

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2023

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period From _____ to _____

Commission File Number 000-26108



AMERICAN CANNABIS COMPANY, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

1004 Tejon Street
Colorado Springs, Colorado
(Address of principal executive offices)

90-1116625
(I.R.S. Employer
Identification No.)

80903
(Zip Code)

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

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

None

Title of each class

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

Common Stock, \$0.00001 Par Value
(Title of each class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller reporting
company)

Smaller reporting company

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 a 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

The aggregate market value of common equity held by non-affiliates of the Registrant as of December 31, 2023, was approximately \$1,671,477.

As of December 31, 2023, 171,402,938 shares of common stock, par value \$0.00001, were issued and outstanding. On May 8, 2024, 185,800,915 shares of common stock, par value \$0.00001, were issued and outstanding.

TABLE OF CONTENTS

ITEM 1.	BUSINESS	1
ITEM 1A.	RISK FACTORS	8
ITEM 1B.	UNRESOLVED STAFF COMMENTS	8
ITEM 2.	PROPERTIES	8
ITEM 3.	LEGAL PROCEEDINGS	9
ITEM 4.	MINE SAFETY DISCLOSURES	9
PART II		
ITEM 5.	MARKET FOR REGISTRANTS COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES MARKET INFORMATION AND HOLDERS	9
ITEM 6.	SELECTED FINANCIAL DATA	10
ITEM 7.	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	10
ITEM 7A.	QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK	21
ITEM 8.	FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	21
ITEM 9.	CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	46
ITEM 9A.	CONTROLS AND PROCEDURES	46
ITEM 9B.	OTHER INFORMATION	48
PART III		
ITEM 10.	DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE	48
ITEM 11.	EXECUTIVE COMPENSATION	49
ITEM 12.	SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS	50
ITEM 13.	CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE	52
ITEM 14.	PRINCIPAL ACCOUNTING FEES AND SERVICES	52
PART IV		
ITEM 15.	EXHIBITS, FINANCIAL STATEMENT SCHEDULES	53

PART I.

ITEM 1. BUSINESS

This annual report on Form 10-K (including, but not limited to, the following disclosures regarding our Business) contains forward-looking statements regarding our business, financial condition, results of operations, and prospects. Words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates,” and similar expressions or variations of such words are intended to identify forward-looking statements, but are not the exclusive means of identifying forward-looking statements in this annual report on Form 10-K. Additionally, statements concerning future matters such as the development of new products, enhancements or technologies, sales levels, expense levels, and other statements regarding matters that are not historical are forward-looking statements.

Forward-looking statements in this annual report on Form 10-K reflect our good faith judgment based on facts and factors currently known to us. Forward-looking statements are inherently subject to risks and uncertainties and actual results and outcomes may differ materially from the results and outcomes discussed in or anticipated by the forward-looking statements. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this annual report on Form 10-K. We undertake no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this annual report on Form 10-K. Readers are urged to carefully review and consider the various disclosures made in this annual report on Form 10-K, which attempt to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects.

Company Background

American Cannabis Company, Inc. and its subsidiary is a publicly listed company quoted on the OTC Markets OTCQB Trading Tier under the symbol “AMMJ.” We are based in Colorado Springs, 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. We provide advisory and consulting services specific to this industry, design industry-specific products and facilities, and manage a strategic group partnership offering exclusive and non-exclusive customer products commonly used in the industry. We also are licensed operators of two medical cannabis dispensaries and a cannabis cultivation facility in Colorado Springs, CO.

We are a Delaware corporation formed on September 24, 2001 with the name Naturewell, Inc. Pursuant to a merger transaction on March 13, 2013, the Company changed its name to Brazil Interactive Media, Inc. (“BIMI”), and operated as the owner of a Brazilian interactive television technology and television production company named BIMI, Inc. Pursuant to an Agreement and Plan of Merger dated May 15, 2014, between the Company, Cannamerica Corp. (“Merger Sub”), a wholly-owned subsidiary of BIMI, and Hollister & Blacksmith, Inc. a wholly owned subsidiary of American Cannabis Consulting (“American Cannabis Consulting”) we changed our name to American Cannabis Company, Inc. Pursuant to the Merger Agreement, which was consummated and became effective on September 29, 2014, Merger Sub was merged with and into American Cannabis Consulting through a reverse triangular merger transaction, we changed our name to “American Cannabis Company, Inc.”, and our officers and directors in office prior to the Merger Agreement resigned and American Cannabis Consulting appointed new officers and directors to serve our Company. In concert with the Merger Agreement, we consummated a complete divestiture of BIMI, Inc. pursuant to a Separation and Exchange Agreement dated May 16, 2014 (the “Separation Agreement”) between the Company, BIMI, Inc., a Delaware corporation and wholly-owned subsidiary of the Company, and Brazil Investment Holding, LLC (“Holdings”), a Delaware limited liability company. On October 10, 2014, we changed our stock symbol from BIMI to AMMJ.

Industry and Regulatory Overview

As of the date of this filing, thirty-nine states, including the state of Colorado, the District of Columbia, and four U.S. Territories, currently have laws broadly legalizing cannabis in some form for either medicinal or recreational use governed by state-specific laws and regulations. Although legalized in some states, cannabis is a “Schedule 1” drug under the Controlled Substances Act (21 U.S.C. § 811) (“CSA”) and is illegal under federal law.

On August 29, 2013, The Department of Justice set out its prosecutorial priorities in light of various states legalizing cannabis for medicinal and/or recreational use. The “Cole Memorandum” provided that when states have implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale, and possession of cannabis, conduct in compliance with those laws and regulations is less likely to threaten the federal priorities. Indeed, a robust system may affirmatively address those priorities by, for example, implementing effective measures to prevent diversion of cannabis outside of the regulated system and to other states, prohibiting access to cannabis by minors, and replacing an illicit cannabis trade that funds criminal enterprises with a tightly regulated market in which revenues are tracked and accounted for. In those circumstances, consistent with the traditional allocation of federal-state efforts in this area, the Cole Memorandum provided that enforcement of state law by state and local law enforcement and regulatory bodies should remain the primary means of addressing cannabis-related activity. If state enforcement efforts are not sufficiently robust to protect against the harms set forth above, the federal government may seek to challenge the regulatory structure itself in addition to continuing to bring individual enforcement actions, including criminal prosecutions, focused on those harms.

On January 4, 2018, Attorney General Jeff Sessions issued a memorandum for all United States Attorneys concerning cannabis enforcement under the CSA. Mr. Sessions rescinded all previous prosecutorial guidance issued by the Department of Justice regarding cannabis, including the August 29, 2013 “Cole Memorandum.”

In rescinding the Cole Memorandum, Mr. Sessions stated that U.S. Attorneys must decide whether or not to pursue prosecution of cannabis activity based upon factors including the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community. Mr. Sessions reiterated that the cultivation, distribution, and possession of marijuana continues to be a crime under the U.S. Controlled Substances Act.

On March 23, 2018, President Donald J. Trump signed into law a \$1.3 trillion-dollar spending bill that included an amendment known as “Rohrabacher-Blumenauer.” This amendment prohibits the Justice Department from using federal funds to prevent certain states “from implementing their own State laws that authorize the use, distribution, possession or cultivation of medical cannabis.”

On December 20, 2018, President Donald J. Trump signed into law the Agriculture Improvement Act of 2018, otherwise known as the “Farm Bill.” Before its passage, hemp, a member of the cannabis family, was classified as a Schedule 1 controlled substance and so illegal under the federal CSA.

With the passage of the Farm Bill, hemp cultivation is now broadly permitted. The Farm Bill explicitly allows the transfer of hemp-derived products across state lines for commercial or other purposes. It also puts no restrictions on the sale, transport, or possession of hemp-derived products, so long as those items are produced in a manner consistent with the law.

Under Section 10113 of the Farm Bill, hemp cannot contain more than 0.3 percent THC. THC is the chemical compound found in cannabis that produces the psychoactive intoxicant associated with cannabis. Any cannabis plant that contains more than 0.3 percent THC would be considered non-hemp cannabis—or marijuana—under the CSA and would not be legally protected under this new legislation and would be treated as an illegal Schedule 1 drug.

Additionally, there will be significant, shared state-federal regulatory power over hemp cultivation and production. Under Section 10113 of the Farm Bill, state departments of agriculture must consult with the state’s governor and chief law enforcement officer to devise a plan that must be submitted to the Secretary of the United States Department of Agriculture (hereafter referred to as the “USDA”). A state’s plan to license and regulate hemp can only commence once the Secretary of USDA approves that state’s plan. In states opting not to devise a hemp regulatory program, USDA will construct a regulatory program under which hemp cultivators in those states must apply for licenses and comply with a federally run program. This system of shared regulatory programming is similar to options states had in other policy areas such as health insurance marketplaces under Affordable Care Act, or workplace safety plans under Occupational Health and Safety Act—both of which had federally-run systems for states opting not to set up their own systems.

The Farm Bill outlines actions that are considered violations of federal hemp law (including such activities as cultivating without a license or producing cannabis with more than 0.3 percent THC). The Farm Bill details possible punishments for such violations, pathways for violators to become compliant, and even which activities qualify as felonies under the law, such as repeat offenses.

One of the goals of the previous 2014 Farm Bill was to generate and protect research into hemp. The 2018 Farm Bill continues this effort. Section 7605 re-extends the protections for hemp research and the conditions under which such research can and should be conducted. Further, section 7501 of the Farm Bill extends hemp research by including hemp under the Critical Agricultural Materials Act. This provision recognizes the importance, diversity, and opportunity of the plant and the products that can be derived from it but also recognizes that there is still a lot to learn about hemp and its products from commercial and market perspectives.

As a result of the November 2020 federal elections and the election of Joseph R. Biden as president, there is speculation that the federal government may move to amend parts of the CSA and de-schedule cannabis as a Schedule 1 drug.

In late January 2021, Senate Majority Leader Chuck Schumer said lawmakers are in the process of merging various cannabis bills, including his own legalization legislation. He is working to enact reform in this Congressional session. This would include the Marijuana Freedom and Opportunity Act, which would federally de-schedule cannabis, reinvest tax revenue into communities most affected by the drug war, and fund efforts to expunge prior cannabis records. It is likely that the Marijuana Opportunity, Reinvestment, and Expungement (MORE) Act would be incorporated.

Other federal legislation under review for possible submission includes the SAFE Banking Act (or Secure and Fair Enforcement Act), a bill that would allow cannabis companies to access the federally insured banking system and capital markets without the risk of federal enforcement action, and the Strengthening the Tenth Amendment Through Entrusting States Act (or STATES Act), a bill that seeks protections for businesses and individuals in states that have legalized and comply with state laws).

The fall of 2022 saw several key developments in federal and state marijuana regulation. In October 2022, President Biden granted clemency to certain low-level federal marijuana offenders and directed the Attorney General to review the status of marijuana under federal law. While some observers consider President Biden's grant of clemency to represent a significant change in federal marijuana policy, as a legal matter, it did little to alter the growing disparity between federal and state marijuana regulation. Then, in November 2022, voters in five states considered ballot initiatives to legalize recreational marijuana at the state level, two of which were adopted. Congress also subsequently enacted the Medical Marijuana and Cannabidiol Research Expansion Act, which aims to facilitate research on marijuana and cannabidiol (CBD). Legislators and commentators have proposed a number of other legal reforms that would alter federal marijuana regulation and potentially reduce the divergence between federal and state law.

