

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2021

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 000-26108



AMERICAN CANNABIS COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware  
\_\_\_\_\_  
(State or other jurisdiction of  
incorporation or organization)  
2590 Walnut #6  
Denver, Colorado  
\_\_\_\_\_  
(Address of principal executive offices)

90-1116625  
\_\_\_\_\_  
(I.R.S. Employer  
Identification No.)  
80205  
\_\_\_\_\_  
(Zip Code)

(303) 974-4770  
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post 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 definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

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

At September 30, 2021 and November 5, 2021, 80,152,938 and 80,652,938 shares of common stock were outstanding, respectively.

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

AMERICAN CANNABIS COMPANY, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)

	September 30, 2021	December 31, 2020
<b>ASSETS</b>		
Current Assets		
Cash and Equivalents	\$ 884,056	\$ 1,723,132
Accounts Receivable, Net	45,155	24,955
Deposits	2,895	2,895
Inventory	277,332	62,402
Prepaid Expenses and Other Current Assets	53,602	50,302
<b>Total Current Assets</b>	<b>1,263,040</b>	<b>1,863,686</b>
Property and Equipment - Net	417,410	24,655
Other Assets		
Intangible Assets, Net	1,063,074	—
Goodwill	1,530,316	—
Right of Use Assets - Operating Leases, net	125,899	—
Long Term Deposits	32,888	—
<b>Total Other Assets</b>	<b>2,752,177</b>	<b>—</b>
<b>TOTAL ASSETS</b>	<b>\$ 4,432,627</b>	<b>\$ 1,888,341</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 173,762	\$ 13,153
Advances from Clients	120,947	88,843
Accrued and Other Current Liabilities	96,191	49,244
Stock payable	37,008	—
Right of Use Liabilities, current	117,630	—
Note payables, current	1,100,000	109,914
<b>Total Current Liabilities</b>	<b>1,645,538</b>	<b>261,154</b>
Long Term Liabilities		
Right of Use Liabilities	8,269	—
<b>Total Long Term Liabilities</b>	<b>8,269</b>	<b>—</b>
<b>TOTAL LIABILITIES</b>	<b>1,653,807</b>	<b>261,154</b>
<b>Shareholders' Equity</b>		
Preferred Stock, \$0.01 par value, 5,000,000 shares authorized; 0 shares issued and outstanding at September 30, 2021 and December 31, 2020	—	—
Common stock, \$0.00001 par value; 500,000,000 shares authorized; 80,152,938 and 70,727,938 shares issued and outstanding at September 30, 2021 and December 31, 2020, respectively	800	707
Additional paid-in capital	11,435,132	9,634,748
Accumulated deficit	(8,657,112)	(8,008,268)
<b>Total Shareholders' Equity</b>	<b>2,778,820</b>	<b>1,627,187</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 4,432,627</b>	<b>\$ 1,888,341</b>

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

**AMERICAN CANNABIS COMPANY, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

	For The Three Months Ended		For the Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
<b>Revenues</b>				
Consulting Services	\$ 53,277	\$ 71,000	\$ 254,669	\$ 426,613
Product & Equipment	292,709	197,709	730,198	832,391
Cannabis Products	406,967	—	714,043	—
<b>Total Revenues</b>	<b>752,953</b>	<b>268,709</b>	<b>1,698,910</b>	<b>1,259,004</b>
<b>Cost of Revenues</b>				
Cost of Consulting Services	9,473	24,425	36,179	138,980
Cost of Products and Equipment	182,795	133,036	513,051	556,645
Cost of Cannabis Products	231,964	—	379,753	—
<b>Total Cost of Revenues</b>	<b>424,232</b>	<b>157,461</b>	<b>928,983</b>	<b>695,625</b>
<b>Gross Profit</b>	<b>328,721</b>	<b>111,248</b>	<b>769,927</b>	<b>563,379</b>
<b>Operating Expenses</b>				
General and Administrative	539,340	195,864	1,428,092	768,499
Selling and Marketing	42,455	85,074	150,301	248,102
Stock Based Compensation Expense	8,318	—	37,008	12,300
<b>Total Operating Expenses</b>	<b>590,113</b>	<b>280,938</b>	<b>1,615,401</b>	<b>1,028,901</b>
<b>Loss from Operations</b>	<b>(261,392)</b>	<b>(169,690)</b>	<b>(845,474)</b>	<b>(465,522)</b>
<b>Other Income (Expense)</b>				
Interest (expense)	(28,027)	(1,788)	(46,837)	(2,865)
Debt Forgiveness	130,186	—	240,100	—
Other income	938	36,900	3,367	54,499
<b>Total Other Income (Expense)</b>	<b>103,097</b>	<b>35,112</b>	<b>196,630</b>	<b>51,634</b>
Net Loss	(158,295)	(134,578)	(648,844)	(413,888)
Income Tax Expense	—	—	—	—
<b>NET LOSS</b>	<b>\$ (158,295)</b>	<b>\$ (134,578)</b>	<b>\$ (648,844)</b>	<b>\$ (413,888)</b>
Basic net loss per common share	<b>\$ (0)</b>	<b>\$ (0)</b>	<b>\$ (0)</b>	<b>\$ (0.01)</b>
Basic and diluted weighted average common shares outstanding	<b>80,052,395</b>	<b>56,500,827</b>	<b>77,584,074</b>	<b>54,477,280</b>

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

**AMERICAN CANNABIS COMPANY, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**(UNAUDITED)**  
**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount			
<b>Balance, June 30, 2020</b>	<b>54,206,866</b>	<b>\$ 541</b>	<b>\$ 8,493,392</b>	<b>\$ (7,755,165)</b>	<b>\$ 738,768</b>
Shares issued for services	78,505	1	7,065	—	7,066
Shares issued for cash	4,950,000	49	364,582	—	364,631
Net Loss	—	—	—	(134,578)	(134,578)
<b>Balance, September 30, 2020</b>	<b>59,235,371</b>	<b>\$ 591</b>	<b>\$ 8,865,039</b>	<b>\$ (7,889,743)</b>	<b>\$ 975,887</b>

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount			
<b>Balance, June 30, 2021</b>	<b>79,902,938</b>	<b>\$ 798</b>	<b>\$ 11,408,199</b>	<b>\$ (8,498,817)</b>	<b>\$ 2,910,180</b>
Stock issued for cash	250,000	3	26,932	—	26,935
Net Loss	—	—	—	(158,295)	(158,295)
<b>Balance, September 30, 2021</b>	<b>80,152,938</b>	<b>\$ 801</b>	<b>\$ 11,435,131</b>	<b>\$ (8,657,112)</b>	<b>\$ 2,778,820</b>

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount			
<b>Balance, December 31, 2019</b>	<b>52,978,605</b>	<b>\$ 529</b>	<b>\$ 8,354,920</b>	<b>\$ (7,475,855)</b>	<b>\$ 879,594</b>
Stock-based compensation to employees	478,261	4	43,502	—	43,506
Stock issued for services	78,505	1	7,065	—	7,066
Shares issued cash	5,700,000	57	459,552	—	459,609
Net Loss	—	—	—	(413,888)	(413,888)
<b>Balance, September 30, 2020</b>	<b>59,235,371</b>	<b>\$ 591</b>	<b>\$ 8,865,039</b>	<b>\$ (7,889,743)</b>	<b>\$ 975,887</b>

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount			
<b>Balance, December 31, 2020</b>	<b>70,727,938</b>	<b>\$ 707</b>	<b>\$ 9,634,748</b>	<b>\$ (8,008,268)</b>	<b>\$ 1,627,187</b>
Stock issued for asset acquisition	3,000,000	30	689,970	—	690,000
Stock issued for cashless exercise of warrants	125,000	1	(1)	—	—
Stock issued for cash	6,300,000	63	1,110,414	—	1,110,477
Net Loss	—	—	—	(648,844)	(648,844)
<b>Balance, September 30, 2021</b>	<b>80,152,938</b>	<b>\$ 801</b>	<b>\$ 11,435,131</b>	<b>\$ (8,657,112)</b>	<b>\$ 2,778,820</b>

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

**AMERICAN CANNABIS COMPANY, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

	<b>For the Nine Months Ended</b>	
	<b>September 30,</b>	<b>September 30,</b>
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net Loss</b>	\$ (648,844)	\$ (413,888)
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>		
Gain on Sale of assets	—	(500)
Allowance for Bad Debt Expenses	—	9,032
Depreciation and Amortization	77,810	11,070
Stock-based compensation to employees	37,008	12,300
Stock issued for services	—	7,066
Debt Forgiveness	(240,100)	—
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	(185,151)	75,705
Inventory	(64,930)	(47,462)
Prepaid expenses and other current assets	(30,187)	11,828
Right to Use Lease Asset	(125,889)	34,418
Accounts Payable	160,608	10,546
Advances from Clients	197,057	56,378
Accrued and other current liabilities	46,945	(51,436)
Operating Lease Liability	125,889	(34,943)
<b>Net Cash Used in Operating Activities</b>	<b>\$ (649,784)</b>	<b>\$ (319,886)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(324,012)	(2,588)
Proceeds from sales of property and equipment	—	2,500
Acquisition of Assets	(1,100,000)	—
Intangible assets	(5,943)	—
<b>Net Cash Used in Investing Activities</b>	<b>\$ (1,429,955)</b>	<b>\$ (88)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from note payable	130,186	109,914
Proceeds from sale of common stock	1,110,477	459,609
<b>Net Cash Provided by Financing Activities</b>	<b>\$ 1,240,663</b>	<b>\$ 569,523</b>
<b>NET (DECREASE) INCREASE IN CASH</b>	<b>(839,076)</b>	<b>249,549</b>
<b>CASH AT BEGINNING OF PERIOD</b>	<b>1,723,132</b>	<b>945,181</b>
<b>CASH AT END OF PERIOD</b>	<b>\$ 884,056</b>	<b>\$ 1,194,730</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid for income taxes	\$ —	\$ —
Cash paid for interest	\$ —	\$ —
Stock issued for acquisition of assets	\$ 690,000	\$ —
Note Payable issued for acquisition of assets	\$ 1,100,000	\$ —

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

**AMERICAN CANNABIS COMPANY, INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**  
**(UNAUDITED)**

**Note 1. Principles of Consolidation.**

The unaudited condensed consolidated financial statements for the nine months ended September 30, 2021 and 2020 include the accounts of American Cannabis Company, Inc. and its wholly owned subsidiary, Hollister & Blacksmith, Inc., doing business as American Cannabis Company, Inc. Intercompany accounts and transactions have been eliminated.

