A copy of this amended and restated preliminary short form prospectus has been filed with the securities regulatory authorities in all provinces of Canada (except Québec), but has not yet become final. Information contained in this amended and restated preliminary short form prospectus may not be complete and may have to be amended. The securities may not be distributed until a receipt for the final short form prospectus is obtained from the securities regulatory authorities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. Stem Holdings, Inc. has filed a registration statement on Form S-1 with the U.S. Securities and Exchange Commission under the United States Securities Act of 1933, as amended, with respect to these securities. See "Plan of Distribution".

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. *Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of Stem Holdings, Inc. at 2201 NW Corporate Blvd., Suite 205, Boca Raton, FL 33431, Telephone 561-948-5410, and are also available electronically at www.sedar.com.*

New Issue **December 15, 2020**

AMENDED AND RESTATED PRELIMINARY SHORT FORM PROSPECTUS
AMENDING AND RESTATING A PRELIMINARY SHORT FORM PROSPECTUS
DATED DECEMBER 14, 2020

$[●]
[●] **Units**

Price: $0.55 per Unit

This short form prospectus (this "**Prospectus**") qualifies for distribution up to [●] units (the "**Units**") of Stem Holdings, Inc. ("**Stem**", or the "**Company**") at a price of $0.55 per Unit (the "**Offering Price**") for aggregate gross proceeds of up to $[●] (the "**Offering**"). The total size of the Offering is currently anticipated to be $**[●]**. The Company has filed a registration statement on Form S-1 with the United States Securities and Exchange Commission (the "**SEC**") under the United States *Securities Act of 1933*, as amended (the "**U.S. Securities Act**") with respect to the Units.

Each Unit consists of one share in the common stock of the Company (each, a "**Unit Share**") and one share purchase warrant (each, a "**Warrant**"). Each Warrant will entitle the holder thereof to acquire, subject to adjustment in certain circumstances, one share in the common stock of the Company (each, a "**Warrant Share**") at an exercise price of $0.68 per Warrant Share for a period of 24 months following the Closing Date (as defined herein). The Warrants will be issued pursuant to the terms of a warrant indenture dated to be entered into on or before the Closing Date (the "**Warrant Indenture**") between the Company and Odyssey Trust Company ("**Odyssey**"), as warrant agent thereunder (the "**Warrant Agent**"). The Unit Shares and the Warrants comprising the Units will separate immediately upon the closing of the Offering. See "*Description of Securities Being Distributed*".

The Units qualified for distribution by this Prospectus will be sold on a 'commercially reasonable efforts' basis pursuant to the terms of an agency agreement (the "**Agency Agreement**") to be entered into between the Company and Canaccord Genuity Corp., as sole bookrunner and agent (the "**Agent**"). The Offering Price and other terms of the Offering were determined by arm's length negotiations between the Company and the Agent with reference to the prevailing market price of the shares of common stock of the Company (the "**Shares**") on the Canadian Securities Exchange (the "**CSE**"). See "*Plan of Distribution*".

This Offering is not underwritten or guaranteed by any person. The Offering is being conducted on a commercially reasonable efforts agency basis by the Agent who conditionally offers the Units for sale, if, as and when issued by the Company and delivered to and accepted by the Agent, in accordance with the terms and conditions contained in the Agency Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Company by Dentons Canada LLP and on behalf of the Agent by DLA Piper (Canada) LLP.

There is no market through which the Warrants may be sold, and purchasers may not be able to resell the Warrants acquired pursuant to the Offering. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the Warrants and the extent of issuer regulation. See "*Risk Factors*". There is no minimum amount of funds that must be raised under the Offering. This means that the Company could complete this Offering after raising only a small proportion of the Offering amount set out above.

The issued and outstanding Shares are listed for trading on the CSE under the symbol "STEM" and are also listed on the OTCQX exchange ("**OTCQX**") under the symbol "STMH". On December 14, 2020, the last trading day prior to the date of this Prospectus, the closing price of the Shares on the CSE was $0.67 per Share and US$0.51 per Share on the OTCQX. The Company has given notice to list the Unit Shares and the Warrant Shares (including the Unit Shares and Warrant Shares issuable upon due exercise of the Over-Allotment Option (as defined herein)) and the Corporate Finance Fee Shares (as defined herein) and the Broker Shares (as defined herein) on the CSE. Listing will be subject to the Company fulfilling all of the requirements of the CSE. See "*Plan of Distribution*".