As of the date of this filing, cannabis remains an illegal Schedule 1 drug under the CSA, and none of the legislative initiatives being discussed have become federal law.

Notably, with respect to our business, on November 1, 2019, Colorado Bill HB-19-1090 was passed and made effective. This law allows publicly traded corporations to apply for and qualify for the ownership of Colorado cannabis licenses. Other states that have legalized cannabis for recreational and/or medicinal use restrict public companies from owning interests in state cannabis licenses altogether or have enacted regulations that make it difficult for corporations to comply with application requirements, including all shareholders submitting to and passing background checks.

On September 18, 2020, Colorado's Marijuana Enforcement Division (MED) approved the Company's application for suitability, establishing the Company as one of the few publicly traded companies authorized to acquire and operate various cannabis licenses throughout Colorado, in both the recreational and medical markets.

Business Overview

We now primarily operate within the regulated cannabis industry with three operation divisions: (i) consulting and professional services; (ii) the sale of products and equipment commonly utilized in the cultivation, processing, transportation, or retail sale of cannabis; and (iii) our licensed owner-operator medical marijuana dispensaries and cultivation facilities located in Colorado Springs, Colorado under the trade name "Naturaleaf." Our operations are limited to only those state jurisdictions where medical and/or recreational cannabis business has been legalized.

Consulting Services

We offer consulting services for companies associated with the cannabis industry in all stages of development. Our service offerings include the following:

- **Cannabis Business Planning.** Our commercial cannabis business planning services are structured to help those pursuing state based operational licensing to create and implement effective, long-range business plans. We work with our clients to generate a comprehensive strategy based on market need and growth opportunities, and be a partner through site selection, site design, the development of best operating practices, the facility build-out process, and the deployment of products. We understand the challenges and complexities of the regulated commercial cannabis and hemp markets and we have the expertise to help client businesses thrive.
- **Cannabis Business License Applications.** Our team has the experience necessary to help clients obtain approval for their state license and ensure their company remains compliant as it grows. We have crafted successful, merit-based medical marijuana business license applications in multiple states, and we understand the community outreach and coordination of services necessary to win approval. As part of the process for crafting applications, we collaborate with clients to develop business protocols, safety standards, a security plan, and a staff training program. Depending on the nature of our clients' businesses and needs, we can work with our clients to draft detailed cultivation plans, create educational materials for patients, or design and develop products that comply with legal state guidelines
- **Cultivation Build-out Oversight Services.** We offer cultivation build-out consulting as part of our Cannabis and Hemp Business Planning service offerings. We help clients ensure their project timeline is being met, facilities are being designed with compliance and the regulated cannabis industry in mind, and that facilities are built to the highest of quality standards for cannabis and hemp production and/or distribution. This enables a seamless transition from construction to cultivation, ensuring that client success is optimized and unencumbered by mismanaged construction projects.
- **Cannabis Regulatory Compliance.** Based on our understanding of regulated commercial cannabis and hemp laws nationwide, we can help client cultivation operations, retail dispensaries and/or infused-product kitchen businesses to meet and maintain regulatory compliance for both medical and recreational markets. We partner with our clients to establish standard operating procedures in accordance with their state's regulation and help them implement effective staff hiring and training practices to ensure that employees adhere to relevant guidelines.
- **Compliance Audit Services.** Our regulatory compliance service offerings include compliance auditing. The regulated cannabis and hemp industries are developing rapidly with evolving laws and regulations and navigating through current and new regulations and systems can be tedious and daunting. To assist our clients in addressing these challenges, we offer compliance audits performed by our experienced and knowledgeable staff; our team members maintain comprehensive oversight of the cannabis and hemp industries while staying up to date on current and new laws and regulations. Our compliance audits assess various regulatory topics, including: (1) licensing requirements; (2) visitor intake procedures; (3) seed-to-sale inventory tracking; (4) proper waste disposal procedures; (5) recordkeeping and documentation requirements; (6) cannabis transportation procedures; (7) packaging and labeling requirements; (8) security requirements; (9) product storage; (10) mandatory signage; and (11) preparedness for state and local inspections.

- **Cannabis Business Growth Strategies.** Our team shares its collective knowledge and resources with our clients to create competitive, forward-looking cannabis and hemp business growth strategies formulated to minimize risk and maximize potential. We customize individual plans for the unique nature of our client businesses, their market and big-picture goals, supported with a detailed analysis and a thorough command of workflow best practices, product strategies, sustainability opportunities governed by a core understanding of regulatory barriers and/or opportunities.
- **Cannabis Business Monitoring.** The regulated commercial cannabis and hemp industries are constantly growing and shifting, and the ongoing monitoring of a cannabis and hemp business allows it to remain responsive to evolving consumer demands and state regulations as well as potential operations problems. We offer fully integrated business analysis solutions. Our monitoring services include sales tracking, market assessment, loss prevention strategies, review of operational efficiency and workflow recommendations. Additionally, our services include Strength, Weakness, Opportunity and Threat (“SWOT”) analysis, where we analyze client operations to pinpoint strengths, weaknesses, opportunities and threats. Our SWOT analyses allow clients to focus their efforts and resources on the most critical areas along these dimensions.

Equipment and Supplies

In addition to professional consulting services, we operate an equipment and supplies division for customers in the cannabis industry. Our Group Purchasing Organization, American Cultivator CO., enables customers to procure commonly used cultivation supplies at competitive prices. Our major product offerings include the following:

- **The Satchel™.** The Satchel was invented in response to regulatory changes in Colorado and elsewhere that require childproof exit containers. The Satchel is a pouch-like case designed as a high-quality, child-proof exit package solution for the regulated cannabis industry. The Satchel meets child-safety requirements of the Consumer Products Safety Commission (“CPSC”), making it compliant in all states, and the Satchel’s drawstring and toggle lock fulfills the requirements of the Poison Prevention Packaging Act of 1970 (16 CFR part 1700). There are few products meeting regulatory standards, and even fewer that offer distinctive quality. The Satchel will meet all current exit packaging regulations, featuring a child-proof closure that completely conceals the contents inside. On March 29, 2016, the U.S. Patent and Trademark Office issued us Patent No. 9,296,524 B2 for the Satchel.
- **SoHum Living Soil®.** The right grow methodology is critical to the success of any cannabis cultivation operation, and SoHum Living Soil™ is our solution to ensure that our customers can implement an optimal methodology that will maximize quality and yields while simplifying the cultivation process and reducing risk of operator error and test failure. The SoHum medium is a fully amended "Just-add-water" soil that contains none of the synthetic components found in other potting mixes and requires no chemical additives to spur growth. Compared with comparable methodologies, SoHum Living Soil™ offers a number of key advantages, including: (1) consistent Pyto-pharmaceutical-grade product quality; (2) improved plant resistance to disease; and (3) reduced operator error.
- **High Density Cultivation System (HDCS™).** A key metric in the success of a cultivation operation is the maximization of available space to grow. Our High-Density Cultivation System is a solution designed to ensure that space is used in the most efficient manner possible. The system takes advantage of the existence of vertical space, with racks installed vertically and placed on horizontal tracking to eliminate multiple isles and create multiple levels of space with which to grow plants. The High-Density Cultivation System allows customers to increase production capacity without the need to add additional square footage to the operation.

- **The Cultivation Cube™.** The Cultivation Cube™ is a self-contained, scalable cultivation system that is compliant with regulatory guidelines. The Cultivation Cube™ allows commercial cannabis cultivation operations to maximize space, yield and profit through an innovative design that provides a fully integrated growing solution. The Cultivation Cube utilizes more lights per square foot than traditional grow systems, which translates to profit increases per square foot. The Cultivation Cube™ is also stackable, which allows customers to achieve vertical gains and effectively doubles productive square-footage. It is an ideal solution for commercial-scale cultivation within limited space, with numerous advantages over other traditional grow systems, including: (1) flexibility to fit customer build-out sites; (2) efficient speed-to-market with fast delivery and setup; (3) increased security with limited access units; (4) risk mitigation through precision environmental controls; and, (5) is compatible with lean manufacturing principles and operations.
- **Other Products.** We offer our clients a diverse array of commonly utilized product offerings from across all areas of the regulated cannabis industry, including cultivation operations, medicinal and recreational cannabis dispensary operations, and infused products. Examples of products available include HID Ballasts, reflectors, MH and HPS bulbs, T5 fixtures, mediums, nutrients and fertilizers, growing containers, flood tables, reservoirs, and various other supplies, including cleaning products and office supplies.

Naturaleaf

On December 16, 2020, the Company announced that it executed a non-binding letter of intent to purchase the assets of Naturaleaf, a long-standing licensed operator in the Colorado Springs medical cannabis market since 2009. The assets include three (3) retail dispensaries located throughout the city and one 10,000-square-foot cultivation operation with non-volatile extraction capabilities.

On March 11, 2021, we entered into an asset purchase agreement with Medihemp, LLC (“Medihemp”) and its wholly owned subsidiary SLAM Enterprises, LLC (“SLAM”), and Medical Cannabis Caregivers, Inc. (“Medical Cannabis”), each an entity organized and operating under the laws of the State of Colorado, and all doing business as “Naturaleaf.”

Medihemp and SLAM respectively owned fixed assets and operates two retail Medical Marijuana Centers located at 1004 S. Tejon Street, Colorado Springs, CO 80903, and 2727 Palmer Park Blvd. Suite A, Colorado Springs, CO 80909.

Medical Cannabis owns and operates fixed assets and operates a retail Medical Marijuana Center located at 5875 Lehman Drive, Ste. 100, Colorado Springs, CO 80918.

Medical Cannabis also owns and operates a Medical Marijuana Optional Premises Cultivation license, and a Medical Marijuana-Infused Product Manufacturer license, along with fixed assets all located at 2611 Durango Drive, Colorado Springs, CO 80910.

On April 30, 2021, the Colorado MED and the City of Colorado Springs granted approval for the change of ownership, and we completed the asset purchase agreement. By virtue of the closing, we acquired, own, and operate the fixed assets and associated intellectual property of Naturaleaf, including assignment of the following licenses issued by the Colorado Marijuana Enforcement Division (“MED”) and the corresponding City of Colorado Springs (“City”):

- Medihemp and SLAM’s and Medical Cannabis’ respective Medical Marijuana Center licenses;
- Medical Cannabis’ Medical Marijuana Infused Product Manufacturer license; and,
- Medical Cannabis’ Medical Marijuana Optional Premises Cultivation license.

We also entered into leases for Medihemp, SLAM, and Medical Cannabis’ respective retail Medical Marijuana Centers and entered into a separate lease for Medical Cannabis’ Durango Drive cultivation facility.

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.

On April 29, 2022, the Company and Naturaleaf amended the promissory note to restructure the payment schedule ("First Amendment"). The parties agreed that in consideration of the Company's payment of \$550,000 and outstanding interest of \$110,000, a new promissory note with a maturity date of April 29, 2023, in the principal amount of \$550,000 and 12% interest accruing annually, would resolve all Company payments of the purchase price. The parties entered into the First Amendment, and the Company paid the consideration of \$550,000 in principal and \$110,000 in interest.

