**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**WASHINGTON, DC 20549**

# FORM 10-Q

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

**For the quarterly period ended March 31, 2022**

**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: 000-27039**

**MARIJUANA COMPANY OF AMERICA, INC.**
(Exact Name of Registrant as Specified in its Charter)

| | |
|---|---|
| **Utah** | **98-1246221** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **633 W. 5th Street, Suite 2826**<br>**Los Angeles, CA** | **92029** |
| (Address of principal executive offices) | (Zip Code) |

**(888) 777-4362**
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act: **None**

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

| | | | |
|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☐ |
| Non-accelerated filer | ☒ | Smaller reporting company | ☒ |
| | | Emerging growth company | ☒ |

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

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

The number of shares of the issuer's common stock, no par value per share, outstanding at May 16, 2022 was ***.

**Table of Contents**

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INDUSTRY DATA**

This Quarterly Report on Form 10-Q contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934 as amended (the “Exchange Act”). Any statements in this Quarterly Report on Form 10-Q about our expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and are forward-looking statements. These statements are often, but not always, made through the use of words or phrases such as “believe,” “will,” “expect,” “anticipate,” “estimate,” “intend,” “plan” and “would.” For example, statements concerning financial condition, possible or assumed future results of operations, growth opportunities, industry ranking, plans and objectives of management, markets for our common shares and future management and organizational structure are all forward-looking statements. Forward-looking statements are not guarantees of performance. They involve known and unknown risks, uncertainties and assumptions that may cause actual results, levels of activity, performance or achievements to differ materially from any results, levels of activity, performance or achievements expressed or implied by any forward-looking statement.

Any forward-looking statements are qualified in their entirety by reference to the risk factors discussed throughout our most recent Annual Report on Form 10-K as may be amended, supplemented or superseded from time to time by other reports we file with the U.S. Securities and Exchange Commission (the “SEC”). You should read this Quarterly Report on Form 10-Q and the documents that we reference herein and have filed as exhibits to the reports we file with the SEC completely and with the understanding that our actual future results may be materially different from what we expect. You should assume that the information appearing in this Quarterly Report on Form 10-Q is accurate as of the date hereof. Because the risk factors in our SEC reports could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made by us or on our behalf, you should not place undue reliance on any forward-looking statements. Further, any forward-looking statement speaks only as of the date on which it is made, and except as required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict which factors will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We qualify all of the information presented in this Quarterly Report on Form 10-Q, and particularly our forward-looking statements, by these cautionary statements.

**PART I — FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS.**

**MARIJUANA COMPANY OF AMERICA, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED BALANCE SHEETS**

| | Unaudited Mar 31, 2022 | Audited Dec 31, 2021 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash | $ 243,712 | $ 104,024 |
| Accounts receivable, net | 410,448 | 211,288 |
| Inventory | 206,194 | 252,199 |
| Prepaid Insurance | 29,769 | 61,705 |
| Other current assets | 2,094,342 | 2,133,640 |
| Total current assets | 2,984,465 | 2,762,856 |
| Property and equipment, net | 117,237 | 121,588 |
| Other assets: | | |
| Long-term Investments | 2,300,899 | 2,327,357 |
| Goodwill | 1,633,557 | 1,633,557 |
| Intangible assets, net | 1,065,000 | 1,110,000 |
| Security deposit | 4,541 | 4,541 |
| Total assets | 8,105,699 | 7,959,899 |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| Current liabilities: | | |
| Accounts payable | 1,183,694 | 932,760 |
| Accrued compensation | 57,556 | 42,925 |
| Accrued liabilities | 304,744 | 270,689 |
| Notes payable, related parties | 20,000 | 20,000 |
| Convertible notes payable, net of debt discount of $3,459,479 and $1,659,622, respectively | 4,155,625 | 3,769,449 |
| Contingent Liability - Acquisition | 703,837 | 953,837 |
| Subscriptions payable | 754,961 | 989,594 |
| Derivative liability | 1,646,127 | 749,756 |
| Total current liabilities | 8,826,544 | 7,729,010 |
| Total liabilities | 8,826,544 | 7,729,010 |
| Stockholders' deficit: | | |
| Preferred stock, $0.001 par value, 50,000,000 shares authorized | | |
| Class A preferred stock, $0.001 par value, 10,000,000 shares designated, 10,000,000 shares issued and outstanding as of March 31, 2022 and December 31, 2021 | 10,000 | 10,000 |
| Class B preferred stock, $0.001 par value, 5,000,000 shares designated, 2,000,000 shares issued and outstanding as of March 31, 2022 and December 31, 2021 | 2,000 | 2,000 |
| Common stock, $0.001 par value; 15,000,000,000 shares authorized; 9,439,551,063 and 7,122,806,264 shares issued and outstanding as of March 31, 2022 and December 31, 2021, respectively | 9,439,551 | 7,122,806 |
| Common stock to be issued, 1,000,000 and 1,000,000 shares, respectively | 1,000 | 1,000 |
| Additional paid in capital | 89,632,214 | 89,607,853 |
| Accumulated other Comprehensive Income (loss) | (14,273) | (11,725) |
| Accumulated deficit | (99,791,337) | (96,501,045) |
| Total stockholders' deficit | (720,845) | 230,889 |
| Total liabilities and stockholders' deficit | $ 8,105,699 | $ 7,959,899 |

See the accompanying notes to these unaudited condensed consolidated financial statements

**MARIJUANA COMPANY OF AMERICA, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**
**FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021**
**UNAUDITED**

| | For the 3 months ended March 31, 2022 | 2021 |
|---|---|---|
| REVENUES: | | |
| Sales | $ 561,321 | $ 34,930 |
| Total Revenues | 561,321 | 34,930 |
| | | |
| Cost of sales | 510,262 | 25,180 |
| | | |
| Gross Profit | 51,059 | 9,750 |
| | | |
| OPERATING EXPENSES: | | |
| Depreciation and amortization | 51,050 | 1,391 |
| Selling and marketing | 81,373 | 107,549 |
| Payroll and related | 276,913 | 138,145 |
| Stock-based compensation | 9,000 | 19,900 |
| General and administrative | 468,517 | 525,682 |
| Total operating expenses | 886,853 | 792,667 |
| | | |
| Net loss from operations | (835,794) | (782,917) |
| | | |
| OTHER INCOME (EXPENSES): | | |
| Interest expense, net | (1,246,155) | (1,100,962) |
| Gain (loss) on change in fair value of derivative liabilities | (1,026,929) | (2,326,018) |
| Unrealized Gain (loss) on trading securities | — | 620,134 |
| Realized Gain (loss) on trading securities | 6,086 | — |
| (Loss) Gain on settlement of debt | (187,500) | (68,227) |
| Total other income (expense) | (2,454,498) | (2,875,073) |
| | | |
| Net loss before income taxes | (3,290,292) | (3,657,990) |
| | | |
| Income taxes (benefit) | — | — |
| | | |
| NET INCOME (LOSS) | $ (3,290,292) | $ (3,657,990) |
| | | |
| Foreign currency Translation Adjustment | (2,548) | — |
| Comprehensive Income | $ (3,292,840) | $ (3,657,990) |
| | | |
| Loss per common share, basic and diluted | $ (0.00) | $ (0.00) |
| | | |
| Weighted average number of common shares outstanding, basic and diluted (after stock-split) | 8,162,150,740 | 4,028,293,332 |

See the accompanying notes to these unaudited condensed consolidated financial statements

**MARIJUANA COMPANY OF AMERICA, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT**
**FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021**
**UNAUDITED**

| | Class A Preferred Stock | | Class B Preferred Stock | | Common Stock | | Common Stock to be issued | | Stock | Paid In | Accumulated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Shares** | **Amount** | **Shares** | **Amount** | **Shares** | **Amount** | **Shares** | **Amount** | **Subscriptions** | **Capital** | **Deficit** | **Total** |
| **Balance, December 31, 2020** | **10,000,000** | **$ 10,000** | **2,000,000** | **$ 2,000** | **3,136,774,841** | **$ 3,136,775** | **11,892,411** | **$ 11,892** | **$ —** | **$ 77,687,561** | **$ (86,309,595)** | **$ (5,461,367)** |
| Common stock issued for services rendered | — | — | — | | 1,000,020 | 1,000 | — | — | — | 9,900 | — | 10,900 |
| Common stock issued in settlement of convertible notes payable and accrued interest | — | — | — | — | 621,622,284 | 621,622 | — | — | — | 952,534 | — | 1,574,156 |
| Issuance of common stock for settlement of liabilities | — | — | — | — | 3,027,031 | 3,027 | (10,892,411) | (10,892) | — | 16,488 | — | 8,623 |
| Common stock issued in exchange for exercise of warrants on a cashless basis | — | — | — | — | 400,000,000 | 400,000 | — | — | — | (400,000) | — | — |
| Sale of common stock | — | — | — | — | 575,714,285 | 575,714 | — | — | | 669,286 | — | 1,245,000 |
| Issuance of common stock for investments | — | — | — | — | 41,935,484 | 41,935 | — | — | | 608,065 | — | 650,000 |
| Reclassification of derivative liabilities to additional paid in capital | — | — | — | — | — | — | — | — | — | 4,475,916 | — | 4,475,916 |
| Net Loss | — | — | — | — | — | — | — | — | — | — | (3,657,990) | (3,657,990) |
| **Balance, March 31, 2021** | **10,000,000** | **$ 10,000** | **2,000,000** | **$ 2,000** | **4,780,073,945** | **$ 4,780,073** | **1,000,000** | **$ 1,000** | **$ —** | **$ 84,019,750** | **$ (89,967,585)** | **$ (1,154,762)** |

| | Class A Preferred Stock | | Class B Preferred Stock | | Common Stock | | Common Stock to be issued | | Stock | Paid In | Accumulated | Other Comprehensive | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Shares | Amount | Shares | Amount | Subscriptions | Capital | Deficit | Loss | Total |
| **Balance, December 31, 2021** | **10,000,000** | **$ 10,000** | **2,000,000** | **$ 2,000** | **7,122,806,264** | **$ 7,122,805** | **1,000,000** | **$ 1,000** | **$ —** | **$ 89,607,853** | **$ (96,501,045)** | **$ (11,725)** | **$ 230,889** |
| Common stock issued in settlement of convertible notes payable and accrued interest | — | — | — | — | 1,166,431,600 | 1,166,433 | — | — | — | (114,878) | — | — | 1,051,555 |
| Issuance of common stock for deferred finance costs | — | — | — | — | 35,000,000 | 35,000 | — | — | — | 8,000 | — | — | 43,000 |
| Sale of common stock | — | — | — | — | 652,500,000 | 652,500 | — | — | | (123,650) | — | — | 528,850 |
| Reclassification of derivative liabilities to additional paid in capital | — | — | — | — | — | — | — | — | — | 233,069 | — | — | 233,069 |
| Common stock issued for contingent consideration | — | — | — | — | 282,326,369 | 282,326 | — | — | — | (32,326) | — | — | 250,000 |
| Common stock issued for amendment to acquisition consideration | — | — | — | — | 180,486,830 | 180,486 | — | — | — | 54,146 | — | — | 234,632 |
| Net Loss | — | — | — | — | — | — | — | — | — | — | (3,290,292) | (2,548) | (3,292,840) |
| **Balance, March 31, 2022** | **10,000,000** | **$ 10,000** | **2,000,000** | **$ 2,000** | **9,439,551,063** | **$ 9,439,550** | **1,000,000** | **$ 1,000** | **$ —** | **$ 89,632,214** | **$ (99,791,337)** | **$ (14,273)** | **$ (720,845)** |

See the accompanying notes to these unaudited condensed consolidated financial statements

**MARIJUANA COMPANY OF AMERICA, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021**
**UNAUDITED**

| | 2022 | 2021 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net Income (Loss) | $ (3,290,292) | $ (3,657,990) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Amortization of debt discount | 761,712 | 311,710 |
| Depreciation and amortization | 51,050 | 1,391 |
| Loss on equity investment | 735,178 | — |
| Loss (Gain) on change in fair value of derivative liability | 1,026,929 | 2,326,018 |
| Interest expense recognized for the excess of fair value of derivative liability over net book value of notes payable at issuance | 157,558 | 694,755 |
| Stock-based compensation | 234,633 | 10,900 |
| Unrealized (Gain) Loss on trading securities | — | (620,134) |
| Loss on settlement of liabilities | 187,500 | 71,647 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (199,160) | 1,833 |
| Inventories | 46,005 | 12,212 |
| Prepaid expenses and other current assets | 71,234 | (29,816) |
| Accounts payable | (692,418) | 74,178 |
| Accrued expenses and other current liabilities | 231,963 | (159,063) |
| Right-of-use assets | — | 3,880 |
| Right-of-use liabilities | — | (3,880) |
| **Net cash provided by (used in) operating activities** | **(678,108)** | **(962,359)** |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (1,699) | (2,031) |
| **Net cash provided by (used in) investing activities** | **(1,699)** | **(2,031)** |
| Cash flows from financing activities: | | |
| Proceeds from issuance of notes payable | 526,760 | 535,000 |
| Repayments of notes payable | (233,567) | (230,130) |
| Repayments to related parties | — | (20,000) |
| Proceeds from sale of common stock | 528,850 | 1,245,000 |
| **Net cash provided by (used in) financing activities** | **822,043** | **1,529,870** |
| **Foreign exchange impact on cash** | (2,548) | — |
| Net increase (decrease) in cash | 139,688 | 565,480 |
| Cash at beginning of period | 104,024 | 74,503 |
| **Cash at end of period** | **$ 243,712** | **$ 639,983** |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for interest | — | — |
| Cash paid for taxes | — | — |
| **Non-cash financing activities:** | | |
| Common stock issued in settlement of convertible notes payable | $ 639,054 | $ 1,574,156 |
| Reclassification of derivative liabilities to additional paid-in capital | $ 233,069 | $ 4,475,915 |
| Common stock issued for investment | $ 234,633 | $ 650,000 |
| Common stock issued to settle liabilities | $ — | $ 8,622 |
| Common stock issued for acquisition of business | $ 250,000 | $ — |
| Common stock issued for deferred finance costs | $ 43,000 | $ — |

See the accompanying notes to these unaudited condensed consolidated financial statements

**NOTE 1 – NATURE OF OPERATIONS AND BASIS OF PRESENTATION**

Marijuana Company of America, Inc. (the "Company") was incorporated under the laws of the State of Utah in October 1985 under the name Mormon Mint, Inc. The corporation was originally organized to manufacture and market commemorative medallions related to the Church of Jesus Christ of Latter Day Saints. On January 5, 1999, Bekam Investments, Ltd. acquired 100% of the common shares of the Company and spun the Company off changing its name Converge Global, Inc. From August 13, 1999 until November 20, 2002, the Company focused on the development and implementation of Internet web content and e-commerce applications. In October 2009, in a 30 for 1 exchange, the Company merged with Sparrowtech, Inc. for the purpose of exploration and development of commercially viable mining properties. From 2009 to 2014, the Company operated primarily in the mining exploration business.

In 2015, the Company changed its business model to a marketing and distribution company for medical marijuana, and changed its name to Marijuana Company of America, Inc. At the time of the transition in 2015, there were no remaining assets, liabilities, or operating activities of the mining business.

On September 21, 2015, the Company formed H Smart, Inc. in the State of Delaware as a wholly owned subsidiary of the Company for the purpose of operating the hempSMART™ brand.

On February 1, 2016, the Company formed MCOA CA, Inc. in the State of California as a wholly owned subsidiary of the Company to facilitate mergers, acquisitions and the offering of investments or loans to the Company.

On May 3, 2017, the Company formed Hempsmart Limited in the United Kingdom as a wholly owned subsidiary of the Company for the purpose of future expansion into the European market.

On June 29, 2021, the Company acquired 100% of the capital stock of cDistro, Inc., a Nevada corporation, which is now a wholly owned subsidiary of the Company for the purpose of engaging in the distribution of hemp and CBD products to retail outlets in the North American market.

The condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, H Smart, Inc., Hempsmart Limited, MCOA CA, Inc. and cDistro, Inc. All significant intercompany balances and transactions have been eliminated in consolidation.

