its fair value.

Goodwill

Goodwill is measured as the excess of consideration transferred and the net of the acquisition date fair value of assets acquired, and liabilities assumed in a business acquisition. In accordance with ASC 350, *"Intangibles—Goodwill and Other,"* goodwill and other intangible assets with indefinite lives are no longer subject to amortization but are tested for impairment annually or whenever events or changes in circumstances indicate that the asset might be impaired.

The Company reviews the goodwill allocated to each of our reporting units for possible impairment annually as of September 30 and whenever events or changes in circumstances indicate carrying amount may not be recoverable. In the impairment test, the Company measures the recoverability of goodwill by comparing a reporting unit's carrying amount, including goodwill, to the estimated fair value of the reporting unit.

The carrying amount of each reporting unit is determined based upon the assignment of our assets and liabilities, including existing goodwill and other intangible assets, to the identified reporting units. Where an acquisition benefits only one reporting unit, the Company allocates, as of the acquisition date, all goodwill for that acquisition to the reporting unit that will benefit. Where the Company has had an acquisition that benefited more than one reporting unit, The Company has assigned the goodwill to our reporting units as of the acquisition date such that the goodwill assigned to a reporting unit is the excess of the fair value of the acquired business, or portion thereof, to be included in that reporting unit over the fair value of the individual assets acquired and liabilities assumed that are assigned to the reporting unit.

If the carrying amount of a reporting unit is in excess of its fair value, the Company recognizes an impairment charge equal to the amount in excess.

Assets Held for Sale and Discontinued Operations

Assets held for sale represent furniture, equipment, and leasehold improvements less accumulated depreciation as well as any other assets that are held for sale in conjunction with the sale of a business. The Company records assets held for sale in accordance with ASC 360, *"Property, Plant, and Equipment,"* at the lower of carrying value or fair value less costs to sell. Fair value is based on the estimated proceeds from the sale of the facility utilizing recent purchase offers, market comparables and/or data. Our estimate as to fair value is regularly reviewed and subject to changes in the commercial real estate markets and our continuing evaluation as to the facility's acceptable sale price. The reclassification takes place when the assets are available for immediate sale and the sale is highly probable. These conditions are usually met from the date on which a letter of intent or agreement to sell is ready for signing. The Company follows the guidance within ASC 205, *"Reporting Discontinued Operations and Disclosure of Disposals of Components of an Entity"* when assets held for sale represent a strategic shift in the Company's operations and financial results.

Fair Value of Financial Instruments

The Company applies fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities that are required to be recorded at fair value, the Company considers the principal or most advantageous market in which the Company would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as risks inherent in valuation techniques, transfer restrictions and credit risk. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

In accordance with the fair value accounting requirements, companies may choose to measure eligible financial instruments and certain other items at fair value. The Company has not elected the fair value option for any eligible financial instruments.

The following table presents the Company's financial instruments that are measured and recorded at fair value on the Company's balance sheets on a recurring basis, and their level within the fair value hierarchy as of September 30, 2021 and December 31, 2020:

	September 30, 2021			
	Amount	Level 1	Level 2	Level 3
Investments:				
Option to acquire Edible Garden Inc	330	-	-	330
Total	\$ 330	\$ -	\$ -	\$ 330

	December 31, 2020			
	Amount	Level 1	Level 2	Level 3
Investments:				
Warrants to acquire shares of HydroFarm	\$ 10,195	\$ -	\$ 10,195	\$ -
Shares in HydroFarm	23,850	-	23,850	-
Option to acquire Edible Garden Inc	330	-	-	330
Total	\$ 34,375	\$ -	\$ 34,045	\$ 330

Business Combinations

The Company accounts for its business acquisitions in accordance with ASC 805-10, "Business Combinations." The Company allocates the total cost of the acquisition to the underlying net assets based on their respective estimated fair values. As part of this allocation process, the Company identifies and attributes values and estimated lives to the intangible assets acquired. These determinations involve significant estimates and assumptions regarding multiple, highly subjective variables, including those with respect to future cash flows, discount rates, asset lives, and the use of different valuation models, and therefore require considerable judgment. The Company's estimates and assumptions are based, in part, on the availability of listed market prices or other transparent market data. These determinations affect the amount of amortization expense recognized in future periods. The Company bases its fair value estimates on assumptions it believes to be reasonable but are inherently uncertain.

Revenue Recognition and Performance Obligations*Cannabis Dispensary, Cultivation and Production*

The Company recognizes revenue from manufacturing and distribution product sales when our customers obtain control of our products. Revenue from our retail dispensaries is recorded at the time customers take possession of the product. Revenue from our retail dispensaries is recognized net of discounts, rebates, promotional adjustments, price adjustments and returns, and net of taxes collected from customers that are remitted to governmental authorities, with the collected taxes recorded as current liabilities until remitted to the relevant government authority. Upon purchase, the Company has no further performance obligations and collection is assured as sales are paid for at time of purchase.

Revenue related to distribution customers is recorded when the customer is determined to have taken control of the product. This determination is based on the customer specific terms of the arrangement and gives consideration to factors including, but not limited to, whether the customer has an unconditional obligation to pay, whether a time period or event is specified in the arrangement and whether the Company can mandate the return or transfer of the products. Revenue is recorded net of taxes collected from customers that are remitted to governmental authorities with collected taxes recorded as current liabilities until remitted to the relevant government authority.

Disaggregation of Revenue

The table below shows the revenue break between California, Nevada and Oregon and Nevada operations for the nine months ended September 30, 2021 and 2020:

	(in thousands)	
	2021	2020
California	\$ 21,640	\$ 6,138
Nevada	9,829	3,668
Oregon	3,340	-
Total	\$ 34,809	\$ 9,806

Contract Balances

Due to the nature of the Company's revenue from contracts with customers, the Company does not have material contract assets or liabilities that fall under the scope of ASC Topic 606.

Contract Estimates and Judgments

The Company's revenues accounted for under ASC Topic 606, generally, do not require significant estimates or judgments based on the nature of the Company's revenue streams. The sales prices are generally fixed at the point of sale and all consideration from contracts is included in the transaction price. The Company's contracts do not include multiple performance obligations or material variable consideration.

Cost of Goods Sold

Cannabis Dispensary, Cultivation and Production

Cost of goods sold includes the costs directly attributable to product sales and includes amounts paid for finished goods, such as flower, edibles, and concentrates, as well as packaging and delivery costs. It also includes the labor and overhead costs incurred in cultivating and producing cannabis flower and cannabis-derived products. Overhead expenses include allocations of rent, administrative salaries, utilities, and related costs.

Advertising Expenses

The Company expenses advertising costs as incurred in accordance with ASC 720-35, "Other Expenses – Advertising Cost." Advertising expenses recognized totaled \$0.42 million and \$0.21 million for the nine months ended September 30, 2021 and 2020, respectively.

Stock-Based Compensation

The Company accounts for its stock-based awards in accordance with ASC Subtopic 718-10, "Compensation – Stock Compensation", which requires fair value measurement on the grant date and recognition of compensation expense for all stock-based payment awards made to employees and directors, including restricted stock awards. For stock options, the Company estimates the fair value using a closed option valuation (Black-Scholes) model. The fair value of restricted stock awards is based upon the quoted market price of the common shares on the date of grant. The fair value is then expensed over the requisite service periods of the awards, net of estimated forfeitures, which is generally the performance period and the related amount is recognized in the consolidated statements of operations.

The Black-Scholes option-pricing model requires the input of certain assumptions that require the Company's judgment, including the expected term and the expected stock price volatility of the underlying stock. The assumptions used in calculating the fair value of stock-based compensation represent management's best estimates, but these estimates involve inherent uncertainties and the application of judgment. As a result, if factors change resulting in the use of different assumptions, stock-based compensation expense could be materially different in the future. The Company accounts for forfeitures of stock-based awards as they occur.

Income Taxes

The provision for income taxes is determined in accordance with ASC 740, "Income Taxes". The Company files a consolidated United States federal income tax return. The Company provides for income taxes based on enacted tax law and statutory tax rates at which items of income and expense are expected to be settled in our income tax return. Certain items of revenue and expense are reported for Federal income tax purposes in different periods than for financial reporting purposes, thereby resulting in deferred income taxes. Deferred taxes are also recognized for operating losses that are available to offset future taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. The Company has incurred net operating losses for financial-reporting and tax-reporting purposes. At September 30, 2021 and 2020, such net operating losses were offset entirely by a valuation allowance.

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The Company recognizes uncertain tax positions based on a benefit recognition model. Provided that the tax position is deemed more likely than not of being sustained, the Company recognizes the largest amount of tax benefit that is greater than 50.0% likely of being ultimately realized upon settlement. The tax position is derecognized when it is no longer more likely than not of being sustained. The Company classifies income tax related interest and penalties as interest expense and selling, general and administrative expense, respectively, on the consolidated statements of operations.

Loss Per Common Share

In accordance with the provisions of ASC 260, "Earnings Per Share", net loss per share is computed by dividing net 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. The results of operations were a net loss for the three and nine months ended September 30, 2021 and 2020. Therefore, the basic and diluted weighted-average shares of common stock outstanding were the same for both years.

Potentially 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):

	Nine Months Ended September 30,	
	2021	2020
Common stock warrants	85,336,515	1,088,278
Common stock options	99,504,369	16,259,670
	184,840,884	17,347,948

Warrants issued that are exercisable for little to no cost are included in the denominator of basic earnings per share.

Recently Adopted Accounting Standards

FASB ASU No. 2020-06 "Accounting for Convertible Instruments and Contracts in an Entity's Own Equity" – Issued in August 2020, ASU 2020-06 simplifies the accounting for convertible instruments by eliminating the requirement to separate embedded conversion features from the host contract when the conversion features are not required to be accounted for as derivatives under Topic 815, *Derivatives and Hedging*, or that do not result in substantial premiums accounted for as paid-in capital. By removing the separation model, a convertible debt instrument will be accounted for as a single liability measured at its amortized cost and the interest rate on convertible debt instruments will typically be closer to the coupon interest rate when applying the guidance in Topic 835, Interest. ASU 2020-06 is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those years. The Company adopted ASU 2020-06 as of January 1, 2021, utilizing the modified retrospective method of adoption. As a result of adoption of the new standard, previously recognized beneficial conversion features for convertible debt instruments outstanding as of January 1, 2021 were removed from additional paid-in capital and the debt discount. A cumulative impact adjustment was recorded to account for a reduction in interest expense due to a decrease in the discount, which is recognized as interest expense upon conversion of the convertible notes. The January 1, 2021 cumulative effect adjustment to the Company's financial position was as follows:

	As Reported December 31, 2020	Cumulative Effect Adjustment	As Reported January 1, 2021
Additional Paid-In Capital	\$ 275,060	1,071	\$ 276,131
Accumulated Deficit	219,803	(1,059)	218,744
Debt Discount	50	(12)	38

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 at \$12.91 million as of September 30, 2021 and was approximately \$0.06 million as of December 31, 2020.

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 nine months ended September 30, 2021 and 2020.

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 a relationship with sufficient members of properly licensed vendors, the Company's sales may be impacted. During the three and nine months ended September 30, 2021, we 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 – VARIABLE INTEREST ENTITIES

NuLeaf, Inc.

On October 26, 2017, the Company entered into operating agreements with NuLeaf, Inc. and formed NuLeaf Sparks Cultivation, LLC and NuLeaf Reno Production, LLC (collectively "NuLeaf") to build and operate cultivation and production facilities for our IVXX brand of cannabis products in Nevada. The agreements were subject to approval by the State of Nevada, the City of Sparks and the City of Reno in Nevada. Under the terms of the agreements, the Company remitted to NuLeaf an upfront investment of \$4.50 million in the form of convertible loans bearing an interest rate of 6% per annum. On June 28, 2018, the Company received approval from the State of Nevada. The remaining required approvals from local authorities were received in July 2018. As a result, the notes receivable balance was converted into a 50% ownership interest in NuLeaf. The investment in NuLeaf was recorded at cost and accounted for using the equity method as of December 31, 2019.

In February 2019, we amended and restated the NuLeaf agreements and obtained control of the operations of NuLeaf. The Company has determined these entities are variable interest entities in which the Company is the primary beneficiary by reference to the power and benefits criterion under ASC 810, "Consolidation." The provisions within the amended agreement granted the Company the power to manage and make decisions that affect the operation of these entities. As the primary beneficiary of NuLeaf Sparks Cultivation, LLC and NuLeaf Reno Production, LLC, the Company began consolidating the accounts and operations of these entities on March 1, 2019. All intercompany transactions are eliminated in the unaudited consolidated financial statements. Effective March 1, 2019, we remeasured our equity method investment in NuLeaf to fair value and consolidated the results of NuLeaf within our consolidated financial statements.