**Note 2. Description of Business.**

American Cannabis Company, Inc. and its wholly owned subsidiary Company, Hollister & Blacksmith, Inc., doing business as American Cannabis Consulting (“American Cannabis Consulting”), (collectively “the “Company”) are based in Denver, Colorado and operate a fully-integrated business model that features end-to-end solutions for businesses operating in the regulated cannabis industry in states and countries where cannabis is regulated and/or has been de-criminalized for medical use and/or legalized for recreational use. We provide advisory and consulting services specific to this industry, design industry-specific products and facilities, and sell both exclusive and non-exclusive customer products commonly used in the industry.

On April 30, 2021, the Company closed its acquisition of the assets of Medihemp, LLC, and its wholly owned subsidiary SLAM Enterprises, LLC, and Medical Cannabis Caregivers, Inc., each an entity organized and operating under the laws of the State of Colorado, and all doing business as “Naturaleaf” in the medicinal cannabis industry in Colorado.

Naturaleaf agreed to sell or assign to the Company the following assets:

1. Three Medical Marijuana (MMC) Store Licenses;
2. One Marijuana Infused Product Licenses (MIPS); and
3. One Option Premises Cultivation License (OPC); and
4. Related real property assets, goodwill, and related business assets.

As a result, the Company has expanded its business model to include the cultivation and retail sale of cannabis in the medicinal cannabis industry.

**Note 3. Summary of Significant Accounting Policies**

*Basis of Accounting*

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America, pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, the accompanying unaudited condensed consolidated financial statements include normal recurring adjustments that are necessary for a fair presentation of the results for the periods presented.

**AMERICAN CANNABIS COMPANY, INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**  
**(UNAUDITED)**

*Use of Estimates in Financial Reporting*

The preparation of unaudited condensed consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amount of assets and liabilities, and disclosures of contingent assets and liabilities, as of the date of the condensed consolidated financial statements during the periods presented. Actual results could differ from these estimates. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the consolidated financial statements in the period in which they are deemed to be necessary. Significant estimates made in the accompanying consolidated financial statements include but are not limited to following those related to revenue recognition, allowance for doubtful accounts and unbilled services, lives and recoverability of equipment and other long-lived assets, the allocation of the asset purchase price, contingencies, and litigation. The Company is subject to uncertainties, such as the impact of future events, economic, environmental, and political factors, and changes in the business climate; therefore, actual results may differ from those estimates. When no estimate in a given range is deemed to be better than any other when estimating contingent liabilities, the low end of the range is accrued. Accordingly, the accounting estimates used in the preparation of the Company's consolidated financial statements will change as new events occur, as more experience is acquired, as additional information is obtained and as the Company's operating environment changes. Changes in estimates are made when circumstances warrant. Such changes and refinements in estimation methodologies are reflected in reported results of operations; if material, the effects of changes in estimates are disclosed in the notes to the consolidated financial statements.

*Unaudited Interim Financial Statements*

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial information and with the instructions to Form 10-Q and Regulation S-X. Accordingly, the unaudited consolidated financial statements do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments consisting of normal recurring entries necessary for a fair statement of the periods presented for: (a) the financial position; (b) the result of operations; and (c) cash flows, have been made in order to make the financial statements presented not misleading. The results of operations for such interim periods are not necessarily indicative of operations for a full year.

*Segment Information*

Operating segments are defined as components of an enterprise about which separate discrete information is available for evaluation by the chief operating decision-maker, or decision-making group, in deciding how to allocate resources and assess performance. The Company reports results of operations in 3 distinct segments: Consulting Services, Soil Product and Equipment and Cannabis Products.

The Consulting Services segment provides services to the Cannabis industry as to the development and expansion of cultivation and retail facilities. These services include business plans, design advice and cultivation oversight. These services are offered throughout the United States.

The Soil Product and Equipment Segment handles the sale of our So-Hum Living Soils Product and the resale of Equipment in connection with our consulting services not only in the Cannabis industry but also to other agricultural industries. These products are offered for sale throughout the United States.

The Cannabis Product segment handles both the cultivation of and the retail sale of medicinal cannabis products in the State of Colorado.



**AMERICAN CANNABIS COMPANY, INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**  
**(UNAUDITED)**

*Cash and Cash Equivalents*

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents are held in operating accounts at a major financial institution. Cash balances may exceed federally insured limits. Management believes the financial risk associated with these balances is minimal and has not experienced any losses to date. As of September 30, 2021 and December 31, 2020, the Company had cash balances in excess of FDIC insured limits of \$250,000.

*Accounts Receivable*

Accounts receivable are recorded at the net value of face amount less an allowance for doubtful accounts. The Company evaluates its accounts receivable periodically based on specific identification of any accounts receivable for which the Company deems the net realizable value to be less than the gross amount of accounts receivable recorded; in these cases, an allowance for doubtful accounts is established for those balances. In determining its need for an allowance for doubtful accounts, the Company considers historical experience, analysis of past due amounts, client creditworthiness and any other relevant available information. However, the Company's actual experience may vary from its estimates. If the financial condition of its clients were to deteriorate, resulting in their inability or unwillingness to pay the Company's fees, it may need to record additional allowances or write-offs in future periods. This risk is mitigated to the extent that the Company receives retainers from its clients prior to performing significant services.

The allowance for doubtful accounts, if any, is recorded as a reduction in revenue to the extent the provision relates to fee adjustments and other discretionary pricing adjustments. To the extent the provision relates to a client's inability to make required payments on accounts receivables, the provision is recorded in operating expenses. As of September 30, 2021, and December 31, 2020, the Company's allowance for doubtful accounts was \$14,980 and \$54,980, respectively. The Company recorded bad debt expense during the nine months ended September 30, 2021 and 2020 of \$0 and \$9,032, respectively.

*Deposits*

Deposits is comprised of advance payments made to third parties, for rent, utilities, and inventory for which the Company has not yet taken title. When the Company takes title to inventory for which deposits are made, the related amount is classified as inventory, then recognized as a cost of revenues upon sale.

*Inventory*

Inventory is comprised of products and equipment owned by the Company to be sold to end-customers. The Company's inventory as it relates to its soil products and equipment is valued at cost using the first-in first-out and specific identification methods, unless and until the market value for the inventory is lower than cost, in which case an allowance is established to reduce the valuation to net realizable value. As of September 30, 2021 and December 31, 2021, market values of all the Company's inventory were greater than cost, and accordingly, no such valuation allowance was recognized.

Inventory also consists of pre-harvested cannabis plants and related end products. Inventory is valued at the lower of cost or net realizable value. Costs of inventory purchased from third party vendors for retail sales at dispensaries is determined using the first in first out method. Costs are capitalized to cultivated inventory until substantially ready for sale. Costs include direct and indirect labor, consumables, materials, packaging supplies, utilities, facilities costs, quality and testing costs, production related depreciation and other overhead costs. The Company periodically reviews physical inventory for excess, obsolete, and potentially impaired items. The reserve estimate for excess and obsolete inventory is based on expected future use and on an assessment of market conditions. At September 30, 2021, the Company's management determined that a reserve for excess and obsolete inventory was not necessary.

**AMERICAN CANNABIS COMPANY, INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**  
**(UNAUDITED)**

*Prepaid Expenses and Other Current Assets*

Prepaid expenses and other current assets are primarily comprised of advance payments made to third parties for independent contractors' services or other general expenses. Prepaid services and general expenses are amortized over the applicable periods which approximate the life of the contract or service period.

*Significant Clients and Customers*

During the nine months ended September 30, 2021, three customers accounted for 42.5% of the Company's total revenues for the period.

During the nine months ended September 30, 2020, three customers accounted for 35.4% of the Company's total revenues.

*Property and Equipment, net*

Property and Equipment is stated at net book value, cost less depreciation. Maintenance and repairs are expensed as incurred. Depreciation of owned equipment is provided using the straight-line method over the estimated useful lives of the assets, ranging from two to seven years. Costs associated with in progress construction are capitalized as incurred and depreciation is consummated once the underlying asset is placed into service. Property and equipment are reviewed for impairment as discussed below under "Accounting for the Impairment of Long-Lived Assets." The Company did not capitalize any interest as of September 30, 2021 and December 31, 2020.