The condensed consolidated balance sheet as of December 31, 2021 has been derived from audited financial statements set forth in the Company's Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission ("SEC") on April 15, 2022 (the "Annual Report").

Operating results for the three months ended March 31, 2022 are not necessarily indicative of results that may be expected for the year ending December 31, 2021. These condensed consolidated financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2021.

**NOTE 2 – GOING CONCERN AND MANAGEMENT'S LIQUIDITY PLANS**

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in the accompanying financial statements, for the three months ended March 31, 2022, the Company incurred net losses from operations of $835,794 and used cash in operations of $678,108. These factors among others may indicate that the Company will be unable to continue as a going concern for a reasonable period of time.

The Company's primary source of operating funds for the three months ended March 31, 2022 has been from revenue generated from the proceeds related to the issuance of common stock, convertible and other debt. The Company has experienced net losses from operations since inception but expects these conditions to improve in 2022 and beyond as it continues to develop its direct sales and marketing programs; however, no assurance can be provided that the Company will not continue to experience losses in the future. The Company has stockholders' deficiencies at March 31, 2022 and requires additional financing to fund future operations.

The Company's existence is dependent upon management's ability to develop profitable operations and to obtain additional funding sources. There can be no assurance that the Company's financing efforts will result in profitable operations or the resolution of the Company's liquidity problems. There can be no assurance that the Company will be successful in developing profitable operations or that it will be able to obtain financing on favorable terms, if at all. The accompanying statements do not include any adjustments that might result should the Company be unable to continue as a going concern.

**NOTE 3 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Interim Financial Statements

The unaudited condensed consolidated interim financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and the instructions to Form 10-Q and Rule 8-03 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

Revenue Recognition

For annual reporting periods after December 15, 2017, the Financial Accounting Standards Board ("FASB") made effective Accounting Standards Updates ("ASU") 2014-09 "Revenue from Contracts with Customers," to supersede previous revenue recognition guidance under current GAAP. Revenue is now recognized in accordance with FASB Accounting Standards Codification ("ASC") Topic 606, Revenue Recognition. The objective of the guidance is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The core principle is to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Two options were made available for implementation of the standard: the full retrospective approach or modified retrospective approach. The guidance became effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, with early adoption permitted. The Company adopted FASB ASC Topic 606 for its reporting period as of the year ended December 31, 2017, which made its implementation of FASB ASC Topic 606 effective in the first quarter of 2018. The Company decided to implement the modified retrospective transition method to implement FASB ASC Topic 606, with no restatement of the comparative periods presented. Using this transition method, the Company applied the new standards to all new contracts initiated on or after the effective date. The Company also decided to apply this method to any incomplete contracts that it determines are subject to FASB ASC Topic 606 prospectively. For the quarter ended March 31, 2021, there were no incomplete contracts. As more fully discussed below, the Company is of the opinion that none of its contracts for services or products contain significant financing components that require revenue adjustment under FASB ASC Topic 606.

Contracts included in its application of FASB ASC Topic 606, for the quarter ended March 31, 2021, consisted solely of sales of the Company's hempSMART™ products made by its sales associates and by the Company directly through its website. Regarding its offered financial accounting, bookkeeping and/or real property management consulting services, to date no contracts have been entered into, and thus no reportable revenues have resulted for the fiscal years ended 2020 and, 2019, or for the quarter ended March 31, 2021.

In accordance with FASB ASC Topic 606, Revenue Recognition, the Company is of the opinion that none of its hempSMART™ product sales or offered consulting service, each of which are discussed below, have a significant financing component. The Company's opinion is based upon the transactional basis for its product sales, with revenue recognized upon customer order, payment and shipment, which occurs concurrently. The Company's evaluation of the length of time between the customer order, payment and shipping is not a significant financing component, because shipment occurs the same day as the order is placed and payment made by the customer. The Company's evaluation of its consulting services is based upon recognizing revenue as the services are performed for a determinable price per hour. The Company only recognizes revenues as it incurs and charges billable hours. Because the Company's hourly fees for services are fixed and determinable and are only earned and recognized as revenue upon actual performance, the Company is 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 the Company recognizes under the contract or would otherwise contain a significant financing component under FASB ASC Topic 606.

Product Sales

Revenue from product sales, including delivery fees, is recognized when (1) an order is placed by the customer; (2) the price is fixed and determinable when the order is placed; (3) the customer is required to and concurrently pays for the product upon order; and, (4) the product is shipped. The evaluation of the Company's recognition of revenue after the adoption of FASB ASC 606 did not include any judgments or changes to judgments that affected the Company's reporting of revenues, since its product sales, both pre and post adoption of FASB ASC 606, were evaluated using the same standards as noted above, reflecting revenue recognition upon order, payment and shipment, which all occurs concurrently when the order is placed and paid for by the customer, and the product is shipped. Further, given the facts that (1) the Company's customers exercise discretion in determining the timing of when they place their product order; and, (2) the price negotiated in the Company's product sales is fixed and determinable at the time the customer places the order, and there is no delay in shipment, the Company is of the opinion that its product sales do not indicate or involve any significant customer financing that would materially change the amount of revenue recognized under the sales transaction, or would otherwise contain a significant financing component for the Company or the customer under FASB ASC Topic 606.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the fair value of the Company's stock, stock-based compensation, fair values relating to derivative liabilities, debt discounts and the valuation allowance related to deferred tax assets. Actual results may differ from these estimates.

Cash

The Company considers cash to consist of cash on hand and temporary investments having an original maturity of 90 days or less that are readily convertible into cash.

Concentrations of Credit Risk

The Company's financial instruments that are exposed to a concentration of credit risk are cash and accounts receivable. Occasionally, the Company's cash in interest-bearing accounts may exceed FDIC insurance limits. The financial stability of these institutions is periodically reviewed by senior management.

Accounts Receivable

Trade receivables are carried at their estimated collectible amounts. Trade credit is generally extended on a short-term basis. Thus, trade receivables do not bear interest. Trade accounts receivable are periodically evaluated for collectability based on past credit history with customers and their current financial condition.

Allowance for Doubtful Accounts

Any charges to the allowance for doubtful accounts on accounts receivable are charged to operations in amounts sufficient to maintain the allowance for uncollectible accounts at a level management believes is adequate to cover any probable losses. Management determines the adequacy of the allowance based on historical write-off percentages and the current status of accounts receivable. Accounts receivable are charged off against the allowance when collectability is determined to be permanently impaired. As of March 31, 2022 and December 31, 2021, allowance for doubtful accounts was $3,267 and $0, respectively.

Inventories

Inventories are stated at the lower of cost or market with cost being determined on a first-in, first-out (FIFO) basis. The Company writes down its inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required. During the periods presented, there were no inventory write-downs.

Cost of Sales

Cost of sales is comprised of cost of product sold, packaging, and shipping costs.

Stock Based Compensation

The Company measures the cost of services received in exchange for an award of equity instruments based on the fair value of the award. For employees and directors, the fair value of the award is measured on the grant date and for non-employees, the fair value of the award is generally re-measured on vesting dates and interim financial reporting dates until the service period is complete. The fair value amount is then recognized over the period during which services are required to be provided in exchange for the award, usually the vesting period. Stock-based compensation expense is recorded by the Company in the same expense classifications in the statements of operations, as if such amounts were paid in cash.

Earnings per Share

Basic earnings per share are calculated by dividing net income (loss) by the weighted average number of shares of the Company's common stock outstanding during the period. Diluted earnings per share reflects the potential dilution that could occur if the Company's share-based awards and convertible securities were exercised or converted into common stock. The dilutive effect of the Company's share-based awards is computed using the treasury stock method, which assumes all share-based awards are exercised and the hypothetical proceeds from exercise are used to purchase common stock at the average market price during the period. The incremental shares (difference between shares assumed to be issued versus purchased), to the extent they would have been dilutive, are included in the denominator of the diluted earnings per share calculation. The dilutive effect of the Company's convertible preferred stock and convertible debentures is computed using the if-converted method, which assumes conversion at the beginning of the year.

Property and Equipment

Property and equipment are stated at cost. When retired or otherwise disposed, the related carrying value and accumulated depreciation are removed from the respective accounts and the net difference less any amount realized from disposition, is reflected in earnings. For financial statement purposes, property and equipment are recorded at cost and depreciated using the straight-line method over their estimated useful lives of 3 to 5 years.

Investments

The Company follows ASC subtopic 321-10, Investments-Equity Securities ("ASC 321-10") which requires the accounting for equity security to be measured at fair value with changes in unrealized gains and losses are included in current period operations. Where an equity security is without a readily determinable fair value, the Company may elect to estimate its fair value at cost minus impairment plus or minus changes resulting from observable price changes (See Note 6).

Derivative Financial Instruments

The Company classifies as equity any contracts that (i) require physical settlement or net-share settlement or (ii) provide the Company with a choice of net-cash settlement or settlement in its own shares (physical settlement or net-share settlement) providing that such contracts are indexed to the Company's own stock. The Company classifies as assets or liabilities any contracts that (i) require net-cash settlement (including a requirement to net cash settle the contract if an event occurs and if that event is outside the Company's control) or (ii) gives the counterparty a choice of net-cash settlement or settlement in shares (physical settlement or net-share settlement). The Company assesses classification of its common stock purchase warrants and other free-standing derivatives at each reporting date to determine whether a change in classification between equity and liabilities is required.

The Company's free-standing derivatives consisted of conversion options embedded within its issued convertible debt and warrants with anti-dilutive (reset) provisions. The Company evaluated these derivatives to assess their proper classification in the balance sheet using the applicable classification criteria enumerated under GAAP. The Company determined that certain conversion and exercise options do not contain fixed settlement provisions. The convertible notes contain a conversion feature and warrants have a reset provision such that the Company could not ensure it would have adequate authorized shares to meet all possible conversion demands.

As such, the Company was required to record the conversion feature and the reset provision which does not have fixed settlement provisions as liabilities and mark to market all such derivatives to fair value at the end of each reporting period.

The Company has adopted a sequencing policy that reclassifies contracts (from equity to assets or liabilities) with the most recent inception date first. Thus, any available shares are allocated first to contracts with the most recent inception dates.

Fair Value of Financial Instruments

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of March 31, 2022 and December 31, 2021. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values. These financial instruments include cash and accounts payable. Fair values were assumed to approximate carrying values for cash, accounts payables and short-term notes because they are short term in nature.

Advertising

The Company follows the policy of charging the costs of advertising to expense as incurred. The Company charged to operations $42,565 and $69,868 as advertising costs for the three months ended March 31, 2022 and 2021, respectively.

Income Taxes

Deferred income tax assets and liabilities are determined based on the estimated future tax effects of net operating loss and credit carry forwards and temporary differences between the tax basis of assets and liabilities and their respective financial reporting amounts measured at the current enacted tax rates. The Company records an estimated valuation allowance on its deferred income tax assets if it is not more likely than not that these deferred income tax assets will be realized.

The Company recognizes a tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the condensed consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. As of March 31, 2022, and 2021, the Company has not recorded any unrecognized tax benefits.

Segment Information

ASC 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 how to allocate resources and assess performance. The information disclosed herein materially represents all of the financial information related to the Company's principal operating segments, hempSMART and cDistro.

The following table represents the Company's hempSMART business for the three months ended March 31, 2022 and 2021:

**hempSMART**
**STATEMENT OF OPERATIONS**
**FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021**

| | For the Three months ended March 31, 2022 | 2021 |
|---|---|---|
| Revenues | $ 11,914 | $ 34,930 |
| Cost of Sales | 6,097 | 25,180 |
| **Gross profit** | **5,817** | **9,750** |
| | | |
| **Operating Expenses** | | |
| Depreciation expense | 5,289 | 1,391 |
| Payroll and related | 60,274 | 53,947 |
| Selling and Marketing expenses | 77,905 | 107,549 |
| General and administrative expenses | 114,072 | 55,801 |
| **Total Expenses** | **257,540** | **218,688** |
| | | |
| **Net Loss from Operations** | **$ (251,723)** | **$ (208,938)** |

The following table represents the Company's cDistro business segment for the three months ended March 31, 2022 and 2021 (business acquired on June 29, 2021):

**cDistro**
**STATEMENT OF OPERATIONS**
**FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021**

| | For the Three Months ended March 31, 2022 | For the Three Months ended March 31, 2021 |
|---|---|---|
| Revenues | $ 526,908 | $ — |
| Cost of Goods Sold | 503,860 | — |
| **Gross Profit** | **23,048** | **—** |
| **Expense** | | |
| Depreciation and amortization expense | 45,762 | — |
| Selling and Marketing | 35 | — |
| Payroll and Related expenses | 54,000 | — |
| General and Admin Expenses | 50,824 | — |
| **Total Expense** | **150,621** | **—** |
| **Net Loss from Operations** | **$ (127,573)** | **$ —** |

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This ASU requires lessees to recognize a lease liability, on a discounted basis, and a right-of-use asset for substantially all leases, as well as additional disclosures regarding leasing arrangements. In July 2018, the FASB issued ASU 2018-11, Leases (Topic 842), which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented, or as permitted by ASU 2018-11, at the beginning of the period in which it is adopted.

We adopted this standard using a modified retrospective approach on January 1, 2019. The modified retrospective approach includes a number of optional practical expedients relating to the identification and classification of leases that commenced before the adoption date; initial direct costs for leases that commenced before the adoption date; and, the ability to use hindsight in evaluating lessee options to extend or terminate a lease or to purchase the underlying asset.

The Company elected the package of practical expedients permitted under ASC 842 allowing it to account for its existing operating lease that commenced before the adoption date as an operating lease under the new guidance without reassessing (i) whether the contract contains a lease; (ii) the classification of the lease; or, (iii) the accounting for indirect costs as defined in ASC 842.

In considering its qualitative disclosure obligations under ASC 842-20-50-3, the Company examined its one lease for office space that has a fixed monthly rent with no variable lease payments and no options to extend. The lease is for an office space with no right of use assets. The lease does not provide for terms and conditions granting residual value guarantees by the Company, or any restrictions or covenants imposed by the lease for dividends or incurring additional financial obligations by the Company. The Company also elected a short-term lease exception policy and an accounting policy to not separate non-lease components from lease components for its facility lease.

Consistent with ASC 842-20-50-4, for the Company's quarterly financial statements for the period ended March 31, 2022 , the Company calculated its total lease cost based solely on its monthly rent obligation. The Company had no cash flows arising from its lease, no finance lease cost, short term lease cost, or variable lease costs. The Company's office lease does not produce any sublease income or any net gain or loss recognized from sale and leaseback transactions. As a result, the Company did not need to segregate amounts between finance and operating leases for cash paid for amounts included in the measurement of lease liabilities, segregated between operating and financing cash flows; supplemental non-cash information on lease liabilities arising from obtaining right-of-use assets; weighted-average calculations for the remaining lease term; or the weighted-average discount rate.

The adoption of this guidance resulted in no significant impact to the Company's results of operations or cash flows.

COVID-19 – Going Concern

In March 2020, the World Health Organization declared the global emergence of the COVID-19 pandemic. The impact of COVID-19 on the Company's business is currently unknown. The Company will continue to monitor guidance and orders issued by federal, state, and local authorities with respect to COVID-19. As a result, the Company may take actions that alter its business operations as may be required by such guidance and orders or take other steps that the Company determines are in the best interest of its employees, customers, partners, suppliers and stockholders.

Any such alterations or modifications could cause substantial interruption to the Company's business and could have a material adverse effect on the Company's business, operating results, financial condition, and the trading price of the Company's common stock, and could include temporary closures of one or more of the Company's facilities; temporary or long-term labor shortages; temporary or long-term adverse impacts on the Company's supply chain and distribution channels; and the potential of increased network vulnerability and risk of data loss resulting from increased use of remote access and removal of data from the Company's facilities. In addition, COVID-19 could negatively impact capital expenditures and overall economic activity in the impacted regions or depending on the severity, globally, which could impact the demand for the Company's products and services.

It is unknown whether and how the Company may be impacted if the COVID-19 pandemic persists for an extended period of time or if there are increases in its breadth or in its severity, including as a result of the waiver of regulatory requirements or the implementation of emergency regulations to which the Company is subject. The COVID-19 pandemic poses a risk that the Company or its employees, contractors, suppliers, and other partners may be prevented from conducting business activities for an indefinite period.