During the nine months ended September 30, 2021, revenue and net loss attributed to NuLeaf was \$9.83 and \$0.45 million, respectively. The aggregate carrying values of Sparks Cultivation, LLC and NuLeaf Reno Production, LLC assets and liabilities, after elimination of any intercompany transactions and balances, in the consolidated balance sheets were as follows:

	(in thousands)	
	September 30, 2021	December 31, 2020
Current assets:		
Cash	\$ 1,127	\$ 671
Accounts receivable, net	1,174	483
Inventory	1,761	3,118
Prepaid expenses and other current assets	78	21
Total current assets	<u>4,140</u>	<u>4,293</u>
Property, equipment and leasehold improvements, net	5,696	7,442
Other assets	321	395
TOTAL ASSETS	<u>\$ 10,157</u>	<u>\$ 12,130</u>
Liabilities:		
Total current liabilities	\$ 366	\$ 396
Total long-term liabilities	216	307
TOTAL LIABILITIES	<u>\$ 582</u>	<u>\$ 703</u>

NOTE 5 – BUSINESS COMBINATIONS

Umbra, Inc.

On July 1, 2021, the Company completed the acquisition of Umbra, Inc. Pursuant to Articles of Merger filed by the Company with the Nevada Secretary of State, which became effective upon filing on July 1, 2021. UMBRLA became a wholly owned subsidiary of the Company. The acquisition of Umbra was accounted for in accordance with ASC 805-10, “*Business Combinations*.” The preliminary allocation of the purchase price was based upon a preliminary valuation, and the Company’s estimates and assumptions of the assets acquired and liabilities assumed were subject to change within the measurement period pending the finalization of a third-party valuation. The multi-period excess earnings method, an income approach, was utilized to estimate the fair value of UMBRLA customer relationships. The relief-from-royalty method, an income approach, was utilized to estimate the fair value of UMBRLA trade name.

Consideration for the merger consisted of 191,772,781 shares of common stock issued on the acquisition date, 23,424,674 shares of common stock reserved for issuance in one year, and the assumption of all of UMBRLA’s stock options and warrants outstanding as of July 1, 2021. The fair value of the components of the purchase price is summarized below (in thousands):

Purchase Price (in thousands):

Stock	\$ 52,929
Liability for holdback shares	6,465
Stock options assumed	9,695
Warrants assumed	10,733
Total consideration	<u>\$ 79,822</u>

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The preliminary allocation of the purchase price was based upon a preliminary valuation, and the Company's estimates and assumptions of the assets acquired and liabilities assumed were subject to change within the measurement period pending finalization of a third-party valuation. The relief-from-royalty method, an income approach, was utilized to estimate the fair value of Umbra's trade name. The multi-period excess earnings method was utilized to estimate the fair value of Umbra's licenses. The following table summarizes the preliminary allocation of the purchase price (in thousands):

	(in thousands)
Assets acquired	
Cash	\$ 1,290
Accounts receivable	5,831
Inventory	16,702
Prepaid & other current assets	1,543
Fixed assets	1,450
Notes receivable	750
Other long-term assets	3
Right-of-use asset	460
Trade name	28,980
Licenses	32,950
Goodwill	11,881
Total assets acquired	\$ 101,840
Liabilities assumed	
Accounts payable/accrued expenses	\$ 15,350
Short-term lease liability	379
Long-term lease liability	80
Short-term debt	4,796
Long-term debt	624
Deferred income	288
Contingent liabilities	500
Total liabilities assumed	\$ 22,017

During the three months ended September 30, 2021, the Company recognized \$15.9 million of revenue and a net loss of \$2.0 million from UMBRLA. In the view of management, goodwill reflects the future cash flow expectations for UMBRLA market position in the cannabis industry, synergies and the assembled workforce. Goodwill recorded for the UMBRLA transaction is non-deductible for tax purposes.

People's California

On August 15, 2021, the Company entered into a Membership Interest Purchase Agreement (the "Purchase Agreement") with People's California, LLC, a California limited liability company ("People's California") and People's First Choice, LLC, a California limited liability company and wholly owned subsidiary of People's California (the "Target"), which operates cannabis dispensary operations. Upon the terms and subject to the satisfaction of the conditions described in the Purchase Agreement, the Company will acquire 100% of the outstanding equity of the Target in two separate closings (the "Acquisition"), with 80% of the equity of the Target transferred at the first closing and the remaining 20% of the equity transferred at the second closing.

At the first closing of the Acquisition, People's California shall receive from the Company: (a) a cash payment of \$24,000,000 less certain outstanding indebtedness and transaction expenses related to the Acquisition; (b) a secured note in an aggregate principal amount of \$36,000,000 less certain indebtedness; and (c) 40,000,000 shares of Company common stock valued at \$0.40 per share, subject to terms and conditions of a stockholder's agreement by and between the Company and People's California, which includes a one-year lockup of the shares. The Purchase Agreement is subject to customary indemnification provisions.

On August 4, 2021, in connection with the Acquisition, People's California issued senior secured indebtedness to the Company, pursuant to the terms of a certain Secured Promissory Note (the "Deposit Note"). The Deposit Note provided for a one-time advance of \$6.00 million (the "Loan") by the Company to People's California at a flat rate of 3% per annum. The Deposit Note matures on August 4, 2022.

The full principal balance and all outstanding but unpaid interest is due and payable at the maturity date of August 4, 2022; provided that, if the Company consummates the first closing, pursuant to the terms of the Purchase Agreement, then the principal amount of the Deposit Note, but not the accrued interest, shall be deemed repaid, satisfied, or otherwise applied to the cash consideration paid for the equity of the Target and the Deposit Note shall be deemed satisfied.

On September 1, 2021, in connection with the Acquisition, People's California issued senior secured indebtedness to the Company, pursuant to the terms of a certain Secured Promissory Note (the "Second Deposit Note"). The Second Deposit Note provided for a one-time advance of \$9.00 million (the "Loan") by the Company to People's California at a flat rate of 3% per annum. The Second Deposit Note matures on September 1, 2022.

The full principal balance and all outstanding but unpaid interest is due and payable at the maturity date of September 1, 2022; provided that, if the Company consummates the first closing, pursuant to the terms of the Purchase Agreement, then the principal amount of the Second Deposit Note, but not the accrued interest, shall be deemed repaid, satisfied, or otherwise applied to the cash consideration paid for the equity of the Target and the Second Deposit Note shall be deemed satisfied.

As of November 15, 2021, this transaction has not yet been completed.

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On September 1, 2021, the Company entered into a Management Agreement with the Target, which provided the Company with control over the Target's operation and finances. Management concluded that effective September 1, 2021, the Company became the primary beneficiary of the Target as a result of the Management Agreement, and began consolidating the Target's financial results. The Company applied acquisition accounting on September 1, 2021 and allocated the fair value of the Target to its assets and liabilities. The preliminary valuation of the Target was based on the purchase price described below (in thousands):

Purchase Price (in thousands):

Cash	\$	24,000
Note payable		33,749
Common stock		16,000
Total consideration	\$	<u>73,749</u>

The preliminary allocation was based upon the Company's estimates and assumptions of the assets acquired and liabilities assumed are subject to change within the measurement period pending the finalization of a third-party valuation. The following table summarizes the preliminary allocation of the purchase price:

	(in thousands)	
Assets acquired		
Cash	\$	968
Inventory		662
Prepays		91
Fixed Assets		437
Right-of-use asset		2,105
Trade name		21,630
Licenses		45,990
Goodwill		5,522
Total assets acquired	\$	<u>77,405</u>
Liabilities assumed		
Accounts Payable/Accruals	\$	1,551
Short-term lease liability		540
Long-term lease liability		1,565
Total liabilities assumed	\$	<u>3,656</u>

Supplemental Pro-Forma Information

Supplemental information on an unaudited pro-forma basis is reflected as if the Umbrla and People's California acquisitions had occurred at the beginning of 2020, after giving effect to certain pro forma adjustments primarily related to amortization of acquired intangible assets.

The unaudited pro-forma supplemental information is based on estimates and assumptions that the Company believes are reasonable. The supplemental unaudited pro-forma financial information is presented for comparative purposes only and is not necessarily indicative of what the Company's financial position or results of operations actually would have been had the Company completed the acquisitions at the dates indicated, nor is it intended to project the future financial position or operating results of the Company as a result of the Purchase Agreement.

	Three Months Ended,	
	September 30, 2021	September 30, 2020
	(unaudited)	(unaudited)
Pro-forma revenues	\$ 52,413	\$ 23,455
Pro-forma net loss from continuing operations	\$ (17,536)	\$ (30,243)

	Nine Months Ended,	
	September 30, 2021	September 30, 2020
	(unaudited)	(unaudited)
Pro-forma revenues	\$ 118,992	\$ 71,658
Pro-forma net loss from continuing operations	\$ (91,343)	\$ (79,739)

NOTE 6 – INVESTMENTS IN UNCONSOLIDATED AFFILIATES**Hydrofarm**

On August 28, 2018, the Company entered into a Subscription Agreement with Hydrofarm Holdings Group, Inc. (“Hydrofarm”), one of the leading independent providers of hydroponic products in North America, pursuant to which the Company agreed to purchase from Hydrofarm and Hydrofarm agreed to sell to the Company 2,000,000 “Units”, each Unit consisting of one share of common stock and one warrant to purchase one-half of a share of common stock for an initial exercise price of \$5.00 per share, for \$2.50 per Unit for an aggregate purchase price of \$5.00 million.

On November 24, 2020, Hydrofarm’s board of directors and stockholders approved an amendment to their amended and restated certificate of incorporation effecting a 1-for-3.3712 reverse stock split of their issued and outstanding shares of common stock. Subsequent to the reverse split, the Company owned 593,261 shares of common stock in Hydrofarm, with an acquisition price of \$8.43 per share, and 296,630 warrants to purchase one share of common stock, with an exercise price of \$6.86 per share.

On December 14, 2020, Hydrofarm announced the closing of its initial public offering; shares of Hydrofarm began trading on the Nasdaq Global Select Market under the ticker symbol “HYFM.” Hydrofarm’s common shares outstanding on the closing date were 31,720,727; the Company’s ownership percentage in Hydrofarm was approximately 1.9%.

Upon closing of Hydrofarm’s initial public offering, the Company determined that the investment in Hydrofarm no longer qualified to be stated at cost, as the equity security had a readily determinable value and therefore should be recorded at fair value. In the fourth quarter of 2020, the Company recorded its investment in Hydrofarm of 593,261 common shares at fair value, and the warrants to acquire an additional 296,630 shares of Hydrofarm common stock at an exercise price of \$6.86, at their respective fair values. The Company marked the investment in Hydrofarm to market as of December 31, 2020 and March 31, 2021 and recorded the change in fair value in those period’s earnings.

On June 16, 2021, the Company completed disposition of 593,261 shares of Hydrofarm common stock and warrants to purchase 296,630 shares of Hydrofarm common stock at a current exercise price of \$16.86 per share, for aggregate gross proceeds of \$40.76 million in cash pursuant to a Securities Purchase Agreement (the “SPA”) between the Company and two accredited investors. There is no material relationship between the Company or its affiliates and either of the investors other than in respect of the transactions contemplated by the SPA.

NOTE 7 – INVENTORY

Raw materials consist of material for NuLeaf and IVXX’s line of cannabis pure concentrates. Work-in-progress consists of cultivation materials and live plants grown at NuLeaf and Black Oak Gallery. Finished goods consists of cannabis products sold in retail.

Inventory as of September 30, 2021 and December 31, 2020 consisted of the following:

	(in thousands)	
	September 30, 2021	December 31, 2020
Raw materials	\$ 2,320	\$ 39
Work-in-progress	2,171	1,196
Finished goods	11,374	367
Total inventory	\$ 15,865	\$ 1,602

NOTE 8 – PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS, NET

Property, equipment, and leasehold improvements as of September 30, 2021 and December 31, 2020 consisted of the following:

Depreciation expense related to property, equipment and leasehold improvements for the three months ended September 30, 2021 and September 30, 2020 was \$0.09 million and \$0.91 million, respectively, and for the nine months ended September 30, 2021 and September 30, 2020 was \$2.97 million and \$2.83 million, respectively.

	(in thousands)	
	September 30, 2021	December 31, 2020
Land and building	\$ 18,792	\$ 11,206
Furniture and equipment	4,054	2,913
Computer hardware	331	215
Leasehold improvements	17,437	16,459
Vehicles	683	-
Construction in progress	11,236	9,922
Subtotal	52,534	40,715
Less accumulated depreciation	(11,686)	(8,235)
Property, equipment and leasehold improvements, net	\$ 40,848	\$ 32,480

NOTE 9 – INTANGIBLE ASSETS AND GOODWILL

Intangible Assets, Net

Intangible assets, net consisted of the following as of September 30, 2021 and December 31, 2020:

	Estimated Useful Life in Years	(in Thousands)					
		September 30, 2021			December 31, 2020		
		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	196	(196)	-	196	(187)	9
Dispensary Licenses UNRV	14	10,270	(4,035)	6,235	10,270	(3,485)	6,785
Dispensary Licenses Umbrla	14	32,950	(588)	32,362	-	-	-
Dispensary Licenses People's	14	45,990	(365)	45,625	-	-	-
Total Amortizing Intangible Assets		96,806	(12,584)	84,222	17,866	(11,072)	6,794
Non-Amortizing Intangible Assets:							
Trade Name UNRV	Indefinite	920	-	920	920	-	920
Trade Name Umbrla		28,980	-	28,980	-	-	-
Trade Name People's	Indefinite	21,630	-	21,630	-	-	-
Total Non-Amortizing Intangible Assets		51,530	-	51,530	920	-	920
Total Intangible Assets, Net		\$ 148,336	\$ (12,584)	\$ 135,752	\$ 18,786	\$ (11,072)	\$ 7,714

Amortization expense for the three months ended September 30, 2021 and 2020 was \$1.14 million and \$0.45 million, respectively and for the nine months ended September 30, 2021 and 2020 was \$1.50 million and \$2.23 million, respectively.