On June 8, 2023, the Company and Naturaleaf amended the promissory note ("Second Amendment") to restructure the remaining payments due to be made by the Company under the amended Note, totaling principal and interest of \$651,162.50 ("Second Amendment"). Pursuant to the Second Amendment, the Company agreed to pay \$150,000 by June 30, 2023; \$100,000 by July 31, 2023; and the balance by May 1, 2024. The Company made both payments and granted Naturaleaf a first-priority lien and security interest on the assets of the Registrant, securing the payment and performance of the payment schedule.

On May 31, 2023, the Company sold Colorado State License No. 402-01065 (Medical Marijuana Store) and City of Colorado Springs License No. 0850714L in exchange for \$100,000. As of May 31, 2023, the Company discontinued its associated operations at Palmer Park Boulevard, Ste. A, Colorado Springs, CO, and as of June 30, 2023, its lease obligation terminated without penalty, interest, or other liquidated damages.

Sales and Marketing

We sell our services and products throughout the United States in states that have implemented regulated cannabis programs as well as Canada. We intend to expand our offerings to more countries, states and jurisdictions as they adopt state-regulated or Federal programs.

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 occurred as research and development operating expenses. During the years ended December 31, 2023, and 2022 our research and development costs were de minimis.

Significant Customers

For the year ended December 31, 2023, eleven customers accounted for 84.13% of the Company's total revenues from its retail and wholesale sales, consulting, soil, and product revenue lines. At December 31, 2022, eight customers accounted for 87.33% of the Company's total revenues from its consulting, soil, and product revenue lines.

At December 31, 2023, three customers accounted for 98.21% of accounts receivable, net, consisting of customers of our retail and wholesale sales, consulting services, and soil and products revenue streams. At December 31, 2022, three customers accounted for 84.76% of accounts receivable, net, consisting of customers for our products, soil, and consulting services product streams.

Intellectual Property

On March 29, 2016, the U.S. Patent and Trademark Office issued patent number 9,296,524 B2 for The Satchel™, our child-proof exit package solution for the regulated cannabis industry. On March 14, 2015, the U.S. Patent and Trademark Office issued trademark #86574785 for the two-word marks and the logo associated with So-Hum Living Soil®.

Competition

Our competitors include professional services firms and cannabis dispensaries in the regulated cannabis industry, as well as suppliers of equipment and supplies commonly utilized in the cultivation, processing, or retail sale of cannabis. We compete in markets where cannabis has been legalized and regulated, which includes various states within the United States, its territories, and Indian Country therein, and Canada. We expect that the quantity and composition of our competitive environment will continue to evolve as the cannabis industry matures. Additionally, increased competition is possible to the extent that new states and geographies enter the marketplace as a result of continued enactment of regulatory and legislative changes that de-criminalize and regulate cannabis products. We believe that being well established in the industry, our experience and success to date, and our continued expansion of service and product offerings in new and existing locations are factors that mitigate the risk associated with operating in a developing competitive environment. Additionally, the contemporaneous growth of the industry as a whole will result in new customers entering the marketplace, thereby further mitigating the impact of competition on our operations and results.

Employees

As of December 31, 2023, we have 4 full-time and 9 part-time employees in our Colorado Springs, Colorado dispensaries and cultivation facility. None of our U.S. employees are represented by a labor union.

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 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters are situated at 1004 Tejon Street in Colorado Springs, CO. Below are details regarding the lease agreement for our corporate headquarters, which coincides with one of our Naturaleaf locations

As a result of our acquisition of Naturaleaf, we assumed the following leases and contingent extensions:

- 1004 S. Tejon Street, Colorado Springs, CO 80903; The Company assumed a lease originally entered into on February 12, 2016, which was the subject of a extension agreement dated April 5, 2022. The term of the lease was extended from May 1, 2022 until April 30, 2027. The Company's monthly rental payments from January 1, 2022 to May 1, 2022 was \$3,700. From May 1, 2022 through the year ended December 31, 2022, monthly rent was \$3,875. Remaining rental payments due for the extended period are: May 1, 2022 to April 30, 2023 \$3,875 May 1, 2023 to April 30, 2024 \$4,050 May 1, 2024 to April 30, 2025 \$4,225 May 1, 2025 to April 30, 2026 \$4,400 May 1, 2026 to April 30, 2027 \$4,575

- | |
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| 2727 Palmer Park Blvd. Suite A, Colorado Springs, CO 80909 subject to a one-year term expiring June 30, 2023 with a monthly rent of \$5,000. On May 31, 2023, the Company sold Colorado State License No. 402-01065 (Medical Marijuana Store) and City of Colorado Springs License No. 0850714L in exchange for \$100,000. As of May 31, 2023, the Company discontinued its associated operations at Palmer Park Boulevard, Ste. A, Colorado Springs, CO, and at June 30, 2023, its lease obligation terminated without the Company incurring penalties, interest, or liquidated damages. |
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| 5870 Lehman Drive Suite 200, Colorado Springs, CO 80918 The Company and landlord previously entered into a lease in 2017 which expired December 31, 2022. At December 31, 2022, the Company's monthly rent was \$2,732. On April 26, 2022, the Company and landlord entered into an extension agreement which extended the tenancy from January 1, 2023 through January 1, 2027. Rental payments due for the extended period are: January 1, 2023 \$2,898 January 1, 2024 \$2,985 January 1, 2025 \$3,075 January 1, 2026 \$3,167 January 1, 2027 \$3,262 |
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| 2611 Durango Drive, CO Springs, CO. The Company and landlord entered into a lease on March 10, 2021, which terminated on May 31, 2022. On June 23, 2021, the Company and landlord entered into an extension of the lease for a term of thirty-six months, beginning June 1, 2022 and terminating June 1, 2024. At December 31, 2022, monthly rent was \$11,000. Rental payments due for the extended period are: June 1, 2022 to June 1, 2023 \$11,000 June 1, 2023 to June 1, 2024 \$11,880 June 1, 2025 to June 1, 2025 \$12,830 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Our corporate headquarters associated with our Colorado Springs, Colorado dispensary and cultivation leases are adequate for our operations as of the date of this filing, providing productive capacity and complete utilization for our business.

ITEM 3. LEGAL PROCEEDINGS

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.MARKET INFORMATION AND HOLDERS

Our common stock trades on the OTC Markets OTCQB Trading Tier under the ticker symbol "AMMJ." As of December 31, 2023, there were 501 holders of record of our common stock. The following table sets forth, for the periods indicated, the high and low closing sales prices of our common stock:

2023	High	Low
Quarter ended December 31	\$ 0.02	\$ 0.01
Quarter ended September 30	\$ 0.05	\$ 0.01
Quarter ended June 30	\$ 0.02	\$ 0.01
Quarter ended March 31	\$ 0.03	\$ 0.02

2022	High	Low
Quarter ended December 31	\$ 0.05	\$ 0.02
Quarter ended September 30	\$ 0.05	\$ 0.03
Quarter ended June 30	\$ 0.06	\$ 0.03
Quarter ended March 31	\$ 0.07	\$ 0.04

DIVIDEND POLICY

We have never declared or paid, and do not anticipate declaring or paying, any cash dividends on our common stock. Instead, we currently anticipate that we will retain all of our future earnings, if any, to fund the operation and expansion of our business and to use as working capital and for other general corporate purposes. Any future determination as to the declaration and payment of dividends, if any, will be at the discretion of our board of directors and will depend on then-existing conditions, including our financial condition, operating results, contractual restrictions, capital requirements, business prospects, and other factors our board of directors may deem relevant.

ITEM 6. SELECTED FINANCIAL DATA

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 7. 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.

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these 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, cost reimbursement income, 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 its subsidiary is a publicly listed company quoted on the OTC Markets OTCQB Trading Tier under the symbol "AMMJ." We are based in Colorado Springs, Colorado, and operate within the regulated cannabis industry with four operation divisions: (i) consulting and professional services; (ii) the sale of products and equipment commonly utilized in the cultivation, processing, transportation or retail sale of cannabis; and, (iii) our licensed owner-operator medical marijuana dispensaries and cultivation facilities located in Colorado Springs, Colorado under the trade name "Naturaleaf." Our operations are limited to only those state jurisdictions where medical and/or recreational cannabis business has been legalized. 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 ("Medihemp"), and its wholly-owned subsidiary SLAM Enterprises, LLC ("SLAM"), and Medical Cannabis Caregivers, Inc. ("Medical Cannabis"), each an entity organized and operating under the laws of the State of Colorado, and all doing business as "Naturaleaf" operating in the medicinal cannabis industry in Colorado.

Medihemp and SLAM, respectively, owned fixed assets and operate two retail Medical Marijuana Centers 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, and the Company purchased and was the assignee of 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.

On April 30, 2022, the Company and Medihemp, SLAM, and Medical Cannabis amended the material definitive agreement to restructure the remaining payments due to be made by the Company under the Note. The parties agreed that in consideration of the Company's payment of \$550,000 and outstanding interest of \$110,000, a new promissory note in the principal amount of \$550,000 and 12% interest accruing annually, due April 29, 2023, resolved all of the Company's payment obligations for the purchase price. The parties executed the amendment, and the Company paid the consideration of \$550,000 in principal and \$110,000 in interest.

Results of Operations

Year ended December 31, 2023 compared to year ended December 31, 2022

The following table presents our operating results for the year ended December 31, 2023, compared to December 31, 2022:

AMERICAN CANNABIS COMPANY, INC. CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Year Ended		Increase (Decrease)
	December 31, 2023	December 31, 2022	
Revenues			
Consulting Services	\$ 695,089	\$ 475,837	219,252
Product & Equipment	1,024,091	17,539,377	(16,515,186)
Cannabis Products	756,905	793,331	(36,426)
Total Revenues	2,476,185	18,808,545	(16,332,360)
Cost of Revenues			
Cost of Consulting Services	115,085	61,246	53,839
Cost of Products and Equipment	724,921	15,230,648	(14,505,727)
Cost of Cannabis Products	594,296	979,437	(385,411)
Total Cost of Revenues	1,434,302	16,271,331	(14,837,029)
Gross Profit	1,041,882	2,537,214	(1,495,332)
Operating Expenses			
General and Administrative	1,650,498	2,833,140	(1,182,642)
Selling and Marketing	154,470	225,950	(71,480)
Bad Debt Expense	20,933	5,438	15,495
Goodwill impairment	1,332,113	—	1,332,331
Stock Based Compensation Expense	1,735,021	78,342	1,656,679
Total Operating Expenses	4,893,035	3,142,870	1,750,165
Loss from Operations	(1,851,152)	(605,656)	3,027,224
Other Income (Expense)			
Interest (expense)	(113,609)	(78,086)	35,523
Debt Forgiveness	—	—	—
Other income	304,405	50,550	253,795
Total Other (Expense)Income	190,736	(27,537)	218,272
Net Loss	(3,660,416)	(633,193)	22,889
Income Tax Expense	—	—	—
NET LOSS	\$ (610,303)	\$ (663,192)	22,889

Revenues

Total revenues were \$2,476,185 for the year ending December 31, 2023, compared to \$18,808,545 for the year ending December 31, 2022. The decrease in total revenue of \$16,332,360 for the year ended December 31, 2023, was primarily a result of a decrease of \$16,515,186 in product and equipment sales associated with the design and build projects for which the Company offers the design, management, and installation of associated products sold for the construction of cultivation and dispensary facilities. The Company's cannabis product sales from its licensed dispensaries and cultivation facility for the year ended December 31, 2023, were \$756,905, as compared to \$793,331 for the year ended December 31, 2022, reflecting the general decline in the market for Cannabis in Colorado that began in 2022.