The Company may incur expenses or delays relating to such events outside of its control, which could have a material adverse impact on its business, operating results, financial condition and the trading price of its common stock. The COVID-19 pandemic made our hempSMART products, which are considered a supplement, not as attractive to clients struggling to survive financially with less disposable income. Additionally, our staff were unable to work from our office. This created a less efficient environment for the sales team and our ability to fulfill orders.

**NOTE 4 – OPERATING LEASE**

Effective June 1, 2021, the Registrant's address for its principal executive offices changed to 633 W 5th Street, Suite 2826 Los Angeles, CA 90071. Concurrent with the change of address, the Registrant entered into an accommodation for access to its offices for one year, beginning on June 1, 2021, and terminating on May 31, 2022. As consideration for the accommodation, the Registrant agreed to pay a monthly fee of $2,349. The Registrant's former office lease for its 1340 West Valley Parkway, Ste. 205, Escondido, CA terminated May 31, 2021.

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment as of March 31, 2022 and December 31, 2021 is summarized as follows:

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| Computer equipment | $ 31,855 | $ 30,155 |
| Machinery | 104,102 | 104,102 |
| Furniture and fixtures | 13,278 | 13,278 |
| Subtotal | 149,235 | 147,535 |
| Less accumulated depreciation | (31,998) | (25,947) |
| Property and equipment, net | $ 117,237 | $ 121,588 |

Property and equipment are stated at cost and depreciated using the straight-line method over their estimated useful lives of 3 years. When retired or otherwise disposed, the related carrying value and accumulated depreciation are removed from the respective accounts and the net difference less any amount realized from disposition, is reflected in earnings.

Depreciation expense was $6,051 and $1,391 for the three months ended March 31, 2022 and 2021, respectively.

**NOTE 6 – INVESTMENTS**

Bougainville Ventures, Inc. Joint Venture

On March 16, 2017, we entered into a joint venture agreement with Bougainville Ventures, Inc., a Canadian corporation. The purpose of the joint venture was for the Company and Bougainville to (i) jointly engage in the development and promotion of products in the legalized cannabis industry in Washington State; (ii) utilize Bougainville's high quality cannabis grow operations in the State of Washington, where it claimed to have an ownership interest in real property for use within the legalized cannabis industry; (iii) leverage Bougainville's agreement with a I502 Tier 3 license holder to grow cannabis on the site; provide technical and management services and resources including, but not limited to: sales and marketing, agricultural procedures, operations, security and monitoring, processing and delivery, branding, capital resources and financial management; and, (iv) optimize collaborative business opportunities. The Company and Bougainville agreed to operate through a Washington State Limited Liability Company, and BV-MCOA Management, LLC was organized in the State of Washington on May 16, 2017.

As our contribution to the joint venture, the Company committed to raise not less than $1,000,000 to fund joint venture operations, based upon a funding schedule. The Company also committed to providing branding and systems for the representation of cannabis related products and derivatives comprised of management, marketing and various proprietary methodologies directly tailored to the cannabis industry.
The Company and Bougainville's agreement provided that funding provided by the Company would contribute towards the joint venture's ultimate purchase of the land consisting of a one-acre parcel located in Okanogan County, Washington, for joint venture operations.

As disclosed on Form 8-K on December 11, 2017, the Company did not comply with the funding schedule for the joint venture. On November 6, 2017, the Company and Bougainville amended the joint venture agreement to reduce the amount of the Company's commitment from $1,000,000 to $800,000, and also required the Company to issue Bougainville 15 million shares of the Company's restricted common stock. The Company completed its payments pursuant to the amended agreement on November 7, 2017, and on November 9, 2017, issued to Bougainville 15 million shares of restricted common stock. The amended agreement provided that Bougainville would deed the real property to the joint venture within thirty days of its receipt of payment.

Thereafter, the Company determined that Bougainville had no ownership interest in the property in Washington State, but rather was a party to a purchase agreement for real property that was in breach of contract for non-payment. Bougainville also did not possess an agreement with a Tier 3 I502 license holder to grow Marijuana on the property. Nonetheless, as a result of funding arranged for by the Company, Bougainville and an unrelated third party, Green Ventures Capital Corp., purchased the land, but did not deed the real property to the joint venture. Bougainville failed to pay delinquent property taxes to Okanogan County and to date, the property has not been deeded to the joint venture.

To clarify the respective contributions and roles of the parties, the Company offered to enter into good faith negotiations to revise and restate the joint venture agreement with Bougainville. The Company diligently attempted to communicate with Bougainville to accomplish a revised and restated joint venture agreement, and efforts towards satisfying the conditions to complete the subdivision of the land by the Okanogan County Assessor. However, Bougainville failed to cooperate or communicate with the Company in good faith, and failed to pay the delinquent taxes on the real property that would allow for sub-division and the deeding of the real property to the joint venture.

On August 10, 2018, the Company advised its independent auditor that Bougainville did not cooperate or communicate with the Company regarding its requests for information concerning the audit of Bougainville's receipt and expenditures of $800,000 contributed by the Company in the joint venture agreement. Bougainville had a material obligation to do so under the joint venture agreement. The Company believes that some of the funds it paid to Bougainville were misappropriated and that there was self-dealing with respect to those funds. Additionally, the Company believes that Bougainville misrepresented material facts in the joint venture agreement, as amended, including, but not limited to, Bougainville's representations that: (i) it had an ownership interest in real property that was to be deeded to the joint venture; (ii) it had an agreement with a Tier 3 # I502 cannabis license holder to grow cannabis on the real property; and, (iii) that clear title to the real property associated with the Tier 3 # I502 license would be deeded to the joint venture thirty days after the Company made its final funding contribution. As a result, on September 20, 2018, the Company filed suit against Bougainville Ventures, Inc., BV-MCOA Management, LLC, Andy Jagpal, Richard Cindric, et al. in Okanogan County Washington Superior Court, case number 18-2- 0045324. The Company's complaint seeks legal and equitable relief for breach of contract, fraud, breach of fiduciary duty, conversion, recession of the joint venture agreement, an accounting, quiet title to real property in the name of the Company, for the appointment of a receiver, the return to treasury of 15 million shares issued to Bougainville, and, for treble damages pursuant to the Consumer Protection Act in Washington State. The registrant has filed a lis pendens on the real property. The case is currently in litigation.

In connection with the agreement, the Company recorded a cash investment of $1,188,500 to the Joint Venture during 2017. This was comprised of 49.5% ownership of BV-MCOA Management LLC and was accounted for using the equity method of accounting. The Company recorded an annual impairment in 2017 of $792,500, reflecting the Company's percentage of ownership of the net book value of the investment. During 2018, the Company recorded equity losses of $37,673 and $11,043 for the first and second quarters respectively and recorded an annual impairment of $285,986 for the year ended December 31, 2018, at which time the Company determined the investment to be fully impaired due to Bougainville's breach of contract and resulting litigation, as discussed above.

Natural Plant Extract of California

Natural Plant Extract of California & Subsidiaries Joint Venture; On April 15, 2019, the Company entered into a joint venture agreement with Natural Plant Extracts of California, Inc. and subsidiaries. The purpose of the joint venture was to utilize Natural Plant Extracts' California and City cannabis licenses to jointly operate a business named "Viva Buds" to operate a licensed cannabis distribution service in California. In exchange for acquiring 20% of Natural Plant Extracts' common stock, the Company agree to pay two million dollars and issue Natural Plant Extract one million dollars' worth of the Company's restricted common stock. As of February 3, 2020, the Company was in arrears in its payment obligations under the joint venture agreement, and the parties entered into a settlement and release of all claims terminating the joint venture. The parties agreed to reduce the Company's equity ownership in Natural Plant Extracts from 20% to 5%. The Company also agreed to pay Natural Plant Extracts $85,000 and the balance of $56,085.15 paid in a convertible promissory note issued with terms allowing Natural Plant Extracts to convert the note into common stock at a 50% discount to the closing price of MCOA's common stock as of the maturity date. As of the date of this filing, the Company satisfied its payment obligations under the settlement agreement.

Cannabis Global Share Exchange

Share Exchange with Cannabis Global, Inc. On September 30, 2020, the Company entered into a securities exchange agreement with Cannabis Global, Inc., a Nevada corporation. By virtue of the agreement, the Company issued 650,000,000 shares of its unregistered common stock to Cannabis Global in exchange for 7,222,222 shares of Cannabis Global unregistered common stock. The Company and Cannabis Global also entered into a lock up leak out agreement which prevents either party from sales of the exchanged shares for a period of 12 months. Thereafter the parties may sell not more than the quantity of shares equaling an aggregate maximum sale value of $20,000 per week, or $80,000 per month until all Shares and Exchange Shares are sold.

Eco Innovation Group Share Exchange

On February 26, 2021, we entered into a Share Exchange Agreement with Eco Innovation Group, Inc., a Nevada corporation quoted on OTC Markets Pink ("ECOX") to acquire the number of shares of ECOX's common stock, equal in value to $650,000 based on the per-share price of $0.06, in exchange for the number of shares of MCOA common stock equal in value to $650,000 based on the closing price for the trading day immediately preceding the effective date (the "Share Exchange Agreement"). For both parties, the Share Exchange Agreement contains a "true-up" provision requiring the issuance of additional common stock in the event that a decline in the market value of either party's common stock should cause the aggregate value of the stock acquired pursuant to the Share Exchange Agreement to fall below $650,000.

Complementary to the Share Exchange Agreement, the Company and ECOX entered into a Lock-Up Agreement dated February 26, 2021 (the "Lock-Up Agreement"), providing that the shares of common stock acquired pursuant to the Share Exchange Agreement shall be subject to a lock-up period preventing its sale for a period of 12 months following issuance and limiting the subsequent sale to aggregate maximum sale value of $20,000 per week, or $80,000 per month. On October 1, 2021, we entered into a First Amendment to Lock-Up Agreement between the Company and Eco Innovation Group, Inc., dated and effective October 1, 2021 (the "Amended Lock-Up Agreement"), which amends that certain Lock-Up Agreement entered into between the Company and Eco Innovation Group, Inc. on February 26, 2021 (the "Original Lock-Up Agreement"). The Amended Lock-Up Agreement amends the Original Lock-Up Agreement in one respect, by amending the initial lock-up period from 12 months following its effective date to 6 months following its effective date. All other terms and conditions of the Original Lock-Up Agreement remain unaffected.

Joint Ventures in Brazil and Uruguay – Development Stage

On October 1, 2020, we entered into two Joint Venture Agreements with Marco Guerrero, a director of the Company, dated September 30, 2020, to form joint venture operations in Brazil and in Uruguay to produce, manufacture, market and sell the Company's hempSMART™ products in Latin America, and will also work to develop and sell hempSMART™ products globally. The Joint Venture Agreements contain equal terms for the formation of joint venture entities in Uruguay and Brazil. The Brazilian joint venture will be headquartered in São Paulo, Brazil, and will be named HempSmart Produtos Naturais Ltda. ("HempSmart Brazil"). The Uruguayan joint venture will be headquartered in Montevideo, Uruguay and will be named Hempsmart Uruguay S.A.S. ("HempSmart Uruguay"). Both are in the development stage. Under the Joint Venture Agreements, the Company will acquire a 70% equity interest in both HempSmart Brazil and HempSmart Uruguay. A minority 30% equity interest in both HempSmart Brazil and HempSmart Uruguay will be held by newly formed entities controlled by Mr. Guerrero, our director and a successful Brazilian entrepreneur. The Company will provide capital in the amount of $50,000 to both HempSmart Brazil and HempSmart Uruguay under the Joint Venture Agreements, for a total capital obligation of $100,000. As of December 31, 2020, this amount has not been disbursed. It is expected that the proceeds of the initial capital contribution will be used for contracting with third-party manufacturing facilities in Brazil and Uruguay, and related infrastructure and employment of key personnel. The boards of directors of HempSmart Brazil and HempSmart Uruguay will consist of three directors, elected by the joint venture partners. As part of the Joint Venture Agreements, the Company will license, on a royalty-free basis, certain of its intellectual property regarding the Company's existing products to HempSmart Brazil and HempSmart Uruguay to enable the joint ventures to manufacture and sell the Company's products in Brazil, Uruguay, and for export to other Latin American countries, the United States, and globally in accordance with the terms of the Joint Venture Agreements. The Joint Venture Agreements provide the partners with a right of first offer. Under this right, each partner may trigger an "interest sale" right of first offer process at any time pursuant to which the other partners may either acquire the triggering partner's interest in the joint ventures, or permit the triggering partner to sell its interest to a third party. In addition, the Company, as majority partner, may trigger a compulsory buy-sell procedure in the event a joint venture is frustrated in its intent or purpose, pursuant to which the Company could pursue a sale of all or substantially all of the joint venture. Subject to certain exceptions, the joint venture partners may not transfer their interests in HempSmart Brazil and HempSmart Uruguay. The Joint Venture Agreements contain customary terms, conditions, representations, warranties and covenants of the parties for like transactions.

Acquisition of cDistro, Inc.

On June 29, 2021, we acquired 100% of the capital stock of cDistro, Inc., a Florida-based hemp and CBD product distribution business incorporated in the State of Nevada ("cDistro") by a statutory merger and share exchange. After the acquisition, cDistro's founding partner and Chief Executive Officer, Ronald Russo, remains its Chief Executive Officer, and our Chief Financial Officer Jesus Quintero serves as cDistro's Chief Financial Officer.

Asset Purchase Agreement with VBF Brands, Inc.

On October 6, 2021, the Company, through its wholly owned subsidiary Salinas Diversified Ventures, Inc., a California corporation, entered into an Asset Purchase Agreement, Management Services Agreement, Cooperation Agreement and Employment Agreement with VBF Brands, Inc., a California corporation ("VBF"), a wholly owned subsidiary of Sunset Island Group, Inc., a Colorado corporation ("SIGO"). VBF and SIGO agreed to transfer to the Company all of VBF's outstanding stock to the Company and appointed our CEO and CFO Jesus Quintero as President of VBF.

VBF owns various fixed assets including machinery and equipment, a lease for a 10,000 square foot facility located at 20420 Spence Road, Salinas, California, 93908, leasehold improvements, good-will, inventory, tradenames including "VBF Brands," trade secrets, intellectual property, and other tangible and intangible properties, including licenses issued by the City of Salinas, County of Monterey, and the State of California to operate a licensed cannabis nursery, cultivation facility, and operations for the manufacturing and distribution of cannabis and cannabis products.

VBF and SIGO agreed to sell and transfer to the Company all of VBF's outstanding stock, and, by virtue of the Management Services Agreement, appoint Mr. Jesus Quintero as President of VBF, vesting management and control of VBF's licensed cannabis operations in the Company. Concurrently, VBF and Livacich entered into a Cooperation Agreement, whereby VBF and Livacich agreed to cooperate to facilitate the transfer of ownership of VBF, which includes licenses issued by the City of Salinas, County of Monterey, and the State of California, to operate a cannabis nursery, cultivation facility and manufacturing and distribution operations to the Company. The Company also agreed to retain Livacich as Chief Executive Officer for a term of two years and agreed to compensate her with a salary including a signing cash bonus of $250,000, and a $250,000 performance cash bonus payable after six months after the Effective Date. The bonus is conditioned upon Livacich meeting an agreed to "Net Revenue" target of one million dollars ($1,000,000) from VBF's operations during the six-month period after closing of the Asset Purchase Agreement, and her compliance with the terms and conditions of this Asset Purchase Agreement, the Management Services Agreement and the Cooperation Agreement.

As consideration for the transaction, the Company agreed to assume two secured convertible promissory notes issued by SIGO to St. George Investments, LLC, a Utah limited liability company ("St. George") (the "SIGO Notes"). The first note was issued December 8, 2017, in the original face amount of $170,000.00, and the second was issued February 13, 2018, in the original face amount of $4,245,000.00. SIGO also issued warrants to St. George to purchase common shares in SIGO, and fifty (50) shares of SIGO's preferred stock. St. George agreed to cancel the warrants and preferred shares upon the Company's assumption of the SIGO Notes.