Goodwill

Goodwill arises from the purchase price for acquired businesses exceeding the fair value of tangible and intangible assets acquired less assumed liabilities.

Goodwill is reviewed annually for impairment or more frequently if impairment indicators arise. The Company conducts its annual goodwill impairment assessment as of the last day of the third quarter, or more frequently under certain circumstances. 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 September 30, 2021 and December 31, 2020 was unchanged and was \$6.17 million.

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The Company tests for impairment annually 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 completed the annual test for impairment during the third quarter and concluded there was no impairment of Goodwill.

NOTE 10 – NOTES PAYABLE

Notes payable as of September 30, 2021 and December 31, 2020 consisted of the following:

	(in thousands)	
	September 30, 2021	December 31, 2020
Promissory note dated January 18, 2018, issued for the purchase of real property. The promissory note is collateralized by the land and building purchased and matures January 18, 2022. The promissory note bears interest at 12.0% for year one and escalates 0.5% per year thereafter. The full principal balance and accrued interest are due at maturity. In the event of default, the note is convertible at the holder's option.	\$ 6,500	\$ 6,500
Promissory note dated October 5, 2018, issued for the purchase of real property. Matures October 5, 2021. The promissory note bears interest at 12.0% for year one and escalates 0.5% per year thereafter up to 13.5%. In the event of default, the note is convertible at the holder's option.	-	1,600
Promissory note dated June 11, 2019, issued to accredited investors, which matures December 31, 2021 and incurred interest at a rate of 7.5% per annum. The conversion price was the lower of \$4.50 or 87% of the average of the two (2) lowest VWAPs in the thirteen (13) trading days prior to the conversion date.	-	2,800
Promissory note dated October 21, 2019, issued to accredited investors, which matured April 21, 2021 and incurred interest at a rate of 7.5% per annum. The conversion price was the lower of \$4.50 or 87% of the average of the two (2) lowest VWAPs in the thirteen (13) trading days prior to the conversion date.	-	725
Secured promissory note dated December 30, 2019, issued to Matthew Lee Morgan Trust (a related party), which matured January 30, 2021, and incurred interest at a rate of 10% per annum.	-	500
Secured promissory note dated January 10, 2020, issued to an unaffiliated third party. The note matured on July 10, 2021 and incurred an interest rate of 15.0% per annum.	-	1,000
Promissory note dated May 4, 2020, issued to Harvest Small Business Finance, LLC, an unaffiliated third party. Loan is part of the Paycheck Protection Program ("PPP Loan") offered by the U.S. Small Business Administration. The interest rate on the note is 1%. The note requires interest and principal payments seven months from July 2020. The note matures in two years.	562	562
Promissory note dated July 29, 2020, issued to an unaffiliated third party. The note incurred an interest rate of 8% per annum and matured on April 29, 2021.	-	1,000
Unsecured promissory note dated January 22, 2021, issued to Michael Nahass (a related party), which matured July 25, 2021, and incurred interest at a rate of 3% per annum.	-	-
Unsecured promissory note dated January 22, 2021, issued to Michael Nahass (a related party), which matures January 25, 2022, and bears interest at a rate of 3% per annum.	1,065	-
Convertible promissory note dated January 25, 2021, issued to accredited investors, which matures July 22, 2022 and bears interest at a rate of 3% per annum. The conversion price is \$0.175 per share.	3,500	-
Promissory note dated July 27, 2021, issued to Arthur Chan which matures July 26, 2024, and bears interest at a rate of 8% per annum.	2,500	-
Unsecured promissory note without interest from a related party. Loan is paid in 20 equal installments maturing on 8/1/2022.	110	-
Promissory note dated May 1, 2020, issued as part of the Paycheck Protection Program ("PPP Loan") offered by the U.S. Small Business Administration. The interest rate on the note is 1%. The note matures in two years.	79	-
Promissory note dated June 1, 2020, issued as part of the Paycheck Protection Program ("PPP Loan") offered by the U.S. Small Business Administration. The interest rate on the note is 1%. The note matures in two years.	297	-
Line of credit agreement entered on March 31, 2021, which matures on March 31, 2022 and bears interest of 2.9% per 30 days.	4,500	-
Promissory note dated May 1, 2019, issued for the purchase of real property. Matures May 15, 2039. The promissory note bears interest at 9.89% per year.	2,975	-
Notes payable - promissory notes & mortgages	\$ 22,088	\$ 14,687
Vehicle loans & other loan agreements	155	29
Less: Short term debt, net of discounts	(8,648)	(8,033)
Less: Debt discount	(50)	(51)
Net Long Term Debt	\$ 13,545	\$ 6,632

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During the nine months ended September 30, 2021, the Company converted debt and accrued interest into 24,939,780 shares of the Company's common stock.

Promissory Note Extensions

On January 7, 2021, 620 Dyer LLC ("620 Dyer"), a subsidiary of the Company, entered into Amendment No. 1 (the "Loan Agreement Amendment") to the Loan Agreement between 620 Dyer and Elizon DB Transfer Agent LLC ("Elizon"), dated as of January 18, 2018 (the "Loan Agreement"). The Loan Agreement Amendment, among other things, amends the maturity date of the Loan Agreement from January 18, 2021 to January 18, 2022. 620 Dyer paid a 1% fee to extend the maturity date.

On January 8, 2021, the Company entered an amendment to the Secured Promissory Note issued by the Company (the "Borrower") to Arthur Chan (the "Lender") on January 10, 2020. The Loan Agreement Amendment, among other things, amended the maturity date of the Loan Agreement from January 10, 2021 to July 10, 2021.

Series A Preferred Stock Purchase Agreement

On January 22, 2021, the Company entered into a Series A Preferred Stock Purchase Agreement with Michael A. Nahass, pursuant to which the Company agreed to purchase from Mr. Nahass the four shares of the Company's Series A Preferred Stock held by Mr. Nahass for an aggregate purchase price of \$ 3.10 million, of which (i) \$1.00 million was paid in cash, (ii) \$1.05 million was paid in the form of an unsecured promissory note bearing interest at the rate of 8% and maturing on or about July 25, 2021 and (iii) \$1.05 million is in the form of an unsecured promissory note bearing interest at the rate of 8% and maturing on or about January 25, 2022.

Amendment of Existing Senior Convertible Promissory Notes and Securities Purchase Agreement

On January 25, 2021, the Company entered into several agreements with an accredited investor (the "Lender") that holds the promissory notes under the 2018 Securities Purchase Agreement. The amendments, among other things, (1) extended the maturity date of the June 2019 Note from January 26, 2021 to December 31, 2021 and (2) extended the maturity date of the October 2019 Note from April 21, 2021 to December 31, 2021. In connection with the Note Amendments, the Company issued to the Lender warrants to purchase 5,000,000 shares of the Company's common stock (the "Old Note Warrants") at an exercise price of \$0.01 per share. The Old Note Warrants are exercisable at any time before the close of business on June 25, 2026. The Old Note Warrants contain cashless exercise provisions and, to the extent not previously exercised, will be automatically exercised via cashless exercise on June 25, 2026.

In conjunction with the above amendments, the Company entered into a Securities Purchase Agreement with certain accredited investors (the "Purchasers"), pursuant to which the Company agreed to sell to the Purchasers \$3,500,000 in aggregate principal amount of the Company's senior convertible promissory notes (the "Notes") and warrants to purchase shares of the Company's common stock (the "Warrants"), exercisable at any time before the close of business on June 25, 2026. The Warrants are comprised of 15,000,000 "A Warrants" with an exercise price of \$0.01 per share and 15,000,000 "B Warrants" with an exercise price of \$0.2284 per share.

The Notes, which are convertible into common stock at any time at the discretion of the respective Purchasers at a conversion price of \$0.175 per share of common stock, will bear an interest rate of 3%. The Notes mature on or about July 24, 2022 unless accelerated due to an event of default. The Company has the right to prepay the Notes at any time upon 10 days' prior notice to the Purchasers. If the Company elects to prepay the Notes, the Company must pay the respective Purchasers an amount in cash equal to the product of (i) the sum of the then-outstanding principal amount of the Notes and all accrued but unpaid interest, multiplied by (ii) (x) 110%, if the prepayment date is within 90 days of the original issue date, (y) 115%, if the prepayment date is between 91 days and 180 days following the original issue date or (z) 125%, if the prepayment date is after the 180th day following the original issue date.

The Company can demand that the Purchasers convert the Notes at any time, on five calendar days' notice, that (i) the daily dollar volume-weighted average price for the Company's common stock for the prior five consecutive trading days is \$0.30 or more and (ii) (1) the shares underlying the Notes have been registered with the SEC or (2) there is a fundamental transaction that has been announced by the Company.

The Notes contain standard and customary terms concerning events of default. Events of default include, among other things, any failure to make payments when due, failure to observe or perform material covenants or agreements contained in the Notes, a material default under the Securities Purchase Agreement or related transaction documents or any other material contract to which the Company or any of its subsidiaries is a party, the breach of any representation or warranty in the Notes or the Securities Purchase Agreement, the bankruptcy or insolvency of the Company or any of its subsidiaries, the Company's common stock not being eligible for listing or quotation on a trading market and not eligible to resume listing or quotation for trading within 5 trading days, the Company's failure to meet the current public information requirements under Rule 144 under the Securities Act of 1933, as amended, the Company's failure to file required reports with the SEC, and the Company's failure to maintain sufficient reserved shares for issuance upon conversion of the Notes and exercise of the Warrants. If any event of default occurs, subject to any cure period, the full principal amount, together with interest (including default interest of 18% per annum) and other amounts owing in respect thereof through the date of acceleration shall become, at the Purchaser's election, immediately due and payable in cash.

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Management performed an analysis to determine the appropriate accounting treatment of the above transactions and concluded (1) a troubled debt restructuring had not occurred, and (2) as the total change in cash flows was greater than 10% of the carrying value of the debt, the transactions should be treated as a debt extinguishment for accounting purposes. A loss on extinguishment equal to the difference between the carrying value of the old debt and the reacquisition price was recognized in current period earnings.

Note Termination and Exchange Agreement

On July 27, 2021, the Company entered into a Note Termination and Exchange Agreement with Arthur Chan, pursuant to which the Company issued to Mr. Chan 4,548,006 shares of the Company's common stock at a price of \$0.23 per share as payment in full of the principal, interest and fees payable under the Secured Promissory Note issued by the Company to Mr. Chan on January 10, 2020 in the original principal amount of \$1.00 million. As a result, the Secured Promissory Note is no longer outstanding. Contemporaneously with the execution of the Exchange Agreement, the Company issued to Mr. Chan a Promissory Note in the amount of \$2.50 million. The New Note bears an interest rate of 8% and matures on July 26, 2024.

Debt Assumed in the Umbrla Acquisition

On July 1, 2021, upon the closing of the Umbrla acquisition, the Company assumed debt instruments consisting of the following:

Line of Credit: A line of credit agreement with Bespoke Financial, Inc. The line of credit is for the lesser of a maximum draw amount of \$4.5 million and a borrowing base consisting of eligible accounts receivable inventory and cash that serves as collateral. The line of credit accrues interest at a rate of 2.9% every 30 days and matures on March 21, 2022. The total outstanding balance on the line of credit was \$4.50 million as of September 30, 2021.

Payroll Protection Program ("PPP") Loans: In May 2020, Umbrla received loans under the Paycheck Protection Program offered by the U.S. Small Business Administration ("SBA") of which \$0.30 million remained outstanding on the acquisition date. The loan proceeds are available to be used to pay for payroll costs, including salaries, commissions and similar compensation, group health care benefits, rent, utilities and interest on certain other outstanding debt. The interest rate on the PPP Loans is a fixed rate of 1% per annum. The Company is required to make principal and interest payments in monthly installments. The PPP loans mature in the second quarter of 2022. The PPP Loans include events of default. Upon the occurrence of an event of default, the lender will have the right to exercise remedies against the Company, including the right to require immediate payment of all amounts due under the PPP Loans.

Related Party Promissory Note: On January 1, 2021, Umbrla issued an unsecured promissory note with a principal balance of \$0.20 million to a related party. No interest accrues on the note, except in the case of default, when the note bears 4.0% of interest. Principal payments on the note are due in monthly installments. As of September 30, 2021, the outstanding principal on the note was \$0.11 million.

Debt Assumed in the People's Choice Acquisition

Related Party Promissory Note: On January 1, 2021, People's First Choice, LLC issued an unsecured promissory note with a principal balance of \$5.00 million to a related party. Interest on the note accrues at a rate of 10.00% per annum, compounded quarterly. The note matures on June 30, 2022. The Company may prepay the note in whole or in part without premium or penalty, provided that any partial payment shall first be credited first to interest then due and payable.

Debt Assumed with Purchase of Halladay Holding, LLC.