*Goodwill*

Goodwill represents the excess of the purchase price over the fair value of assets acquired and liabilities assumed. The Company accounts for goodwill under ASC Topic 350, Intangibles-Goodwill and Other. The Company tests goodwill for impairment annually, or more frequently whenever events or circumstances indicate impairment may exist. Goodwill is stated at cost less accumulated impairment losses. The Company completes its goodwill impairment test annually in the fourth quarter. The Company recognized an estimated goodwill of \$1,100,000 during the nine months ended September 30, 2021 as part of the Naturaleaf Acquisition.

The Company does not have any indefinite-lived intangible assets.

The estimated fair values assigned to identifiable assets acquired assumed are provisional and are based on the information that was available as of the acquisition date to estimate the fair value of assets acquired and liabilities assumed. The Company believes that information provides a reasonable basis for estimating the fair values of assets acquired and liabilities assumed, but the Company is waiting for additional information necessary to finalize those fair values. Therefore, the provisional measurements of fair value reflected are subject to change and such changes could be significant. The Company expects to finalize the valuation and complete the purchase price allocation as soon as practicable, but no later than one year from the acquisition date.

**AMERICAN CANNABIS COMPANY, INC.**  
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*Intangible Assets, net*

Definite life intangible assets at September 30, 2021 include licenses and brand names recognized as part of the Natureleaf Acquisition. Intangible assets are recorded at cost. Licenses and brand names represent the estimated fair value of these items at the date of acquisition, April 30, 2020. Intangible assets are amortized on a straight-line basis over their estimated useful life. Licenses are assigned a life of 15 years and tradenames are assigned a life of 5 years. During the nine months ended September 30, 2021, the Company recognized an estimated amortization expense of \$54,031.

The estimated fair values assigned to identifiable assets acquired assumed are provisional and are based on the information that was available as of the acquisition date to estimate the fair value of assets acquired and liabilities assumed. The Company believes that information provides a reasonable basis for estimating the fair values of assets acquired and liabilities assumed, but the Company is waiting for additional information necessary to finalize those fair values. Therefore, the provisional measurements of fair value reflected are subject to change and such changes could be significant. The Company expects to finalize the valuation and complete the purchase price allocation as soon as practicable, but no later than one year from the acquisition date.

*Accounting for the Impairment of Long-Lived Assets*

The Company evaluates long lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Upon such an occurrence, recoverability of assets to be held and used is measured by comparing the carrying amount of an asset to forecasted undiscounted net cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. For long lived assets held for sale, assets are written down to fair value, less cost to sell. Fair value is determined based on discounted cash flows, appraised values or management's estimates, depending upon the nature of the assets. The Company had not recorded any impairment charges related to long lived assets as of September 30, 2021 and December 31, 2020.

*Fair Value Measurements*

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability, in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy is based on three levels of inputs, of which the first two are considered observable and the last unobservable, as follows:

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

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the measurement of the fair value of the assets or liabilities.

Our financial instruments include cash, deposits, accounts receivable, accounts payables, advances from clients, accrued expense, and other current liabilities. The carrying values of these financial instruments approximate their fair value due to their short maturities.

*Revenue Recognition*

We have adopted the following accounting principles related to revenue recognition: (a) FASB ASU 2016-12 “*Revenue from Contracts with Customers (Topic 606)*”. Due to the nature of our contracts with customers, adopting the new accounting principles did not have a significant impact on our prior period results of operations, cash flows or financial position.

Our service and product revenues arise from contracts with customers. Service revenue includes Operations Divisions consulting revenue. Product revenue includes (a) Operations Division product sales (So-Hum Living Soils), (b) Equipment sales division, (c) Cannabis sales division. The majority of our revenue is derived from distinct performance obligations, such as time spent delivering a service or the delivery of a specific product.

We may also enter into contracts with customers that identify a single, or few, distinct performance obligations, but that also have non-distinct, underlying performance obligations. These contracts are typically fulfilled within one to six months. Only an insignificant portion of our revenue would be assessed for allocation between distinct (contractual) performance obligations and non-distinct deliverables between reporting periods and, accordingly, we do not record a contract asset for completed, non-distinct performance obligations prior to invoicing the customer.

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We recognize revenue in accordance with ASC 606 using the following 5 steps to identify revenues:

- (1) *Identify the contract with the Customer.* Our customary practice is to obtain written evidence, typically in the form of a contract or purchase order.
- (2) *Identify the performance obligations in the contract.* We have rights to payment when services are completed in accordance with the underlying contract, or for the sale of goods when custody is transferred to our customers either upon delivery to our customers' locations, with no right of return or further obligations.
- (3) *Determination of the transaction price.* Prices are typically fixed, and no price protections or variables are offered.
- (4) *Allocation of the transaction price to the performance obligations in the contract.* Transaction prices are typically allocated to the performance obligations outlined in the contract.
- (5) *Recognize Revenue when (or as) the entity satisfies a performance obligation.* We typically require a retainer for all or a portion of the goods or services to be delivered. We recognize revenue as the performance obligations detailed in the contract are met.

Advances from Clients deposits are contract liabilities with customers that represent our obligation to either transfer goods or services in the future, or refund the amount received. Where possible, we obtain retainers to lessen our risk of non-payment by our customers. Advances from Clients deposits are recognized as revenue as we meet specified performance obligations as detailed in the contract.

*Product and Equipment Sales*

Revenue from product and equipment sales, including delivery fees, is recognized when an order has been obtained from the customer, the price is fixed and determinable when the order is placed, the product is delivered, title has transferred, and collectability is reasonably assured. Generally, our suppliers' drop-ship orders to our clients with destination terms. The Company realizes revenue upon delivery to the customer. Given the facts that (1) our customers exercise discretion in determining the timing of when they place their product order; and, (2) the price negotiated in our product sales contracts is fixed and determinable at the time the customer places the order, we are not of the opinion that our product sales indicate or involve any significant financing that would materially change the amount of revenue recognized under the contract, or would otherwise contain a significant financing component for us or the customer under FASB ASC Topic 606. During the nine months ended September 30, 2021 and 2020, sales returns were \$0.

*Consulting Services*

We also generate revenues from professional services consulting agreements. These arrangements are generally entered into: (1) on an hourly basis for a fixed fee; or (2) on a contingent fee basis. Generally, we require a complete or partial prepayment or retainer prior to performing services.

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For hourly based fixed fee service contracts, we utilize and rely upon the proportional performance method, which recognizes revenue as services are completed. Under this method, in order to determine the amount of revenue to be recognized, we calculate the amount of completed work in comparison to the total services to be provided under the arrangement or deliverable. We segregate upon entry into a contract any advances or retainers received from clients for fixed fee hourly services into a separate “Advances from Clients” account, and only recognize revenues as we incur and charge billable hours, and then deposit the funds earned into our operating account. Because our hourly fees for services are fixed and determinable and are only earned and recognized as revenue upon actual performance, we are of the opinion that such arrangements are not an indicator of a vendor or customer based significant financing, that would materially change the amount of revenue we recognize under the contract or would otherwise contain a significant financing component under FASB ASC Topic 606.

Occasionally, our fixed-fee hourly engagements are recognized under the completed performance method. Some fixed fee arrangements are for completion of a final deliverable or act which is significant to the arrangement. These engagements do not generally exceed a one-year term. If the performance is for a final deliverable or act, we recognize revenue under the completed performance method, in which revenue is recognized once the final act or deliverable is performed or delivered for a fixed fee. Revenue recognition is affected by a number of factors that change the estimated amount of work required to complete the deliverable, such as changes in scope, timing, awaiting notification of license award from local government, and the level of client involvement. Losses, if any, on fixed-fee engagements are recognized in the period in which the loss first becomes probable and reasonably estimable. FASB ASC Topic 606 provides a practical expedient to disregard the effects of a financing component if the period between payment and performance is one year or less. As our fixed fee hourly engagements do not exceed one year, no significant customer-based financing is implicated under FASB ASC Topic 606. During the three months ended March 31, 2021 and 2020, we incurred no losses from fixed fee engagements that terminate prior to completion. We believe if an engagement terminates prior to completion, we can recover the costs incurred related to the services provided.

We primarily enter into arrangements for which fixed and determinable revenues are contingent and agreed upon achieving a pre-determined deliverable or future outcome. Any contingent revenue for these arrangements is not recognized until the contingency is resolved and collectability is reasonably assured.

Our arrangements with clients may include terms to deliver multiple services or deliverables. These contracts specifically identify the services to be provided with the corresponding deliverable. The value for each deliverable is determined based on the prices charged when each element is sold separately or by other vendor-specific objective evidence (“VSOE”) or estimates of stand-alone selling prices. Revenues are recognized in accordance with our accounting policies for the elements as described above (see Product Sales). The elements qualify for separation when the deliverables have value on a stand-alone basis and the value of the separate elements can be established by VSOE or an estimated selling price.

While assigning values and identifying separate elements requires judgment, selling prices of the separate elements are generally readily identifiable as fixed and determinable as we also sell those elements individually outside of a multiple services engagement. Contracts with multiple elements typically incorporate a fixed-fee or hourly pricing structure. Arrangements are typically terminable by either party upon sufficient notice or do not include provisions for refunds relating to services provided.