Under the Asset Purchase Agreement, the closing is conditioned upon certain conditions precedent, specifically (i) VBF and SIGO's full corporate authorization, consent and execution of this Agreement; (ii) VBF's sale to MCOA of 100% of the issued and outstanding shares of VBF; (iii) full corporate authorization, consent compliance with and execution of the Management Services Agreement and Cooperation Agreement; (iv) SIGO's disclosure of the Agreement on Form 8-K with the Securities and Exchange Commission; (v) full cooperation in MCOA's financial auditing of VBF in accordance with ASC 805, including providing unrestricted access to all VBF corporate and financial records and providing all necessary cooperation with VBF financial personnel; (vi) full cooperation in aiding and assisting Buyer with its change of ownership applications with the relevant licensing authorities; (vii) the warranty of truthful representations and execution of and compliance with the terms and conditions of the Executive Employment Agreement, Management Services Agreement and the Cooperation Agreement.

As of the date of this filing, the conditions precedent to the closing of the Asset Purchase Agreement remain in the process of implementation, so that the Asset Purchase Agreement closing has not yet occurred pursuant to its terms. Legal counsel for MCOA is currently in the process of working with VBF, Salinas Diversified Ventures, and the relevant state and local governments to effect the change of control and license transfers necessary to close the Asset Purchase Agreement.

**MARIJUANA COMPANY OF AMERICA, INC.**
**INVESTMENT ROLL-FORWARD**
**AS OF MARCH 31, 2022**

**INVESTMENTS**

| | TOTAL INVESTMENTS | Consolidated Eliminations | Cannabis Global Inc. | ECOX | C'Distro | Hempsmart Brazil | Lynwood JV | Natural Plant Extract | Salinas Ventures Holding | VBF BRANDS | Vivabuds |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Investments made during quarter ended 03-31-19 | 0 | | | | | | | | | | |
| Quarter 03-31-19 equity method Loss | 0 | | | | | | | | | | |
| Unrealized gains on trading securities - quarter ended 03-31-19 | | | | | | | | | | | |
| **Balance @03-31-19** | **$ 0** | **$ 0** | **$ 0** | **$ 0** | **$ 0** | **$ 0** | **$ 0** | **$ 0** | **$ 0** | **$ 0** | **$ 0** |
| Investments made during quarter ended 06-30-19 | $ 3,073,588 | | | | | | | $ 3,000,000 | | | $ 73,588 |
| Quarter 06-30-19 equity method Income (Loss) | $ (29,414) | | | | | | | $ (6,291) | | | $ (23,123) |
| Unrealized gains on trading securities - quarter ended 06-30-19 | **$ 0** | | | | | | | | | | |
| **Balance @06-30-19** | **$ 3,044,174** | **$ 0** | **$ 0** | **$ 0** | **$ 0** | **$ 0** | **$ 0** | **$ 2,993,709** | **$ 0** | **$ 0** | **$ 50,465** |

| | TOTAL INVESTMENTS | Consolidated Eliminations | Cannabis Global Inc. | ECOX | C'Distro | Hempsmart Brazil | Lynwood JV | Natural Plant Extract | Salinas Ventures Holding | VBF BRANDS | Vivabuds |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Investments made during quarter ended 09-30-19 | **$ 186,263** | | | | | | | | | | $ 186,263 |
| Quarter 09-30-19 equity method Income (Loss) | **$ (139,926)** | | | | | | | $ (94,987) | | | $ (44,939) |
| Sale of trading securities during quarter ended 09-30-19 | | | | | | | | | | | |
| Unrealized gains on trading securities - quarter ended 09-30-19 | **$ 0** | | | | | | | | | | |
| **Balance @09-30-19** | **$ 3,090,511** | **$ 0** | **$ 0** | **$ 0** | **$ 0** | **$ 0** | **$ 0** | **$ 2,898,722** | **$ 0** | **$ 0** | **$ 191,789** |
| Investments made during quarter ended 12-31-19 | $ 129,812 | | | | | | | | | | $ 129,812 |
| Quarter 12-31-19 equity method Income (Loss) | $ (102,944) | | | | | | | $ (23,865) | | | $ (79,079) |
| Reversal of Equity method Loss for 2019 | $ 272,285 | | | | | | | $ 125,143 | | | $ 147,142 |
| Impairment of investment in 2019 | $ (2,306,085) | | | | | | | $(2,306,085) | | | $ 0 |
| Loss on disposition of investment | $ (389,664) | | | | | | | | | | $ (389,664) |
| Sale of trading securities during quarter ended 12-31-19 | $ 0 | | | | | | | | | | |
| Unrealized gains on trading securities - quarter ended 12-31-19 | **$ 0** | | | | | | | | | | |
| **Balance @12-31-19** | **$ 693,915** | **$ 0** | **$ 0** | **$ 0** | **$ 0** | **$ 0** | **$ 0** | **$ 693,915** | **$ 0** | **$ 0** | **$ 0** |

| | TOTAL INVESTMENTS | Consolidated Eliminations | Cannabis Global Inc. | ECOX | C'Distro | Hempsmart Brazil | Lynwood JV | Natural Plant Extract | Salinas Ventures Holding | VBF BRANDS | Vivabuds |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Equity Loss for Quarter ended 03-31-20 | 0 | | | | | | | | | | |
| Recognize Joint venture liabilities per JV agreement @03-31-20 | 0 | | | | | | | | | | |
| Impairment of Equity Loss for Quarter ended 03-31-20 | 0 | | | | | | | | | | |
| Unrealized gains on trading securities - quarter ended 03-31-19 | | | | | | | | | | | |
| **Balance @03-31-20** | **$ 693,915** | **$ 0** | **$ 0** | **$ 0** | **$ 0** | **$ 0** | **$ 0** | **$ 693,915** | **$ 0** | **$ 0** | **$ 0** |
| Equity Loss for Quarter ended 06-30-20 | 0 | | | | | | | | | | |
| Impairment of Equity Loss for Quarter ended 06-30-20 | 0 | | | | | | | | | | |
| Sales of of trading securities - quarter ended 06-30-20 | | | | | | | | | | | |
| **Balance @06-30-20** | **$ 693,915** | **$ 0** | **$ 0** | **$ 0** | **$ 0** | **$ 0** | **$ 0** | **$ 693,915** | **$ 0** | **$ 0** | **$ 0** |

| | TOTAL INVESTMENTS | Consolidated Eliminations | Cannabis Global Inc. | ECOX | C'Distro | Hempsmart Brazil | Lynwood JV | Natural Plant Extract | Salinas Ventures Holding | VBF BRANDS | Vivabuds |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Global Hemp Group trading securities issued | 650,000 | | $ 650,000 | | | | | | | | |
| Investment in Cannabis Global | 0 | | | | | | | | | | |
| **Balance @09-30-20** | **$ 1,343,915** | **$ 0** | **$ 650,000** | **$ 0** | **$ 0** | **$ 0** | **$ 0** | **$ 693,915** | **$ 0** | **$ 0** | **$ 0** |
| Unrealized gain on Global Hemp Group securities - 4th Quarter 2020 | | | | | | | | | | | |
| Unrealized gains on Cannabis Global Inc securities - 4th Quarter 2020 | 208,086 | | $ 208,086 | | | | | | | | |
| **Balance @12-31-20** | **$ 1,552,001** | **$ 0** | **$ 858,086** | **$ 0** | **$ 0** | **$ 0** | **$ 0** | **$ 693,915** | **$ 0** | **$ 0** | **$ 0** |
| Investment in ECOX | 650,000 | | | $ 650,000 | | | | | | | |
| **Balance @03-31-21** | **$ 2,202,001** | **$ 0** | **$ 858,086** | **$ 650,000** | **$ 0** | **$ 0** | **$ 0** | **$ 693,915** | **$ 0** | **$ 0** | **$ 0** |
| Investments made during quarter ended 06-30-21 | 30,898 | | | | | | $ 30,898 | | | | |
| Unrealized gain on Global Hemp Group securities - 2nd quarter 2021 | | | | | | | | | | | |
| **Balance @06-30-21** | **$ 2,232,899** | **$ 0** | **$ 858,086** | **$ 650,000** | **$ 0** | **$ 0** | **$ 30,898** | **$ 693,915** | **$ 0** | **$ 0** | **$ 0** |

| | TOTAL INVESTMENTS | Consolidated Eliminations | Cannabis Global Inc. | ECOX | C'Distro | Hempsmart Brazil | Lynwood JV | Natural Plant Extract | Salinas Ventures Holding | VBF BRANDS | Vivabuds |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Investments made during quarter ended 09-30-21 | 68,200 | | $ 68,000 | | | | | | $ 200 | | |
| Sale of short-term investments in quarter ended 09-30-21 | 0 | | | | | | | | | | |
| **Balance @09-30-21** | **$ 2,301,099** | **$ 0** | **$ 926,086** | **$650,000** | **$ 0** | **$ 0** | **$ 30,898** | **$693,915** | **$ 200** | **$ 0** | **$ 0** |
| Investments made during quarter ended 12-31-21 | 5,087,079 | | | | $2,975,174 | $ 90,923 | | | | $2,020,982 | |
| Consolidated Eliminations @12/31/21 | (5,060,821) | (5,060,821) | | | | | | | | | |
| **Balance @12-31-21** | **$ 2,327,357** | **$ (5,060,821)** | **$ 926,086** | **$650,000** | **$2,975,174** | **$ 90,923** | **$ 30,898** | **$693,915** | **$ 200** | **$2,020,982** | **$ 0** |
| Investments made during quarter ended 03-31-22 | (26,458) | (26,458) | | | | | | | | | |
| **Balance @03-31-22** | **$ 2,300,899** | **$ (5,087,279)** | **$ 926,086** | **$650,000** | **$2,975,174** | **$ 90,923** | **$ 30,898** | **$693,915** | **$ 200** | **$2,020,982** | **$ 0** |

**Loan Payable**

| | TOTAL Debt | Natural Plant Extract | Robert L Hymers III | VBF BRANDS | Vivabuds | General Operating Expense |
|---|---|---|---|---|---|---|
| Quarter 03-31-19 loan borrowings | | | | | | |
| Quarter 03-31-19 debt conversion to equity | | | | | | |
| | | | | | | |
| **Balance @03-31-19 ©** | **0** | **0** | **0** | **0** | **0** | **0** |
| Quarter 03-31-19 loan borrowings | 3,675,000 | $ 2,000,000 | | | $ 0 | $ 1,675,000 |
| Quarter 03-31-19 debt conversion to equity | (1,411,751) | $ (349,650) | | | | $ (1,062,101) |
| **Balance @06-30-19 (d)** | **2,263,249** | **1,650,350** | **0** | **0** | **0** | **612,899** |
| Quarter 09-30-19 loan borrowings | 582,000 | | | | | $ 582,000 |
| Quarter 09-30-19 debt conversion to equity | (187,615) | | | | | $ (187,615) |
| **Balance @09-30-19 (e)** | **2,657,634** | **1,650,350** | **0** | **0** | **0** | **1,007,284** |
| Quarter 12-31-19 loan borrowings | 2,726,964 | $ 596,784 | $ 4,221 | | | $ 2,125,959 |
| Impairment of investment in 2019 | (2,156,142) | $ (2,156,142) | | | | |
| Loss on settlement of debt in 2019 | 50,093 | $ 50,093 | | | | |
| Adjustment to reclassify amount to accrued liabilities | (85,000) | ($ 85,000) | | | | |
| **Balance @12-31-19 (f)** | **$ 3,193,549** | **$ 56,085** | **$ 4,221** | **$ 0** | **$ 0** | **$ 3,133,243** |
| Quarter 03-31-20 loan borrowings | $ 441,638 | | | | | $ 441,638 |
| Quarter 03-31-20 debt conversion to equity | $ (619,000) | | | | | $ (619,000) |
| Recognize Joint venture liabilities per JV agreement @03-31-20 | $ 0 | | | | | |
| Quarter 03-31-20 Debt Discount adjustments | $ 24,138 | | $ 24,138 | | | |
| **Balance @03-31-20 (g)** | **$ 3,040,325** | **$ 56,085** | **$ 28,359** | **$ 0** | **$ 0** | **$ 2,955,881** |
| Quarter 06-30-20 loan borrowings, net | $ 65,091 | | $ 65,091 | | | |
| Quarter 06-30-20 debt conversion to equity | $ (727,118) | | | | | $ (727,118) |
| Quarter 06-30-20 reclass of liability | $ 0 | | | | | |
| Quarter 06-30-20 Debt Discount adjustments | $ 405,746 | | $ (27,715) | | | $ 433,461 |
| **Balance @06-30-20 (h)** | **$ 2,784,044** | **$ 56,085** | **$ 65,735** | **$ 0** | **$ 0** | **$ 2,662,224** |

**Loan Payable**

| | TOTAL Debt | Natural Plant Extract | Robert L Hymers III | VBF BRANDS | Vivabuds | General Operating Expense |
|---|---|---|---|---|---|---|
| Quarter 09-30-20 debt conversion to equity | $ (606,472) | $ (56,085) | $ (65,735) | | | $ (484,652) |
| Debt Settlement during Q3 2020 | $ 0 | | | | | |
| **Balance @09-30-20 (i)** | **$ 2,177,572** | **$ (0)** | **$ 0** | **$ 0** | **$ 0** | **$ 2,177,572** |
| Quarter 12-31-20 loan borrowings, net | **$ 309,675** | | | | | $ 309,675 |
| Quarter 12-31-20 Debt Discount adjustments | **$ (71,271)** | | | | | $ (71,271) |
| Quarter 12-31-20 debt conversion to equity | **$ (993,081)** | | | | | $ (993,081) |
| **Balance @12-31-20 (j)** | **$ 1,422,895** | **$ (0)** | **$ 0** | **$ 0** | **$ 0** | **$ 1,422,895** |
| Quarter 03-31-21 debt conversion to equity | **$ (1,309,016)** | | | | | $ (1,309,016) |
| Quarter 03-31-21 loan borrowings, net | **$ 145,000** | | | | | $ 145,000 |
| **Balance @03-31-21 (k)** | **$ 258,879** | **$ (0)** | **$ 0** | **$ 0** | **$ 0** | **$ 258,879** |
| Quarter 06-30-21 loan borrowings, net | **$ 1,251,779** | | $ 185,000 | | | $ 1,066,779 |
| **Balance @06-30-21 (l)** | **$ 1,510,658** | **$ (0)** | **$ 185,000** | **$ 0** | **$ 0** | **$ 1,325,658** |
| Quarter 09-30-21 loan borrowings, net | $ 626,250 | | | | | $ 626,250 |
| Quarter 09-30-21 loan repayments, net | $ (1,077,464) | | $ (75,000) | | | $ (1,002,464) |
| **Balance @09-30-21 (m)** | **$ 1,059,444** | **$ (0)** | **$ 110,000** | **$ 0** | **$ 0** | **$ 949,444** |
| Quarter 12-31-21 loan borrowings, net | $ 2,710,006 | | | $ 1,643,387 | | $ 1,066,619 |
| **Balance @12-31-21 (n)** | **$ 3,769,449** | **$ (0)** | **$ 110,000** | **$ 1,643,387** | **$ 0** | **$ 2,016,063** |
| Quarter 03-31-22 loan borrowings, net | $ 386,176 | | | $ 386,176 | | |
| **Balance @03-31-22 (O)** | **$ 4,155,625** | **$ (0)** | **$ 110,000** | **$ 2,029,563** | **$ 0** | **$ 2,016,063** |

**NOTE 7 – NOTES PAYABLE, RELATED PARTY**

As of March 31, 2022 and December 31, 2021, the Company's officers and directors have provided advances and incurred expenses on behalf of the Company. The notes issued to certain of the Company's officers and directors are unsecured, due on demand and accrue interest at a rate of 5% per annum. The balance due to notes payable, related parties as of March 31, 2022 and December 31, 2021 was $20,000 and $20,000, respectively. These notes are payable to the estate of Charles Larsen, the Company's former co-founder, Chief Operating Officer and Director. Mr. Larsen passed away on May 15, 2020.

**NOTE 8 – CONVERTIBLE NOTES PAYABLE**

During the quarter ended March 31, 2022, the Company issued an aggregate of 1,166,431,600 shares of its common stock with respect to the settlement of convertible notes interest accrued thereon.