Mortgage Assumed in Purchase of Halladay Holding LLC: On July 1, 2021, the Company entered into a Membership Interest Purchase Agreement with Nicholas Kovacevich and Dallas Imbimbo, pursuant to which the Company acquired 100% of the outstanding membership interests in Halladay Holding, LLC from Mr. Kovacevich and Mr. Imbimbo. Halladay Holding, LLC is the owner of real property located at 3242 S. Halladay Street, Santa Ana, CA 92705, where the Company operates a cannabis dispensary and maintains its principal office space. Upon consummation of the agreement, the Company assumed a mortgage with an outstanding balance of \$2.97 million as of September 30, 2021. The loan, which accrues interest at a rate of 9.89% per annum, matures on May 1, 2039.

NOTE 11 – FAIR VALUE MEASUREMENTS

On March 30, 2020, Edible Garden Corp. (“Edible Garden”), a wholly-owned subsidiary of the Company, entered into and closed an Asset Purchase Agreement (the “Purchase Agreement”) with Edible Garden Incorporated (the “Purchaser”), pursuant to which Edible Garden sold and the Purchaser purchased substantially all of the assets of Edible Garden (the “Business”). The consideration paid for the Business included two option agreements to purchase up to a 20% interest in the Purchaser for a nominal fee. The first option gives the Company the right to purchase a 10% interest in the Purchaser for one dollar at any time between the one and five-year anniversary of the transaction, or at any time should a change in control event or public offering occur. The second option gives the Company the right to purchase an additional 10% interest in the Purchaser for one dollar at any point prior to the five-year anniversary of the transaction. The second option is automatically terminated upon payment in full of the \$3.00 million secured promissory note.

Management estimated the fair value of the options using the Black-Scholes model, utilizing level 3 inputs that included the stock price, annual volatility, and the probability the second option will be terminated due to repayment of the secured promissory note. The estimated fair value of the options was \$0.33 million as of September 30, 2021 and December 31, 2020. The options are included in the “Investments” line within the consolidated balance sheet.

NOTE 12 – 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 (“ROU assets”) are included in other assets while lease liabilities are a line-item on the Company’s Consolidated Balance Sheets.

ROU 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. ROU 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 ROU 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. ROU assets include any lease payments required to be made prior to commencement and exclude lease incentives. Both ROU 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 for the nine months ended September 30, 2021 and September 30, 2020 were \$0.67 million and \$0.68 million, respectively. Short-term lease costs during the 2021 and 2020 fiscal quarters ended September 30 were not material.

As of September 30, 2021 and December 31, 2020, short term lease liabilities of \$2.93 million and \$0.81 million are included in “Accounts Payable and Accrued Expenses” on the consolidated balance sheets, respectively. The table below presents total operating lease ROU assets and lease liabilities as of September 30, 2021 and December 31, 2020:

	(in thousands)	
	September 30, 2021	December 31, 2020
Operating lease ROU assets	\$ 10,003	\$ 8,137
Operating lease liabilities	10,864	8,895

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The table below presents the maturities of operating lease liabilities as of September 30, 2021:

	(in thousands)
	Operating Leases
2021 (remaining)	\$ 1,258
2022	3,409
2023	2,526
2024	2,268
2025	1,649
Thereafter	5,015
Total lease payments	16,126
Less: discount	(5,262)
Total operating lease liabilities	\$ 10,864

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:

	Nine Months Ended September 30, 2020
Weighted average remaining lease term (years)	8.3
Weighted average discount rate	9.8%

NOTE 13 – EQUITY

Preferred Stock

On January 22, 2021, the Company entered into a Resignation and Release Agreement and a Series A Preferred Stock Purchase Agreement with Michael A. Nahass. Mr. Nahass agreed to resign from his positions as a director, executive officer and employee of the Company, and the Company agreed to purchase from Mr. Nahass the four shares of the Company's Series A Preferred Stock held by Mr. Nahass for an aggregate purchase price of \$ 3,100,000, of which (i) \$1,000,000 was paid in cash, and \$2.1 million was paid in the form of promissory notes. The Company recorded severance expense equal to the fair value of consideration paid to Mr. Nahass in current period earnings.

On January 22, 2021, the Company entered into a Resignation and Release Agreement with Derek Peterson, pursuant to which Mr. Peterson agreed to resign from his positions as a director, executive officer and employee of the Company effective immediately upon the Company's closing of a private placement in the amount of not less than \$3,500,000, which occurred on January 25, 2021. In addition, the Company extended the time within which vested common stock options held by Mr. Peterson may be exercised to 150 days after the date of resignation.

Mr. Peterson agreed to the cancellation of his Series A Preferred Stock through conversion into 16,485,714 shares of common stock and, in consideration of the conversion, was issued 4,945,055 warrants to purchase common stock, expiring in June 2026, with an exercise price of \$0.01 per share, which are subject to a one-year lockup with registration rights. The Company recorded severance expense equal to the fair value of consideration paid to Mr. Peterson in current period earnings.

On February 3, 2021, the Company filed (1) a Certificate of Withdrawal of Certificate of Designation of the Company's Series A Preferred Stock with the Secretary of State of the State of Nevada, which withdraws the Certificate of Designation establishing the Company's Series A Preferred Stock and eliminates the Company's Series A Preferred Stock from the Company's Articles of Incorporation and (2) a Certificate of Withdrawal of Certificate of Designation of the Company's Series B Preferred Stock with the Secretary of State of the State of Nevada, which withdraws the Certificate of Designation establishing the Company's Series B Preferred Stock and eliminates the Company's Series B Preferred Stock from the Company's Articles of Incorporation.

Common Stock

The Company authorized 990.0 million shares of common stock with \$0.001 par value per share. As of September 30, 2021 and December 31, 2020, 430.56 million and 194.2 million shares of common stock were outstanding, respectively.

Treasury Stock

During 2021, the Company acquired 8 shares of Series A Preferred stock as part of the resignation and release agreements entered into with Mr. Nahass and Mr. Peterson, as described above. The shares were recorded at fair market value as of the date the agreements were executed.

NOTE 14 – STOCK-BASED COMPENSATION

2016 & 2018 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. On February 14, 2020, the Company amended the number of shares reserved for issuance under the 2018 Equity Incentive Plan to 43,976,425. The following table contains information about the 2016 and the 2018 Equity Incentive Plans as of September 30, 2021:

	<u>Awards Reserved for Issuance</u>	<u>Awards Outstanding</u>
2016 Equity incentive plan	2,000,000	499,953
2018 Equity incentive plan	43,976,425	20,665,587

Stock Options

The following table summarizes the Company’s stock option activity and related information for the nine months ended September 30, 2021:

	<u>Number of Shares</u>	<u>Weighted- Average Exercise Price Per Share</u>	<u>Weighted- Average Remaining Contractual Life</u>	<u>Aggregate Intrinsic Value of In-the-Money Options</u>
Options outstanding as of January 1, 2021	17,492,830	\$ 0.41		
Options granted	88,930,019	\$ 0.23		
Options exercised	(2,096,970)	\$ 0.05		
Options forfeited	(4,584,010)	\$ 0.19		
Options expired	-	\$ -		
Options outstanding as of September 30, 2021	99,741,869	\$ 0.46	9.0 years	\$ 2,797
Options exercisable as of September 30, 2021	5,593,814	\$ 0.91	8.4 years	\$ 1,390

As of September 30, 2021, there was \$8.72 million total unrecognized stock-based compensation. Such costs are expected to be recognized over a weighted-average period of approximately 2.8 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.

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, within continuing operations:

Type of Award	(in thousands except for shares / options)			
	For the Three Months Ended			
	September 30, 2021		September 30, 2020	
	Number of Shares or Options Granted	Stock-Based Compensation Expense	Number of Shares or Options Granted	Stock-Based Compensation Expense
Stock options	83,020,303	\$ 780	909,090	\$ 298
Stock grants:				
Employees (common stock)	-	-	-	-
Directors (common stock)	-	-	1,082,700	119
Non-employee consultants (common stock)	-	-	84,615	11
Total stock-based compensation expense		\$ 780		\$ 428

Type of Award	For the Nine Months Ended			
	September 30, 2021		September 30, 2020	
	Number of Shares or Options Granted	Stock-Based Compensation Expense	Number of Shares or Options Granted	Stock-Based Compensation Expense
	Stock options	88,930,019	\$ 1,664	10,559,090
Stock grants:				
Employees (common stock)	250,000	67	3,179,544	58(a)
Directors (common stock)	885,159	213	909,090	19(b)
Non-employee consultants (common stock)	322,947	32	1,159,615	59
Total stock-based compensation expense		\$ 1,976		\$ 1,672

(a) Expense for Q1 grants attributed to 2019 bonuses was recorded in 2019.

(b) clawback of shares granted in 2019.

NOTE 15 – WARRANTS

The following table summarizes warrant activity for the nine months ended September 30, 2021:

	Warrants	Weighted-Average Exercise Price
Warrants Outstanding as of January 1, 2021	1,076,555	\$ 1.99
Warrants Granted	85,336,515	\$ 0.08
Warrants Outstanding as of September 30, 2021	86,413,070	\$ 0.10

The Company estimated the fair value of the warrants issued in 2021 utilizing the Black-Scholes option-pricing model with the following weighted-average inputs:

	September 30, 2021
Expected term (years)	3.8
Volatility	112.6%
Risk-free interest rate	0.17%
Dividend yield	0%

NOTE 16 – 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. Currently, we have received annual as well as provisional licenses from California's cannabis licensing agencies. We are actively working with the State to provide all required information and have confidence that the provisional licenses that we have received will become annual licenses in the future.

NOTE 17 – DISCONTINUED OPERATIONS

On May 8, 2019, MediFarm LLC, a wholly-owned subsidiary of the Company, entered into an Asset Purchase Agreement (the "Purchase Agreement") with Picky, LLC (the "Purchaser") pursuant to which the Company agreed to sell and the Purchaser agreed to purchase substantially all of the assets of the Company related to the Company's dispensary located at 1130 East Desert Inn Road, Las Vegas, NV 89109 (the "Business"). The aggregate consideration to be paid for the Business is \$10.00 million, of which \$7.20 million is cash (the "Purchase Price"). A portion of the Purchase Price is payable by the Purchaser pursuant to a 12 month Secured Promissory Note with a principal amount of \$2.80 million (the "Note"). The Note is secured by all the assets sold pursuant to the Purchase Agreement. In conjunction with the Note, Purchaser and the Company entered into a Security Agreement granting the Company a security interest in all the assets sold pursuant to the Purchase Agreement. The transaction has been approved by the Nevada Department of Taxation and is awaiting local government approval which is being impacted by COVID-19. It is expected to close promptly following receipt of such approval.

On August 19, 2019, MediFarm I LLC, a wholly-owned subsidiary of the Company, entered into an Asset Purchase Agreement (the "Purchase Agreement") with Picky Reno, LLC (the "Purchaser") pursuant to which the Company agreed to sell and the Purchaser agreed to purchase substantially all of the assets of the Company related to the Company's dispensary located at 1085 S Virginia St Suite A, Reno, NV 89502 (the "Business"). The aggregate consideration to be paid for the Business is \$13.50 million, of which \$9.30 million is cash (the "Purchase Price"). A portion of the Purchase Price is payable by the Purchaser pursuant to a 12 month Secured Promissory Note with a principal amount of \$4.20 million (the "Note"). The Note is secured by all the assets sold pursuant to the Purchase Agreement. In conjunction with the Note, Purchaser and the Company entered into a Security Agreement granting the Company a security interest in all the assets sold pursuant to the Purchase Agreement. The transaction has been approved by the Nevada Department of Taxation and is awaiting local government approval which is being impacted by COVID-19. It is expected to close promptly following receipt of such approval.

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On April 15, 2020, MediFarm LLC, a wholly-owned subsidiary of the Company, entered into an Asset Purchase Agreement (the “Purchase Agreement”) with Natural Medicine, LLC, a nonaffiliated third party (the “Purchaser”) pursuant to which the Company agreed to sell and the Purchaser agreed to purchase substantially all of the assets of the Company related to the Company’s dispensary located at 3650 S. Decatur Blvd., Las Vegas, NV. The aggregate consideration to be paid for the Business is \$5.25 million, of which \$2.50 million is cash and \$2.75 million is payable by the Purchaser pursuant to a 12-month Secured Promissory Note bearing 8% interest per annum, which is secured by all of the assets sold pursuant to the Purchase Agreement. The transaction has been approved by the Nevada Department of Taxation and is awaiting local government approval which is being impacted by COVID-19. It is expected to close promptly following receipt of such approval. The Company will recognize a gain upon completion of the sale of the assets, equal to the difference between the consideration paid and the book value of the assets as of the disposition date, less direct costs to sell, and reflect such loss in discontinued operations.

The pending sales of our Nevada dispensaries and significant assets divested during 2020 represent a strategic shift that will have 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”

During 2020, Management suspended the operations of OneQor Technologies 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.