Reimbursable expenses, including those relating to travel, other out-of-pocket expenses and any third-party costs, are included as a component of revenues. Typically, an equivalent amount of reimbursable expenses is included in total direct client service costs. Reimbursable expenses related to time and materials and fixed-fee engagements are recognized as revenue in the period in which the expense is incurred and collectability is reasonably assured. Taxes collected from customers and remitted to governmental authorities are recognized as liabilities and paid to the appropriate government entities.

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*Cannabis Sales*

Revenues consist of the retail sale of cannabis and related products. Revenue is recognized at the point of sale for retail customers. Payment is typically due upon transferring the goods to the customer or within a specified time period permitted under the Company's credit policy. Sales discounts were not material during the nine months ended September 30, 2021.

*Loyalty Reward Program*

The Company offers a loyalty reward program to its dispensary customers that provides a discount on purchases based upon the total amount of a purchase, at the time of purchase. Management has determined that as there is no separate performance obligation to the reward program, i.e., the accumulation and redemption of points, and as such the Company recognizes the revenue at the time of purchase.

*Costs of Revenues*

The Company's policy is to recognize costs of revenue in the same manner in conjunction with revenue recognition. Cost of revenue includes the costs directly attributable to revenue recognition and includes compensation and fees for services, travel and other expenses for services and costs of products and equipment. Selling, general and administrative expenses are charged to expense as incurred.

*Advertising and Promotion Costs*

Advertising and Promotion costs are included as a component of selling and marketing expense and are expensed as incurred. During the nine months ended September 30, 2021 and 2020 these expenses were \$70,705 and \$8,489, respectively.

*Shipping and Handling Costs*

For product and equipment sales, shipping and handling costs are included as a component of cost of revenues.

*Stock-Based Compensation*

Restricted shares are awarded to employees and entitle the grantee to receive shares of common stock at the end of the established vesting period. The fair value of the grant is based on the stock price on the date of grant. We recognize related compensation costs on a straight-line basis over the requisite vesting period of the award, which to date has been one year from the grant date. During the nine months ended September 30, 2021 and 2020, stock-based compensation expense for restricted shares for Company employees was \$37,008 and \$43,502, respectively and \$8,318 and \$0 for the three months ended September 30, 2021 and 2020. Compensation expense for warrants are based on the fair value of the instruments on the grant date, which is determined using the Black-Scholes valuation model and are expensed over the expected term of the awards. During the nine months ended September 30, 2021, no warrants were issued as stock compensation.

*Research and Development*

As a component of our equipment and supplies offerings, from time-to-time we design and develop our own proprietary products to meet demand in markets where current offerings are insufficient. These products include, but are not limited to: The Satchel™, Cultivation Cube™, So-Hum Living Soils™ and the HDCS™. Costs associated with the development of new products are expensed as incurred as research and development operating expenses. During the nine months ended September 30, 2021 and 2020, our research and development costs were de minimis.

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*Income Taxes*

The Company's corporate status changed from an S Corporation, which it had been since inception, to a C Corporation during the year ended December 31, 2014. As provided in Section 1361 of the Internal Revenue Code, for income tax purposes, S Corporations are not subject to corporate income taxes; instead, the owners are taxed on their proportionate share of the S Corporation's taxable income. We recognize deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns in accordance with applicable accounting guidance for accounting for income taxes, using currently enacted tax rates in effect for the year in which the differences are expected to reverse. We record a valuation allowance when necessary to reduce deferred tax assets to the amount expected to be realized. For the year ended December 31, 2020, due to cumulative losses since our corporate status changed, we recorded a valuation allowance against our deferred tax asset that reduced our income tax benefit for the period to zero. As of September 30, 2021 and December 31, 2020, we had no liabilities related to federal or state income taxes and the carrying value of our deferred tax asset was zero.

*Net Loss Per Common Share*

The Company reports net loss per common share in accordance with FASB ASC 260, "Earnings per Share". This statement requires dual presentation of basic and diluted earnings with a reconciliation of the numerator and denominator of the earnings per share computations. Basic net loss per share is computed by dividing net loss attributable to common stockholders by the weighted average number of shares of common stock outstanding during the period and excludes the effects of any potentially dilutive securities. Diluted earnings per share is equal to basic earnings per share because there are no potential dilutable instruments that would have an anti-dilutive effect on earnings. Diluted net loss per share gives effect to any dilutive potential common stock outstanding during the period. The computation does not assume conversion, exercise or contingent exercise of securities since that would have an anti-dilutive effect on earnings.

Due to its cannabis operations, the Company is subject to the limitations of Internal Revenue Code ("IRC") Section 280E under which the Company is only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E.

*Related Party Transactions*

The Company follows FASB ASC subtopic 850-10, *Related Party Disclosures*, for the identification of related parties and disclosure of related party transactions.

Pursuant to ASC 850-10-20, related parties include: a) affiliates of the Company; b) entities for which investments in their equity securities would be required, absent the election of the fair value option under the Fair Value Option Subsection of Section 825-10-15, to be accounted for by the equity method by the investing entity; c) trusts for the benefit of employees, such as pension and profit sharing trusts that are managed by or under the trusteeship of management; d) principal owners of the Company; e) management of the Company; f) other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests; and g) other parties that can significantly influence the management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

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*Impact of COVID-19 Pandemic*

On March 11, 2020, the World Health Organization declared the current coronavirus (“COVID-19”) outbreak to be a global pandemic. In response to this declaration and the rapid spread of COVID-19 within the United States, federal, state and local governments throughout the country have imposed varying degrees of restrictions on social and commercial activity to promote social distancing in an effort to slow the spread of the illness. These measures had a significant adverse impact upon many sectors of the economy, including retail commerce.

In response to state and local measures and for protection of both employees, the Company made required changes to operations, which did not have a material impact upon operations or the financial condition of the Company.

While the state and local governments have eased restrictions on restrictions and activities, it is possible that a resurgence in COVID-19 cases could prompt a return to or new tighter restrictions to be instituted in the future. The Company is not aware of any specific event or circumstance that would require an update to its estimates or judgments or a revision of the carrying value of its assets or liabilities as of the date of issuance of these unaudited condensed consolidated financial statements.

*Recent Accounting Pronouncements*

Recent accounting pronouncements that the Company has adopted or that will be required to adopt in the future are summarized below.

In December 2019, the FASB issued ASU 2019-12, “*Simplifying the Accounting for Income Taxes*”. The pronouncement simplifies the accounting for income taxes by removing certain exceptions to the general principles in ASC Topic 740, “Income Taxes”. The pronouncement also improves consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. This standard is effective for fiscal years beginning after December 15, 2020, with early adoption permitted. The Company has adopted thee standard and there was not an impact on its unaudited consolidated financial statements.

In January 2020, the FASB issued ASU No. 2020-01, “*Investments — Equity Securities: Clarifying the Interactions between Topic 321, Topic 323, and Topic 815*” (“ASU No. 2020-01”). ASU No. 2020-01 clarifies that an entity should consider observable transactions that require it to either apply or discontinue the equity method of accounting for the purposes of applying the measurement alternative in accordance with ASC 321, “*Investments — Equity Securities*” immediately before applying or upon discontinuing the equity method of accounting in ASC 323, “*Investments—Equity Method and Joint Ventures.*” The provisions of ASU No. 2020-01 are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years with early adoption permitted, including early adoption in an interim period for public business entities for periods for which financial statements have not yet been issued. The Company has adopted thee standard and there was not an impact on its unaudited consolidated financial statements.



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**Note 4. Naturaleaf Asset Acquisition**

On April 30, 2021, the Company closed its acquisition of the assets of Medihemp, LLC, and its wholly owned subsidiary SLAM Enterprises, LLC, and Medical Cannabis Caregivers, Inc., each an entity organized and operating under the laws of the State of Colorado, and all doing business as “Naturaleaf” in the medicinal cannabis industry in Colorado.

Naturaleaf agreed to sell or assign to the Company the following assets:

5. Three Medical Marijuana (MMC) Store Licenses;
6. One Marijuana Infused Product Licenses (MIPS); and,
7. One Option Premises Cultivation License (OPC); and,
8. Related real property assets, goodwill, and related business assets.

The aggregate consideration paid for the Assets was \$2,890,000, which consisted of (i) a cash payment of \$1,100,000, (ii) the issuance of a promissory note to the owner of Naturaleaf in the principal amount of \$1,100,000 (the “Seller Note”), and (iii) the issuance of 3,000,000 shares of the Company’s restricted common stock valued at \$0.23 per share or \$690,000.

The asset acquisition was accounted for under the acquisition method of accounting in accordance with ASC Topic 805, *Business Combinations*. As the acquirer for accounting purposes, the Company has estimated the fair value of Medihemp LLC and Medical Cannabis Caregivers, Inc.’s (hereafter “Naturaleaf’s”) assets acquired and conformed the accounting policies of Naturaleaf to its own accounting policies. The Company expenses certain legal, auditing and licensing costs with the acquisition of \$83,095.

As part of the acquisition, the owners of Naturaleaf retained the outstanding cash balance on the date of the acquisition and had agreed to the payment of all outstanding accounts payables and related party advances.