Costs of Revenues

Costs of revenues primarily consist 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 year ended December 31, 2023, our total costs of revenues were 1,434,302, as compared to \$16,271,331 for the year ended December 31, 2022, a decrease of \$14,837,029. The decrease was due to costs incurred purchasing equipment for projects which the Company sold in conjunction with its design, management and installation of associated products for the construction of cultivation and dispensary facilities. Our costs of revenues related to our cannabis products also decreased from \$594,296 for the year ended December 31, 2023, compared to \$979,437 for the year ended December 31, 2022, a decrease of \$385,411, reflecting the general decline in the market for Cannabis in Colorado that began in 2022.

Consulting Services

Consulting service revenues for the year ended December 31, 2023, were \$695,089, compared to \$475,837 for the year ended December 31, 2022, an increase of \$219,252. The increase was due to three states legalizing cannabis during fiscal 2022 and other activities for consulting services clients whose projects are in development.

Costs of consulting services were \$115,085 for the year ended December 31, 2023, as compared to \$61,246 for the year ended December 31, 2022, an increase of \$53,839. The increase was due to the growth in consulting activity during the period.

Product and Equipment Revenues

Our product and equipment revenues for the year ended December 31, 2023, were \$1,024,091 as compared to \$17,539,377 for the year ended December 31, 2022, a decrease of \$16,515,186. The decrease in product and equipment sales was primarily the result of the termination of a contract that the company first secured in 2021. Under this contract, the Company was retained to provide equipment sales, design, management, and installation services for the construction of multiple cultivation and dispensary facilities throughout the fiscal year ending December 31, 2022. The termination of the aforementioned contract had a significant impact on our product and equipment revenues for the fiscal year ended December 31, 2023, with the Company experiencing a substantial reduction in project-related sales and service revenues as compared with equipment sales and facility construction services provided during the previous fiscal year.

Costs of Products and Equipment were \$724,921 for the fiscal year ending December 31, 2023, compared to \$15,230,648 for the year ending December 31, 2022, a decrease of \$14,505,727. Costs associated with products and equipment decreased as a result of decreased equipment sales during the year ended December 31, 2023.

Cannabis Product Revenues

Cannabis product revenues during the year ended December 31, 2023, were \$756,905, as compared to \$793,330 for the year ended December 31, 2022, a decrease of \$36,426. The decrease was due to the general decline in the market for Cannabis in Colorado in 2023 and 2022, with Colorado's annual 2023 total sales of \$1.5 billion representing a 16% decline from 2022's \$1.76 billion sales total.

Costs associated with cannabis products consist of those costs incurred in the cultivation of the plants and the retail sale of the products. During the year ended December 31, 2023, such costs were \$594,296, as compared to \$979,437 for the year ended December 31, 2022, a decrease of \$426,101. This decrease was due to the elimination of costs associated with improvements, including upgrading and replacing machinery and equipment in the Company's Colorado Springs cultivation facility and maintenance to the Company's Colorado Springs dispensary facilities.

Gross Profit

Total gross profit was \$1,041,882 for the year ended December 31, 2023, comprised of consulting services gross profit of \$580,004, products and equipment gross profit of \$299,170, and cannabis products gross profit of \$162,609, as compared to \$2,537,214 for the year ended December 31, 2022, comprised of consulting services gross profit of \$414,591, products and equipment gross profit of \$2,308,729, and a gross profit (loss) of (\$186,107) for cannabis products.

Operating Expenses

Total operating expenses were \$48,93,035 for the year ended December 31, 2023, compared with \$3,142,870 for the year ended December 31, 2022, an increase of \$1,750,165. The increase is mainly attributed to a reduction in general and administrative expenses of \$1,182,642, offset by the impairment of goodwill and increase stock based compensation during the year.

Other Income (Expense)

Other income (expense) for the year ended December 31, 2023 was \$190,736 compared to \$(27,356) for the year ended December 31, 2021. The increase is a direct result of increases in interest expenses resulting from travel and miscellaneous referral fees due for the sale of products and equipment.

Net Loss

Net loss for the year ended December 31, 2023, was \$3,660,416 as compared to \$633,192 for the year ended December 31, 2022. The decrease in losses directly results from the decline in cannabis product sales.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2023, our primary internal sources of liquidity were our working capital, which included cash and cash equivalents of \$21,085 and accounts receivable of \$234,330. Additionally, considering that our fixed overhead costs are low, we have the ability to issue stock to compensate employees and management. Management believes that it will need to raise short-term capital to mitigate any periodic delays in receipt of accounts receivable, as payments from third-party vendors are scheduled on a less-than-periodic timetable. Management believes this strategy will adequately provide the necessary liquidity and capital resources to fund our operational general, and administrative expenses for at least the next 12 months.

During the year ended December 31, 2023, the Company issued 79,250,000 common shares.

Operating Activities

Net cash used by operating activities for the year ended December 31, 2023, was \$49,792, compared to \$198,965 for the year ended December 31, 2022. Increases in cash used were a result of increases in accrued and other current liabilities, and an increase in operating lease liability.

Investing Activities

For the years ended December 31, 2023, and December 31, 2022, investing activities used cash of 39,103 and \$103,675, respectively. The decrease represents less cash spent for the purchase of property and equipment.

Financing Activities

During the year ended December 31, 2023, cash used in financing activities were \$14,567 compared to \$250,236 for the year ended December 31, 2022. The Funds used during the year ended December 31, 2023 were from payment made on notes payable.

Off-Balance Sheet Arrangements

As of December 31, 2023, and December 31, 2022, 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

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

	Year Ended December 31, 2023	Year Ended December 31, 2022
Adjusted EBITDA reconciliation:		
Net loss	\$ (3,660,416)	\$ (633,192)
Bad Debt Expense	20,933	5,438
Depreciation and Amortization	241,781	57,631
Interest Expense	113,609	(78,806)
Stock-based compensation to employees	1,735,022	32,135
Stock issued for services	—	—
Adjusted EBITDA	\$ (1,549,071)	\$ (459,182)

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the amounts reported in those statements. We have made our best estimates of certain amounts contained in our consolidated financial statements. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities. However, the application of our accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties, and, as a result, actual results could differ materially from these estimates.

Management believes that the estimates, assumptions, and judgments involved in the accounting policies described below have the most significant impact on our consolidated financial statements.

We cannot predict what future laws and regulations might be passed that could have a material effect on our results of operations. We assess the impact of significant changes in laws and regulations on a regular basis and update the assumptions and estimates used to prepare our financial statements when we deem it necessary.

Cash and Cash Equivalents

We consider 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.

Inventory

Inventory is primarily comprised of products and equipment to be sold to end customers. Inventory is valued at cost, based on the specific identification method, 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 market value. As of December 31, 2023, and December 31, 2022, our inventory's market values were greater than cost, and accordingly, no such valuation allowances were recognized.

Deposits

Deposits is comprised of advance payments made to third parties, primarily for inventory for which we have not yet taken title. When we take title to inventory for which deposits are made, the related amount is classified as inventory, then recognized as a cost of revenues upon sale (see "Costs of Revenues" below).

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.

Accounts Receivable

Accounts receivable are recorded at the net value of face amount less any allowance for doubtful accounts. On a periodic basis, we evaluate our accounts receivable and, based on a method of specific identification of any accounts receivable for which we deem the net realizable value to be less than the gross amount of accounts receivable recorded, we establish an allowance for doubtful accounts for those balances. In determining our need for an allowance for doubtful accounts, we consider historical experience, analysis of past due amounts, client creditworthiness and any other relevant available information. However, our actual experience may vary from our estimates. If the financial condition of our clients were to deteriorate, resulting in their inability or unwillingness to pay our fees, we may need to record additional allowances or write-offs in future periods. This risk is mitigated to the extent that we collect retainers from our 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 December 31, 2023, and December 31, 2022, our allowance for doubtful accounts was \$4,071 and \$64,344, respectively. For December 31, 2023, and December 31, 2022, we recorded bad debt expenses of \$20,933 and \$5,438, respectively.

Operating Leases Right-of-use Assets

The Company recognizes its leases in accordance with ASC 842 - Leases. Under ASC 842, operating lease right-of-use ("ROU") assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. ROU assets represent our right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments arising from the lease. The initial lease liability equals the future fixed minimum lease payments discounted using the Company's incremental borrowing rate on a secured basis. The lease term includes option renewal periods and early termination payments when it is reasonably certain that the Company will exercise those rights. The initial measurement of the ROU asset equals the initial lease liability plus any initial direct costs and prepayments, less any lease incentives. The Company elected the short-term lease exemption for contracts with lease terms of 12 months or less. The Company accounts for the lease and non-lease components of its leases as a single lease component. Lease expense is recognized on a straight-line basis over the lease term. The Company had no leases as of December 31, 2023, and 2022 that had financing components.

Property and Equipment, net

Property and Equipment are 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. Depreciation of capitalized construction in progress costs, a component of property and equipment, net, begins once the underlying asset is placed into service and is recognized over the estimated useful life. Property and equipment are reviewed for impairment as discussed below under "Accounting for the Impairment of Long-Lived Assets." We did not capitalize any interest as of December 31, 2023, and as of December 31, 2022.

Accounting for the Impairment of Long-Lived Assets

We evaluate 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, the 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. We have not recorded any impairment charges related to long-lived assets during the year ended December 31, 2023, and December 31, 2022.

Revenue Recognition

We 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.

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 Client 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 Client 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, the title has been 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 the customer or us under FASB ASC Topic 606. During the years ended December 31, 2023, and 2022, 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

We utilize and rely upon the proportional performance method for hourly-based fixed-fee service contracts, which recognize revenue as services are completed. Under this method, to determine the amount of revenue to be recognized, we calculate the amount of completed work compared 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 the 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 the local government, and the level of client involvement. Losses, if any, on fixed-fee engagements are recognized when 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 years ended December 31, 2022, and 2021, we incurred no losses from fixed fee engagements that terminate prior to completion. We believe that 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 per our accounting policies for the elements 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.

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 years ended December 31, 2023, and 2022.

Costs of Revenues

Our policy is to recognize costs of revenue in the same manner as revenue recognition. Cost of revenues 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 expenses and are expensed as incurred. During the year ended December 31, 2023, and December 31, 2022, these costs were \$154,470 and \$225,950 respectively.

Shipping and Handling Costs

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

Stock-Based Compensation

Restricted shares are awarded to employees and entitle the grantee to receive shares of restricted 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 the 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 years ended December 31, 2023, and December 31, 2022, stock-based compensation expenses for restricted shares for Company employees were \$17,021 and \$78,342, respectively. Compensation expense for warrants is based on the fair value of the instruments on the grant date, which is determined using the Black-Scholes valuation model and is expensed over the expected term of the awards. During the year ended December 31, 2023, and 2022, no warrants were issued as stock compensation.

Income Taxes

Our 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. Accordingly, we were only subject to income taxes for a portion of 2014. We recognize deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the 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, 2023 and December 31, 2022, 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 December 31, 2023, and December 31, 2022, we had no liabilities related to federal or state income taxes, and the carrying value of our deferred tax asset was zero. The years 2010 to 2023 remain subject to examination by the Company's major tax jurisdictions.

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 the product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E.

Net Loss Per Common Share

We report a net loss per common share in accordance with FASB ASC 260, "Earnings per Share." This statement requires a 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 income 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 net income (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 that would have an anti-dilutive effect on earnings.