The following table summarizes the operating results for discontinued operations during the three and nine-month periods ended September 30, 2021: Operating results for the discontinued operations were comprised of the following:

	<u>(in thousands)</u>		<u>(in thousands)</u>	
	Three Months		Nine Months	
	ended September 30,		ended September 30,	
	2021	2020	2021	2020
Total revenues	\$ -	\$ 203	\$ -	\$ 3,478
Cost of goods sold	-	94	-	2,755
Gross profit	-	109	-	723
Selling, general and administrative expenses	233	1,355	291	5,224
Impairment of Assets	-	4,043	-	10,359
(Gain) / Loss on sale of assets	(6,588)	(1,203)	(6,589)	1,994
Income (Loss) from operations	\$ 6,355	\$ (4,086)	\$ 6,298	\$ (16,854)
Other income (expense)	(43)	(113)	(28)	(489)
Income (Loss) from discontinued operations	\$ 6,312	\$ (4,199)	\$ 6,270	\$ (17,343)
Income (Loss) from discontinued operations per common share attributable to Unrivaled Brands, Inc. common stockholders - basic and diluted	\$ 0.02	\$ (0.02)	\$ 0.03	\$ (0.10)

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The carrying amounts of the major classes of assets and liabilities for the discontinued operations are as follows:

	(in thousands)	
	September 30, 2021	December 31, 2020
Prepaid expenses and other assets	\$ -	\$ 2
Property, equipment and leasehold improvements, net	-	2,766
Other assets	109	186
Assets of discontinued operations	\$ 109	\$ 2,954
Accounts payable and accrued expenses	\$ 826	\$ 985
Deferred gain on sale of assets	7,806	8,783
Short-term debt	562	-
Long-term lease liabilities	-	28
Liabilities of discontinued operations	\$ 9,124	\$ 9,796

[Sale of 4th Street Assets](#)

On August 9, 2021, the Company sold its real property in Las Vegas, NV for \$2.60 million in cash to 117 Real Estate Holdings LLC.

[Sale of Carnegie Assets](#)

On August 10, 2021, the Company entered into a Stock Purchase Agreement with two individuals pursuant to which the Company sold all of the share of common stock of its wholly-owned subsidiary, 1815 Carnegie Santa Ana, Corp. ("1815 Carnegie") to those individuals for aggregate consideration of \$ 1.7 million. 1815 Carnegie holds a permit to operate a cannabis dispensary in the City of Santa Ana, CA. On August 12, 2021, the Company also entered into a Supply agreement with an affiliate of purchasers to obtain a right of first refusal to purchase cannabis bulk and distillate to be integrated into the Company cannabis goods and products, as well as a Retail Space Agreement with 1815 Carnegie, pursuant to which the Company will receive guaranteed placement of 15 SKUs at the cannabis dispensary. Each agreement has a term of three years.

NOTE 18 – 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 were no material matters that required an accrual as of September 30, 2021.

NOTE 19 – RELATED PARTY TRANSACTIONS

On July 1, 2021, the Company entered into a Membership Interest Purchase Agreement with Nicholas Kovacevich and Dallas Imbimbo, pursuant to which the Company acquired 100% of the outstanding membership interests in Halladay Holding, LLC from Mr. Kovacevich and Mr. Imbimbo. Halladay Holding, LLC is the owner of real property located at 3242 S. Halladay Street, Santa Ana, CA 92705, where the Company operates a cannabis dispensary and maintains its principal office space. Pursuant to the Purchase Agreement, as consideration for the Acquisition, the Company paid Mr. Kovacevich and Mr. Imbimbo an aggregate purchase price of \$ 4.60 million in cash. The Company had an independent third-party perform a valuation of the Property prior to entering into the Purchase Agreement. Mr. Kovacevich is the Chairman of the Company's Board of Directors and Mr. Imbimbo is a director of the Company. As such, the Acquisition is a related party transaction.

All related party transactions are monitored quarterly by the Company and approved by the Audit Committee of the Board of Directors.

NOTE 20 – SUBSEQUENT EVENTS

On October 1, 2021, the previously disclosed acquisition of Silverstreak Solutions, Inc. ("Silverstreak") was completed. In consideration for all of the issued and outstanding shares of common stock of Silverstreak, at the closing (the "Closing") of the transactions contemplated by the Stock Purchase Agreement among the Company and Sterling Harlan and Matthew Guild (collectively, the "Sellers"), dated as of June 9, 2021, the Company paid the Sellers on a pro rata basis a total of Eight Million Five Hundred Thousand Dollars (\$8,500,000) (the "Purchase Price"). The Purchase Price is comprised of (i) One Million Five Hundred Thousand Dollars (\$1,500,000) in cash, (ii) 9,051,412 shares of restricted common stock, par value \$0.001 per share, of the Company (the "Purchaser Shares"), which is equal to the quotient obtained by dividing (a) \$2,500,000, by (b) the volume-weighted average price of the Purchaser Shares as reported through Bloomberg for the ten (10) consecutive trading days ending on the business day prior to the Closing, (iii) \$2,000,000 in unsecured promissory notes with an interest rate of 3% and due six months after the Closing, and (iv) \$2,500,000 in unsecured promissory notes with an interest rate of 3% and due twelve months after the Closing.

On October 1, 2021, in connection with the Acquisition, People's California issued senior secured indebtedness to the Company, pursuant to the terms of a certain Secured Promissory Note (the "Third Deposit Note"). The Third Deposit Note provided for a one-time advance of \$2.00 million (the "Loan") by the Company to People's California at a flat rate of 3% per annum. The Third Deposit Note matures on October 1, 2022. The full principal balance and all outstanding but unpaid interest is due and payable at the maturity date of October 1, 2022; provided that, if the Company consummates the first closing, pursuant to the terms of the Purchase Agreement, then the principal amount of the Third Deposit Note, but not the accrued interest, shall be deemed repaid, satisfied, or otherwise applied to the cash consideration paid for the equity of the Target and the Third Deposit Note shall be deemed satisfied.

On October 6, 2021, the Company exercised both options to purchase an aggregate of 20% of the common stock of Edible Garden for \$2.00

On November 9, 2021, the Company entered into a Securities Purchase Agreement with an accredited investor, pursuant to which the Company agreed to issue and sell 9,677,419 shares of restricted common stock of the Company at an offering price of \$0.31 per share, for gross proceeds of \$3,000,000.

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

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, 2020 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.

Company Overview

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

Our Business

The Company is a multi-state operator (MSO) with retail, production, distribution, and cultivation operations, with an emphasis on providing the highest quality of medical and adult use cannabis products. From the acquisition of UMBRLA, the Company has multiple cannabis lifestyle brands. The Company is home to Korova, a brand of high potency products across multiple product categories, currently available in California, Oregon, Arizona, and Oklahoma. Other Company brands include Cabana, a boutique cannabis flower brand, and Sticks, a mainstream value-driven cannabis brand, active in California and Oregon. With the Management Services Agreement and pending acquisition of People's First Choice, the Company operates the premier cannabis dispensary in Orange County California. The Company also owns dispensaries in California which operate as The Spot in Santa Ana and Blum in Oakland and San Leandro. The Company also has licensed distribution facilities in Portland, Los Angeles, and Sonoma County.

We are organized into one reportable segment: *Cannabis Dispensary, Cultivation and Production*, which includes cannabis-focused retail, cultivation and production operations.

Employees

As of September 30, 2021, the Company had 286 employees versus 53 from the prior quarter. The additions in headcount were a direct result of the merger between Terra Tech Corp. and UMBRLA which rebranded as Unrivaled Brands, Inc. (Unrivaled, The Company) and the Management Agreement between Peoples First Choice and the Company which brought an additional 84 employees. At time of writing, Unrivaled employees accounted for 202.

RESULTS OF OPERATIONS

The below table outlines the impact of reclassifying the operations of the Nevada Dispensaries, OneQor, and Edible Garden to discontinued operations:

**Revenue & Gross Profit Breakdown
Continuing & Discontinued Operations
(in thousands)**

	Three Months Ended September 30				Nine Months Ended Sept 30			
	2021	2020	Change	%	2021	2020	Change	%
Revenue								
Continuing Operations	\$ 23,434	\$ 3,053	\$ 20,381	667.6%	\$ 34,809	\$ 9,806	\$ 25,003	255.0%
Discontinued Operations	-	203	(203)	-100.0%	-	3,478	(3,478)	-100.0%
Total Revenue	23,434	3,256	20,178	619.7%	34,809	13,284	21,525	162.0%
Cost of Goods Sold								
Continuing Operations	21,146	1,615	(19,531)	n.a.	27,750	4,796	(22,954)	-478.6%
Discontinued Operations	-	94	94	100.0%	-	2,755	2,755	100.0%
Total Cost of Goods Sold	21,146	1,709	(19,531)	n.a.	27,750	7,551	(22,954)	-478.6%
Gross Profit \$								
Continuing Operations	\$ 2,288	\$ 1,438	\$ 850	59.1%	\$ 7,059	\$ 5,010	\$ 2,049	40.9%
Discontinued Operations	-	109	(109)	-100.0%	-	723	(723)	-100.0%
Total Gross Profit \$	2,288	1,547	741	47.9%	7,059	5,733	1,326	23.1%
Gross Profit %								
Continuing Operations	9.8%	47.1%	-37.3	%	20.3%	51.1%	-30.8	%
Discontinued Operations	-	53.7%	-		-	20.8%	-	
Total Gross Profit %	9.81%	47.5%	-37.7	%	20.3%	43.2%	-22.9	%

Outlook

Unrivaled Brands, Inc. has made substantial progress on its integration efforts since successfully closing the merger with UMBRLA on July 1st, 2021. Management believes that this strategic acquisition and corporate rebranding will provide a sustainable platform to capture synergies across organization verticals by leveraging Unrivaled's existing brand portfolio and scaling its multi-state distribution operations. Furthermore, on September 1st, 2021 the Company entered into a Management Agreement with People's First Choice; granting Unrivaled Brands, Inc. operational management and control of the Santa Ana, CA dispensary which provided an immediate lift to revenues as well as the opportunity to expand the retail footprint of our in-house product lines including but not limited to; Korova, Sticks & Cabana.

Besides integrating and expanding the Company's platform – management is focused on fostering strategic partnerships with keystone brands in the west coast that complement our brand portfolio and corporate mission. As such, on August 18th 2021, Unrivaled entered into an exclusive distribution agreement with G-Eazy's FlowerShop, a lifestyle and wellness brand that can be found in over 400 retail stores across California at time of writing. To this end, the Company's efforts to create a robust and scalable platform in tandem to brand-conscious partnerships both position the Company to create sustainable shareholder value as "The West Coast MSO".

Comparison of the Three Months Ended September 30, 2021 and 2020

Revenues

During the three months ended September 30, 2021, the Company generated total revenue of \$23.43 million composed of retail revenue of \$7.24 million, distribution revenue of \$14.56 million and cultivation revenue of \$1.63 million. This compared to total revenue of \$3.05 million for the quarter ended September 30, 2020 which included retail revenue of \$0.54 million, distribution revenue of \$0.55 million and cultivation revenue of \$1.96 million. This was an increase of 621 percent.

Retail revenue for the quarter outpaced the prior comparable quarter in part due to the Management Agreement between the Company and People's Santa Ana, one of the leading retail locations in Orange County which was signed in September 2021 has provided an immediate lift to revenues of \$2.63 for the month ended September 30, 2021.

Management expects to support revenue growth by offering additional consumer options like direct-to-consumer, in-store pickup as well as expanding geographic footprint in the coming months. This comes after adding UMBRLA's retail location, The Spot, which generated over \$2.32 million during the three months ended September 30, 2021.

Revenues were dramatically increased as a result of the Company's successful merger with UMBRLA, now with a distribution network throughout California and Oregon. The additive distribution assets provided a net benefit of \$13.62 million for the three months ended September 30, 2021 as a direct result of integrating UMBRLA's platform - an increase of 1,433 percent compared to the three months ended September 30, 2020.

Gross Profit

The Company's gross profit for the three months ended September 30, 2021 was \$2.29 million, compared to a gross profit of \$1.44 million for the three months ended September 30, 2020, an increase of \$0.85 million or 59 percent.

Selling, General and Administrative Expenses and Other Operating Expenses

The merger with UMBRLA and the Management Services Agreement with People's First Choice led to more operations with additional facilities, employees and costs to support them. Selling, general and administrative expenses for the three months ended September 30, 2021 were \$13.52 million, compared to \$5.59 million for the three months ended September 30, 2020, an increase of \$7.93 million or 142 percent. For the three months ended September 30, 2021 and 2020 Employee Related Expenses increased by \$1.64 million or 69.4 percent, facilities related expenses, such as Rent, Utilities, Repairs & Maintenance, Security and Insurance, increased by \$1.22 million over Q3 of 2020. Advertising, accounting fees, technology and other professional services increased by \$0.98 million. Option expense and director's compensation increased by \$0.82 million with the addition of two more board members or 196 percent. Taxes, licensing and permitting increased by \$0.74 million.

Operating Income (Loss)

The Company realized an operating loss of \$11.23 million for the three months ended September 30, 2021 compared to an operating loss of \$13.94 million for the three-month ended September 30, 2020, an improvement of \$2.71 million or 20 percent.

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Other Income (Expense)

Other expense for the three months ended September 30, 2021 were \$0.55 million, compared to the \$0.16 million loss recognized in the three months ended September 30, 2020, an increase of \$0.39 million. This increase was attributed to additional interest expense and lower other income compared with Q3 of last year.

Discontinued Operations

We realized a net gain of \$6.31 million for the three months ended September 30, 2021 compared with a net loss of \$4.20 million for the same timeframe last year. This was an increase of \$10.51 million over the three months ended September 30, 2020 resulting from the disposal of our Blum Decatur assets in Nevada.