The Company has performed a preliminary valuation analysis of the fair market value of Naturaleaf’s assets. The following table summarizes the allocation of the preliminary purchase price as of the acquisition date:

Cash	\$	--
Inventory		150,000
Property, plant and equipment		92,523
Long Term Deposits		6,000
Identifiable intangible assets		1,111,161
Goodwill		1,530,316
Accounts payable		--
<b>Total consideration</b>	<b>\$</b>	<b><u>2,890,000</u></b>

Preliminary goodwill from the acquisition primarily relates to the future economic benefits arising from the assets acquired and is consistent with the Company's stated intentions and strategy. Other assets include inventory and fixed assets.

The preliminary fair value of Naturaleaf’s identifiable intangible assets was \$1,111,161 million at April 30, 2021, consisting of \$694,476 in licenses and \$416,875 in brand names. During the nine months ended September 30, 2021, the Company recognized an amortization expense of \$54,031.

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The estimated fair values assigned to identifiable assets acquired assumed are provisional and are based on the information that was available as of the acquisition date to estimate the fair value of assets acquired and liabilities assumed. The Company believes that information provides a reasonable basis for estimating the fair values of assets acquired and liabilities assumed, but the Company is waiting for additional information necessary to finalize those fair values. Therefore, the provisional measurements of fair value reflected are subject to change and such changes could be significant. The Company expects to finalize the valuation and complete the purchase price allocation as soon as practicable, but no later than one year from the acquisition date.

The results of operations of Naturaleaf for the period from April 30, 2021 through September 30, 2021 are included in the Company's unaudited condensed consolidated financial statements as of September 30, 2021.

*Unaudited Pro Forma Financial Information*

The following unaudited pro forma information presents a summary of the Company's combined operating results for the three and nine months ended September 30, 2021 and 2020, as if the acquisition had occurred on January 1, 2020. The following pro forma financial information is not necessarily indicative of the Company's operating results as they would have been had the acquisition been effected on the assumed date, nor is it necessarily an indication of trends in future results for a number of reasons, including, but not limited to, differences between the assumptions used to prepare the pro forma information, basic shares outstanding and dilutive equivalents, cost savings from operating efficiencies, potential synergies, and the impact of incremental costs incurred in integrating the businesses.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Total Revenues	\$ 941,218	\$ 889,061	\$ 2,465,448	\$ 2,898,672
(Loss) Income from Operations	\$ (141,369)	\$ 3,335	\$ (542,159)	\$ (139,589)
Basic and diluted loss per share	\$ —	\$ —	\$ —	\$ —

**Note 5. Accounts Receivable and Advance from Clients**

Accounts receivable was comprised of the following:

	September 30, 2021	December 31, 2020
Accounts Receivable – Trade	\$ 60,135	\$ 82,467
Less: Allowance for Doubtful Accounts	(14,980)	(57,512)
<b>Accounts Receivable, net</b>	<b>\$ 45,155</b>	<b>\$ 24,955</b>

The Company had bad debt expense during the nine months ended September 30, 2021 and 2020 of \$0 and \$9,032, respectively.

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Our Advances from Clients had the following activity:

	<b>Amount</b>
<b>December 31, 2020</b>	\$ 88,843
Additional deposits received	300,392
Less: Deposits recognized as revenue	(268,288)
<b>September 30, 2021</b>	<b>\$ 120,947</b>

**Note 6. Inventory**

Inventory consisted of the following:

	<b>September 30, 2021</b>	<b>December 31, 2020</b>
Raw Materials	\$ 72,367	\$ 39,746
Work In Process	—	—
Finished Goods	204,965	22,656
<b>Total Inventory</b>	<b>\$ 277,332</b>	<b>\$ 62,402</b>

**Note 7. Property and Equipment, net**

Property and equipment, net, was comprised of the following:

	<b>September 30, 2021</b>	<b>December 31, 2020</b>
Office equipment	\$ 39,574	\$ 34,072
Software	13,204	13,204
Furniture and Fixtures	2,328	—
Machinery and Equipment	342,896	—
Leasehold Improvements	65,808	—
Property and equipment, gross	\$ 463,810	\$ 47,274
Less: Accumulated Depreciation	(46,400)	(22,621)
<b>Property and equipment, net</b>	<b>\$ 417,410</b>	<b>\$ 24,655</b>

As part of the Naturaleaf Asset Acquisition, the Company acquired \$92,523 in fixed assets consisting of machinery and equipment and leasehold improvements. During the nine months ended September 30, 2021, the Company purchased office equipment in the amount of \$5,502 and has made purchases of machinery and equipment of \$342,896 in order to upgrade operations at the new cultivation facilities and has spent \$65,808 in leasehold improvements at the cultivation facilities.

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**Note 8. Accrued and Other Current Liabilities**

Accrued and other current liabilities consisted of the following:

	September 30, 2021	December 31, 2020
Accrued Interest	\$ 46,410	\$ 449
Accrued Payroll	25,320	—
Sales Tax Payable	8,570	—
Other Accrued Expenses & Payables	15,891	48,795
<b>Accrued and other current liabilities</b>	<b>\$ 96,191</b>	<b>\$ 49,244</b>

**Note 9. Stock Payable**

The following summarizes the changes in common stock payable:

	Amount
<b>December 31, 2020</b>	<b>\$ —</b>
Additional Expenses Incurred	37,008
Payments Upon Issuance of Shares	—
<b>September 30, 2021</b>	<b>\$ 37,008</b>

**Note 10. Operating Lease Right-of-Use Asset/Operating Lease Liability**

The Company leases property under operating leases. Property leases include retail and cultivation space with fixed rent payments and lease terms ranging from one to two years. The Company is obligated to pay the lessor for maintenance, real estate taxes, insurance and other operating expenses on certain property leases. These expenses are variable and are not included in the measurement of the lease asset or lease liability. These expenses are recognized as variable rent expense when incurred.

The Company's lease portfolio consists of the following.

Lease Name	Asset Type	Start Date	Expiration Date	Monthly Rent
Durango Lease	Real Property	5/1/2021	5/31/2022	\$10,200
Lehman Lease	Real Property	5/1/2021	12/31/2022	\$2,732
Palmer Lease	Real Property	5/1/2021	6/30/2022	\$1,069
Greenspace Membership	Real Property	4/15/2021	12/31/2021	\$1,000
Tejon Lease	Real Property	5/1/2021	4/30/2022	\$3,700

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On June 1, 2020, the Company entered into a new lease membership agreement for a one-year term for an amount of \$2,895 per month, the lease expired on May 31, 2021. At that time the Company entered into an 8 ½ month lease for less space for an amount of \$1,000 per month. We determined under ASC 842, due to the short-term nature of the lease that the lease membership agreement met the criteria of ASC 842-20-25-2 and as such it was not necessary to capitalize the lease and rent will be recognized on a monthly straight-line basis.

On May 1, 2020, as part of the Naturaleaf Acquisition, leases for grow facilities and dispensaries were assigned to the Company. These leases were determined to be operating leases under ASC 842 and such leases was capitalized. It was determined that the Tejon lease, due to the short-term nature of the lease met the criteria of ASC 842-20-25-2 and as such it was not necessary to capitalize the lease and rent would be recognized on a straight-line basis.

The Company records the lease asset and lease liability at the present value of lease payments over the lease term. The leases typically do not provide an implicit rate; therefore, the Company uses its estimated incremental borrowing rate at the time of lease commencement to discount the present value of lease payments. The Company's discount rate for operating leases at September 30, 2021 was 12.5%. Leases often include rental escalation clauses, renewal options and/or termination options that are factored into the determination of lease payments when appropriate. Lease expense is recognized on a straight-line basis over the lease term to the extent that collection is considered probable. As a result, the Company been recognizing rents as they become payable.

As of September 30, 2021, the aggregate remaining annual lease payments of operating leases liabilities are as follows:

	<b>Operating Leases</b>
2021	\$ 42,237
2022	91,158
<b>Total</b>	<b>133,395</b>
Less: amount representing interest	(7,496)
<b>Present value of future minimum lease payments</b>	<b>125,899</b>
Less: current obligations under leases	117,630
<b>Long-term lease obligations</b>	<b>\$ 8,269</b>

As of September 30, 2021, the aggregate remaining minimal annual lease payments under these operating leases were as follows:

2021	\$ 59,337
2022	105,958
<b>Total</b>	<b>\$ 165,295</b>

**AMERICAN CANNABIS COMPANY, INC.**  
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**(UNAUDITED)**

**Note 11. Loans Payable**

*PPP Loans*

On March 27, 2020, the CARES Act was enacted to provide financial aid to family and businesses impacted by the COVID-19 pandemic. The Company participated in the CARES Act, and on August 6, 2020, the Company entered into a note payable with a bank under the Small Business Administration (“SBA”) Paycheck Protection Program (“PPP loan”) in the amount of \$109,914. This loan payable matures on August 6, 2022 with a fixed interest rate of 1% per annum with interest deferred for six months. The PPP loan has an initial term of two years, is unsecured and guaranteed by the SBA. Under the terms of the PPP loan, the Company may apply for forgiveness of the amount due on the PPP loan. The Company used the proceeds from the PPP loan for qualifying expenses as defined in the PPP. The Company intends to apply for forgiveness of the PPP loan in accordance with the terms of the CARES Act. However, the Company cannot assure at this time that the PPP loan will be forgiven partially or in full. If the loan is not forgiven based on the PPP guidelines to be issued by the SBA, as defined, then, the monthly payment amount will be \$6,186 beginning on March 6, 2021 through August 6, 2022. On March 3, 2021, the SBA forgave the principal of \$109,914 and any accrued interest at that time.