Related Party Transactions

We follow FASB ASC subtopic 850-10, "Related Party Transactions," for identifying related parties and disclosing 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.

Material-related party transactions are required to be disclosed in the consolidated financial statements, other than compensation arrangements, expense allowances, and other similar items in the ordinary course of business. However, disclosure of transactions that are eliminated in the preparation of consolidated or combined financial statements is not required in those statements. The disclosures shall include (a) the nature of the relationship(s) involved; (b) a description of the transactions, including transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which statements of operation are presented, and such other information deemed necessary to an understanding of the effects of the transactions on the financial statements; (c) the dollar amounts of transactions for each of the periods for which statements of operations are presented and the effects of any change in the method of establishing the terms from that used in the preceding period; and (d) amounts due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement.

ITEM 7A. QUANTITATIVE AND 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of American Cannabis Company, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of American Cannabis Company, Inc. (the Company) as of December 31, 2023, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2023, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and the results of their operations and their cash flows for each of the years in the two-year period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has a working capital deficit, has generated net losses since its inception and further losses are anticipated. The Company requires additional funds to meet its obligations and the costs of its operations. These factors raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Emphasis of Matter on Company's Operations

The Company is an organization that provides products and services in the legalized cannabis industry. The Company operates in an industry where laws and regulations vary significantly by jurisdiction. Currently, several states permit medicinal or recreational use of cannabis; however, the use of cannabis is prohibited on a federal level in the United States. If any of the states that permit use of cannabis were to change their laws or the federal government was to actively enforce such prohibition, the Company's business could be adversely affected. The Company also currently accepts credit card payments for purchases of legal cannabis at their retail locations. At any given time, the credit card companies may cease to process credit card payments for these sales, which could cause significant interruption in the Company's operations.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate. We have determined that there were no critical audit matters.

/s/ Hudgens CPA, PLLC

www.hudgenscpas.com

We have served as the Company's auditor since 2022.

Firm ID: 6849

Houston, Texas

May 8, 2024

AMERICAN CANNABIS COMPANY, INC.
CONSOLIDATED BALANCE SHEETS.

	December 31, 2023	December 31, 2022
ASSETS		
Current Assets		
Cash and Equivalents	\$ 21,085	\$ 117,547
Accounts Receivable, Net	234,330	469,111
Deposits	—	9,595
Inventory	586,206	352,971
Prepaid Expenses and Other Current Assets	58,757	73,933
Total Current Assets	900,378	1,023,157
Property and Equipment - Net	410,344	427,669
Other Assets		
Intangible Assets	1,037,909	1,223,242
Goodwill	—	1,332,113
Right of Use Assets - Operating Leases, net	474,472	604,020
Long Term Deposits	6,000	6,000
Total Other Assets	1,518,381	3,165,375
TOTAL ASSETS	\$ 2,829,083	\$ 4,616,201
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable	\$ 1,010,698	\$ 679,163
Advances from Clients	162,414	280,075
Accrued and Other Current Liabilities	467,495	233,348
Stock payable	17,021	74,343
Right of Use Liabilities, all current	199,891	181,661
Litigation Settlement, current	10,000	100,000
Note payable, current	300,000	550,000
Total Current Liabilities	2,167,519	2,099,220
LONG TERM LIABILITIES		
Litigation Settlement	—	75,000
Right of Use Liabilities, LT	274,581	422,359
LTD Note Payable	385,433	150,000
Total Long Term Liabilities	660,014	612,960
TOTAL LIABILITIES	2,827,533	2,712,180
Shareholders' Equity		
Preferred Stock, \$0.01 par value, 5,000,000 shares authorized; 0 shares issued and outstanding at December 31, 2022 and 2021	—	—
Common stock, \$0.00001 par value; 500,000,000 shares authorized; 171,402,938 and 92,152,938 shares issued and outstanding at December 31, 2023 and 2022, respectively	1,714	922
Additional paid-in capital	13,740,961	11,949,409
Accumulated deficit	(13,741,125)	(10,080,709)
Total Shareholders' Equity	1,550	1,869,622
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 2,829,083	\$ 4,616,201

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

AMERICAN CANNABIS COMPANY, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Year Ended	
	December 31, 2023	December 31, 2022
Revenues		
Consulting Services	\$ 695,089	\$ 475,837
Product & Equipment	1,024,191	17,539,377
Cannabis Products	756,905	793,330
Total Revenues	2,476,185	18,808,545
Cost of Revenues		
Cost of Consulting Services	115,085	61,246
Cost of Products and Equipment	724,921	15,230,648
Cost of Cannabis Products	594,296	939,437
Total Cost of Revenues	1,434,302	16,271,331
Gross Profit	1,041,882	2,537,214
Operating Expenses		
General and Administrative	1,650,498	2,833,140
Selling and Marketing	154,470	225,950
Bad Debt Expense	20,933	5,438
Goodwill Impairment	1,332,113	—
Stock Based Compensation Expense	1,735,021	78,342
Total Operating Expenses	4,893,035	3,142,870
Loss from Operations	(3,851,152)	(605,656)
Other Income (Expense)		
Interest (expense)	(113,609)	(78,086)
Debt Forgiveness	—	—
Other income	304,345	50,550
Total Other (Expense) Income	190,736	27,537
Net Loss	(3,660,416)	(633,193)
Income Tax Expense	—	—
NET LOSS	\$ (3,660,416)	\$ (633,193)
Basic and diluted net loss per common share	\$ (0.03)	\$ (0.01)
Basic and diluted weighted average common shares outstanding	109,911,842	85,727,938

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

AMERICAN CANNABIS COMPANY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Year Ended	
	December 31, 2023	December 31, 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	\$ (3,660,416)	\$ (633,192)
Adjustments to reconcile net loss to net cash used in operating activities:		
Allowance for Bad Debt Expenses	—	63,344
Depreciation and amortization	241,781	227,533
Stock-based compensation to employees	1,735,022	266,207
Litigation Settlement Expense	—	—
Operating Lease Expense	129,548	192,432
Goodwill impairment	1,332,113	—
Debt Forgiveness	—	—
Changes in operating assets and liabilities:		
Accounts receivable	234,781	(522,139)
Inventory	(233,235)	(74,363)
Prepaid expenses and other current assets	24,771	(29,282)
Accounts Payable	331,535	436,484
Advances from Clients	(118,291)	168,813
Accrued and other current liabilities	234,147	71,630
Litigation Settlement Liability	(165,000)	—
Operating Lease Liability	(129,548)	(192,432)
Net Cash Used In Operating Activities	<u>\$ (42,972)</u>	<u>\$ (198,965)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(39,103)	(103,675)
Net Cash (Used in) Provided by Investing Activities	<u>\$ (39,103)</u>	<u>\$ (103,675)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payment of note payable	(250,000)	(550,000)
Proceeds from LTD Note Payable	235,433	150,000
Proceeds from sale of common stock	—	149,764
Net Cash Provided by Financing Activities	<u>\$ 14,567</u>	<u>\$ (250,236)</u>
NET (DECREASE) INCREASE IN CASH	(96,462)	(552,876)
CASH AT BEGINNING OF PERIOD	117,547	670,423
CASH AT END OF PERIOD	<u>\$ 21,085</u>	<u>\$ 117,547</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for income taxes	<u>\$ —</u>	<u>\$ —</u>
Cash paid for interest	<u>\$ —</u>	<u>\$ —</u>
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Initial recognition of lease	\$ —	\$ 700,300
Stock issued from stock payable	\$ 74,344	\$ —

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

AMERICAN CANNABIS COMPANY, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Shareholders Equity
	Shares	Amount			
Balance, December 31, 2021	81,902,938	\$ 819	\$ 11,565,679	\$ (9,447,517)	\$ 2,118,981
Stock-based compensation	2,000,000	20	46,206	—	46,226
Stock issued for services	4,750,000	48	169,931	—	169,979
Stock issued for cash	2,500,000	25	117,603	—	117,628
Stock issued for consultant	1,000,000	10	49,990	—	50,000
Net Loss	—	—	—	(633,192)	(633,192)
Balance, December 31, 2022	92,152,938	\$ 922	\$ 11,949,409	\$ (10,080,709)	\$ 1,869,622

	Common Stock		Additional Paid-In' Capital	Accumulated Deficit	Total Shareholders Equity
	Shares	Amount			
Balance, December 31, 2022	92,152,938	\$ 922	\$ 11,949,409	\$ (10,080,709)	\$ 1,869,622
Shares issued for compensation	79,250,000	792	1,791,522	—	1,792,344
Net Loss	—	—	—	(3,660,416)	(3,660,416)
Balance, December 31, 2023	171,402,938	\$ 1,714	\$ 13,470,961	\$ (13,741,125)	\$ 1,550

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

AMERICAN CANNABIS COMPANY, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Note 1. 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 Colorado Springs, 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 expanded its business model to include the cultivation and retail sale of cannabis in the medicinal cannabis industry.

Note 2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Accounting

The accompanying 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 consolidated financial statements include normal recurring adjustments that are necessary for a fair presentation of the results for the periods presented.

Principal of Consolidation

The consolidated financial statements for the years ended December 31, 2023 and 2022 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.

AMERICAN CANNABIS COMPANY, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Going Concern

Accounting Standards Codification ("ASC") Topic 205-40, *Presentation of Financial Statements - Going Concern* ("ASC 205-40") requires management to assess the Company's ability to continue as a going concern for one year after the date the financial statements are issued. Under ASC 205-40, management has the responsibility to evaluate whether conditions and/or events raise substantial doubt about our ability to meet future financial obligations as they become due within one year after the date that the financial statements are issued. As required by this standard, management's evaluation shall initially not take into consideration the potential mitigating effects of management's plans that have not been fully implemented as of the date the financial statements are issued.

Our assessment included preparing a detailed cash forecast that included all projected cash inflows and outflows. During 2023, we continued to focus on growing our revenues. Accordingly, operating expenditures may exceed the revenue we expect to receive for the foreseeable future. We also have a history of operating losses, negative operating cash flows, and negative working capital, and expect these trends to continue into the foreseeable future.

As of the date of this Annual Report on Form 10-K, while we believe we have adequate capital resources to complete our near-term operations, there is no guarantee that such capital resources will be sufficient until we reach profitability. We may access capital markets to fund strategic acquisitions or ongoing operations on terms we believe are favorable. The timing and amount of capital that may be raised are dependent on market conditions and the terms and conditions upon which investors would be required to provide such capital. We may utilize debt or sell newly issued equity securities through public or private transactions.

There can be no assurance that we can obtain additional funding on satisfactory terms or at all. In addition, no assurance can be given that any such financing, if obtained, will be adequate to meet our capital needs and support our growth. If additional funding cannot be obtained on a timely basis and on satisfactory terms, our operations would be materially negatively impacted; however, we have successfully accessed capital markets in the past, and we are confident in our ability to access capital markets again if needed.

The Company has an accumulated deficit and recurring losses and expects continuing future losses. These factors raise substantial doubt about the Company's ability to continue as a going concern. The Company's primary source of operating funds in 2023 and 2022 has been funds generated from proceeds from the sale of common stock and operations. The Company has experienced net losses from operations since its inception. The Company has an accumulated deficit at December 31, 2023, and requires additional financing to fund future operations.