For the quarter ended March 31, 2022 and the year ended December 30, 2021, the Company recorded amortization of debt discounts of $761,712 and $1,993,373, respectively, as a charge to interest expense.

Convertible notes payable are comprised of the following:

| Lender | | March 31, 2022 (Unaudited) | | December 31, 2021 (Audited) |
|---|---|---|---|---|
| Convertible note payable – Labrys | $ | — | $ | 99,975 |
| Convertible note payable – FF Global Opportunities fund | $ | — | $ | 243,750 |
| Convertible note payable - Crown Bridge Partners | $ | 35,000 | $ | 35,000 |
| Convertible note payable – Beach Labs | $ | 520,833 | $ | 583,333 |
| Convertible note payable - GS Capital Partners LLC | $ | 175,000 | $ | 82,000 |
| Convertible note payable – Pinnacle Consulting Services, Inc. | $ | 30,000 | $ | 30,000 |
| Convertible note payable – Geneva Roth | $ | 33,278 | $ | 97,939 |
| Convertible note payable – Dutchess Capital | $ | — | $ | 60,709 |
| Convertible note payable – Coventry | $ | 100,000 | $ | 100,000 |
| Convertible note payable - GW Holdings | $ | 45,000 | $ | 120,750 |
| Convertible note payable – Sixth Street Lending | $ | 104,488 | $ | 60,738 |
| Convertible note payable – Fourth Man LLC | $ | 60,000 | $ | — |
| Convertible note payable – Moneywell Group | $ | 89,940 | $ | — |
| Convertible note payable - St. George | $ | 4,091,378 | $ | 3,914,878 |
| Total | $ | 5,284,917 | $ | 5,429,072 |
| Less debt discounts | $ | (1,129,292) | | (1,59,622) |
| Net | $ | 4,155,625 | $ | 3,769,450 |
| Less current portion | $ | (4,155,625) | | (3,769,450) |
| Long term portion | $ | — | $ | — |

Convertible notes payable - Crown Bridge Partners LLC

From October 1 through December 31, 2019, the Company issued convertible promissory notes in the aggregate principal amount of $225,000 to Crown Bridge Partners LLC (“Crown Bridge”). The promissory notes bear interest at 10% per annum, were due one year from the respective issuance date and include an original issuance discount in the aggregate principal amount of $22,500. Interest shall accrue from the issuance date, but interest shall not become payable until the notes becomes payable. The notes are convertible into shares of the Company’s common stock at any time at a conversion price that is equal to 60% of the lowest trading price during the 15-trading-day period prior to the conversion date. Upon the issuance of the convertible notes, the Company determined that the features associated with the embedded conversion option embedded in the notes, should be accounted for at fair value, as a derivative liability, as the Company cannot determine if a sufficient number of shares of common stock would be available to settle all potential future conversion transactions. As of the funding date of each note, the Company determined the fair value of the embedded derivative associated with the convertibility of each note. The fair value of the embedded derivative has been added to the debt discount (total debt discount is limited to the face value of the debt) with any excess of the derivative liability recognized as interest expense. The aggregate debt discount of $88,674 is being amortized to interest expense over the respective terms of the notes.

The Company shall have the right to prepay the notes for an amount ranging from 125% to 140% multiplied by the outstanding balance (all principal and accrued interest) depending on the prepayment period which ranges from 1 to 180 days following the issuance date of the notes. The Company is prohibited from effecting a conversion of any note to the extent that, as a result of such conversion, the investor, together with its affiliates, would beneficially own more than 4.99% of the number of shares of the Company’s common stock outstanding immediately after giving effect to the issuance of shares of common stock upon conversion of the note.

As of March 31, 2022 and December 31, 2021, the Company owed an aggregate of $35,000 and $35,000 of principal, respectively. As of March 31, 2022, the Company owed accrued interest of $0 on the convertible promissory notes.

Convertible notes payable - GS Capital Partners LLC

In August 2021, the Company issued convertible promissory notes in the aggregate principal amount of $82,000 to GS Capital. The promissory notes bear interest at 10% per annum and is due one year from the respective issuance date and include an original issuance discount in aggregate of $7,000. In connection with the Note, the Company issued 5,000,000 warrants to purchase common stock with a fair value of $18,086, which was recorded as a debt discount. During the three months ended March 31, 2022, the Company issued 216,820,755 shares of common stock for the full settlement of the note along with the accrued interest on the note.

The Holder of this Note is entitled, at its option, at any time after cash payment, to convert all or any amount of the principal face amount of this Note then outstanding into shares of the Company's common stock (the "Common Stock") at a price ("Conversion Price") for each share of Common Stock equal to 62% of the lowest trading price of the Common Stock as reported on the National Quotations Bureau OTC Marketplace exchange which the Company’s shares are traded or any exchange upon which the Common Stock may be traded in the future ("Exchange"), for the twenty prior trading days including the day upon which a Notice of Conversion is received by the Company or its transfer. To the extent the Conversion Price of the Company’s Common Stock closes below the par value per share, the Company will take all steps necessary to solicit the consent of the stockholders to reduce the par value to the lowest value possible under law. The Company agrees to honor all conversions submitted pending this increase. In the event the Company experiences a DTC “Chill” on its shares, the Conversion Price shall be decreased to 52% instead of 62% while that “Chill” is in effect. In no event shall the Holder be allowed to effect a conversion if such conversion, along with all other shares of Company Common Stock beneficially owned by the Holder and its affiliates would exceed 4.99% of the outstanding shares of the Common Stock of the Company (which may be increased up to 9.9% upon 60 days’ prior written notice by the Investor).

As of the funding date of each note, the Company determined the fair value of the embedded derivative associated with the convertibility of each note. The fair value of the embedded derivative has been added to the debt discount (total debt discount is limited to the face value of the debt) with any excess of the derivative liability recognized as interest expense. The aggregate debt discount of $25,086 is being amortized to interest expense over the respective terms of the notes.

In January 2022, the Company issued convertible promissory notes in the aggregate principal amount of $105,000 to GS Capital. The promissory notes bear interest at 10% per annum and is due one year from the respective issuance date and includes an original issuance discount in aggregate of $10,000.

The Holder of this Note is entitled, at its option, at any time after cash payment, to convert all or any amount of the principal face amount of this Note then outstanding into shares of the Company's common stock (the "Common Stock") at a price ("Conversion Price") for each share of Common Stock equal to $0.001. To the extent the Company’s Common Stock closes below $0.001 for three consecutive days, the conversion price will be reset to $0.005.

In February 2022, the Company issued a convertible promissory note in the aggregate principal amount of $70,000 to GS Capital. The promissory notes bear interest at 8% per annum and is due one year from the respective issuance date and includes an original issuance discount in aggregate of $20,000.

The Holder of this Note is entitled, at its option, at any time after cash payment, to convert all or any amount of the principal face amount of this Note then outstanding into shares of the Company's common stock (the "Common Stock") at a price ("Conversion Price") for each share of Common Stock equal to $0.0008.

As of March 31, 2022 and December 31, 2021, the Company owed an aggregate of $175,000 and $82,000 of principal, respectively. As of March 31, 2022, the Company owed accrued interest of $3,103 on these convertible promissory notes.

Convertible notes payable - St George Investments

In January and March 2021, the Company entered into three convertible promissory notes in the aggregate amount of $567,500 of principal with Bucktown Capital LLC, entity controlled by the owners of St. George. The Company received net proceeds of $535,000. The notes mature in January and March 2022 and bear interest at 8% or 22% in the event of default. The notes are convertible at the lender’s option at any time at a fixed price of $0.002 per common share, subject to normal adjustment for common stock splits. As a result of default, the company recorded and additional $135,000 of principal on the note as interest expense during the three months ended March 31, 2022.

Effective October 6, 2021, the Company issued a secured convertible promissory note in the amount of $3,492,378 with Chicago Ventures. The Company received cash proceeds of $1,100,000 and included an original issue discount of $574,916 and paid legal fees of $10,000. This note agreement was assumed by the Company as part of the VBF Acquisition discussed in Note 13 and includes $1,770,982 which reflects the initial consideration towards the future closing of the VBF Acquisition. The note bears interest at 8% and is due upon maturity on October 6, 2023. The note is convertible at a fixed price of $0.002 per share. In the event of default as defined in the agreement, the lender has the right to convertible principal and accrued interest at 70% of the lowest closing trading price over the 10 days preceding the conversion notice.

In March 2022, the Company issued a convertible promissory note in the amount of $266,500 of principal with Bucktown, Capital LLC. The Company received net proceeds of $240,000 after and original issue discount of $24,000 and fees of $2,500. The note matures in March 2023 and bear interest at 8% or 22% in the event of default. The note is convertible at the lender’s option at any time at a fixed price of $0.001 per common share, subject to normal adjustment for common stock splits. As of March 31, 2022 and December 31, 2021, the Company owed $4,091,378 and $3,914,878 of principal, respectively. As of March 31, 2022, the Company owed accrued interest of $164,978 on these convertible promissory notes.

Convertible notes payable - Robert L. Hymers III

On December 27, 2021, the Company issued convertible promissory notes in the aggregate principal amount of $30,000 to Pinnacle Consulting Services, Inc. (“Pinnacle”). The promissory note bears interest at 12.5% per annum and is due one year from the respective issuance date of the note along with accrued and unpaid interest and includes an original issue discount (“OID”) of $5,000. Principal and interest to be payable as provided below on that date which is one year from the date of issuance (the “Maturity Date”).

For so long as there remains any amount due hereunder, the Holder shall have the option to convert all or any portion of the unpaid principal amount of this Note, plus accrued interest (together with the unpaid principal amount, the “Converted Amount”), into shares of the Company’s common stock. The conversion price (the “Conversion Price”) shall be equal to a $0.006. The Conversion price, and any other economic terms will be adjusted on a ratchet basis if the Company offers a more favorable conversion or stock issuance price, prepayment rate, interest rate, additional securities, look back period or more favorable terms to another party for any financings while this note is in effect.

The aggregate debt discount of $5,000 is being amortized to interest expense over the respective term of the note.

As of March 31, 2022, and December 31, 2021, the Company owed an aggregate of $30,000 and $30,000 respectively. As of March 31, 2022, the Company owed accrued interest of $0 on this convertible promissory note.

Convertible Note payable – GW Holding Group

On January 6, 2020, the Company entered into a convertible promissory note in the principal amount of $57,750 with GW Holdings Group, LLC, a New York limited liability company ("GW"). GW has the option, beginning on the six-month anniversary of the issuance date of, to convert all or any amount of the principal amount of the note then outstanding together with any accrued interest thereon into shares of the Company's common stock at a conversion price equal to a 40% discount of the lowest trading price for fifteen trading days prior to the date of conversion. The note bears interest at a rate of 10% per annum and include a $5,250 such that the price of the note was $57,750. During the three months ended March 31, 2022, $75,750 of principal and $4,449 of accrued interest on the notes was converted into 100,248,801 shares of common stock.

As of March 31, 2022 and December 31, 2021, the Company owed principal of $45,000 and $120,750, respectively. As of March 31, 2022, the Company owed $2,573 in accrued interest.

Convertible Note Payable- Beach Labs

On November 24, 2021, the Company issued a convertible promissory note in the aggregate principal amount of $625,000 to Beach Labs in connection with the modification of the cDistro acquisition agreement discussion in Note 13. The promissory note accrues interest at 10% per annum and is due four years from the issuance date.

The holder of this Note is entitled, at its option, at any time after cash payment, to convert all or any amount of the principal face amount of this Note then outstanding into shares of the Company's common stock (the "Common Stock") at a price ("Conversion Price") for each share of Common Stock equal to 70% of the lowest trading price of the Common Stock as reported on the National Quotations Bureau OTC Marketplace exchange which the Company's shares are traded or any exchange upon which the Common Stock may be traded in the future ("Exchange"), for the twenty prior trading days including the day upon which a Notice of Conversion is received by the Company or its transfer.

The Company determined the fair value of the embedded derivative associated with the convertibility of each note. The fair value of the embedded derivative has been added to the debt discount (total debt discount is limited to the face value of the debt) with any excess of the derivative liability recognized as interest expense. The aggregate debt discount of $625,000 is being amortized to interest expense over the respective terms of the notes.

As of March 31, 2022, and December 31, 2021, the Company owed principal of $520,833 and $583,333, respectively. As of March 31, 2022, the Company owed $30,337 in accrued interest.

Convertible Note Payable- Sixth Street Lending

On November 16, 2021, the Company issued a promissory note in the aggregate principal amount of $60,738 to Sixth Street Lending ("SSL"). The promissory note has a one-time interest charge of 7,896 and is due one year from the issuance date. The Company paid $10,738 in deferred financing fees and received $50,000 of net proceeds. Upon default, the note is convertible at a price ("Conversion Price") for each share of Common Stock equal to 73% of the lowest trading price of the Common Stock as reported on the National Quotations Bureau OTC Marketplace exchange which the Company's shares are traded or any exchange upon which the Common Stock may be traded in the future ("Exchange"), for the five prior trading days including the day upon which a Notice of Conversion is received by the Company or its transfer.

On January 10, 2022, the Company issued a promissory note in the aggregate principal amount of $43,750 to SSL. The promissory note bears interest at a rate of 8% and is due one year from the issuance date. The Company paid $3,750 in deferred financing fees and received $40,000 of net proceeds. The note is convertible at a price ("Conversion Price") for each share of Common Stock equal to $.0055 for the first 180 days and then at 65% of the average of the two lowest trading prices of the Common Stock as reported on the National Quotations Bureau OTC Marketplace exchange which the Company's shares are traded or any exchange upon which the Common Stock may be traded in the future ("Exchange"), for the fifteen prior trading days including the day upon which a Notice of Conversion is received by the Company or its transfer.

As of March 31, 2022, and December 31, 2021, the Company owed principal of $104,488 and $60,738, respectively. As of March 31, 2022, the Company owed $8,674 in accrued interest.

Convertible Note Payable- Coventry

On December 29, 2021, the Company issued a promissory note in the aggregate principal amount of $100,000 to Coventry ("Coventry"). The promissory note has a one-time interest charge of 10,000 and is due one year from the issuance date. The Company paid $20,000 in deferred financing fees and received $80,000 of net proceeds. The note is convertible at a price ("Conversion Price") for each share of Common Stock equal to 90% of the lowest trading price of the Common Stock as reported on the National Quotations Bureau OTC Marketplace exchange which the Company's shares are traded or any exchange upon which the Common Stock may be traded in the future ("Exchange"), for the five prior trading days including the day upon which a Notice of Conversion is received by the Company or its transfer. In January 2022, the Company issued 10,000,000 shares of common stock for deferred financing fees with a value of $13,000 which was recorded as a debt discount to be amortized over the remaining term of the note.

As of March 31, 2022 and December 31, 2021, the Company owed an aggregate of $100,000 and $100,000 of principal. As of March 31, 2022, the Company owed $10,000 in accrued interest.

Convertible Note Payable-Firstfire

In July 2021, the Company issued a convertible promissory note in the aggregate principal amount of $268,750 to Firstfire Global Opportunities Fund LLC ("Firstfire"). The promissory note accrues interest at 12% per annum, is due one year from the issuance date and includes an original issuance discount and financing fees in the aggregate amount of $44,888 and received $200,963 of net proceeds. The note is convertible at any time at a conversion price of $0.005 per share. The Company also issued a five-year warrant to purchase up to 38,174,715 shares of its common stock to Firstfire, at an exercise price of $0.00704 per share. The aggregate debt discount of $245,851 is being amortized to interest expense over the respective terms of the note.

The Company is prohibited from effecting a conversion of the note to the extent that, as a result of such conversion, the investor, together with its affiliates, would beneficially own more than 4.99% of the number of shares of the Company's common stock outstanding immediately after giving effect to the issuance of shares of common stock upon conversion of the note. The Company is prohibited from effecting an exercise of the warrant to the extent that, as a result of such exercise, the investor, together with its affiliates, would beneficially own more than 4.99% of the number of shares of the Company's common stock outstanding immediately after giving effect to the issuance of shares of common stock upon exercise of the note.