On April 23, 2021, the Company entered into a second note payable with a bank under the SBA PPP Loan in the amount of \$130,186. The PPP Loan is subject to the same terms of forgiveness as above. On September 27, 2021, the SBA forgave the principal of \$130,186 and any accrued interest.

*Naturaleaf Seller Note*

As part of the Naturaleaf Acquisition, the Company issued a promissory note to the owner of Naturaleaf in the principal amount of \$1,100,000 (the “Seller Note”). The note has a term of 1 year with a due date of April 1, 2022 and does not require any payments prior to the due date. The note has an annual interest rate of 10%. At September 30, 2021, interest of \$46,410 had been accrued.

**Note 12. Related Party Transactions**

The Company has a related party entity, Tabular Investments, LLC (“Tabular”) which was set to assign the Company’s interest in various equity partnership. The sole member of Tabular is Tad Mailander, the Company’s outside legal counsel and Director. The Company has valued all of its equity partnership investments at \$0. Neither our direct equity ownership in, nor our assignments of equity to Tabular Investments, LLC are, or are reasonably likely to allow for, substantive terms, transactions, and arrangements, whether contractual or not contractual, that will have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. We have no direct or indirect majority influence or control over any entity in which we have a direct equity interest or equity interests assigned to Tabular. We do not have any direct or indirect interest in, and do not control Tabular. We have not absorbed losses from either our direct equity interests or assignments to Tabular, and we have provided no subordinated financial support to any project

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**Note 13. Stock Based Compensation**

During the nine months ended September 30, 2021, the Company issued stock-based compensation for employees and service providers pursuant to its 2015 Equity Incentive Plan.

*Restricted Shares*

From time to time, the Company grants certain employees restricted shares of its common stock to provide further compensation in lieu of wages and to align the employee's interests with the interests of its stockholders. Because vesting is based on continued employment, these equity-based incentives are also intended to attract, retain and motivate personnel upon whose judgment, initiative and effort the Company's success is largely dependent.

During the nine months ended September 30, 2021, the Company granted 204,932 restricted shares and recognized \$37,008 in associated employee stock-based compensation expense. The fair value of restricted stock unit is determined based on the quoted closing price of the Company's common stock on the date grant.

During the nine months ended September 30, 2020, the Company granted 225,000 restricted shares and recognized \$19,347 in associated employee stock-based compensation expense. The fair value of the restricted stock is determined based on the quoted closing price of the Company's common stock on the date of grant.

During the nine months ended September 30, 2020, the Company issued 478,261 shares of restricted shares granted during the fiscal year ended December 31, 2019.

During the nine months ended September 30, 2020, the Company issued 5,700,000 registered shares of common stock in exchange for net proceeds of \$459,609 pursuant to the Common Stock Purchase Agreement entered into on October 11, 2019 with White Lion Capital LLC.

During the nine months ended September 30, 2020, the Company issued 78,505 restricted common shares to two employees in payment of commissions earned totaling \$7,066.

*Net Loss Per Share*

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

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

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

	<b>September 30, 2021</b>	<b>December 31, 2020</b>
Warrants	10,000	397,500
Stock Payable	204,932	—
<b>Total</b>	<b>214,932</b>	<b>397,500</b>

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*Warrants*

During the nine months ended September 30, 2021, warrants with a cashless exercise provision were exercised for 125,000 restricted shares . Of which, a warrant for 100,000 shares was exercised by an officer/director of the Company.

During the nine months ended September 30, 2021, the Company did not issue or approve any warrants. Warrants exercisable for 287,500 shares expired.

**Note 14. Shareholders' Equity**

*Preferred Stock*

American Cannabis Company, Inc. is authorized to issue 5,000,000 shares of preferred stock at \$0.01 par value. No shares of preferred stock were issued and outstanding at September 30, 2021 and December 31, 2020, respectively.

*Common Stock*

During the nine months ended September 30, 2021, the Company issued 6,300,000 registered shares of common stock in exchange for net proceeds of \$1,110,477 pursuant to the Common Stock Purchase Agreement entered into on October 11, 2019 with White Lion Capital LLC.

During the nine months ended September 30, 2021, the Company issued 3,000,000 shares of its restricted common stock to the sellers of Naturaleaf, as part of the acquisition of assets of Naturaleaf. The shares had a value of \$690,000 based on a closing market price on April 23, 2021 of \$0.23 per share.

During the nine months ended September 30, 2021, warrants with a cashless exercise provision were exercised for 125,000 restricted shares . Of which, a warrant for 100,000 shares was exercised by an officer/director of the Company.

During the nine months ended September 30, 2020, the Company issued 478,261 shares of restricted shares granted during the fiscal year ended December 31, 2019.

**Note 15. Commitments and Contingencies**

*Legal*

In the ordinary course of its business, the Company becomes involved in various legal proceedings involving a variety of matters. The Company does not believe there are any pending legal proceedings that will have a material adverse effect on the Company's business, consolidated financial position, results of operations, or cash flows. However, the outcome of such legal matters is inherently unpredictable and subject to significant uncertainties. The Companies expenses legal fees in the period in which they are incurred.



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*Turoff Matter*

On November 15, 2019, Erin Turoff filed suit against the Company and Mr. Terry Buffalo, our chief executive officer and director, and Mr. Ellis Smith our chief development officer and director, in Denver County District Court, Case Number 2019CV034380. The complaint seeks a declaratory judgement and damages related to Ms. Turoff's allegation that she was misclassified as an independent contractor while working for the Company. Ms. Turoff alleges she is owed unpaid overtime, liquidated damages, wages, statutory penalties and other compensatory damages for her misclassification and alleged wrongful termination. Ms. Turoff's suit against Mr. Buffalo and Mr. Smith alleges that each are the alter ego of the Company and are therefore jointly and severally liable. The Company filed a counterclaim against Ms. Turoff alleging misappropriation of trade secrets, breach of contract, and other claims relating to her theft of confidential and proprietary information. All parties have appeared in the case and the case is currently in the discovery. At this time, there is no reasonable basis from which a determination or estimate may be made concerning the amount of any contingent liability related to this lawsuit.

**Note 16. Subsequent Events**

In accordance with ASC 855-10, the Company has analyzed its operations after Unaudited consolidated financial statements were available to be issued and has determined that there were no other significant subsequent events or transactions that would require recognition or disclosure in the unaudited condensed consolidated financial statements for the six months ended June 30, 2021, other than as follows.

In October 2021, the Company issued 500,000 registered shares of common stock in exchange for net proceeds of \$45,480 pursuant to the Common Stock Purchase Agreement entered into on October 11, 2019 with White Lion Capital LLC.

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

The statements contained in this report that are not statements of historical fact, including without limitation, statements containing the words “believes,” “expects,” “anticipates” and similar words, constitute forward looking statements that are subject to a number of risks and uncertainties. From time to time we may make other forward-looking statements. Investors are cautioned that such forward looking statements are subject to an inherent risk that actual results may materially differ as a result of many factors, including the risks discussed from time to time in this report, including the risks described under “Risk Factors” in any filings we have made with the SEC.

### **Government Regulation**

Currently, there are thirty-six states plus the District of Columbia that have laws and/or regulation that recognize in one form or another legitimate medical uses for cannabis and consumer use of cannabis in connection with medical treatment. There are currently sixteen states and the District of Columbia that allow recreational use of cannabis. As of September 30, 2021, the policy and regulations of the Federal Government and its agencies is that cannabis has no medical benefit and a range of activities including cultivation and use of cannabis for personal use is prohibited on the basis of federal law and may or may not be permitted on the basis of state law. Active enforcement of the current federal regulatory position on cannabis on a regional or national basis may directly and adversely affect the willingness of customers of the Company's medicinal cannabis products to invest in or buy products. Active enforcement of the current federal regulatory position on cannabis may thus indirectly and adversely affect revenues and profits of the Company.

Our discussion and analysis of our financial condition and results of operations are based upon our unaudited condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these unaudited condensed consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an ongoing basis, we evaluate these estimates, including those related to useful lives of real estate assets, bad debts, impairment, net lease intangibles, contingencies, and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. There can be no assurance that actual results will not differ from those estimates.

### *BACKGROUND*

American Cannabis Company, Inc. and subsidiary company, Hollister & Blacksmith, Inc., doing business as American Cannabis Consulting (“American Cannabis Consulting”), (collectively “the “Company”, “we”, “us”, or “our”) are based in Denver, Colorado and operate a fully integrated business model that features end to end solutions for businesses operating in the regulated cannabis industry in states and countries where cannabis is regulated and/or has been decriminalized for medical use and/or legalized for recreational use. The Company provides advisory and consulting services specific to this industry, manufactures proprietary industry solutions including; the Satchel™, SoHum Living Soils™, Cultivation Cube™ and the High Density Cultivation System.™ The Company also sells 3rd party industry specific products and manages a strategic group partnership that offers both exclusive and nonexclusive customer products commonly used in the industry. American Cannabis Company, Inc. is a publicly listed company quoted on the OTCQB Tier under the symbol “AMMJ”.