Net Loss Attributable to Unrivaled Brands, Inc.

We incurred a net loss of \$5.35 million, or \$0.01 per share, for the three months ended September 30, 2021, an improvement of \$0.08 per share compared to a net loss of \$18.16 million, or (\$0.09) per share, for the three months ended September 30, 2020.

The improvement in net loss was attributable to management's continued focus on efficiency as well as integrating the legacy Terra Tech operations, the legacy Umbra operations and the People's operation together. The newly combined company had sales general and administrative expenses increase by 145 percent to \$13.52 million in the third quarter of 2021 compared to the third quarter of 2020; however, the business also saw revenue expand by \$20.38 million or 668 percent.

Comparison of the Nine Months Ended September 30, 2021 and 2020

Revenues

For the nine months ended September 30, 2021, the Company generated revenues of \$34.81 million, compared to \$9.81 million for the nine months ended September 30, 2020, an increase of \$25.00 million or 255 percent. As stated above, the increase in revenues were a direct result of the merger between Terra Tech Corp. and UMBRLA and the Management Agreement between Unrivaled Brands Inc. and People's First Choice. Excluding these two events, the legacy operations of Terra Tech Corp. have trended upwards compared to the nine months ended September 30, 2021, where revenue has increased by 63 percent or \$6.83 million.

Gross Profit

Our gross profit for the nine months ended September 30, 2021 was \$7.06 million, compared to a gross profit of \$5.01 million for the nine months ended September 30, 2020, an increase of \$2.05 million or 41 percent.

Selling, General and Administrative Expenses and Other Operating Expenses

Selling, general and administrative expenses for the nine months ended September 30, 2021 were \$33.84 million, compared to \$20.41 million for the nine months ended September 30, 2020, an increase of \$13.58 million or 67 percent. The increase was due to a larger operational footprint in third quarter of 2021 and nearly \$9.00 million of severance expenses paid out in the first quarter of 2021. In addition to those two factors, in the first half of the year management's ongoing expense reduction initiative contributed to a decrease of \$3.49 million predominately from salaries and wages, professional services including but not limited to legal, accounting and technology.

Operating Income (Loss)

We realized an operating loss of \$26.79 million for the nine months ended September 30, 2021, compared to an operating loss of \$35.27 million for the nine months ended September 30, 2020, an improvement in loss of approximately \$8.49 million or 24 percent. Year to date 2020 included a \$19.91 million impairment of assets charge.

Other Income (Expense)

Other expense for the nine months ended September 30, 2021 was \$1.61 million, compared to \$1.54 million recognized in the nine months ended September 30, 2020. The variance was primarily driven by higher interest expense in 2021.

Discontinued Operations

We recognized a gain from discontinued operations of \$6.27 million for the nine months ended September 30, 2021. This was an improvement of \$23.61 million over the nine months ended September 30, 2020 where the Company recorded a loss of \$17.34 million.

Net Loss Attributable to Unrivaled Brands, Inc.

We incurred a net loss of \$21.53 million, or \$0.07 per share, for the nine months ended September 30, 2021, an improvement of 60 percent compared to a net loss of \$53.67 million, or \$0.29 per share, for the nine months ended September 30, 2020.

The improvement in net loss was mainly attributable to management's continued focus on cost efficiency within the corporate function; including but not limited to strategic reductions in headcount and the elimination of non-core assets. Furthermore, as our cultivation facilities progress – the Company expects further improvements through a comprehensive marketing campaign and by expanding the market share of our in-house brands.

Management plans to continue its efforts to lower operating expenses and increase revenue through strategic investments, improvements to our technology stack and furthering the education of potential clients. Due to the quasi-fixed nature of the company's operating structure, management expects that, as revenue increases, those expenses will significantly decrease as a percentage of revenue.

Because the Company is subject to various macro-economic trends and legislative outcomes which can materially impact the condition, financial performance and future performance in succeeding quarters, there can be no assurance that we will be able to increase our revenues to the degree management expects. Deviations to expectations around these trends could cause actual results to differ materially from any forward-looking information expressed in this MD&A and the Company's financial statements.

DISCLOSURE ABOUT OFF-BALANCE SHEET ARRANGEMENTS

We do not have any transactions, agreements or other contractual arrangements that constitute off-balance sheet arrangements.

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 condensed consolidated financial statements included in this report.

LIQUIDITY AND CAPITAL RESOURCES

We incurred net losses for the three months and nine months ended September 30, 2021 and 2020 and have an accumulated deficit of approximately \$240.42 million and \$219.80 million at September 30, 2021 and December 31, 2020, respectively.

As of September 30, 2021, we had working capital of \$1.70 million, including \$15.24 million of cash compared to working capital of \$11.18 million, including \$0.95 million of cash, as of December 31, 2020. Current assets were approximately 1.04 times current liabilities as of September 30, 2021, compared to approximately 1.42 times current liabilities as of December 31, 2020.

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 preferred stock, common 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 2021. 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 it will be available to us on acceptable terms, on an acceptable schedule, or at all.

Operating Activities

Cash used in operating activities for the nine months ended September 30, 2021 was \$16.32 million, compared to \$12.89 million for the nine months ended September 30, 2020, an increase of \$3.43 million, or approximately 26.6 percent. The increase in cash used in operating activities was due to primarily to a \$3.62 million increase in cash used for inventory.

Investing Activities

Cash provided by investing activities for the nine months ended September 30, 2021 was \$28.62 million, compared to cash provided by investing activities of \$11.23 million for the nine months ended September 30, 2020, an increase of \$17.39 million, or 155 percent. The increase in cash provided by investing activities was primarily due to proceeds from the sale of our Hydrofarm investment partially offset by cash paid for acquisitions.

Financing Activities

Cash provided by financing activities for the nine months ended September 30, 2021 was \$2.04 million, compared to \$2.77 million for the nine months ended September 30, 2020, a decrease of \$0.73 million, or 26 percent. The decrease in cash provided by financing activities for the nine months ended September 30, 2021 was primarily due to \$3.05 million of additional proceeds from the issuance of debt, offset by \$3.53 million cash outflows for debt principal and financing fees, and \$0.25 million of lower proceeds from the issuance of common stock.

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 our 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 our liquidity. In addition, in evaluating Non-GAAP earnings, you should be aware that in the future we will incur expenses or charges such as those added back to calculate Non-GAAP earnings. Our presentation of Non-GAAP earnings should not be construed as an inference that our 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 our results as reported under US GAAP. Some of these limitations are (i) it does not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments, (ii) it does not reflect changes in, or cash requirements for, our working capital needs, (iii) it does not reflect interest expense, or the cash requirements necessary to service interest or principal payments, on our 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 our 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.

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

We believe 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). We also present Non-GAAP earnings because (i) we believe that this measure is frequently used by securities analysts, investors and other interested parties to evaluate companies in our industry, (ii) we believe that investors will find these measures useful in assessing our ability to service or incur indebtedness, and (iii) we use Non-GAAP earnings internally as benchmark to compare our performance to that of our competitors.

In the presentation of the financial results below, the Company reconciles Non-GAAP earnings (loss) with net loss attributable to continuing operations, the most directly comparable GAAP measure, and reports Non-GAAP earnings (loss) per share, which is calculated by dividing Non-GAAP net income (loss) divided by weighted average common shares. Management believes that this presentation may be more meaningful in analyzing our income generation.

On a non-GAAP basis, the Company recorded a non-GAAP loss of \$0.88 million for the three months ended September 30, 2021, compared to a non-GAAP loss in the amount of \$12.71 million for the three months ended September 30, 2020. For the nine months ended September 30, 2021, the Company recorded a \$3.27 million loss compared to a \$38.32 million loss for the nine months ended September 30, 2020. The details of those expenses and non-GAAP reconciliation of these non-cash items are set forth below:

	Non-GAAP Reconciliation			
	(in thousands)			
	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2021	2020	2021	2020
Net loss attributable to Unrivaled Brands Inc.	\$ (5,347)	\$ (18,161)	\$ (21,530)	\$ (53,672)
Non-GAAP adjustments				
Amortization of intangible assets	1,136	-	1,512	761
Depreciation expense	1,091	-	2,968	1,913
Stock based compensation	1,685	-	2,883	1,244
Impairment of assets	-	4,998	-	10,118
Interest expense	740	454	1,344	1,356
Severance expense for Series A share repurchases	-	-	8,990	-
Loss (Gain) on sale of investments	-	-	(5,337)	-
Gain on sale of assets	-	-	6	(35)
Gain for debt forgiveness	-	-	(86)	-
Loss on extinguishment of debt	(185)	-	5,976	-
Non-GAAP gain / (loss)	<u>\$ (880)</u>	<u>\$ (12,709)</u>	<u>\$ (3,273)</u>	<u>\$ (38,315)</u>

The following table sets forth the computation of basic and diluted loss per share on a non-GAAP basis:

	Non-GAAP Reconciliation			
	(in thousands, except for share amounts)			
	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2021	2020	2021	2020
Non-GAAP net income (loss)	\$ (880)	\$ (12,709)	\$ (3,273)	\$ (38,315)
Denominator				
Weighted average common shares - Basic	457,745,655	206,828,614	317,491,979	186,295,127
Weighted average common shares - Diluted	457,745,655	206,828,614	317,491,979	186,295,127
Non-GAAP earnings (loss) per common share:				
Non-GAAP earnings (loss) - Basic	\$ (0.00)	\$ (0.06)	\$ (0.01)	\$ (0.21)
Non-GAAP earnings (loss) - Diluted	\$ (0.00)	\$ (0.06)	\$ (0.01)	\$ (0.21)

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 September 30, 2021. Disclosure controls and procedures means that the material information required to be included in our SEC reports is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms relating to our company, including any consolidating subsidiaries, and was made known to us by others within those entities, particularly during the period when this report was being prepared. 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 effective as of September 30, 2021.

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 September 30, 2021 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, “*Litigation and Claims*” for further information about legal activity.

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, 2020, except for the risk factors noted below. Please refer to that section for disclosures regarding the risk and uncertainties relating to our business.

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.

Our common stock may be categorized as “penny stock,” which may make it more difficult for investors to sell their shares of common stock due to suitability requirements.

Our common stock may be categorized as “penny stock.” The Commission has adopted Rule 15c-9 under the Exchange Act, which generally defines “penny stock” to be any equity security that has a market price (as defined) less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions. The price of our common stock is significantly less than \$5.00 per share and, unless we qualify for an exception, may be considered “penny stock.” This designation imposes additional sales practice requirements on broker-dealers who sell to persons other than established customers and accredited investors. The penny stock rules, if applicable to us, would require a broker-dealer buying our securities to disclose certain information concerning the transaction, obtain a written agreement from the purchaser and determine that the purchaser is reasonably suitable to purchase the securities given the increased risks generally inherent in penny stocks. These rules may restrict the ability and/or willingness of brokers or dealers to buy or sell our common stock, either directly or on behalf of their clients, may discourage potential stockholders from purchasing our common stock, or may adversely affect the ability of stockholders to sell their shares.

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 February 9, 2012, by and among the Company, a Nevada corporation, TT Acquisitions, Inc., a Nevada corporation, and GrowOp Technology Ltd., a Nevada corporation (1)
2.2	Articles of Merger (1)
2.3	Share Exchange Agreement, dated April 24, 2013, by and among the Company, a Nevada corporation, Edible Garden Corp., a Nevada corporation, and the holders of common stock of Edible Garden Corp. (2)
2.4	Agreement and Plan of Merger, dated December 23, 2015, by and among the Company, a Nevada corporation, Generic Merger Sub, Inc., a California corporation, and Black Oak Gallery, a California corporation (3)
2.5	First Amendment to Agreement and Plan of Merger, dated February 29, 2016, by and among the Company, a Nevada corporation, Generic Merger Sub, Inc., a California corporation, and Black Oak Gallery, a California corporation (3)
2.6	Form of Agreement of Merger, dated March 31, 2016, by and among Generic Merger Sub, Inc., a California corporation and Black Oak Gallery, a California corporation (3)
2.7	Agreement and Plan of Merger, dated March 2, 2021 (4)***
2.8	Membership Interest Purchase Agreement, dated as of July 1, 2021, by and among the Company and Nicholas Kovacevich and Dallas Imbimbo (5)***
2.9	Name Change Agreement and Plan of Merger, dated as of June 30, 2021, by and between the Company and Unrivald Brands, Inc. (5)
3.1	Articles of Incorporation dated July 22, 2008 (6)
3.2	Certificate of Amendment dated July 8, 2011 (7)
3.3	Certificate of Change dated July 8, 2011 (7)
3.4	Certificate of Amendment dated January 27, 2012 (1)
3.5	Form of Amended and Restated Articles of Incorporation of Black Oak Gallery, a California corporation (3)
3.6	Certificate of Amendment to Articles of Incorporation, Dated September 26, 2016 (8)
3.7	Articles of Merger, filed with the Nevada Secretary of State on July 1, 2021 (5)
3.8	Name Change Articles of Merger, filed with the Nevada Secretary of State on July 7, 2021 (5)
3.9	Second Amended and Restated Bylaws (9)