As of March 31, 2022 and December 31, 2021, the Company owed an aggregate of $0 and $243,750 of principal. As of March 31, 2022, the Company owed $0 in accrued interest.

Convertible Note Payable-Labrys

In June 2021, the Company issued a convertible promissory note in the aggregate principal amount of $537,500 to Labrys Funds, LP ("Labrys"). The promissory note accrues interest at 12% per annum, is due one year from the issuance date and includes an original issuance discount in the aggregate amount of $53,750. The Company also paid $33,750 in deferred financing fees and received $450,000 of net proceeds. The note is convertible at any time at a conversion price of $0.005 per share. The Company also issued a five-year warrant to purchase up to 76,349,431 shares of its common stock to Labrys, at an exercise price of $0.00704 per share. In addition, the Company issued five-year warrants to purchase up to 76,349,431 shares of its common stock to an investment banker for services, which warrants have an exercise price of $0.008448 per share. The aggregate debt discount of $533,526 is being amortized to interest expense over the respective terms of the note.

The Company is prohibited from effecting a conversion of the note to the extent that, as a result of such conversion, the investor, together with its affiliates, would beneficially own more than 4.99% of the number of shares of the Company's common stock outstanding immediately after giving effect to the issuance of shares of common stock upon conversion of the note. The Company is prohibited from effecting an exercise of the warrant to the extent that, as a result of such exercise, the investor, together with its affiliates, would beneficially own more than 4.99% of the number of shares of the Company's common stock outstanding immediately after giving effect to the issuance of shares of common stock upon exercise of the note.

As of March 31, 2022 and December 31, 2021, the Company owed an aggregate of $0 and $99,975 of principal. As of March 31, 2022, the Company owed $0 in accrued interest.

Convertible Note Payable- Dutchess Capital Growth Fund LP

On May 25, 2021, the Company issued a convertible promissory note in the aggregate principal amount of $135,000 to Dutchess Capital Growth Fund LP ("Dutchess"). The promissory note accrues interest at 8% per annum, is due one year from the issuance date. The Company paid $13,750 in deferred financing fees and received $121,250 of net proceeds.

Beginning six months after date of issue, the holder of this Note is entitled, at its option, at any time after cash payment, to convert all or any amount of the principal face amount of this Note then outstanding into shares of the Company's common stock (the "Common Stock") at a price ("Conversion Price") for each share of Common Stock equal to 55% of the lowest trading price of the Common Stock as reported on the National Quotations Bureau OTC Marketplace exchange which the Company's shares are traded or any exchange upon which the Common Stock may be traded in the future ("Exchange"), for the fifteen prior trading days including the day upon which a Notice of Conversion is received by the Company or its transfer.

The Company determined the fair value of the embedded derivative associated with the convertibility of each note. The fair value of the embedded derivative has been added to the debt discount (total debt discount is limited to the face value of the debt) with any excess of the derivative liability recognized as interest expense. The aggregate debt discount of $135,000 is being amortized to interest expense over the respective terms of the notes.

As of March 31, 2022 and December 31, 2021, the Company owed an aggregate of $0 and $60,709 of principal. As of March 31, 2022, the Company owed $0 in accrued interest.

Convertible Note Payable- Geneva Roth Holdings

On July 28, 2021, the Company issued a promissory note in the aggregate principal amount of $169,125 to Geneva Roth Holdings ("Geneva"). The promissory note accrues interest at 10% per annum, is due one year from the issuance date. The Company paid $13,750 in deferred financing fees and received $153,750 of net proceeds. The Company also issued five-year warrants to purchase up to 10,147,500 shares of its common stock to Geneva, at an exercise price of $0.001 per share. The aggregate debt discount of $67,253 is being amortized to interest expense over the respective terms of the note.

As of March 31, 2022 and December 31, 2021, the Company owed an aggregate of $97,939 and $33,278 of principal. As of March 31, 2022, the Company owed $13,684 in accrued interest.

Convertible Note Payable - Fourth Man LLC

In January 2022, the Company issued a convertible promissory note in the aggregate principal amount of $60,000 to Fourth Man, LLC ("Fourth Man"). The promissory note accrues interest at 12% per annum, is due one year from the issuance date and includes an original issuance discount in the aggregate amount of $6,000. The Company also paid $6,240 in deferred financing fees and received $47,760 of net proceeds. The note is convertible at any time at a conversion price of $0.0006 per share. The Company also issued 25,000,000 shares of its common stock for deferred financing fee. The aggregate debt discount of $42,240 is being amortized to interest expense over the respective terms of the note.

As of March 31, 2022, the Company owed an aggregate of $60,000 of principal. As of March 31, 2022, the Company owed $7,200 in accrued interest.

Revenue share agreement – Money Well Group

In March 2022, the Company entered into a revenue share in the aggregate principal amount of $89,940 to Money Well Group ("Money Well"). The agreement requires daily payments in the amount of $1,285 and includes an original issuance discount in the aggregate amount of $35,940 and received $54,000 of net proceeds. The aggregate debt discount of $35,940 is being amortized to interest expense over the respective terms of the note.

As of March 31, 2022, the Company owed an aggregate of $89,940 of principal. As of March 31, 2022, the Company owed $0 in accrued interest.

Summary:

The Company has identified the embedded derivatives related to the above-described notes and warrants. These embedded derivatives included certain conversion and reset features. The accounting treatment of derivative financial instruments requires that the Company record fair value of the derivatives as of the inception date of the note and to fair value as of each subsequent reporting date.

At March 31, 2022, the Company determined the aggregate fair value of embedded derivatives to be $1,646,127. The fair values were determined using the Binomial Option Pricing Model based on the following assumptions: (1) dividend yield of 0%; (2) expected volatility of 97.52% to 199.29%, (3) weighted average risk-free interest rate of 1.06% to 2.45%, (4) expected life of 0.5 to 4.2 years, (5) conversion prices of $0.00033 to $0.005 and (6) the Company's common stock price of $0.001 per share as of March 31, 2022.

For the three-month period ended March 31, 2022, the Company recorded a loss on the change in fair value of derivative liabilities of $1,026,929, which included a gain of $1,077,624 related to convertible notes payable, a gain of $50,695 related to the settlement of the fair value of derivatives as a result of repayments on the convertible notes, and also recognized a loss of $22,558 related to the excess of the fair value of derivatives at issuance above convertible note principle as a charge to interest expense. During the three months ended March 31, 2022, derivative liabilities of $233,069 were reclassified to additional paid in capital as a result of conversions of the underlying notes payable into common stock. For the period ended March 31, 2021 the Company recorded a loss on the change in fair value of derivative liabilities of $2,326,018, which included a gain of $649,961 related to convertible notes payable and an a loss of $694,754 related to the excess of the fair value of derivatives at issuance above convertible note principle as a charge to interest expense

**NOTE 9 – STOCKHOLDERS' DEFICIT**

Preferred stock

The Company is authorized to issue 50,000,000 shares of $0.001 par value preferred stock as of March 31, 2022 and December 31, 2021. As of March 31, 2022 and December 31, 2021, the Company has designated and issued 10,000,000 shares of Class A Preferred Stock, and 2,000,000 of Class B Preferred Stock.

Each share of Class A Preferred Stock is entitled to 100 votes on all matters submitted to a vote to the stockholders of the Company, does not have conversion, dividend or distribution upon liquidation rights.

Each share of Class B Preferred Stock is entitled to 1,000 votes on all matters submitted to a vote to the stockholders of the Company, does not have conversion, dividend or distribution upon liquidation rights.

Common stock

The Company is authorized to issue 22,000,000,000 shares of no par value common stock as of March 31, 2022 and was authorized to issue 22,000,000,000 shares of $0.001 par value common stock as of December 31, 2021. As of February 4, 2022, we reduced the par value of our common stock from $0.001 per share to zero par value ($0.00) per share. As of March 31, 2022, and December 31, 2021, the Company had 9,439,551,063 and 7,122,806,264 shares of common stock issued and outstanding, respectively.

During the three months ended March 31, 2022, the Company issued an aggregate of 1,166,431,600 shares of its common stock with respect to the settlement of convertible notes and interest accrued thereon of $1,051,555.

During the three months ended March 31, 2022, the Company issued a total net amount of 35,000,000 shares of its common stock with respect to deferred finance costs with an estimated value of $43,000.

During the three months ended March 31, 2022, the Company sold an aggregate of 625,500,000 shares of its common stock for $528,850.

During the three months ended March 31, 2022, the Company reclassified derivative liabilities to additional paid-in Capital with an estimated value of $233,069.

During the three months ended March 31, 2022, the Company issued 463,813,199 of its common stock in respect to the Company's acquisition of cDistro in fiscal year 2021. Of this total, 282,326,369 shares were issued as part of the contingent consideration earn out agreement with the former owners of cDistro, whereby the owners earned $250,000 of the total $1,000,000 payout. The remaining 180,486,830 shares with a fair value if $234,632 were issued as part of the amendment to the consideration issued to the former owners in June 2021 due to the decrease in the Company's stock price since the acquisition.

On January 17, 2020, the Company entered into an amendment to a convertible promissory note issued to Paladin Advisors, LLC. In connection with such amendment, the Company issued a warrant to purchase up to 5,750,000 shares of common stock of the Company to Paladin Advisors, LLC, which warrant may, under certain circumstances, be exercised on a cashless basis.

Options

As of March 31, 2022, there are no stock options outstanding.

Warrants

The following table summarizes the stock warrant activity for the three months ended March 31, 2022:

| | Shares | Weighted-Average Exercise Price | Weighted Average Remaining Contractual Term | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Outstanding at December 31, 2021 | 145,302,385 | $ 0.0033 | 2.8 | $ 70,200 |
| Granted | — | — | — | — |
| Exercised | — | — | — | — |
| Outstanding at March 31, 2022 | 145,302,385 | $ 0.0033 | 2.55 | $ 52,500 |
| Exercisable at March 31, 2022 | 145,302,385 | $ 0.0033 | 2.55 | $ 52,500 |

The aggregate intrinsic value in the preceding tables represents the total pretax intrinsic value, based on warrants with an exercise price less than the Company's stock price of $0.0010 as of March 31, 2022, which would have been received by the option holders had those option holders exercised their options as of that date.

**NOTE 10 — FAIR VALUE MEASUREMENT**

The Company adopted the provisions of ASC subtopic 825-10, Financial Instruments ("ASC 825-10") on January 1, 2008. ASC 825-10 defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance. ASC 825-10 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 825-10 establishes three levels of inputs that may be used to measure fair value:

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

Level 2 – Observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities.

All items required to be recorded or measured on a recurring basis are based upon level 3 inputs.

To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement is disclosed and is determined based on the lowest level input that is significant to the fair value measurement.

Upon adoption of ASC 825-10, there was no cumulative effect adjustment to beginning retained earnings and no impact on the financial statements.

The carrying value of the Company's cash, accounts receivable, accounts payable, short-term borrowings (including convertible notes payable), and other current assets and liabilities approximate fair value because of their short-term maturity.

As of March 31, 2022 and December 31, 2021, the Company did not have any items that would be classified as level 1 or 2 disclosures.

The Company recognizes its derivative liabilities as level 3 and values its derivatives using the methods discussed in Note 6. While the Company believes that its valuation methods are appropriate and consistent with other market participants, it recognizes that the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. The primary assumptions that would significantly affect the fair values using the methods discussed in Note 6 are that of volatility and market price of the underlying common stock of the Company.

As of March 31, 2022 and December 31, 2021, the Company did not have any derivative instruments that were designated as hedges.

The derivative liability as of March 31, 2022 and December 31, 2021, in the amount of $1,646,127 and $749,756, respectively, have a level 3 classification.

The following table provides a summary of changes in fair value of the Company's level 3 financial liabilities for the three months ended March 31, 2022:

| | Debt Derivative |
|---|---|
| Balance, January 1, 2022 | $ 749,756 |
| Increase resulting from initial issuance of additional convertible notes payable recorded as debt discount | 79,952 |
| Increase resulting from initial issuances of additional convertible notes payable recorded as day one loss | 22,558 |
| Decreases resulting from conversion or payoff of convertible notes payable | (233,069) |
| Decreases resulting from payoff of convertible notes payable | (50,695) |
| Loss due to change in fair value included in earnings | 1,077,624 |
| Balance, March 31, 2022 | $ 1,646,127 |

Fluctuations in the Company's stock price are a primary driver for the changes in the derivative valuations during each reporting period. During the period ended March 31, 2022, the Company's stock price decreased significantly from initial valuations. Additionally, issuances at prices below the original issuance amounts for certain convertible notes resulted in resets of the exercise price on certain conversion options that are accounted for as derivative liabilities, resulting in an increase in the derivative liability and additional loss on change in the fair value. As the stock price decreases for each of the related derivative instruments, the value to the holder of the instrument generally decreases. Stock price is one of the significant unobservable inputs used in the fair value measurement of each of the Company's derivative instruments.

**NOTE 11 — RELATED PARTY TRANSACTIONS**

As of March 31, 2022 and December 31, 2021, there were no related party advances outstanding. The Company's current officer, who is also a stockholder of the Company, advanced funds to the Company for travel related and working capital purposes. On April 7, 2022, the Company made a promissory note in the principal amount of $59,743.96 to the Company's officer and stockholder in compensation for those advanced expenses.

As of March 31, 2022, and December 31, 2021, accrued compensation due to officers and executives included as accrued compensation was $57,556 and $42,925, respectively.

At March 31, 2022 and December 31, 2021, there were no outstanding notes payable due to officers.

**NOTE 12 – SUBSEQUENT EVENTS**

On April 1, 2022, the Company issued 76,923,077 shares of restricted common stock to North Equities USA Ltd., valued at $100,000, or $0.0013 per share, in compensation pursuant to a consulting agreement dated December 24, 2021.

On April 5, 2022, the Company issued 38,762,344 shares of common stock to an accredited investor in partial conversion of a promissory note dated May 25, 2021, at a per-share conversion price of $0.00039.

On April 6, 2022, the Company issued 435,540,070 shares of restricted common stock to Beach Labs, Inc., pursuant to the earnout agreement between the Company and Beach Labs executed in relation to the acquisition of cDistro, Inc.

On April 7, 2022, the Company made a promissory note in the principal amount of $59,743.96 to a related party.

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

*You should read the following discussion and analysis of our financial condition and results of operations together with and our consolidated financial statements and the related notes appearing elsewhere in this Quarterly Report on Form 10-Q. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled "Risk Factors" included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, as may be amended, supplemented or superseded from time to time by other reports we file with the SEC. All amounts in this report are in U.S. dollars, unless otherwise noted.*

**Background**

**History and Development of the Company**

We were incorporated in the State of Utah on October 4, 1985, under the name of Mormon Mint, Inc., and our business focused on the manufacture and marketing of commemorative medallions related to the Church of Jesus Christ of Latter-Day Saints. On January 5, 1999, the Company changed its name to Converge Global, Inc., and subsequently focused on the development and implementation of Internet web content and e-commerce applications. In the period from 2009 to 2014, we operated primarily in the mining exploration business, and in 2015, we left the mining business and began an internet-based marketing business focused on online marketing of service items to the hospitality and food service industry, selling retail product directly to consumers from food distributors via credit card and commercial accounts.

On September 4, 2015, Donald Steinberg and Charles Larsen acquired control of the Company through the purchase of 400,000,000 shares of restricted common stock and 10,000,000 shares of Preferred Class A stock for $105,000.00, in equal amounts. On September 9, 2015, Donald Steinberg was appointed Chairman of the Board, Chief Executive Officer and Secretary of the Company. Mr. Larsen was appointed to the Board of Directors. The new management changed the Company's business plans and operations to focus on emerging opportunities in the cannabis and hemp industries. On December 1, 2015, the Company changed its name to Marijuana Company of America, Inc. and its stock trading symbol to MCOA. On December 6, 2019, a change of control occurred, where Donald Steinberg and Charles Larsen transferred their control shares to directors Robert Coale, Edward Manolos and Jesus Quintero. Also on December 6, 2019, Jesus Quintero, who was appointed as Chief Financial Officer in 2018, was appointed as our Chief Executive Officer. Mr. Quintero is currently our Chief Executive Officer and Chief Financial Officer, and a member of the Board of Directors.