	Price to the Public	Agent's Commission[(1)]	Net Proceeds to the Company[(2)]
Per Unit	$0.55	$0.0385	$0.5115
Total[(3)]	$[●]	$[●]	$[●]

Notes:

(1) Pursuant to the Agency Agreement and in consideration of the services rendered by the Agent in connection with the Offering, the Company has agreed to pay the Agent, on the Closing Date a commission equal to 7% of the gross proceeds of the Offering (including in respect of any exercise of the Over-Allotment Option, if any) payable in cash (the "**Agent's Commission**"), subject to a reduced fee equal to 1% for Units sold to certain purchasers designated by the Company on a president's list (the "**President's List**"). In addition the Agent will receive a number of share purchase warrants (the "**Broker Warrants**") to purchase up to that number of shares of common stock of the Company (each, a "**Broker Share**") that is equal to 7% of the aggregate number of Units issued under the Offering (including any Additional Units (as hereinafter defined) issued upon exercise of the Over-Allotment Option, if any), subject to a reduced number of Broker Warrants equal to 3.5% of the Units sold to purchasers on the President's List, at an exercise price of $0.55 per Broker Share, exercisable for a period of 24 months following the Closing Date. Pursuant to the Agency Agreement, the Company also agreed to pay to the Agent a corporate finance fee of $100,000 (the "**Corporate Finance Fee**"), such Corporate Finance Fee to be payable as to $50,000 in cash and as to $50,000 by the issuance of 90,090 shares of common stock of the Company (the "**Corporate Finance Fee Shares**") at the Offering Price. See "*Plan of Distribution*".

(2) After deducting the Agent's Commission (assuming no President's List purchasers), the estimated expenses of the Offering of $350,000 and the cash portion of the Corporate Finance Fee, which will be paid out of the general funds of the Company.

(3) The Company has granted to the Agent an over-allotment option (the "**Over-Allotment Option**"), exercisable in whole or in part, at the Agent's sole discretion, to purchase up to an additional [●] Units (the "**Additional Units**"), each Additional Unit to be comprised of one Unit Share and one Warrant, at the Offering Price to cover the Agent's over-allocation position, if any, and for market stabilization purposes. The Over-Allotment Option is exercisable, in whole or in part, at any time or times until the date that is 30 days immediately following the Closing Date. A purchaser who acquires Additional Units forming part of the Agent's over-allocation position acquires such Additional Units under this Prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. If the Over-Allotment Option is exercised in full, the total Price to the Public, Agent's Commission and Net Proceeds to the Company (before deducting expenses of the Offering) will be $[●], $[●] and $[●], respectively (assuming no President's List purchasers). This Prospectus also qualifies the distribution of the Additional Units pursuant to the exercise of the Over-Allotment Option. Unless the context otherwise requires, references herein to the "Offering" and the "Units" includes the Additional Units. See "*Plan of Distribution*".

The following table sets out the number of securities that may be issued by the Company to the Agent pursuant to the Agency Agreement:

Agent's Positions	Number of Additional Securities	Exercise Period	Exercise Price
Over-Allotment Option	[●] Additional Units	At any time during the 30 days following closing of the Offering	$0.55 per Additional Unit
Broker Warrants[(1)(2)]	[●] Broker Warrants	24 months following the Closing Date	$0.55 per Broker Warrant
Corporate Finance Fee Shares[(2)]	90,090 Shares	N/A	N/A

Note:

(1) Assumes the Over-Allotment Option is exercised in full and there are no President's List purchasers.

(2) This Prospectus qualifies the grant of the Broker Warrants and the Corporate Finance Fee Shares. See "*Plan of Distribution*".

The Offering is not underwritten or guaranteed by any person. The Offering is being conducted on a 'commercially reasonable efforts' agency basis by the Agent who will conditionally offer the Units in all provinces of Canada (except Québec), subject to prior sale, if, as and when issued by the Company and accepted by the Agent in accordance with the conditions contained in the Agency Agreement referred to under the "*Plan of Distribution*", and subject to the approval of certain legal matters, on behalf of the Company by Dentons Canada LLP and on behalf of the Agent by DLA Piper (Canada) LLP.

Subject to applicable laws and in connection with this Offering, the Agent may over-allot or effect transactions which stabilize or maintain the market price of the Shares at levels other than those which might otherwise prevail in the open market in accordance with applicable stabilization rules. Such transactions, if commenced, may be discontinued at any time. See "*Plan of Distribution*".

Subscription for the Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Other than pursuant to certain exceptions, the Units sold pursuant to the Offering will be issued in electronic form to the Canadian Depository for Securities ("**CDS**") or nominees thereof and deposited with CDS upon closing of the Offering in electronic form. A purchaser will receive only a customer confirmation of the issuance of the securities purchased pursuant to the Offering from the Agent or other registered dealer who is a CDS participant through which the Units are purchased. No definitive certificates will be issued unless specifically requested or required. Closing of the Offering is expected to occur on or about January [●], 2021, or such other date as may be agreed upon by the Company and the Agent (the "**Closing Date**"). See "Plan of Distribution". See "*Plan of Distribution*".