The Company's existence depends upon management's ability to develop profitable operations and obtain additional funding sources. There can be no assurance that the Company's financing efforts will result in profitable operations or the resolution of its liquidity problems. The accompanying statements do not include any adjustments that might result should the Company be unable to continue as a going concern.

The accompanying consolidated financial statements have been prepared on a going-concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

AMERICAN CANNABIS COMPANY, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Use of Estimates in Financial Reporting

The preparation of 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 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 preparing 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.

Segment Information

Accounting Standards Codification subtopic Segment Reporting 280-10 ("ASC 280-10") establishes standards for reporting information regarding operating segments in annual financial statements and requires selected information for those segments to be presented in interim financial reports issued to stockholders. ASC 280-10 also establishes standards for related disclosures about products and services and geographic areas. Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker, or decision-making group, in making decisions on how to allocate resources and assess performance. The following table represents the Company's Naturaleaf business.

Naturaleaf
STATEMENT OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	For the Years ended	
	Dec 31, 2023	Dec 31, 2022
Revenues	\$ 756,905	\$ 793,331
Cost of Goods Sold	594,296	979,437
Gross Profit	162,609	(186,106)
Expense		
Depreciation Expense	737	19,811
Stock-based Compensation	—	—
Selling and Marketing	44,758	66,205
Payroll and Related expenses	213,870	222,496
General and Admin Expenses	553,050	231,341
Total Expense	767,657	539,853
Net Loss from Operations	\$ (605,051)	\$ (87,041)

Cash and Cash Equivalents

The Company considers all highly liquid investments with three months or less original maturities 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 December 31, 2023, and 2022, the Company had had no cash equivalents

AMERICAN CANNABIS COMPANY, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Accounts Receivable, net

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 December 31, 2023, and 2022, the Company's allowance for doubtful accounts was \$4,071 and \$54,071, respectively. The Company recorded bad debt expenses during the years ended December 31, 2023, and 2022 of \$0 and \$20,933, respectively.

Deposits

Deposits are 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 and 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 December 31, 2023, and 2022, 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 December 31, 2023, the Company's management determined that a reserve for excess and obsolete inventory was not necessary.

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.

AMERICAN CANNABIS COMPANY, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Significant Clients and Customers

For the year ended December 31, 2023, 11 customers accounted for 84.13% of the Company's total revenues from its retail and wholesale sales, consulting, soil, and products revenue lines for the period.

At December 31, 2023, 3 customers accounted for 98.21 % of accounts receivable, net, consisting of customers of our retail and wholesale sales, consulting services, and soil and products revenue streams.

Property and Equipment, net

Property and Equipment are 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 December 31, 2023, and 2022.

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.

In accordance with FASB ASC 350, "Intangibles – Goodwill and Other," we perform goodwill impairment testing at least annually unless indicators of impairment exist in interim periods. The impairment test for goodwill uses a two-step approach. Step one compares the estimated fair value of a reporting unit with goodwill to its carrying value. Step two must be performed if the carrying value exceeds the estimated fair value. Step two compares the reporting unit's carrying value to the fair value of all of the assets and liabilities of the reporting unit (including any unrecognized intangibles) as if the reporting unit was acquired in a business combination. If the carrying amount of a reporting unit's goodwill exceeds the implied fair value of its goodwill, an impairment loss is recognized in an amount equal to the excess. At December 31, 2023, the Company evaluated the goodwill related to the acquisition of the Naturaleaf entity acquired in 2021 and determined that a full impairment of goodwill was necessary.

Intangible Assets, net

Definite life intangible assets as of December 31, 2023, include licenses, trademarks, and brand names recognized as part of the Naturaleaf Acquisition. Intangible assets are recorded at cost. Licenses, trademarks, and brand names represent the estimated fair value of these items at the date of acquisition, April 30, 2021. 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 year ended December 31, 2023, the Company recognized an amortization expense of \$185,333.

AMERICAN CANNABIS COMPANY, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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, the 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 December 31, 2023, and 2022.

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, and (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.

AMERICAN CANNABIS COMPANY, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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 the customer or us under FASB ASC Topic 606. During the years ended December 31, 2023, and 2022, sales returns were \$0.

AMERICAN CANNABIS COMPANY, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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. We utilize and rely upon the proportional performance method for hourly-based fixed-fee service contracts, which recognize 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 the completion of a final deliverable or act that 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 the 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 years ended December 31, 2023, and 2022, we incurred no losses from fixed fee engagements that terminated prior to completion. If an engagement terminates before 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.

AMERICAN CANNABIS COMPANY, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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.

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 years ended December 31, 2023, and 2022.

Loyalty Reward Program

The Company offers a loyalty reward program to its dispensary customers that provides a discount on purchases based on the total amount of a purchase at the time of purchase. Management has determined that 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 as 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 expenses as incurred.

Advertising and Promotion Costs

Advertising and Promotion costs are included as a component of selling and marketing expenses and are expensed as incurred. During the years ended December 31, 2023, and 2022, these costs were \$154,470 and \$225,950, respectively.

Shipping and Handling Costs

For product and equipment sales, shipping and handling costs are included as a component of the 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 the 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 years ended December 31, 2023, and 2022, stock-based compensation expenses for restricted shares for Company employees were \$17,021 and \$78,342, respectively. Compensation expenses 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 year ended December 31, 2023, and 2022, 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 years ended December 31, 2023 and 2022, our research and development costs were de minimis.

AMERICAN CANNABIS COMPANY, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Income Taxes

The following table displays a reconciliation from the U.S. statutory rate to the effective tax rate and the provision for (benefit from) income taxes for the years ended December 31, 2023, and 2022, respectively:

	For the Years Ended	
	December 31, 2023	December 31, 2022
Income Tax Provision (Benefit)	\$ 63,916	\$ 428,083
Non-deductible expenses including non-deductible pre-merger losses	159,539	187,711
Change in valuation allowance	(223,454)	(615,794)
Total Income Tax Benefit	<u>\$ —</u>	<u>\$ —</u>

Deferred tax assets (liabilities) consisted of the following:

	December 31, 2023	December 31, 2022
Total Deferred Tax Liabilities	\$ —	\$ —
Total Deferred Tax Assets	1,163,725	1,152,244
Net operating loss carryforwards	—	—
Allowance for Doubtful Accounts	1,040	1,040
Net Deferred Tax Assets	1,164,765	1,153,284
Valuation Allowance	(1,164,765)	(1,153,284)
Total Deferred Tax Assets	<u>\$ —</u>	<u>\$ —</u>

The Company determined that it is not more likely than not that its deferred tax asset would be realizable; accordingly, the Company recorded a valuation allowance for the full amount of its deferred tax asset, resulting in a zero carrying value of the Company's deferred tax asset and no benefit from or provision for income taxes for the years ended December 31, 2023 and 2022. Federal and state operating loss carryforwards are \$4,278,452 and \$4,368,664 as of December 31, 2023, and 2022, respectively, and can be carried forward indefinitely until used. The years 2020, 2021, and 2022 remain subject to examination by the Company's major tax jurisdictions. Utilization of the net operating loss carry forwards and credits may be subject to a substantial annual limitation due to ownership change limitations provided by Section 382 of the Internal Revenue Code of 1986, as amended, and similar state provisions. The Company is subject to Section 280(e) since it sells cannabis with THC. As such, certain non-THC operating expenses that are ordinary and necessary business expenses are not allowed to be deducted for Federal income tax purposes.

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, 2023, 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 December 31, 2023, and 2022, we had no liabilities related to federal or state income taxes and the carrying value of our deferred tax asset was zero.

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.

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 a 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 no potential dilutable instruments 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.

Related Party Transactions

The Company follows FASB ASC subtopic 850-10, *Related Party Disclosures*, for identifying related parties and disclosing 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.

AMERICAN CANNABIS COMPANY, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Impact of the 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 on many sectors of the economy, including retail commerce.

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

While the state and local governments have significantly 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 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 the consistent application of and simplifies 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 the standard and there was not an impact on its 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 the standard and there was not an impact on its consolidated financial statements.

AMERICAN CANNABIS COMPANY, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

The results of operations of Natureleaf for the period from December 31, 2022, through December 31, 2023, are included in the Company's consolidated financial statements as of December 31, 2023 (also see Note 1: Segment Information).

Note 3. Accounts Receivable and Advance from Clients

Accounts receivable was comprised of the following:

	December 31, 2023	December 31, 2022
Accounts Receivable – Trade	\$ 234,330	\$ 469,111
Less: Allowance for Doubtful Accounts	(4,071)	(4,071)
Accounts Receivable, net	<u>\$ 230,259</u>	<u>\$ 465,040</u>

The Company had allowances for bad debt expenses of \$20,933 and \$5,438, respectively, during the years ended December 31, 2023, and 2022.

AMERICAN CANNABIS COMPANY, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Our Advances from Clients had the following activity for 2023

		Amount
December 31, 2021	\$	111,892
Additional deposits received		691,769
Less: Deposits recognized as revenue		(522,663)
December 31, 2022	\$	280,705
Amount		
December 31, 2022	\$	280,705
Additional deposits received		659,790
Less: Deposits recognized as revenue		(778,081)
December 31, 2023	\$	162,414

Note 4. Inventory

Inventory consisted of the following:

	December 31, 2023	December 31, 2022
Raw Materials	\$ 75,300	\$ 38,464
Work In Process	444,532	206,306
Finished Goods – Soil	0	66,557
Finished Goods – Cannabis Retail	66,374	41,464
Total Inventory	\$ 586,206	\$ 352,971

Note 5. Property and Equipment, net

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

	December 31, 2023	December 31, 2022
Office equipment	\$ 47,380	\$ 47,380
Software	13,204	13,204
Furniture and Fixtures	2,328	2,328
Machinery and Equipment	517,510	478,407
Leasehold Improvements	---	---
Property and equipment, gross	\$ 580,422	\$ 541,319
Less: Accumulated Depreciation	(170,099)	(113,650)
Property and equipment, net	\$ 410,324	\$ 427,669

During the year ended December 31, 2023 and 2022, the Company acquired additional machinery equipment for a total cost of \$39,103 and \$103,675, respectively. The Company recognized depreciation expense of \$56,448 and \$57,731, respectively.

AMERICAN CANNABIS COMPANY, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Note 6. Intangible Assets

A significant amount of the Company's current identified intangible assets were assumed upon consummation of the Naturaleaf acquisition on April 30, 2021. The Company has incurred capitalizable costs in connection with patent applications that it started work on. Identified intangible assets consisted of the following at the dates indicated below:

	December 31, 2023			
	Gross carrying amount	Accumulated amortization	Carrying value	Estimated useful life
Licenses	\$ 800,000	(\$ 187,866)	\$ 612,114	15 years
Brand	\$ 660,000	(\$ 252,699)	\$ 407,311	5 years
Patent Applications	\$ 18,464	—	\$ 18,464	—
Total intangible assets, net	\$ 1,478,464	(\$ 440,555)	\$ 1,037,909	

The weighted average amortization period for intangible assets we acquired during the year ended December 31, 2023, was approximately 11.47 years.