Marijuana Company of America is a Utah corporation quoted on OTC Markets Pink Tier under the symbol "MCOA". We are based in Los Angeles, California.

We are an owner and operator of licensed cannabis cultivation, processing and dispensary facilities and a developer, producer and distributor of innovative branded cannabis and cannabidiol ("CBD") products in the United States. We are committed to creating a national distributorship and retail brand portfolio of branded cannabis and CBD products, although as of the date of this filing, marijuana (defined as cannabis containing delta-9 tetrahydrocannabinol concentration of more than 0.3 percent on a dry weight basis) currently remains illegal under U.S. federal law.

Through our wholly-owned subsidiary cDistro, Inc., a Nevada corporation, our wholly-owned CBD product distribution business, we distribute hemp and CBD products throughout the United States. Through cDistro, we distribute high quality hemp-derived cannabinoid products, as detailed on our cDistro website, www.cdistro.com. cDistro offers CBD brands along with smoke and vape shop related products to wholesalers, c-stores, specialty retailers, and consumers in North America. Through cDistro, we work exclusively with select manufacturers to deliver retail service and products at wholesale prices

Through our wholly owned subsidiary H Smart, Inc., a Delaware corporation, we develop and sell CBD products under the brand name hempSMART™. Our business also includes making selected investments and entering into joint ventures with start-up businesses in the legalized cannabis and hemp industries.

Readers are directed to review our detailed disclosures in Item 1, Business; Principal Products and their Markets; Joint Ventures and Investments above. A summary of our investment and joint venture activity follows:

### *Joint Ventures*

**Bougainville Ventures, Inc.** Our joint venture with Bougainville Ventures, Inc. is currently in litigation (See Legal Proceedings, Item 3). We recorded an annual impairment in 2017 of $792,500, reflecting the Company's percentage of ownership of the net book value of the investment. During 2018, the Company recorded equity losses of $37,673 and $11,043 for the first and second quarters respectively, and recorded an annual impairment of $285,986 for the year ended December 31, 2018, at which time we determined the investment to be fully impaired due to Bougainville's breach of contract and resulting litigation.

**Global Hemp Group Scio Oregon Joint Venture.** On May 8, 2018, we entered into a joint venture with Global Hemp Group, Inc., develop a project to commercialize the cultivation of industrial hemp on a 109-acre parcel of real property owned by the Company and Global Hemp Group in Scio, Oregon, and operating under the Oregon corporation Covered Bridges, Ltd. The joint venture agreement commits the Company to a cash contribution of $600,000 payable on the following funding schedule: $200,000 upon execution of the joint venture agreement; $238,780 by July 31, 2018; $126,445 by October 31, 2018; and, $34,775 by January 31, 2019. The Company has complied with its payments. The 2018 crop of hemp grown on the joint venture's real property consisted of 33 acres of high yielding CBD hemp grown in an orchard style cultivation on the property. The 2018 harvest consisted of approximately 37,000 high yielding CBD hemp plants producing 24 tons of biomass that produced 48,000 pounds of dried biomass. However, there were delays with Global Hemp Group's management and maintenance of the business and the biomass that caused degradation to the harvested crop affecting marketability. Additional issues and disputes arose between the Company and Global Hemp Group. These disputes led to the parties entering into a settlement agreement on September 28, 2020, whereby Global Hemp Group agreed to pay the Company $200,000 and issue common stock to the Company equal in value to $185,000 as of September 28, 2020, subject to a non-dilutive protection provision. Additionally, Global Hemp Group agreed to pay the Company $10,000 to cover the Company's legal fees relating to the Agreement. In exchange for the settlement consideration, the Company agreed to relinquish its ownership interest in the joint venture.

**Natural Plant Extract of California & Subsidiaries Joint Venture**; On April 15, 2019, the Company entered into a joint venture agreement with Natural Plant Extracts of California, Inc. and subsidiaries ("NPE"). The purpose of the joint venture was to utilize NPE's California and City cannabis licenses to jointly operate a business named "Viva Buds" to operate a licensed cannabis distribution service in California. In exchange for acquiring 20% of NPE's common stock, the Company agree to pay two million dollars and issue NPE one million dollars' worth of the Company's restricted common stock. As of February 3, 2020, the Company was in arrears in its payment obligations under the joint venture agreement, and the parties entered into a settlement and release of all claims terminating the joint venture. The parties agreed to reduce the Company's equity ownership in NPE from 20% to 5%. The Company also agreed to pay NPE $85,000 and the balance of $56,085.15 paid in a convertible promissory note issued with terms allowing NPE to convert the note into common stock at a 50% discount to the closing price of MCOA's common stock as of the maturity date. As of the date of this filing, the Company satisfied its payment obligations under the settlement agreement. Our continuing 5% equity ownership in NPE involves related parties, since Edward Manolos, our director, is also a director and beneficial owner of 18.8% of the common stock in NPE.

**Joint Ventures in Brazil and Uruguay**; On October 1, 2020, we entered into two Joint Venture Agreements with Marco Guerrero, a director of the Company, dated September 30, 2020, to form joint venture operations in Brazil and in Uruguay to produce, manufacture, market and sell the Company's hempSMART™ products in Latin America, and will also work to develop and sell hempSMART™ products globally. The Joint Venture Agreements contain equal terms for the formation of joint venture entities in Uruguay and Brazil. The Brazilian joint venture will be headquartered in São Paulo, Brazil, and will be named HempSmart Produtos Naturais Ltda. ("HempSmart Brazil"). The Uruguayan joint venture will be headquartered in Montevideo, Uruguay and will be named Hempsmart Uruguay S.A.S. ("HempSmart Uruguay"). Both are in the development stage.

### *Investments*

**Share Exchange with Cannabis Global, Inc.** On September 30, 2020, the Company entered into a securities exchange agreement with Cannabis Global, Inc. (OTC: CBGL), a Nevada corporation. By virtue of the agreement, the Company issued 650,000,000 shares of its unregistered common stock to Cannabis Global in exchange for 7,222,222 shares of Cannabis Global unregistered common stock. The Company and Cannabis Global also entered into a lock up leak out agreement, which prevents either party from sales of the exchanged shares for a period of 12 months. Thereafter the parties may sell not more than the quantity of shares equaling an aggregate maximum sale value of $20,000 per week, or $80,000 per month until all Shares and Exchange Shares are sold. Our transaction with Cannabis Global, Inc. is material and involves related parties, since Edward Manolos, our director and holder of Preferred Class A stock, is also a director of Cannabis Global, Inc.

**Share Exchange with Eco Innovation Group, Inc.** On February 26, 2021, we entered into a Share Exchange Agreement with Eco Innovation Group, Inc., a Nevada corporation quoted on OTC Markets Pink ("ECOX") to acquire the number of shares of ECOX's common stock, equal in value to $650,000 based on the per-share price of $0.06, in exchange for the number of shares of MCOA common stock equal in value to $650,000 based on the closing price for the trading day immediately preceding the effective date (the "Share Exchange Agreement"). For both parties, the Share Exchange Agreement contains a "true-up" provision requiring the issuance of additional common stock in the event that a decline in the market value of either parties' common stock should cause the aggregate value of the stock acquired pursuant to the Share Exchange Agreement to fall below $650,000. Complementary to the Share Exchange Agreement, the Company and ECOX entered into a Lock-Up Agreement dated February 26, 2021 (the "Lock-Up Agreement"), providing that the shares of common stock acquired pursuant to the Share Exchange Agreement shall be subject to a lock-up period preventing its sale for a period of 12 months following issuance and limiting the subsequent sale to aggregate maximum sale value of $20,000 per week, or $80,000 per month. On October 1, 2021, we entered into a First Amendment to Lock-Up Agreement between the Company and Eco Innovation Group, Inc., dated and effective October 1, 2021 (the "Amended Lock-Up Agreement"), which amends that certain Lock-Up Agreement entered into between the Company and Eco Innovation Group, Inc. on February 26, 2021 (the "Original Lock-Up Agreement"). The Amended Lock-Up Agreement amends the Original Lock-Up Agreement in one respect, by amending the initial lock-up period from 12 months following its effective date to 6 months following its effective date. All other terms and conditions of the Original Lock-Up Agreement remain unaffected.

**Asset Purchase Agreement with VBF Brands, Inc.** On October 6, 2021, the Company, through its wholly owned subsidiary Salinas Diversified Ventures, Inc., a California corporation, entered into an Asset Purchase Agreement, Management Services Agreement, Cooperation Agreement and Employment Agreement with VBF Brands, Inc., a California corporation ("VBF"), a wholly owned subsidiary of Sunset Island Group, Inc., a Colorado corporation ("SIGO"). VBF and SIGO agreed to transfer to the Company all of VBF's outstanding stock to the Company, and appointed our CEO and CFO Jesus Quintero as President of VBF.

VBF owns various fixed assets including machinery and equipment, a lease for a 10,000 square foot facility located at 20420 Spence Road, Salinas, California, 93908, leasehold improvements, good-will, inventory, tradenames including "VBF Brands," trade secrets, intellectual property, and other tangible and intangible properties, including licenses issued by the City of Salinas, County of Monterey, and the State of California to operate a licensed cannabis nursery, cultivation facility, and operations for the manufacturing and distribution of cannabis and cannabis products.

VBF and SIGO agreed to sell and transfer to the Company all of VBF's outstanding stock, and, by virtue of the Management Services Agreement, appoint Mr. Jesus Quintero as President of VBF, vesting management and control of VBF's licensed cannabis operations in the Company. Concurrently, VBF and Livacich entered into a Cooperation Agreement, whereby VBF and Livacich agreed to cooperate to facilitate the transfer of ownership of VBF, which includes licenses issued by the City of Salinas, County of Monterey, and the State of California, to operate a cannabis nursery, cultivation facility and manufacturing and distribution operations to the Company. The Company also agreed to retain Livacich as Chief Executive Officer for a term of two years and agreed to compensate her with a salary including a signing cash bonus of $250,000, and a $250,000 performance cash bonus payable after six months after the Effective Date. The bonus is conditioned upon Livacich meeting an agreed to "Net Revenue" target of one million dollars ($1,000,000) from VBF's operations during the six-month period after closing of the Asset Purchase Agreement, and her compliance with the terms and conditions of this Asset Purchase Agreement, the Management Services Agreement and the Cooperation Agreement.

As consideration for the transaction, the Company agreed to assume two secured convertible promissory notes issued by SIGO to St. George Investments, LLC, a Utah limited liability company ("St. George") (the "SIGO Notes"). The first note was issued December 8, 2017, in the original face amount of $170,000.00, and the second was issued February 13, 2018, in the original face amount of $4,245,000.00. SIGO also issued warrants to St. George to purchase common shares in SIGO, and fifty (50) shares of SIGO's preferred stock. St. George agreed to cancel the warrants and preferred shares upon the Company's assumption of the SIGO Notes.

Under the Asset Purchase Agreement, the closing is conditioned upon certain conditions precedent, specifically (i) VBF and SIGO's full corporate authorization, consent and execution of this Agreement; (ii) VBF's sale to MCOA of 100% of the issued and outstanding shares of VBF; (iii) full corporate authorization, consent compliance with and execution of the Management Services Agreement and Cooperation Agreement; (iv) SIGO's disclosure of the Agreement on Form 8-K with the Securities and Exchange Commission; (v) full cooperation in MCOA's financial auditing of VBF in accordance with ASC 805, including providing unrestricted access to all VBF corporate and financial records and providing all necessary cooperation with VBF financial personnel; (vi) full cooperation in aiding and assisting Buyer with its change of ownership applications with the relevant licensing authorities; (vii) the warranty of truthful representations and execution of and compliance with the terms and conditions of the Executive Employment Agreement, Management Services Agreement and the Cooperation Agreement.

As of the date of this filing, the conditions precedent to the closing of the Asset Purchase Agreement remain in the process of implementation, so that the Asset Purchase Agreement closing has not yet occurred pursuant to its terms. Legal counsel for MCOA is currently in the process of working with VBF, Salinas Diversified Ventures, and the relevant state and local governments to effect the change of control and license transfers necessary to close the Asset Purchase Agreement.

**Results of Operations**

**Comparison of the Three Months Ended March 31, 2022 and 2021**

For the three months ended March 31, 2022 and 2021, we had net losses from continuing operations of $835,792 and $782,917, respectively, an increase of $52,875. This increase is due primarily to the effects of the restructuring of our sales team and strategies for 2022 as we work towards building stronger sales levels and invest in our operations for future efficiencies and to meet market demands as we continue to grow.

***Revenues***

The Company generated revenues of $561,321 and $34,930 for the three months ended March 31, 2022 and 2021, respectively. The increase of $526,391 is primarily attributed to the Company's new acquisition cDistro that distributes CBD and hemp products throughout the USA.

The following table identifies products and equipment lease revenues during the three months ended March 31, 2022 and 2021, respectively:

| | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Body Lotion | $ — | $ 665 |
| Brain | $ 924 | $ 91 |
| Drink Mix | $ — | $ 143 |
| Drops | $ 6,965 | $ 19,364 |
| Face Moisturizer | $ — | $ 2,704 |
| Pain Cream | $ 2,901 | $ 11,755 |
| Pet Drops | $ 1,124 | $ 208 |
| Bottles – Nic | $ 213 | $ — |
| Bottles – Salt Nic | $ 288 | $ — |
| Disposables–Tobacco – Free Nicotine | $ 303,914 | $ — |
| Kratom | $ 209,445 | $ — |
| Other cDistro products | $ 12,759 | $ — |
| Vape products | $ 290 | $ — |
| MCOA Equipment Lease rental | $ 22,500 | $ — |
| | **$ 561,321** | **$ 34,930** |

***Cost of sales***

Costs of sales primarily consist of inventory cost and overhead, manufacturing, packaging, warehousing, shipping and direct labor costs attributable to our hempSMART products. For the three months ended March 31, 2022 and 2021, our total costs of sales were $510,262 and $25,180, respectively. The increase of $485,082 was primarily attributed to our new distributor acquisition cDistro purchases products from various CBD and hemp manufactures for resale.

***Gross profit***

For the three months ended March 31, 2022 and 2021, gross profit was $51,059 and $9,750, respectively. This increase of $41,309 was primarily attributed to our hempSMART product rebranding and the Company's new acquisition cDistro that sells CBD and hemp products throughout the USA. We anticipate an increase in sales as we continue the deployment our new e-commerce program during the rest of 2022; however, no assurance can be provided that sales will increase. As a percentage of total revenues, gross profit was 9.1% and 27.9% for the three months ended March 31, 2022 and 2021, respectively.

***Selling and marketing expenses***

For the three months ended March 31, 2022 and 2021, selling and marketing expenses were $81,373 and $107,549, respectively. This decrease of $26,176 is due to more cost efficiencies in our marketing program as we focused more of our efforts on social media, for the three months ended March 31, 2022.

***Payroll and related expenses***

For the three months ended March 31, 2022 and 2021, payroll and related expenses were $276,913 and $138,145, respectively. This increase of $138,768, is mainly attributable to a $54,000 of salaries from our new acquisition cDistro as well as $65,577 from our new cannabis operations manager. In addition, $157,336 relates to an increase in CEO compensation and additional staffing during the three months ended March 31, 2022.

***Stock-based compensation***

We measure the cost of services received in exchange for an award of equity instruments based on the fair value of the award. For employees and directors, the fair value of the award is measured on the grant date and for non-employees, the fair value of the award is generally re-measured on vesting dates and interim financial reporting dates until the service period is complete. The fair value amount is then recognized over the period during which services are required to be provided in exchange for the award, usually the vesting period. We record tock-based compensation expense in the same expense classifications in the statements of operations, as if such amounts were paid in cash. For the three months ended March 31, 2022 and 2021, stock-based compensation was $9,000 and $19,900, respectively. This decrease of $10,900 is due less equity issuances during the three months ended March 31, 2022.