The Company is incorporated under the laws of a foreign jurisdiction, and all of the directors and officers of the Company, L J Soldinger Associates, LLC, the auditors to the Company, and Rosenberg Rich Baker Berman, P.A., the auditors of Driven, reside outside of Canada. Each of the Company, its directors and officers, and L J Soldinger Associates, LLC and Rosenberg Rich Baker Berman, P.A. have appointed Dentons Canada LLP, 77 King Street West, Suite 400, Toronto, ON M5K 0A1, as agent for service of process in Canada. Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process. See "*Enforcement of Judgments Against Foreign Persons*".

Unless otherwise indicated, all references to dollar amounts in this Prospectus are to Canadian dollars. Readers should not assume that the information contained in this Prospectus is accurate as of any date other than the date on the cover page of this Prospectus. Reference to "United States" or "U.S." are references to the United States of America.

The Company has not authorized anyone to provide purchasers with information different from that contained or incorporated by reference in this Prospectus. An investment in the securities of the Company is highly speculative and involves significant risks that should be carefully considered by prospective investors before purchasing such securities. The risks outlined in this Prospectus and in the documents incorporated

by reference herein should be carefully reviewed and considered by prospective investors in connection with an investment in such securities. See "*Risk Factors*". Potential investors are advised to consult their own legal counsel and other professional advisers in order to assess income tax, legal and other aspects of this investment.

Investors are advised to consult their own tax advisors regarding the application of Canadian federal income tax laws to their particular circumstances, as well as any other provincial, foreign and other tax consequences of acquiring, holding or disposing of the Unit Shares, Warrants, and Warrant Shares.

The Company's head office is located at 2201 NW Corporate Blvd., Suite 205, Boca Raton, FL 33431. The Company's registered office is located at 202 North Carson Street, Carson City, NV 89701-4201.

Stem derives a substantial portion of its revenues from the cannabis industry in certain states of the United States, which industry is illegal under United States federal law and enforcement of relevant laws is a significant risk. Stem is directly and indirectly involved (through its investments) in the cannabis industry in the United States where local state laws permit such activities. Currently, the Company and its subsidiaries are directly or indirectly engaged in the manufacture, possession, use, sale, distribution or branding of cannabis and/or hold licenses in the adult use and/or medical cannabis marketplace in the states of Oregon, Nevada, California, Oklahoma and Massachusetts. Additionally, the Company and its subsidiaries are directly engaged in the manufacture, possession, use, sale, distribution or branding of hemp in New York and Oregon.

The United States federal government regulates drugs through the Controlled Substances Act (21 U.S.C.§ 811) (the "CSA"), which places controlled substances, including cannabis, in a schedule. Cannabis is classified as a Schedule I drug. Under United States federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. The United States Food and Drug Administration ("FDA") has not approved cannabis as a safe and effective drug for any indication. It is a federal felony to manufacture, distribute, dispense, or possess with intent to manufacture, distribute, or dispense cannabis. It is also a federal misdemeanor to knowingly or intentionally possess cannabis. And it is a federal felony to attempt or conspire to violate the CSA. Aiding and abetting a violation of the CSA is a federal crime punishable to the same degree as the underlying violation.

In the United States, cannabis is largely regulated at the state level. State laws regulating cannabis are in direct conflict with the federal CSA, which makes cannabis use and possession federally illegal. Although certain states authorize medical or adult use cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under federal law. The Supremacy Clause of the United States Constitution establishes that the United States Constitution and federal laws made pursuant to it are paramount and, in case of conflict between federal and state law, the federal law shall apply.

On January 4, 2018, former U.S. Attorney General Jeff Sessions issued a memorandum to U.S. district attorneys which rescinded previous guidance from the U.S. Department of Justice (the "DOJ") specific to cannabis enforcement in the United States, including the Cole Memo (as defined herein). With the Cole Memo rescinded, U.S. federal prosecutors have been given discretion in determining whether to prosecute cannabis related violations of U.S. federal law, subject to budgetary constraints. On November 7, 2018, Mr. Sessions tendered his resignation as Attorney General at the request of President Donald Trump. Following Mr. Sessions' resignation, Matthew Whitaker began serving as Acting United States Attorney General, until February 14, 2019, when William Barr was appointed as the United States Attorney General. Mr. Barr is a former Attorney General under George H.W. Bush, with an anti-drug stance during his tenure. During his Senate confirmation hearing, Mr. Barr stated that he disagrees with efforts by States to legalize cannabis, but will not go after cannabis companies in states that legalized it under the policies of President Obama's administration. He stated further that he would not upset settled expectations that have arisen as a result of the Cole Memo. In June 2020, a federal prosecutor accused Mr. Barr of ordering "politically motivated" antitrust reviews of 10 cannabis business mergers, allegedly because he personally did not support their underlying business in the cannabis industry. At least one of those investigations allegedly resulted in the collapse of a proposed merger between two large cannabis businesses. Following the recent election in November 2020, President-elect Joseph Biden has yet to announce his nomination for who will succeed Mr. Barr as the U.S. Attorney General. It is unclear what further impact, if any, the new administration will have on U.S. federal government enforcement policy on cannabis.