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4.1	Form of Amendment No. 2 to 7.5% Senior Convertible Promissory Note, dated January 11, 2021 (10)
4.2	Form of Amendment No. 3 to 7.5% Senior Convertible Promissory Note (11)
4.3	Form of Amendment No. 1 to 7.5% Senior Convertible Promissory Note (11)
4.4	Form of Common Stock Purchase Warrant (11)
4.5	Form of 3.0% Senior Convertible Promissory Note (11)
4.6	Form of Common Stock Purchase Warrant (“A Warrant”) (11)
4.7	Form of Common Stock Purchase Warrant (“B Warrant”) (11)
4.8	Form of Straight Promissory Note (“6-Month Note”) (11)
4.9	Form of Straight Promissory Note (“12-Month Note”) (11)
4.10	Common Stock Purchase Warrant (12)
10.1	First Amendment to Stock Purchase Agreement between the Company and Sterling Harlan and Matthew Guild, dated July 13, 2021 (13)
10.2	Amendment to Amended and Restated Executive Employment Agreement between the Company and Francis Knuettel II, dated July 27, 2021 (9)♦
10.3	Independent Director Agreement, dated as of July 1, 2021, by and between the Company and Dallas Imbimbo (5)♦
10.4	Independent Director Agreement, dated as of July 1, 2021, by and between the Company and Eric Baum (5)♦
10.5	Director Indemnification Agreement, dated as of July 1, 2021, by and between the Company and Dallas Imbimbo (5)♦
10.6	Director Indemnification Agreement, dated as of July 1, 2021, by and between the Company and Eric Baum (5)♦
10.7	Note Termination and Exchange Agreement between the Company and Arthur Chan, dated July 27, 2021 (9)
10.8	Promissory Note issued by the Company in favor of Arthur Chan, dated July 27, 2021 (9)
10.9	Executive Employment Agreement between the Company and Oren Schauble, dated July 27, 2021 (9)♦
10.10	Indemnification Agreement between the Company and Oren Schauble, dated July 27, 2021 (9)♦

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10.11	Membership Interest Purchase Agreement, dated August 15, 2021 (14)
10.12	Consulting Agreement between the Company and Dallas Imbimbo, dated September 15, 2021*♦
10.13	Restricted Stock Award Agreement between the Company and Dallas Imbimbo, dated September 15, 2021*♦
10.14	Restricted Stock Award Agreement between the Company and Nicholas Kovacevich, dated September 15, 2021*♦
31.1	Certification of Francis Knuettel II, Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
31.2	Certification of Jeffrey Batliner, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
32.1	Certification of Francis Knuettel II, Chief Executive Officer, pursuant to Sections 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350. **
32.2	Certification of Jeffrey Batliner, 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 September 30, 2021, 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.

- (1) *Incorporated by reference to Current Report on Form 8-K (File No. 000-54258), filed with the SEC on February 10, 2012*
- (2) *Incorporated by reference to Current Report on Form 8-K (File No. 000-54258), filed with the SEC on May 6, 2013.*
- (3) *Incorporated by reference to Annual Report on Form 10-K filed with the SEC on March 29, 2016*
- (4) *Incorporated by reference to Current Report on Form 8-K filed with the SEC on March 3, 2021.*
- (5) *Incorporated by reference to Current Report on Form 8-K filed with the SEC on July 8, 2021.*
- (6) *Incorporated by reference to Registration Statement on Form S-1 (File No. 333-156421), filed with the SEC on December 23, 2008.*
- (7) *Incorporated by reference to Registration Statement on Form S-1 (File No. 333-191954), filed with the SEC on October 28, 2013.*
- (8) *Incorporated by reference to Annual Report on Form 10-K filed with the SEC on March 16, 2018.*
- (9) *Incorporated by reference to Current Report on Form 8-K filed with the SEC on August 2, 2021.*
- (10) *Incorporated by reference to Current Report on Form 8-K filed with the SEC on January 13, 2021.*
- (11) *Incorporated by reference to Current Report on Form 8-K filed with the SEC on January 25, 2021.*
- (12) *Incorporated by reference to Annual Report on Form 10-K filed with the SEC on March 30, 2021.*
- (13) *Incorporated by reference to Current Report on Form 8-K filed with the SEC on July 19, 2021.*
- (14) *Incorporated by reference to Current Report on Form 8-K filed with the SEC on August 16, 2021.*

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: November 15, 2021

By: /s/ Jeffrey Batliner
Jeffrey Batliner
Chief Financial Officer
(Principal Accounting Officer and
Principal Financial Officer)

CONSULTING AGREEMENT

CONSULTING AGREEMENT (this "Agreement") effective as of September 15, 2021, by and between Unrivaled Brands, Inc., a Nevada corporation (the "Company"), and Dallas Imbimbo ("Consultant" and, together with the Company, the "Parties"). The Parties intending to be legally bound hereby agree as follows:

BACKGROUND

Consultant has knowledge and expertise in areas useful to the Company. The Company desires to engage Consultant to assist in providing services on behalf of the Company, and Consultant is willing to provide such services on the terms herein provided.

AGREEMENT**1. Engagement of Consultant: Term.**

1.1 The Company hereby agrees to engage Consultant and Consultant hereby agrees to act as a consultant to the Company in connection with the Company's business, on the terms and conditions set forth herein.

1.2. The term of this Agreement (the "Term") shall begin as of the date hereof and shall continue for a period of one (1) year unless earlier terminated as provided in Section 8 of this Agreement.

2. Duties; Fees.

2.1 Consultant is being retained to provide those services set forth in the Statement of Work attached as Schedule A hereto as well as such other services as may be mutually agreed upon between the Parties and set forth in a written Statement of Work referencing this Agreement (each, a "SOW") (collectively, the "Services"). Consultant will be available to provide Services to the Company as needed. Consultant will report to, and provide advice to, only the Company's Chief Executive Officer (the "CEO"). Consultant agrees he will include the CEO on all communications, including phone calls, texts and emails, relating to the Services. Consultant shall not represent that he is, or hold himself out as, an employee of the Company and in no event shall Consultant enter into any agreements or undertakings for or on behalf of the Company, without the Company's prior written consent.

2.2 The Company shall pay Consultant the fees set forth on Schedule B.

2.3 During the Term, the Company shall not be responsible to pay or reimburse Consultant for any out-of-pocket expenses incurred by Consultant in connection with the performance of the Services, except if specifically set forth in a SOW or otherwise if pre-approved by the Company in writing.

3. Independent Contractor.

The Parties acknowledge and agree that Consultant is an independent contractor of the Company, and that Consultant is not, by virtue of this Agreement, an employee of the Company and shall not be entitled to any benefits provided to, or rights afforded by, the Company or its affiliates to its employees, whether by operation of law or otherwise including, without limitation, group insurance, liability insurance, disability insurance, vacation, sick leave, retirement benefits, health plans and overtime pay. The Company shall make no deductions from fees paid to Consultant for any state, federal or local taxes including, without limitation, deductions for income tax withholding and social security taxes. Consultant shall be responsible for the payment of all federal, state and local taxes, including, without limitation, deductions for income tax withholding and social security taxes, related to Consultant and shall provide the Company with suitable evidence of the same whenever requested. Consultant shall complete, sign and deliver to the Company along with this Agreement, a Form W-9 (Request for Taxpayer Identification Number and Certification).

4. Ownership of Work Product.

The term "Work Product" means any inventions, software, documentation, reports, designs, specifications, processes, formulas, know-how, designs, works of authorship, data or modifications and enhancements to software or documentation that are made, conceived, developed or reduced to practice, alone or jointly with others, by Consultant for the Company in the course of performing Services hereunder, whether or not any such items are eligible for patent, copyright, trade secret or other legal protection. Consultant shall promptly disclose to the Company all work product that is not delivered in hard copy to the Company hereunder. All Work Product, including all patent, copyright, trade secret and other intellectual property rights related thereto, will be the sole and exclusive property of the Company or its designee. The Parties intend that all Work Product shall be considered to be work-for-hire to the extent it qualifies as such under applicable law. To the extent that any Work Product is not, automatically upon creation thereof, owned by the Company as a work-for-hire or otherwise, Consultant hereby assigns and agrees to assign to the Company all of its right, title and interest in, to and under all Work Product. Consultant hereby waives any and all moral rights, including without limitation any right to identification of authorship or limitation on subsequent modification that Consultant has or may have in the Work Product, and in any other intellectual property that is or becomes the property of the Company under this Section 4. At the Company's request and expense, during and after the Term, Consultant will execute documents and give testimony and take further acts reasonably requested by the Company to assist the Company or its designee with any efforts of the Company or its designee to obtain and perfect patent, copyright, trade secret and other legal protection for the Work Product.

5. Protection of Confidential Information.

5.1 In connection with the performance of Services hereunder, it is understood that the Company may disclose to Consultant, or Consultant may have access to "Confidential Information" (as hereinafter defined). As used herein, the term "Confidential Information" shall mean any and all proprietary or confidential information, whether or not developed by Consultant, including, without limitation: (i) any and all Work Product, and all derivative works, products and other results thereof; (ii) any and all technical information of the Company, including, without limitation, product data and specifications, methodologies, tools, know-how, formulae, source code, processes, inventions, research projects, and product developments; (iii) any and all know-how and business information of or relating to the Company that is not known to the general public, including, without limitation, accounting and financial information, sales and marketing information, research, investment analyses, investment strategies and techniques, information regarding customers, suppliers, personnel and shareholders of the Company; and (iv) confidential information of third parties of a nature similar to the information listed above that has been disclosed to the Company, or that has been learned by Consultant in the course of performing Services hereunder. Consultant acknowledges and agrees that the Confidential Information constitutes valuable trade secrets of the Company (and/or its customers), as the case may be.

5.2 Consultant shall not disclose any Confidential Information to any third party, nor shall Consultant use any Confidential Information for any purpose other than the performance of Consultant's Services hereunder or as required by applicable law or legal process. All materials furnished to Consultant by the Company shall be considered Confidential Information, shall remain the property of the Company (or its customer), as the case may be, and shall be returned to the Company promptly upon the termination of this Agreement or at the Company's earlier request.

5.3 Consultant's obligations under this Section will continue for each item of Confidential Information until such time as such item of Confidential Information is or becomes publicly available other than as a result of any act or failure to act by Consultant.

6. Warranties.

6.1 Consultant represents and warrants that: (i) Consultant possesses the skills, experience and certifications specified in his or her CV/resume provided to the Company and is trained, experienced and qualified to perform all Services required to be performed by him hereunder, and such Services will be performed by Consultant with care, skill, and diligence, in accordance with the professional standards generally recognized by Consultant's profession; (ii) all such Services shall be performed to the Company's reasonable satisfaction in accordance with any SOWs and this Agreement; and (iii) Consultant has all rights, title, permits and licenses necessary to provide the Services and deliverables (if any) outlined in any SOW. If Consultant fails to materially meet applicable professional standards or the Services are not performed in accordance with any of the foregoing representations or warranties, as the Company's exclusive remedy, Consultant shall, without additional compensation, correct or revise any errors or deficiencies in his or her work.

6.2 Consultant further represents and warrants that (i) Consultant's performance of all the terms of this Agreement and Consultant's duties hereunder will not breach any invention assignment agreement, confidential information agreement, non-competition agreement or other agreement between Consultant and any other party; (ii) Consultant will not bring with him to the Company or use in the performance of Consultant's duties for the Company, any documents, materials or information of any other party that are not generally available to the public or which Consultant does not have written permission to use in the course of performing Consultant's duties as a consultant; and (iii) Consultant is a citizen of the United States or possess the legal right to work in the United States in accordance with applicable law.

7. Indemnity.

Consultant shall indemnify, defend and hold harmless, the Company, its affiliates and their respective officers, directors, employees and agents (collectively, the "Indemnified Parties") from and against any and all third party claims, loss, damage, injury, liability, cost or expense (including but not limited to reasonable attorneys' fees and court costs) relating to Consultant's gross negligence or willful misconduct.

8. Termination.

This Agreement may be terminated by either the Company or the Consultant in the event the other Party is in breach of any term of this Agreement and such breach is not cured within five (5) business days following delivery of written notice of such breach. Upon termination, Consultant shall discontinue Services as of the effective date of termination to the extent specified in the notice. Without limiting any rights of the Company hereunder or under law, subject to Section 2 hereof, Consultant shall be entitled to payment for all Services performed in accordance with this Agreement up to the effective date of termination. The Company shall have no liability arising out of termination by the Company, other than to pay Consultant for Services performed prior to the effective date of termination of this Agreement. The Company shall be entitled to receive all Work Product completed or in progress as of the effective date of termination of this Agreement.

9. Advertising.

In connection with this Agreement, Consultant agrees not to use the Company's name in any form of publicity, or to release to the public any information relating to the Services to be performed hereunder, or to otherwise disclose or advertise that Consultant has entered into the Agreement, except with the prior written approval of the Company.

10. Compliance with Law and Policies.

Consultant shall perform his or her duties hereunder in accordance with all applicable federal, state and local laws, rules, regulations and codes. Consultant shall materially comply with all the Company standards, rules, procedures and policies relating to or affecting the Services provided hereunder provided the Company has provided such standards, rules, procedures and policies to Consultant in writing and Consultant has a reasonable time to comply therewith.