Amortization expenses for intangible assets were \$186,000 and \$186,000 for the years ended December 31, 2023, and 2022, respectively. The total estimated amortization expense for our intangible assets for the years 2023 through 2027 is as follows:

Year Ended December 31, 2023		
2023	\$	186,000
2024	\$	186,000
2025	\$	186,000
2026	\$	145,997
2027	\$	54,000
Thereafter	\$	463,781

Note 7. Accrued and Other Current Liabilities

Accrued and other current liabilities consisted of the following:

	December 31, 2023	December 31, 2022
Accrued Interest	\$ 135,213	\$ 39,130
Accrued Payroll	11,711	22,029
Sales Tax Payable	8,319	3,931
Other Accrued Expenses & Payables	312,252	168,258
Accrued and other current liabilities	\$ 467,495	\$ 233,348

Note 8. Stock Payable

The following summarizes the changes in common stock payable:

	Amount
December 31, 2022	\$ 74,344
Shares issued	(74,344)
Accrued stock compensation	17,021
December 31, 2022	\$ 17,021

AMERICAN CANNABIS COMPANY, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Note 9. Operating Lease Right-of-Use Asset/Operating Lease Liability

Our headquarters are located at 1004 Tejon Street, Colorado Springs, CO.

The Company leases property under various operating leases. Property leases include office, 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 expenses when incurred.

The Company's lease portfolio consists of the following.

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| 1004 S. Tejon Street, Colorado Springs, CO 80903; The Company assumed a lease originally entered into on February 12, 2016, which was the subject of an extension agreement dated April 5, 2022. The term of the lease was extended from May 1, 2022 until April 30, 2027. The Company's monthly rental payments from January 1, 2022 to May 1, 2022 was \$3,700. From May 1, 2022 through the year ended December 31, 2022, monthly rent was \$3,875. Remaining rental payments due for the extended period are: May 1, 2022 to April 30, 2023 \$3,875 May 1, 2023 to April 30, 2024 \$4,050 May 1, 2024 to April 30, 2025 \$4,225 May 1, 2025 to April 30, 2026 \$4,400 May 1, 2026 to April 30, 2027 \$4,575 |
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| 2727 Palmer Park Blvd. Suite A, Colorado Springs, CO 80909. As of May 31, 2023, the Company discontinued its associated operations at Palmer Park Boulevard, Ste. A, Colorado Springs, CO, and at year-end, its lease obligation terminated without the Company incurring penalties, interest or liquidated damages. |
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| 5870 Lehman Drive Suite 200, Colorado Springs, CO 80918 The Company and landlord previously entered into a lease in 2017 which expired December 31, 2022. At December 31, 2022, the Company's monthly rent was \$2,732. On April 26, 2022, the Company and landlord entered into an extension agreement which extended the tenancy from January 1, 2023 through January 1, 2027. Rental payments due for the extended period are: January 1, 2023 \$2,898 January 1, 2024 \$2,985 January 1, 2025 \$3,075 January 1, 2026 \$3,167 January 1, 2027 \$3,262 |
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| 2611 Durango Drive, CO Springs, CO. The Company and landlord entered into a lease on March 10, 2021, which terminated on May 31, 2022. On June 23, 2021, the Company and landlord entered into an extension of the lease for a term of thirty-six months, beginning June 1, 2022 and terminating June 1, 2024. At December 31, 2022, monthly rent was \$11,000. Rental payments due for the extended period are: June 1, 2022 to June 1, 2023 \$11,000 June 1, 2023 to June 1, 2024 \$11,880 June 1, 2025 to June 1, 2025 \$12,830 |
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AMERICAN CANNABIS COMPANY, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

On May 1, 2020, as part of the Natureleaf Acquisition, the Company entered into leases for grow facilities and dispensaries. These leases were determined to be operating leases under ASC 842, and such leases were capitalized. It was determined that the Tejon lease, due to its short-term nature, met the criteria of ASC 842-20-25-2, and as such, it was not necessary to capitalize the lease; 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 December 31, 2023 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 has been recognizing rents as they become payable.

As of December 31, 2023, the aggregate remaining annual lease payments of operating lease liabilities are as follows:

		Operating Leases
2023	\$	474,472
Total		474,472
Less: amount representing interest		-
Present value of future minimum lease payments		474,472
Less: current obligations under leases		199,891
Long-term lease obligations	\$	274,581

As of December 31, 2023, the aggregate remaining minimal annual lease payments under these operating leases were as follows:

2023	\$	474,472
Total	\$	474,472

Note 10. 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 matured 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 and is unsecured and guaranteed by the SBA. On March 1, 2021, the Company applied for and received forgiveness of the principal of \$109,914 and interest of \$632.01 on the PPP loan.

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.

AMERICAN CANNABIS COMPANY, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Amendment to Naturaleaf Seller Note

On April 29, 2022, the Company and Medi Hemp, LLC, and its wholly owned subsidiary, SLAM Enterprises, LLC, and Medical Cannabis Caregivers, Inc., all collectively doing business as "Naturaleaf," (hereafter, "Naturaleaf") entered into an amendment to the previously disclosed material definitive agreement dated March 11, 2021.

The original material definitive agreement disclosed the Company's acquisition of assets from Naturaleaf, including, but not limited to, Naturaleaf's fixed assets, Medical Marijuana Center licenses, a Medical Cannabis' Medical Marijuana-Infused Product Manufacturer license, a Medical Marijuana Optional Premises Cultivation license, customer accounts, intellectual property, goodwill, and leases. As consideration for the purchase, the Company agreed to pay an aggregate purchase price of \$2,200,000 in cash and 3,000,000 shares of Registrant's common stock.

The parties agreed to a payment schedule, requiring the Company first to pay an initial non-refundable payment of \$20,000, credited against the purchase price. Thereafter, upon the party's completion of due diligence and their receipt of contingent approval letters for the transfer of the Cannabis Licenses from the Colorado Marijuana Enforcement Division and the City of Colorado Springs (the "Closing"), the Company agreed to pay Naturaleaf \$1,080,000 and issue Naturaleaf, or its designees, 3,000,000 shares of the Company's restricted common stock. The balance of the purchase price of \$1,100,000 was payable based upon a promissory note issued by the Company, which included 10% interest. The note was due one year after Closing. On April 30, 2021, the Closing occurred, and the Company paid Naturaleaf \$1,080,000 and issued 3,000,000 shares of restricted stock.

Pursuant to the amendment, the parties agreed to restructure the remaining payments due to be made by the Company under the note. The parties agreed that in consideration of the Company's payment of \$550,000, and outstanding interest of \$110,000, a new promissory note in the principal amount of \$550,000 and 12% interest accruing annually, due April 29, 2023, resolves all Registrant's payments of the purchase price. The parties entered into the amendment, and the Registrant paid the consideration of \$550,000 in principal and \$110,000 in interest.

Note 11. Related Party Transactions

On November 22, 2022, the Company issued a promissory note to Ellis Smith in exchange for \$150,000. Interest on the note is 15% per annum. The note has a maturity date of May 21, 2023. If not paid within ten days of maturity, the note contains default interest of 18% per annum and a late charge penalty of 5% of the principal amount due.

Note 12. Stock-Based Compensation

Restricted Shares

From time to time, the Company grants certain employees and independent contractors 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 contractual commitments and/or continued employment, these equity-based incentives are also intended to attract, retain, and motivate personnel whose judgment, initiative, and effort the Company's success is largely dependent.

During the year ended December 31, 2023, the Company granted 14,425,000 restricted shares and recognized \$17,021 in associated employee stock-based compensation expenses. The fair value of the restricted stock unit is determined based on the quoted closing price of the Company's common stock on the date granted.

During the year ended December 31, 2023, the Company issued a total of 66 million restricted shares to service providers and consultants for services rendered and recognized expenses of \$37,699.10. The fair value of restricted stock is determined based on the quoted closing price of the Company's common stock on the date granted.

AMERICAN CANNABIS COMPANY, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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 Company believes that it has no instruments that may, in the future, have a dilutive effect on earnings per share:

Warrants

During the year ended December 31, 2023, the Company did not issue or approve any warrants.

Note 13. 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 on December 31, 2023, and 2022, respectively.

Common Stock

On January 11, 2023, the Company issued a total of 2,175,000 shares of restricted common stock to directors and officers under contract during 2022.

On August 24, 2023, the Company issued 41,000,000 shares of registered common stock to consultants under contract.

On August 24, 2023, the Company issued a total of 12,250,000 shares of restricted common stock to directors and officers under contract.

On August 29, 2023, the Company issued 25 million shares of restricted common stock to consultants under contract.

On August 30, 2023, the Company issued 1 million restricted shares to a service provider to settle an outstanding amount due under contract.

The fair value of common stock issued is determined based on the closing price of the Company's common stock on the date granted.

Note 14. Commitments and Contingencies

Legal

In the ordinary course of its business, the Company becomes involved in various legal proceedings involving various matters. As of December 31, 2023, there are no pending legal proceedings involving the Company. The Company's expenses are legal fees in the period they are incurred.

AMERICAN CANNABIS COMPANY, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Note 15. Subsequent Events

On January 8, 11, 17, and March 6, 2024, the Company issued a total of 14,397,977 shares of common stock resulting from the conversion of a promissory note entered June 29, 2023. As a result of the conversions, the note was fully satisfied and paid in full.

SUPPLEMENTARY DATA

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

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

ITEM 9A. 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 and 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 and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2023, 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 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 December 31, 2023. 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 this 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 December 31, 2023.

Remediation of Material Weaknesses

We intend to implement 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.

Management understands that in order to remediate the material weaknesses, additional segregation of duties and changes in personnel and technologies are necessary. We will not consider these material weaknesses fully remediated until management has tested those internal controls and found them to be operating effectively.

This Report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to such attestation pursuant to rules of the Securities and Exchange Commission that permit us to provide only management’s report in this Annual Report.

Changes in Internal Control over Financial Reporting

We implemented no changes to our internal control over financial reporting during the year ended December 31, 2023.

ITEM 9B. OTHER INFORMATION

PART III.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Our Board of Directors

The following table sets forth information regarding our current directors and each director as of December 31, 2023.

Name	Principal Occupation	Age	Director Since
Ellis Smith	Director	47	2014
Tad Mailander	Director	68	2017

Ellis Smith from June 2014 to the present; Ellis Smith has served as our Chief Development Officer and as a director since September 2014. In March 2013, Mr. Smith co-founded ACC, and from March 2013 to May 2014, Mr. Smith served as a Managing Director of ACC. From September 2010 to July 2013, Mr. Smith co-owned Colorado Kind Care LLC d/b/a The Village Green Society, a Colorado based Medical Marijuana Center, where he was responsible for managing the operations and protocols supporting the growth and production of medical marijuana. From 2008 to 2010, Mr. Smith founded and operated The Happy Camper Organics Inc., a medical marijuana company focused on the growth of wholesale cannabis for sale to medical marijuana businesses. From 2005 to 2010, Mr. Smith founded and operated Bluebird Productions, a video production company. Mr. Smith has been published and recognized for his horticultural experience and organic gardening in the cannabis industry, and he is known for assisting in identifying the Hemp Russet Mite and working with SKUNK magazine to educate the industry. Our Board believes Mr. Smith's qualifications to serve as an executive of the Company and as a member of our Board include his past success in founding and operating businesses, his unique experience in horticultural and organic gardening, and his recognized qualifications in the emerging medical cannabis markets.

Tad Mailander is an attorney licensed to practice before all of the Courts in the State of California. Mr. Mailander has been in practice since 1991 and is a member of the State Bar of California, the bars of the United States District Court for the Southern District of California, and the United States Court of Appeal for the Ninth Circuit. Mr. Mailander is an independent director.