### *Naturaleaf Acquisition*

On April 30, 2021, the Company closed its acquisition of the assets of Medihemp, LLC, and its wholly owned subsidiary SLAM Enterprises, LLC, and Medical Cannabis Caregivers, Inc., each an entity organized and operating under the laws of the State of Colorado, and all doing business as “Naturaleaf” in the medicinal cannabis industry in Colorado.

Medihemp and SLAM, respectively own fixed assets and operate two retail Medical Marijuana Centers located in Colorado Springs, Colorado. Medical Cannabis owns fixed assets and operates a retail Medical Marijuana Center located in Colorado Springs, Colorado. Medical Cannabis also owns and operates a Medical Marijuana Optional Premises Cultivation license, and a Medical Marijuana-Infused Product Manufacturer license.

Naturaleaf agreed to sell or assign to the Company the following assets:

1. Three Medical Marijuana (MMC) Store Licenses;
2. One Marijuana Infused Product Licenses (MIPS); and,
3. One Option Premises Cultivation License (OPC); and,
4. Related real property assets, goodwill, and related business assets.

As a result, the Company has expanded its business model to include the cultivation and retail sale of cannabis in the medicinal cannabis industry.

The aggregate consideration paid for the Assets was \$2,890,000, which consisted of (i) a cash payment of \$1,100,000, (ii) the issuance of a promissory note to the owner of Naturaleaf in the principal amount of \$1,100,000 (the “Seller Note”), and (iii) the issuance of 3,000,000 shares of the Company’s restricted common stock valued at \$0.23 per share or \$690,000.

The asset acquisition was accounted for under the acquisition method of accounting in accordance with ASC Topic 805, *Business Combinations*. As the acquirer for accounting purposes, the Company has estimated the fair value of Medihemp LLC and Medical Cannabis Caregivers, Inc.’s (hereafter “Naturaleaf’s”) assets acquired and conformed the accounting policies of Naturaleaf to its own accounting policies.

As part of the acquisition, the owners of Naturaleaf retained the outstanding cash balance on the date of the acquisition and had agreed to the payment of all outstanding accounts payables and related party advances.

The Company has performed a preliminary valuation analysis of the fair market value of Naturaleaf’s assets. The following table summarizes the allocation of the preliminary purchase price as of the acquisition date:

Cash	\$	--
Inventory		150,000
Property, plant and equipment		92,523
Long Term Deposits		6,000
Identifiable intangible assets		1,111,161
Goodwill		1,530,316
Accounts payable		--
<b>Total consideration</b>	<b>\$</b>	<b><u>2,890,000</u></b>

Preliminary goodwill from the acquisition primarily relates to the future economic benefits arising from the assets acquired and is consistent with the Company's stated intentions and strategy. Other assets include inventory and fixed assets.

The preliminary fair value of Naturaleaf’s identifiable intangible assets was \$1,111,161 million at April 30, 2021, consisting of \$\$694,476 in licenses and \$416,875 in brand names.

The estimated fair values assigned to identifiable assets acquired assumed are provisional and are based on the information that was available as of the acquisition date to estimate the fair value of assets acquired and liabilities assumed. The Company believes that information provides a reasonable basis for estimating the fair values of assets acquired and liabilities assumed, but the Company is waiting for additional information necessary to finalize those fair values. Therefore, the provisional measurements of fair value reflected are subject to change and such changes could be significant. The Company expects to finalize the valuation and complete the purchase price allocation as soon as practicable, but no later than one year from the acquisition date.

## **RESULTS OF OPERATIONS**

### *Revenues*

Total revenues were \$1,698,910 for the nine months ended September 30, 2021 as compared to \$1,259,004 for the nine months ended September 30, 2020. Total revenues were \$752,953 for the three months ended September 30, 2021 as compared to \$268,709 for the three months ended September 30, 2020. The increases in total revenue of \$439,893 for the nine months ended September 30, 2021, represents a decrease of \$171,944 in consulting revenue combined with a \$102,143 decrease in product and equipment revenue offset by the revenue stream from the sale of cannabis products of \$714,043

### *Costs of Revenues*

Costs of revenues primarily consists of labor, travel, cost of equipment and soil sold, and other costs directly attributable to providing services or soil products. Costs of revenues related to our cannabis products include cultivation costs, including labor, utilities, supplies and cultivation facility rent. During the nine months ended September 30, 2021, our total costs of revenues were \$928,983 compared to \$695,625 for the nine months ended September 30, 2020. Decreases in costs of consulting services and products and equipment during the nine months ended September 30, 2021 were associated with decreases in revenue and were offset by \$379,753 in costs associated with the Company's cannabis products.

### *Consulting Services*

Consulting service revenues during the nine months ended September 30, 2021 were \$254,669 versus \$426,613 for the nine months ended September 30, 2020. Decreases in consulting services is a direct result of the effects of COVID-19 on clients plans. Management had started to see an uptick in services as a result of several states legalizing cannabis for medicinal and/or recreational use in late 2020, but during the last nine months the use of such services has been effected by delays in finalization of rules for implementation in those states that in 2020 legalized cannabis for either medicinal or recreational purposes.

Costs of Services were \$36,179 compared to \$138,980 for the nine months ended September 30, 2021 and 2020. Costs associated with consulting services decreased \$102,801, as the Company has focused on the use of internal staff, rather than consultants for a majority of this work.

Consulting services revenues during the three months ended September 30, 2021 were \$53,277 versus \$71,000 during the three months ended September 30, 2020. A decrease of \$17,723 was the result of the effects of COVID-19 on clients plans as discussed above.

Cost of Services were \$9,473 compared to \$24,425 for the three months ended September 30, 2021 and 2020. Costs associated with consulting services decreased \$14,952 as a result of the decrease revenue and decreased use of consultants for this work.

### *Soil Product and Equipment Revenues*

Our product and equipment revenues for the nine months ended September 30, 2021 were \$730,198 versus \$832,391 for the nine months ended September 30, 2020. As a result of changes in warehousing and production practices, combined with an increase in prices and the discontinuance of certain products, soil sales have seen a decrease.

Costs of Products and Equipment were \$513,301 and \$556,645, during the nine months ended September 30, 2021 and 2020. Costs associated with products and equipment decreased, as a result of the change in the products being offered offset by an increase in cost per bag for one product.

Product and Equipment revenues for the three months ended September 30, 2021 were \$292,709 versus \$197,709 during the nine months ended September 30, 2021, an increase of \$95,000. This increase is due to a change in pricing of soil products during the three months ended and moves by clients to move forward equipment purchases.

Cost of Products and Equipment were \$182,795 and \$133,036 during the three months ended September 30, 2021 and September 30, 2020. Costs associated with products and equipment increased due to a combination of the changes to the costs of soil products being offered along with increases with costs of equipment and products as a result of increased sales.

#### *Cannabis Product Revenues*

Cannabis product revenues during the nine and three months ended September 30, 2020 were \$714,043 and \$406,967, respectively. The Company acquired the assets of Naturaleaf on April 30, 2021 and only began recognizing revenues from these operations on May 1, 2021.

Costs associated with cannabis products consists of those costs incurred in the cultivation of the plants and the retail sale of the products. During the nine and three months ended September 30, 2021 such costs were \$379,753 and \$231,964, respectively.

#### *Gross Profit*

Total gross profit was \$769,927 for the nine months ended September 30, 2021, comprised of consulting services gross profit of \$218,490, products and equipment gross profit of \$217,147 and a gross profit of \$334,290 for cannabis products. This compares to total gross profit of \$563,379 for the nine months ended September 30, 2020, comprised of consulting services gross profit of \$287,633 and products and equipment gross profit of \$275,746. The relative decreases in the gross profits of consulting services and products and equipment are a result of the actions described above.

The decrease in our consulting services gross profits during the nine months ended September 30, 2021, reflects the effects of COVID-19 which has been compounded by delays in finalization of rules for implementation in states that in 2020 legalized cannabis for either medicinal or recreational purposes. The decrease in gross profits for products and equipment was due to the Company expanding its product line in large quantity container ("Tote") selling at lower margins as a promotion to clients during the period.

Total gross profit was \$328,721 for the three months ended September 30, 2021, comprised of consulting services gross profit of \$43,804, products and equipment gross profit of \$109,914 and a gross profit of \$175,003 for cannabis products. This compares to a gross profit of \$111,248 comprised of consulting services gross profit of \$46,575 and product and equipment gross profit of \$64,673. The effects of COVID-19 on consulting services and changes in soil products pricing and quantity offerings combined increases in costs related to the increase in equipment sales.

#### *Operating Expenses*

Total operating expenses were \$1,615,401, for the nine months ended September 30, 2021, and \$1,028,901 for the nine months ended September 30, 2020. The increase in operating expenses is attributed to increases legal, accounting and other third-party consultant costs associated with the closing of the Naturaleaf asset acquisition. The Company has seen additional increases in depreciation and amortization expenses, sales and marketing expenses and web site design during the period.

Total operating expenses were \$590,113 for the three months ended September 30, 2021 and \$280,938 for the three months ended September 30, 2020. The increase in operating expenses is a result of the addition of the operating expenses of our cannabis products division which has its own separate operating expenses from those of the rest of the Company such as service providers, facilities rent, amortization expenses, marketing and advertising costs.