13. Miscellaneous.

13.1 No provision of this Agreement may be modified, waived or discharged unless such modification, waiver or discharge is agreed to in writing and signed by the Company and Consultant. No waiver by either Party at any time of any breach by the other Party of, or compliance with, any provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. The rights and remedies of the Parties provided in this Agreement are cumulative and not exclusive of any rights or remedies provided under this Agreement, by law, in equity or otherwise. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either Party which are not set forth or referred to expressly in this Agreement.

13.2 This Agreement may be executed in several counterparts, each of which will be deemed an original, and all of which taken together will constitute one single Agreement between the Parties with the same effect as if all the signatures were upon the same instrument. The headings of this Agreement are for convenience of reference only and are not part of the substance of this Agreement.

13.3 If the scope of any provision of this Agreement is too broad in any respect whatsoever to permit enforcement to its full extent, then such provision shall be enforced to the maximum extent permitted by law, and the parties hereto consent and agree that such scope may be judicially modified accordingly and that the whole of such provision shall not thereby fail, but that the scope of such provision shall be curtailed only to the extent necessary to conform to law. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions hereof in any other jurisdiction.

13.4 Consultant understands that in the event of a breach or threatened breach of this Agreement by Consultant, the Company may suffer irreparable harm and will therefore be entitled to injunctive and other equitable relief (without posting a bond) to enforce this Agreement.

13.5 This Agreement shall be binding upon and inure to the benefit of the Parties, their heirs, legal representatives, successors and assigns. Consultant shall not subcontract or assign any of his or her right or obligations hereunder, without the prior written consent of the Company. Consent by the Company to any assignment or subcontract shall not be deemed to create a contractual relationship between the Company and the subcontracting party or assignee.

13.6 This Agreement, including the performance and enforceability hereof, will be governed by and construed in accordance with the laws of the State of California, without reference to the principles of conflicts of law.

13.7 In the event of termination or upon expiration of this Agreement, Sections 3 - 13 hereof will survive and continue in full force and effect.

13.8 Consultant agrees not to make negative comments or otherwise disparage the Company or its subsidiaries or any of their officers, directors, employees, consultants, agents or products during the term of this Agreement and for a period of one (1) year thereafter.

13.9 Consultant shall maintain accurate records of all amounts billable to and payments made by the Company hereunder in accordance with recognized accounting practices and the Company's reasonable requirements. The Company shall have the right to audit any and all records of Consultant relating to this Agreement and any SOW hereunder, including all documents related to Consultant's compliance with this Agreement and timesheets. Consultant agrees that such records will be available for audit by the Company or its agents during normal business hours upon reasonable notice.

[signature page follows]

IN WITNESS WHEREOF, the Parties have executed this Consulting Agreement as of the date and year first above written.

UNRIVALED BRANDS, INC.

By: /s/ Francis Knuettel II
Name: Francis Knuettel II
Title: Chief Executive Officer

Consultant:

/s/ Dallas Imbimbo
Dallas Imbimbo

Schedule A

Statement of Work

Provide the Company with strategic advisory and corporate development services.

Schedule B

Fees

1,500,000 restricted shares of the Company's common stock valued at the closing price of the common stock on the trading day prior to the date of this Agreement, which vest 20% on the date hereof and 20% on each of January 1, 2022, April 1, 2022, July 1, 2022 and October 1, 2022, and \$16,666.66 per month payable on the first business day of each month beginning on the first business day of the month after the date of this Agreement

RESTRICTED STOCK AWARD AGREEMENT

THIS AGREEMENT, made as of September 15, 2021 (the "Date of Grant"), between Unrivald Brands, Inc., a Nevada corporation (the "Company"), and Dallas Imbimbo (the "Grantee").

WHEREAS, the Company has adopted the Amended and Restated 2018 Equity Incentive Plan (the "Plan") in order to provide additional incentive to certain employees and directors of the Company and its Subsidiaries; and

WHEREAS, the Company has determined to grant to the Grantee a Stock Grant of restricted Shares of Common Stock of the Company (the "Shares") under the Plan as provided herein to encourage the Grantee's efforts toward the continuing success of the Company.

NOW, THEREFORE, the parties hereto agree as follows:

1. Grant of Restricted Stock.

1.1 The Company hereby grants to the Grantee an award of 1,500,000 Shares (the "Award"). The Shares granted pursuant to the Award shall be issued in the form of book entry Shares in the name of the Grantee as soon as reasonably practicable following the date on which the restrictions on such Shares have lapsed and shall be subject to the execution and return of this Agreement by the Grantee to the Company.

1.2 This Agreement shall be construed in accordance and consistent with, and subject to, the provisions of the Plan (the provisions of which are hereby incorporated by reference) and, except as otherwise expressly set forth herein, the capitalized terms used in this Agreement shall have the same definitions as set forth in the Plan.

2. Restrictions on Transfer.

The Shares issued under this Agreement may not be sold, transferred or otherwise disposed of and may not be pledged or otherwise hypothecated until all restrictions on such Shares shall have lapsed in the manner provided herein.

3. Lapse of Restrictions Generally.

Except as otherwise provided in the Plan, one-fifth (1/5) of the number of Shares issued hereunder (rounded down to the nearest whole Share, if necessary) shall vest, and the restrictions with respect to such Shares shall lapse, on the date hereof and on each of January 1, 2022, April 1, 2022, July 1, 2022 and October 1, 2022; provided the Grantee is a director of the Company on the applicable vesting date.

4. No Right to Continued Employment.

Nothing in this Agreement or the Plan shall interfere with or limit in any way the right of the Company or its Subsidiaries to terminate the Grantee's service as a Board member, nor confer upon the Grantee any right to continuance of service as a Board member.

5. Withholding of Taxes.

Prior to the delivery to the Grantee (or the Grantee's estate, if applicable) of a stock certificate or evidence of book entry Shares with respect to Shares in respect of which all restrictions have lapsed, the Grantee (or the Grantee's estate) shall pay to the Company the federal, state and local income taxes and other amounts as may be required by law to be withheld by the Company with respect to such Shares.

6. Grantee Bound by the Plan.

The Grantee hereby acknowledges receipt of a copy of the Plan and agrees to be bound by all the terms and provisions thereof.

7. Modification of Agreement.

This Agreement may be modified, amended, suspended or terminated, and any terms or conditions may be waived, but only by a written instrument executed by the parties hereto.

8. Severability.

Should any provision of this Agreement be held by a court of competent jurisdiction to be unenforceable or invalid for any reason, the remaining provisions of this Agreement shall not be affected by such holding and shall continue in full force in accordance with their terms.

9. Governing Law.

The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California without giving effect to the conflicts of laws principles thereof.

10. Successors in Interest.

This Agreement shall inure to the benefit of and be binding upon any successor to the Company. This Agreement shall inure to the benefit of the Grantee's legal representatives. All obligations imposed upon the Grantee and all rights granted to the Company under this Agreement shall be binding upon the Grantee's heirs, executors, administrators and successors.

11. Resolution of Disputes.

Any dispute or disagreement which may arise under, or as a result of, or in any way relate to, the interpretation, construction or application of this Agreement shall be determined by the Committee. Any determination made hereunder shall be final, binding and conclusive on the Grantee, the Grantee's heirs, executors, administrators and successors, and the Company and its Subsidiaries for all purposes.

12. Entire Agreement.

This Agreement and the terms and conditions of the Plan constitute the entire understanding between the Grantee and the Company and its Subsidiaries, and supersede all other agreements, whether written or oral, with respect to the Award.

13. Headings.

The headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

14. Counterparts.

This Agreement may be executed simultaneously in two or more counterparts, each of which shall constitute an original, but all of which taken together shall constitute one and the same agreement.

[signature page follows]

UNRIVALED BRANDS, INC.

By: /s/ Francis Knuettel II
Name: Francis Knuettel II
Title: Chief Executive Officer

GRANTEE

/s/ Dallas Imbimbo
Name: Dallas Imbimbo

RESTRICTED STOCK AWARD AGREEMENT

THIS AGREEMENT, made as of September 15, 2021 (the "Date of Grant"), between Unrivaled Brands, Inc., a Nevada corporation (the "Company"), and Nicholas Kovacevich (the "Grantee").

WHEREAS, the Company has adopted the Amended and Restated 2018 Equity Incentive Plan (the "Plan") in order to provide additional incentive to certain employees and directors of the Company and its Subsidiaries; and

WHEREAS, the Company has determined to grant to the Grantee a Stock Grant of restricted Shares of Common Stock of the Company (the "Shares") under the Plan as provided herein to encourage the Grantee's efforts toward the continuing success of the Company.

NOW, THEREFORE, the parties hereto agree as follows:

1. Grant of Restricted Stock.

1.1 The Company hereby grants to the Grantee an award of 1,500,000 Shares (the "Award"). The Shares granted pursuant to the Award shall be issued in the form of book entry Shares in the name of the Grantee as soon as reasonably practicable following the date on which the restrictions on such Shares have lapsed and shall be subject to the execution and return of this Agreement by the Grantee to the Company.

1.2 This Agreement shall be construed in accordance and consistent with, and subject to, the provisions of the Plan (the provisions of which are hereby incorporated by reference) and, except as otherwise expressly set forth herein, the capitalized terms used in this Agreement shall have the same definitions as set forth in the Plan.

2. Restrictions on Transfer.

The Shares issued under this Agreement may not be sold, transferred or otherwise disposed of and may not be pledged or otherwise hypothecated until all restrictions on such Shares shall have lapsed in the manner provided herein.

3. Lapse of Restrictions Generally.

Except as otherwise provided in the Plan, one-fifth (1/5) of the number of Shares issued hereunder (rounded down to the nearest whole Share, if necessary) shall vest, and the restrictions with respect to such Shares shall lapse, on the date hereof and on each of January 1, 2022, April 1, 2022, July 1, 2022 and October 1, 2022; provided the Grantee is a director of the Company on the applicable vesting date.

4. No Right to Continued Employment.

Nothing in this Agreement or the Plan shall interfere with or limit in any way the right of the Company or its Subsidiaries to terminate the Grantee's service as a Board member, nor confer upon the Grantee any right to continuance of service as a Board member.

5. Withholding of Taxes.

Prior to the delivery to the Grantee (or the Grantee's estate, if applicable) of a stock certificate or evidence of book entry Shares with respect to Shares in respect of which all restrictions have lapsed, the Grantee (or the Grantee's estate) shall pay to the Company the federal, state and local income taxes and other amounts as may be required by law to be withheld by the Company with respect to such Shares.

6. Grantee Bound by the Plan.

The Grantee hereby acknowledges receipt of a copy of the Plan and agrees to be bound by all the terms and provisions thereof.

7. Modification of Agreement.

This Agreement may be modified, amended, suspended or terminated, and any terms or conditions may be waived, but only by a written instrument executed by the parties hereto.

8. Severability.

Should any provision of this Agreement be held by a court of competent jurisdiction to be unenforceable or invalid for any reason, the remaining provisions of this Agreement shall not be affected by such holding and shall continue in full force in accordance with their terms.

9. Governing Law.

The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California without giving effect to the conflicts of laws principles thereof.

10. Successors in Interest.

This Agreement shall inure to the benefit of and be binding upon any successor to the Company. This Agreement shall inure to the benefit of the Grantee's legal representatives. All obligations imposed upon the Grantee and all rights granted to the Company under this Agreement shall be binding upon the Grantee's heirs, executors, administrators and successors.

11. Resolution of Disputes.

Any dispute or disagreement which may arise under, or as a result of, or in any way relate to, the interpretation, construction or application of this Agreement shall be determined by the Committee. Any determination made hereunder shall be final, binding and conclusive on the Grantee, the Grantee's heirs, executors, administrators and successors, and the Company and its Subsidiaries for all purposes.

12. Entire Agreement.

This Agreement and the terms and conditions of the Plan constitute the entire understanding between the Grantee and the Company and its Subsidiaries, and supersede all other agreements, whether written or oral, with respect to the Award.

13. Headings.

The headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

14. Counterparts.

This Agreement may be executed simultaneously in two or more counterparts, each of which shall constitute an original, but all of which taken together shall constitute one and the same agreement.

[signature page follows]

UNRIVALED BRANDS, INC.

By: /s/ Francis Knuettel II
Name: Francis Knuettel II
Title: Chief Executive Officer

GRANTEE

/s/ Nicholas Kovacevich
Name: Nicholas Kovacevich

**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, Francis Knuettel, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of the Unrivald 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: November 15, 2021

By: /s/ Francis Knuettel II

Francis Knuettel II
Chief Executive Officer and
Director

**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, Jeffrey Batliner, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Unrivald 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: November 15, 2021

By: /s/ Jeffrey Batliner

Jeffrey Batliner
Chief Financial Officer

**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 Unrivald Brands, Inc.(the "Company") on Form 10-Q for the quarter ended September 30, 2021 (the "Form 10-Q"), I, Francis Knuettel II, 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: November 15, 2021

By: /s/ Francis Knuettel II

Francis Knuettel II
Chief Executive Officer and
Director

**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 Unrivald Brands, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2021 (the "Form 10-Q"), I, Jeffrey Batliner, 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: November 15, 2021

By: /s/ Jeffrey Batliner

Jeffrey Batliner
Chief Financial Officer