Our Executive Officers

We designate persons serving in the following positions as our named executive officers: our chief executive officer, chief financial officer, and chief operating officer. The following table sets forth information regarding our executive officers as of December 31, 2023.

Name	Principal Occupation	Age	Officer Since
Ellis Smith	Chief Executive Officer, Chief Financial Officer	47	2018
Tyler A. Schloesser ¹	Chief Operations Officer	33	2019

Ellis Smith, Chief Executive Officer, Chief Financial Officer. Mr. Smith's biographical summary is included under "Our Board of Directors." Mr. Smith was appointed Chief Executive Officer and Chief Financial Officer on December 31, 2021.

Tyler A. Schloesser, Chief Operations Officer. Mr. Schloesser attended the University of Colorado at Boulder receiving a double major degree in Psychology and Philosophy. After graduation, Mr. Schloesser worked in the banking industry with Wells Fargo, U.S. Bank and Credit Union of Colorado. Mr. Schloesser received professional certificates from Dartmouth College in Retail & Omnichannel Management (2021); UC Berkeley in Blockchain Fundamentals (2021), and Columbia University in Corporate Finance (2022); Mr. Schloesser's functions with the Registrant include developing and maintaining policies and procedures, processes and risk mitigation best practices as well as manage and perform day-to-day internal operational tasks required by the Registrant.

¹ The Company terminated Mr. Schloesser on September 29, 2023. The decision was not based on any disagreement with Mr. Schloesser regarding his services rendered.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our executive officers, directors, and persons who beneficially own more than 10% of our common stock to file initial reports of beneficial ownership and changes in beneficial ownership with the SEC. SEC regulations also require such persons to furnish us with copies of all Section 16(a) forms filed by such persons.

Based solely on our review of such forms furnished to us and written representations from certain reporting persons, and company counsel, we believe all filing requirements applicable to our executive officers, directors, and greater than 10% stockholders during the fiscal year ended December 31, 2023, were satisfied.

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth information concerning the compensation of our principal executive officer, our principal financial officer, and each of our other executive officers during 2023.

Name and Principal Position	Year	Salary	Bonus (\$)	Bonus Stock Awards (in \$)	Bonus Stock Awards (in Shares)	All Other Compensation (\$)	Total (\$)
Ellis Smith, CEO, CFO	2023	150,000	—	200,000	10,000,000	—	350,000
	2022	130,000	—	11,510	75,000	—	101,510
	2021	90,000	—	9,304	130,000	—	109,669
Tyler A. Schloesser, COO	2023	111,249	—	30,000	1,500,000	—	141,249
	2022	100,000	—	3,836	25,000	—	83,836
	2021	90,000	—	3,632	50,000	—	75,632
Jon Workman, VP Sales	2023	78,000	—	10,000	500,000	—	88,000
	2022	78,000	—	3,836	25,000	—	86,386
	2021	78,000	—	3,632	50,000	—	75,632

Retirement Benefits

We do not currently provide our named executive officers with supplemental or other retirement benefits.

Equity Awards at December 31, 2023

As of December 31, 2022, we granted the following stock-based compensation awards pursuant to contracts, board of directors compensation, and our 2015 Equity Incentive Plan (“Plan”), as amended. The Plan is intended to promote the best interest of the Company and its stockholders by assisting the Company in the recruitment and retention of persons with ability and initiative and providing an incentive to such persons to contribute to the growth of the Company’s business. Eligible persons under the Plan include employees, directors, and consultants of the Company or any affiliated of the Company. Unless earlier terminated, the Plan will remain in force unless a new Plan has been adopted by the Board of the Company.

Compensation of Directors & Executive Officers

The Board of Directors granted the following compensation for directors as at the fiscal year ended December 31, 2023:

Effective December 19, 2022, issued January 11, 2023, the Company issued 500,000 shares to Ellis Smith under contract.

Effective December 19, 2022, issued January 11, 2023, the Company issued 100,000 shares to Jon Workman under contract.

Effective December 19, 2022, issued January 11, 2023, the Company issued 250,000 shares to Tyler A. Schloesser under contract.

Effective December 19, 2022, issued January 11, 2023, the Company issued 500,000 shares to Tad Mailander as director compensation.

On August 24, 2023, the Company issued 10,000,000 shares to Ellis Smith as director bonus compensation.

On August 24, 2023, the Company issued 500,00 shares to Tyler A. Schloesser as bonus compensation.

On August 24, 2023, the Company issued 500,000 shares to Jon Workman as bonus compensation.

On August 24, 2023, the Company issued 150,000 shares to Benjamin Teekel as bonus compensation.

On August 24, 2023, the Company issued 1,000,000 shares to Tad Mailander as as bonus compensation.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth information known to us regarding the beneficial ownership of our common stock as of December 31, 2023 by (1) each stockholder who is known by us to beneficially own more than 5% of our common stock, (2) each of our directors, (3) each of our executive officers named in the Summary Compensation Table above, and (4) all of our directors and executive officers as a group.

Beneficial Owner ⁽¹⁾	Number of Shares Beneficially Owned ⁽²⁾	Percent ⁽³⁾
Named Executive Officers and Directors:		
Ellis Smith	22,662,790	13.22%
Tad Mailander	18,000,000	10.52%
Tyler A. Schloesser	2,250,055	1.31%
Jon Workman	850,000	0.50%
All executive officers and directors as a group	43,762,845	25.53%

Beneficial Owner ⁽¹⁾	Number of Shares Beneficially Owned ⁽²⁾	Percent ⁽³⁾
5% Beneficial Owners:		
Kristian Kvavik	16,250,000	9.48%
Thomas Stray	16,250,000	9.48%
All 5% Beneficial Owners as a group	32,500,000	18.96%

(1) Except as otherwise indicated, the persons named in the above tables have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them, subject to community property laws where applicable and to the information contained in the footnotes to this table.

(2) Under SEC rules, a person is deemed to be the beneficial owner of shares that can be acquired by such person within 60 days upon the exercise of warrants or the settlement of other equity awards.

(3) Calculated based on 171,402,938 shares of common stock outstanding as of December 31, 2023, plus any additional shares of common stock that a stockholder has the right to acquire within 60 days after December 31, 2023.

Equity Compensation Plan Information

(1) Historically, the Company has granted restricted shares that are subject to forfeiture.

(2) Historically, the Company has granted restricted shares that are subject to forfeiture. Restricted shares subject to forfeiture have a weighted average exercise price of \$0.00.

(3) The Company equity compensation grants to date have been approved on a grant-by-grant basis, as opposed to under an umbrella equity compensation plan establishing a total number of grants available.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS, AND DIRECTOR INDEPENDENCE

On November 22, 2022, the Company issued a promissory note to Ellis Smith in exchange for \$150,000. Interest on the note is 15% per annum. The note has a maturity date of May 21, 2023. If not paid within ten days of maturity, the note contains default interest of 18% per annum and a late charge penalty of 5% of the principal amount due. The Company used the funds for operating capital.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The following table sets forth the aggregate fees billed to us for the fiscal year ended December 31, 2023, by Hudgens CPA, PLLC from the date of engagement on June 24, 2022:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Audit fees ⁽¹⁾	\$15,000	\$15,000
Audit-related fees ⁽²⁾	—	—
Tax fees ⁽³⁾	—	—
All other fees ⁽⁴⁾	—	—

(1) Audit fees consist of fees billed for professional services rendered for the audit of our annual financial statements, the review of the interim financial statements included in quarterly reports and services that are normally provided in connection with statutory and regulatory filings or engagements, consultations in connection with acquisitions and issuances of auditor consents and comfort letters in connection with SEC registration statements and related SEC and non-SEC securities offerings.

(2) Audit related fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported under "Audit fees".

(3) Tax fees consist of fees billed for professional services rendered for tax compliance, tax advice and tax planning (domestic and international). These services include assistance regarding federal, state, and international tax compliance, acquisitions and international tax planning.

(4) All other fees consist of fees for products and services other than the services reported above.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements

The following consolidated financial statements of American Cannabis Company, Inc. are included in "Item 8. Financial Statements and Supplementary Data."

Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheets
Consolidated Statements of Operations
Consolidated Statements of Changes in Stockholders' Equity
Consolidated Statements of Cash Flows
Notes to Consolidated Statements

(a)(2) Financial Statement Schedules

(a)(3) Exhibits

Exhibit No	Exhibit Title	Filed Herewith	Form	Filing Date
2	Plan of Acquisition, Reorganization, Arrangement, Liquidation or Recession		14A	5/16/2000
2.1	Plan of Acquisition, Reorganization, Arrangement, Liquidation or Recession		14c	4/16/2013
2.2	Plan of Acquisition, Reorganization, Arrangement, Liquidation or Recession		14c	9/09/2014
3(i)	Articles of Incorporation		SB-2	10/12/1995
3(i)(a)	Amendment to Articles of Incorporation		14A	5/16/2000
3(i)(b)	Amendment to Articles of Incorporation		14c	4/16/2013
3(i)(c)	Amendment to Articles of Incorporation		14c	9/09/2014
3(i)(c)	Amendment to Articles of Incorporation		8-K	10/3/2014
3(i)(c)	Amendment to Articles of Incorporation		8-K	4/21/20
3(ii)	By Laws		SB-2 8-K	10/12/1995 6/5/2017
10	Material Contracts		14c 8-K	9/09/2014 10/15/2019
16	Letter RE Change in Certifying Public Accountant		8-K 8-K 8-K 8-K 8-K	02/17/2015 11/5/2015 6/12/2017 8/23/2018 1/7/2020
17	Disclosures on Departures of Directors		8-K 14c 8-K 8-K	10/03/2014 9/09/2014 1/25/2018 6/2017
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a)	X		
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a)	X		
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X		
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X		

* In accordance with Rule 406T of Regulation S-T, the information in these exhibits is furnished and deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Exchange Act of 1934, and otherwise is not subject to liability under these sections.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 8, 2024

AMERICAN CANNABIS COMPANY, INC.

By: /s/ Ellis Smith
Ellis Smith
Chief Executive Officer

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Terry Buffalo, with full power of substitution and re-substitution and full power to act without the other, as his or her true and lawful attorney-in-fact and agent to act in his or her name, place and stead and to execute in the name and on behalf of each person, individually and in each capacity stated below, and to file, any and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing, ratifying and confirming all that said attorneys-in-fact and agents or any of them or their and his or her substitute or substitutes, may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Ellis Smith</u> Ellis Smith	Chief Executive Officer, Chief Financial Officer, and Director	May 8, 2024
<u>/s/ Tad Mailander</u> Tad Mailander	Director	May 8, 2024

I, Ellis Smith, certify that:

1. I have reviewed this annual report on Form 10-K for fiscal year 2023 of American Cannabis Company, Inc.
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)) 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) 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
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Ellis Smith
Ellis Smith
Chief Executive Officer

Date: May 8, 2024

I, Ellis Smith, certify that:

1. I have reviewed this annual report on Form 10-K for fiscal year 2023 of American Cannabis Company, Inc.
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)) 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) 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
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Ellis Smith
Ellis Smith
Chief Financial Officer

Date: May 8, 2024

**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 annual report of American Cannabis Company, Inc. (the "Company") on Form 10-K for fiscal year 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

- (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 results of operations of the Company.

By: /s/ Ellis Smith
Ellis Smith
Chief Executive Officer

Date: May 8, 2024

By: /s/ Ellis Smith
Ellis Smith
Chief Financial Officer

Date: May 8, 2024

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.