#### *Other Income (Expense)*

Other income (expense) for the nine months ended September 30, 2021 was \$196,630 as compared with \$51,634 for the nine months ended September 30, 2020. The increase is a direct result of the forgiveness of the Company's then outstanding PPP loan by the Small Business Administration offset by increases in interest expenses resulting from the \$1,100,000 promissory note issued in connection with the asset acquisition from Naturaleaf.

Other income (expense) for the nine months ended September 30, 2021 was \$104,264 as compared with \$35,112 for the three months ended September 30, 2020. The increase was the result of the forgiveness of the Company's second PPP loan by the Small Business Administration during the three months ended September 30, 2021.

#### *Net Loss*

Net loss for the nine months ended September 30, 2021 was (\$648,844) as compared to a net loss of (\$413,888) for the nine months ended September 30, 2020. Net loss for the three months ended September 30, 2021 was (\$158,295) as compared to a net loss of (\$134,578) for the three months ended September 30, 2020.

### **LIQUIDITY AND CAPITAL RESOURCES**

As of September 30, 2021, our primary internal sources of liquidity were our working capital, which included cash and cash equivalents of \$884,056 and accounts receivable of \$45,155. We have seen an increase in liquidity as a result of the asset acquisition of Naturaleaf due to the immediacy of the receipt of funds from retail revenue. Additionally, considering that our fixed overhead costs are low, we have the ability to issue stock to compensate employees and management. In prospective, due to the delay in additional states enacting legalization for cannabis products management has initiated raising additional capital as needed to offset general and administrative expenses for at least the next 12 months. Management believes this strategy will adequately provide the necessary liquidity and capital resources to fund our operational and general and administrative expenses for at least the next 12 months.

During the nine months ended September 30, 2021, the Company issued 6,300,000 registered shares of common stock in exchange for net proceeds of \$1,110,477 pursuant to the Common Stock Purchase Agreement entered into on October 11, 2019 with White Lion Capital LLC. The Company has registered 34,000,000 million shares of its common stock to sell to White Lion Capital, LLC on an as needed basis for funds to support operational activities.

#### *Operating Activities*

Net cash used by operating activities for the nine months ended September 30, 2021 was a use of (\$649,784), compared to net cash used by operating activities of (\$319,886), for the nine months ended September 30, 2020. Increases in cash used were a result of the increases in inventory, prepaid expenses and accounts payable. All a result of the addition of cannabis operations.

#### *Investing Activities*

For the nine months ended September 30, 2021 and 2020, investing activities were a use of cash of (\$1,429,955) and (\$88) respectively. The increases were result of the cash payment in the acquisition of the assets of Naturaleaf of \$1,100,000, expenditures of equipment and leasehold improvements for the cultivation and dispensary facilities of \$324,012.

#### *Financing Activities*

During the nine months ended September, 2021 proceeds received from financing activities was \$1,240,477 and \$569,523 for the nine months ended September 30, 2020. Funds received during the nine months ended September 30, 2021 were from the sale of shares of the Company's registered common stock and a receipt of funds from the Company's second SBA PPP Loan.

### Off Balance Sheet Arrangements

As of September 30, 2021, and December 31, 2020, we did not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

### Non-GAAP Financial Measures

We use Adjusted EBITDA, a Non-GAAP metric, to monitor our overall business performance. We define Adjusted EBITDA as net income (loss) before interest expense, net, provision for (benefit from) income taxes, stock-based compensation, and certain nonrecurring expenses, which to date have been limited to costs associated with the Reverse Merger. We believe that such adjustments to arrive at Adjusted EBITDA provides us with a more comparable measure for managing our business. We also believe that it is a useful measure for securities analysts, investors, and other interested parties in the evaluation of our Company.

A reconciliation of net income(loss) to Adjusted EBITDA is provided below:

	<b>Nine Months Ended September 30, 2021</b>	<b>Nine Months Ended September 30, 2020</b>
<b>Adjusted EBITDA reconciliation:</b>		
Net loss	\$ (648,844)	\$ (413,888)
Bad Debt Expense	—	9,032
Depreciation and Amortization	77,810	11,070
Interest Expense	46,837	2,865
Stock-based compensation to employees	37,008	12,300
Stock issued for services	—	7,066
<b>Adjusted EBITDA</b>	<b>\$ (487,189)</b>	<b>\$ (371,555)</b>

### ITEM 3. QUANTITATIVE & QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting Company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

### ITEM 4. CONTROLS AND PROCEDURES

#### *Evaluation of Disclosure Controls and Procedures*

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in our reports filed under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer/Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including our Chief Executive Officer/Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2021, the end of the period covered by this Report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective at the reasonable assurance level due to the material weaknesses discussed below.

### *Internal Control over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, our principal executive officer and principal financial officer and effected by the Board, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets,
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures of are being made only in accordance with authorizations of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Because of our inherent limitations, our internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management identified the following material weaknesses:

- we do not have an Audit Committee – While not being legally obligated to have an Audit Committee, it is the management’s view that such a committee, including a financial expert board member, is an utmost important entity level control of the Company’s financial statements. Currently the Board of Directors acts in the capacity of the Audit Committee and does not include a member that is considered to be independent of management to provide the necessary oversight over management’s activities.
- we have not performed a risk assessment and mapped our processes to control objectives.
- we have not implemented comprehensive entity-level internal controls.
- we have not implemented adequate system and manual controls; and
- we do not have sufficient segregation of duties.

Our management assessed the effectiveness of internal control over financial reporting as of September 30, 2021. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organization of the Treadway Commission (“COSO”) in *Internal Control – Integrated Framework (2013)*. Based on management’s assessment, management concluded that the above material weaknesses have not been remediated and, accordingly, our internal control over financial reporting is not effective as of September 30, 2021.



## *Remediation of Material Weaknesses*

We have designed and plan to implement, or in some cases have already implemented, the specific remediation initiatives described below:

- We intend to allocate resources to perform a risk assessment and map processes to control objectives and, where necessary, implement and document internal controls in accordance with COSO.
- Our entity-level controls are, generally, informal and we intend to evaluate current processes, supplement where necessary, and document requirements.
- While we have implemented procedures to identify, evaluate and record significant transactions, we need to formally document these procedures and evidence the performance of the related controls.
- We plan to evaluate system and manual controls, identify specific weaknesses, and implement a comprehensive system of internal controls.

## **PART II—OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

On November 15, 2019, Erin Turoff filed suit against the Company and Mr. Terry Buffalo, our chief executive officer and director, and Mr. Ellis Smith our chief development officer and director, in Denver County District Court, Case Number 2019CV034380. The complaint seeks a declaratory judgement and damages related to Ms. Turoff's allegation that she was misclassified as an independent contractor while working for the Company. Ms. Turoff alleges she is owed unpaid overtime, liquidated damages, wages, statutory penalties and other compensatory damages for her misclassification and alleged wrongful termination. Ms. Turoff's suit against Mr. Buffalo and Mr. Smith alleges that each are the alter ego of the Company and are therefore jointly and severally liable. The Company filed a counterclaim against Ms. Turoff alleging misappropriation of trade secrets, breach of contract, and other claims relating to her theft of confidential and proprietary information. All parties have appeared in the case and the case is currently in the discovery. At this time, there is no reasonable basis from which a determination or estimate may be made concerning the amount of any contingent liability related to this lawsuit.

### **ITEM 1A. RISK FACTORS**

We are a smaller reporting Company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

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

On April 23, 2021, the Company issued 3,000,000 shares of its restricted common stock as part of the acquisition of the assets of Medihemp, LLC, and its wholly owned subsidiary SLAM Enterprises, LLC, and Medical Cannabis Caregivers, Inc. ("Naturaleaf"). The shares were issued to its common owner.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

No senior securities were issued and outstanding during the six months ended September 30, 2021 and 2020.

### **ITEM 4. MINE SAFETY DISCLOSURES**

Not Applicable.

### **ITEM 5. OTHER INFORMATION**

None.

## ITEM 6. EXHIBITS

This list is intended to constitute the exhibit index.

- 31.1 [Certification of Principal Executive & Financial Officer as required by Rule 13a-14 or 15d-14 of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32.1 [Certification of Principal Executive & Financial Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes00xley Act of 2002.](#)
- 101.INS XBRL Instance Document\*
- 101.SCH XBRL Taxonomy Extension Schema Document\*
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document\*
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document\*
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document\*
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document\*

\*Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities and Exchange Act of 1934, and otherwise are not subject to liability under those sections.

**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.

**AMERICAN CANNABIS COMPANY, INC.**

Date: November 5, 2021

By: /s/ Terry Buffalo

Terry Buffalo,  
Chief Executive Officer & Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE & CHIEF FINANCIAL OFFICER**

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, I, Terry Buffalo, certify that:

1. I have reviewed this report on Form 10-Q of American Cannabis Company, Inc., for the fiscal quarter ended September 30, 2021;
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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or 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. I have disclosed, based on my 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 reasonable 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 controls over financial reporting.

Date: November 5, 2021

/s/ Terry Buffalo

Terry Buffalo

Chief Executive Officer  
& Chief Financial Officer

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**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 American Cannabis Company, Inc. (the “Company”) on Form 10-Q for the quarter ended September 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Terry Buffalo, Chief Executive Officer & Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002, that, to the best of my knowledge and belief:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: November 5, 2021

/s/ Terry Buffalo

Terry Buffalo

Chief Executive Officer &  
Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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