***General and administrative expenses***

Other general and administrative expenses decreased to $468,515 for the three months ended March 31, 2022 compared to $525,682 for the three months ended March 31, 2021. General and administrative expenses include research and development, building rent, utilities, legal fees, office supplies, subscriptions, and office equipment. The decrease of $57,167 is attributed to an increase of $72,642 related to the Company's acquisition of cDistro at $50,824 and our new subsidiary Hempsmart Brazil at $20,512. This was offset by a decrease for the three months ended March 31, 2022 in legal and consulting of $58,835 due to less legal expenses during the period as compared to March 31, 2021; a reduction of $20,000 in board of director fees as less equity was issued as compensation to the board of directors as compared to March 31, 2021; and a $44,410 reduction in consulting fees due to cost reduction measures.

***Loss on change in fair value of derivative liabilities***

During 2022 and 2021, we issued convertible promissory notes and warrants with an embedded derivative, all requiring us to calculate the fair value of the derivatives each reporting period, and mark to market as a non-cash adjustment to our current period operations. This resulted in a loss on changes in fair value of derivative liabilities of $1,026,929 and $2,326,018 for the three months ended March 31, 2022 and 2021, respectively.

***Gain (loss) on settlement of debt***

During the three months ended March 31, 2022 and 2021, we realized a loss on settlement of debt of $187,500 and $68,227, respectively. The loss was related primarily to the settlement in shares to a lender during the three months ended March 31, 2022.

***Interest expense***

Interest expense during the three months ended March 31, 2022 was $1,246,155 as compared to $1,100,962 for the three months ended March 31, 2021, an increase of $145,193. Interest expense primarily consists of interest incurred on our convertible debt and other debt. The debt discounts amortization and non-cash interest incurred during the three months ended March 31, 2022 and 2021 was $761,712 and $311,710, respectively. In addition, as of March 31, 2022 and 2021, we incurred a non-cash interest of $1,246,155 and $1,100,962, respectively, in connection with convertible notes.

**Liquidity and Capital Resources**

We have generated a net loss from continuing operations for the three months ended March 31, 2022 of $835,794 and used $678,108 of cash for operations. As of March 31, 2022, we had total assets of $8,105,699, which included cash of $243,712, Accounts receivable trade of $410,448, inventory of $206,194, prepaid insurance of $29,769. On October 6, 2021, the Company entered into an Asset Purchase Agreement, Management Services Agreement, Cooperation Agreement and Employment Agreement with VBF Brands, Inc. As consideration for the transaction, the Company agreed to assume two secured convertible promissory notes issued by SIGO to St. George Investments, LLC with a net balance of $4,091,378. Since the conditions of the acquisition of VBF haven't been consummated, this assumed debt is recorded as an Other Current Asset. The company will determining the collectability of this assumed debt or allocation towards its investment in VBF during the second quarter of 2022.

During the three months ended March 31, 2022 and 2021, we met our capital requirements through a combination the sale of securities and convertible debt instruments. We will need to secure additional external funding in order to continue our operations. For the three months ended March 31, 2022, our primary internal sources of liquidity were provided by an increase in proceeds from the issuance of note payables of $526,760 and proceeds from the sale of common stock of $528,850, as compared to proceeds from issuance of notes payable of $535,000 for the three months ended March 31, 2021 and proceeds from sale of common stock of $1,245,000 for three months ended March 31, 2021..

***Cash Flows from Operating Activities***

For the three months ended March 31, 2022 and 2021, we used cash in operating activities of $678,108 and $962,359, respectively. This decrease of $284,251 is due primarily to a decrease in net loss for the three months ended March 31, 2022 of $3,290,292 as compared to $3,657,990 for the three months ended March 31, 2021. This was offset by the increase in cashflows from the change in the fair value of derivative liabilities as the balance was $1,026,929 for the three months ended March 31, 2022 as compared with $2,326,018 for the three months ended March 31, 2021.

***Cash Flows from Investing Activities***

During the three months ended March 31, 2022 and 2021, we used cash of $1,699 and $2,031, respectively, in investing activities related to our purchase of property and equipment.

***Cash Flows from Financing Activities***

During the three months ended March 31, 2022, net cash provided by financing activities was $822,043 which was primarily attributable to $526,760 from the issuance of notes and $528,850 from the sale of our common stock. During the three months ended March 31, 2021, net cash provided by financing activities was $1,529,870 which was attributable to $535,000 from the issuance of notes and $1,245,000 which was from the sale of our common stock.

Our business plans have not generated significant revenues and as of the date of this filing are not sufficient to generate adequate amounts of cash to meet our needs for cash. Our primary source of operating funds in 2022 and 2021 has been proceeds from the sale of our common stock and the issuance of convertible debt and other debt. We have experienced net losses from operations since inception, but expect these conditions to improve in the second half of 2021 and beyond as we develop direct sales and marketing programs. We had stockholders' deficiencies at March 31, 2022 and require additional financing to fund future operations. As of the date of this filing, and due to the early stages of operations, we have insufficient sales data to evaluate the amounts and certainties of cash flows, as well as whether there has been material variability in historical cash flows.

We currently do not have sufficient cash and liquidity to meet our anticipated working capital for the next twelve months. Historically, we have financed our operations primarily through private sales of our common stock and. If our sales goals for our hempSMART™ products do not materialize as planned, and we are not able to achieve profitable operations at some point in the future, we may have insufficient working capital to maintain our operations as we presently intend to conduct them or to fund our expansion, marketing, and product development plans. There can be no assurance that we will be able to obtain such financing on acceptable terms, or at all.

**Off-Balance Sheet Arrangements; Commitments and Contractual Obligations**

As of March 31, 2022, we did not have any off-balance sheet arrangements and did not have any commitments or contractual obligations.

**JOBS Act**

On April 5, 2012, the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act") was enacted. Section 107 of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an "emerging growth company" can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have chosen to opt out of the extended transition periods available to emerging growth companies under the JOBS Act for complying with new or revised accounting standards. Section 107 of the JOBS Act provides that our decision to opt out of the extended transition periods for complying with new or revised accounting standards is irrevocable.

Subject to certain conditions set forth in the JOBS Act, as an "emerging growth company," we intend to rely on certain exemptions, including, without limitation, (i) providing an auditor's attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act of 2002, as amended, and (ii) complying with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements, known as the auditor discussion and analysis. We will remain an "emerging growth company" until the earliest of (i) the last day of the fiscal year in which we have total annual gross revenues of $1.07 billion or more; (ii) the last day of our fiscal year following the fifth anniversary of the date of our initial public offering; (iii) the date on which we have issued more than $1 billion in nonconvertible debt during the previous three years; or (iv) the date on which we are deemed to be a large accelerated filer under the rules of the SEC.

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

The Company is not required to provide the information required by this Item as it is a "smaller reporting company," as defined in Rule 12b-2 of the Exchange Act.

## ITEM 4. CONTROLS AND PROCEDURES.

**Evaluation of Disclosure Controls and Procedures**

We are required to maintain "disclosure controls and procedures," as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to its management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures, as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of March 31, 2022, our disclosure controls and procedures were not effective due to material weaknesses. Management has identified the following material weaknesses: our ability to prepare our financial statements in a timely manner and inadequate segregation of duties consistent with control objectives. In an effort to remediate the identified material weaknesses and other deficiencies and enhance our internal controls, we plan to create a new controller position and hire a controller in order to segregate duties within the accounting department consistent with control objectives. In addition, we also intend to increase our personnel resources and technical accounting expertise within the accounting function when funds are available to us and we are able to find a qualified person to fill such role.

**Changes in Internal Control**

There have been no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Limitations on Effectiveness of Controls and Procedures**

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

## PART II — OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS.

From time to time, we may become involved in various lawsuits and legal proceedings. Litigation is subject to inherent uncertainties and an adverse result in these or other matters may arise from time to time that may harm our business. Except as set forth herein, we are currently not aware of any such legal proceedings or claims that will have, individually or in the aggregate, a material adverse effect on our business, financial condition or operating results.

On September 20, 2018, we filed suit against Bougainville Ventures, Inc. ("Bougainville"), BV-MCOA Management, LLC, Andy Jagpal, Richard Cindric, et al. in Okanogan County Washington Superior Court. We previously entered into a joint venture agreement with Bougainville on March 16, 2017, as amended on November 6, 2017.

We and Bougainville originally agreed to a joint venture with the goal of participating in the legalized cannabis business in Washington State. We intended to organize and operate a cannabis growth and cultivation business on land owned by Bougainville in Oroville, Washington. Furthermore, we agreed to finance the joint venture with a cash payment of $800,000 and issued Bougainville 15 million shares of our common stock. Bougainville represented that it would provide the real property for the joint venture, computer controlled greenhouses and agricultural facilities and, as landlord, oversight of the operations of a cannabis licensee holding a I-502 cannabis license. Bougainville represented that the property was I-502 compliant, and that it had a lease payment arrangement with an I-502 license holder to operate on the land. Bougainville agreed to vend clear title to the real property associated with the I-502 licensee to the joint venture within 30 days of the final payment by us. Despite our compliance, in full with our financial obligations, Bougainville did not and has not transferred the real property to the joint venture. We determined that Bougainville did not own the real property, misappropriated funds paid into the joint venture for its own purposes and did not have an agreement with a licensed I-502 operator.

Pursuant to our complaint, we are seeking legal and equitable relief for breach of contract, fraud, breach of fiduciary duty, conversion, recession of the joint venture agreement, an accounting, quiet title to real property in the name of the registrant, for the appointment of a receiver, the return to treasury of the 15 million shares of common stock issued to Bougainville, and, for treble damages pursuant to the Consumer Protection Act in Washington State. We have filed a lis pendens on the real property.

We recently served process on the defendants and the case is currently in litigation.

### ITEM 1A. RISK FACTORS.

Risk factors that affect our business and financial results are discussed in Part I, Item 1A "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2021 ("Annual Report"). There have been no material changes in our risk factors from those previously disclosed in our Annual Report. You should carefully consider the risks described in our Annual Report, which could materially affect our business, financial condition or future results. The risks described in our Annual Report are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, and/or operating results. If any of the risks actually occur, our business, financial condition, and/or results of operations could be negatively affected.

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

Subsequent to December 31, 2021, the Company has sold a total of 90,000,000 shares of common stock at a fixed price of $0.001 per share for a total of $90,000 in cash to accredited investors under the Company's active Regulation A offering.

Subsequent to December 31, 2021, the Company has sold a total of 706,250,000 shares of common stock at a fixed price of $0.0008 per share for a total of $565,000 in cash to accredited investors under the Company's active Regulation A offering.

Subsequent to December 31, 2021, the Company has sold a total of 500,000,000 shares of common stock at a fixed price of $0.0002 per share for a total of $100,000 in cash to accredited investors under the Company's active Regulation A offering.

On January 7, 2022, the Company issued 50,000,000 unrestricted shares of common stock to Power Up at a per-share conversion price of $0.001.

On January 10, 2022, the Company issued 166,224,700 unrestricted shares of common stock to Labrys at a per-share conversion price of $0.001.

On January 12, 2022, the Company issued 10,000,000 shares of restricted common stock to Coventry Enterprises at a per-share purchase price of $0.01.

On January 18, 2022, the Company issued 40,000,000 shares of common stock to GS Capital at a per-share conversion price of $0.001.

On January 20, 2022, the Company issued 25,000,000 shares of restricted common stock to Fourth Man at a per-share purchase price of $0.0024.

On January 26, 2022, the Company issued 180,486,830 shares of restricted common stock to Beach Labs in compensation under an earnout agreement at a per-share price of $0.0045.

On January 26, 2022, the Company issued 282,326,369 shares of restricted common stock to Beach Labs in compensation under a merger agreement at a per-share price of $0.0009.

On February 15, 2022, the Company issued 93,750,000 unrestricted shares of common stock to Bucktown at a per-share conversion price of $0.001.

On February 15, 2022, the Company issued 75,000,000 unrestricted shares of common stock to White Lion at a per-share conversion price of $0.001.

On March 1, 2022, the Company issued 31,850,737 shares of unrestricted common stock to GS Capital in conversion of a promissory note at a per-share conversion price of $0.0004.

On March 4, 2022, the Company issued 70,591,981 shares of unrestricted common stock to GS Capital in conversion of a promissory note at a per-share conversion price of $0.0004.

On March 18, 2022, the Company issued 71,320,322 shares of unrestricted common stock to GS Capital at a per-share conversion price of $0.0004.

On March 29, 2022, the Company issued 43,057,715 shares of unrestricted common stock to GS Capital at a per-share conversion price of $0.0004.

On March 29, 2022, the Company issued 40,670,034 shares of unrestricted common stock to GW Holdings at a per-share price of $0.0008.

On March 30, 2022, the Company issued 187,500,000 shares of unrestricted common stock to Bucktown Capital at a per-share price of $0.0008.

On March 30, 2022, the Company issued 38,762,344 shares of common stock to Dutchess Capital in partial conversion of a promissory note dated May 25, 2021, at a per-share conversion price of $0.00039.

On March 31, 2022, the Company issued 59,578,767 shares of unrestricted common stock to GW Holdings at a per-share price of $0.0008.

On April 1, 2022, the Company issued 76,923,077 shares of restricted common stock to North Equities USA Ltd., valued at $100,000, or $0.0013 per share, in compensation pursuant to a consulting agreement dated December 24, 2021.

On April 6, 2022, the Company issued 435,540,070 shares of restricted common stock to Beach Labs, Inc., pursuant to the earnout agreement between the Company and Beach Labs executed in relation to the acquisition of cDistro, Inc.

On April 11, 2022, the Company issued 12,500,000 shares of common stock to SRAX, Inc. at a per-share conversion price of $0.0016.

On May 5, 2022, the Company made a convertible promissory note in the principal amount of $110,000.00 pursuant to a securities purchase agreement with Dutchess Capital, which included the issuance of 37,500,000 commitment shares in common stock and 50,000,000 default shares in common stock, for total consideration of $100,000. The 50,000,000 default shares will be returned to the Company at the expiration of the promissory note, unless the Company defaults under the note.

The foregoing issuances were exempt from registration under Section 4(a)(2) of the Securities Act.

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

None.

**ITEM 4. MINE SAFETY DISCLOSURES.**

Not applicable.

**ITEM 5. OTHER INFORMATION.**

None.

**ITEM 6. EXHIBITS.**

| Exhibit No. | Description |
|---|---|
| 31.1* | Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2* | Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1* | Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2* | Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101.INS* | Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. |
| 101.SCH* | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL* | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF* | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB* | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE* | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104* | Inline XBRL for the cover page of this Quarterly Report on Form 10-Q, included in the Exhibit 101 Inline XBRL Document Set. |

* Filed herewith.

## SIGNATURES

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

**MARIJUANA COMPANY OF AMERICA, INC.**

Date: May 16, 2022

By: /s/ Jesus Quintero
Jesus Quintero,
Chief Executive Officer and Chief Financial Officer
(*Principal Executive Officer and Principal Financial and Accounting Officer*)

**EXHIBIT 31.1**

**RULE 13a-14(a)/15d-14(a) CERTIFICATION**

I, Jesus M. Quintero, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended March 31, 2022 of Marijuana Company of America, 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(s) and I are responsible for establishing for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

May 16, 2022

/s/ *Jesus M. Quintero*
Jesus M. Quintero
Chief Executive Officer
(Principal Executive Officer)

**EXHIBIT 31.2**

**RULE 13a-14(a)/15d-14(a) CERTIFICATION**

I, Jesus M. Quintero, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended March 31, 2022 of Marijuana Company of America, 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(s) and I are responsible for establishing for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

May 16, 2022

/s/ *Jesus M. Quintero*

Jesus M. Quintero, Chief Financial Officer
(Principal Financial and Accounting Officer)

**EXHIBIT 32.1**

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

In connection with the Quarterly Report of Marijuana Company of America, Inc. (the “Company”) on Form 10-Q for the quarter ended March 31, 2022 as filed with the Securities and Exchange Commission (the “Report”), I, Jesus M. Quintero, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

May 16, 2022

/s/ *Jesus M. Quintero*
Jesus M. Quintero
Chief Executive Officer
(Principal Executive Officer)

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

**EXHIBIT 32.2**

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

In connection with the Quarterly Report of Marijuana Company of America, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2022 as filed with the Securities and Exchange Commission (the "Report"), I, Jesus M. Quintero, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

May 16, 2022

/s/ *Jesus M. Quintero*
Jesus M. Quintero
Chief Financial Officer
(Principal Financial and Accounting Officer)

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