On February 15, 2019, President Donald Trump signed the 2019 Fiscal Year Appropriations Bill which included the Rohrabacher-Farr Amendment (as defined herein), which prohibits the funding of federal prosecutions with respect to medical cannabis activities that are legal under state law, extending its application until September 30, 2019. Thereafter, as part of the Congressional omnibus-spending bill, United States Congress ("Congress") renewed, through September 30, 2020, the Rohrabacher-Farr Amendment. While the Rohrabacher-Farr Amendment was temporarily renewed through the signing of a stopgap

spending bill, effective through December 11, 2020, there can be no assurances that the Rohrabacher-Farr Amendment will be included in future appropriations bills or budget resolutions. See "*Regulatory Overview*".

There is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Unless and until Congress amends the CSA with respect to medical and/or adult use cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that U.S. federal authorities may enforce current U.S. federal law. If the U.S. federal government begins to enforce U.S. federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed Stem's results of operations, financial condition and prospects would be materially adversely affected. See "*Risk Factors*".

The United States Customs and Border Protection ("CBP") has stated that investing in or doing business with the cannabis industry in the United States may be grounds to find non-U.S. citizens ineligible to enter the United States. Whether or not the DOJ initiates an investigation, civil enforcement action, or criminal prosecution, investors in the Company who are not U.S. citizens may be subject to lifetime bans from entering the United States as a result of their investment in the Company.

On December 20, 2018, the United States Agricultural Improvement Act of 2018 (the "Farm Bill") became law in the United States. Under the Farm Bill, industrial and commercial hemp is no longer to be classified as a Schedule I controlled substance in the United States. Hemp includes the plant cannabis sativa L and any part of that plant, including seeds, derivatives, extracts, cannabinoids and isomers. To qualify under the Farm Bill, hemp must contain no more than 0.3% of delta-9-THC (as defined herein). The Farm Bill explicitly allows interstate commerce of hemp which will enable the transportation and shipment of hemp across state lines, thus, the Farm Bill fundamentally changed how hemp and hemp-derived products (such as those containing CBD (as defined herein) extracted from hemp) are regulated in the U.S.

In light of the political and regulatory uncertainty surrounding the treatment of U.S. cannabis-related activities, including the rescission of the Cole Memo discussed above, on February 8, 2018, the Canadian Securities Administrators published Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana-Related Activities* ("Staff Notice 51-352") setting out the Canadian Securities Administrator's disclosure expectations for specific risks facing issuers with cannabis-related activities in the United States. Staff Notice 51-352 includes additional disclosure expectations that apply to all issuers with U.S. cannabis-related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the U.S. cannabis industry. See "*Regulatory Overview*".

Stem's involvement in the U.S. cannabis market may subject Stem to heightened scrutiny by regulators, stock exchanges, clearing agencies and other U.S. and Canadian authorities. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on Stem's ability to operate in the U.S. or any other jurisdiction. There are a number of risks associated with the business of Stem. See "*Risk Factors*" and "*Regulatory Overview*".

TABLE OF CONTENTS

Page

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION 1
GENERAL MATTERS 2
MARKET AND INDUSTRY DATA 2
CURRENCY PRESENTATION AND EXCHANGE RATES 2
DOCUMENTS INCORPORATED BY REFERENCE 3
TRADEMARKS AND TRADE NAMES 4
MARKETING MATERIALS 4
DESCRIPTION OF THE BUSINESS 5
INFORMATION CONCERNING DRIVEN 12
DESCRIPTION OF THE COMPANY – POST MERGER 15
REGULATORY OVERVIEW 16
DIVIDENDS 39
CONSOLIDATED CAPITALIZATION 39
USE OF PROCEEDS 40
PLAN OF DISTRIBUTION 41
DESCRIPTION OF SECURITIES BEING DISTRIBUTED 43
PRIOR SALES 45
TRADING PRICE AND VOLUME 46
CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS 46
RISK FACTORS 49
MATERIAL CONTRACTS 67
ENFORCEMENT OF JUDGMENTS AGAINST FOREIGN PERSONS 68
AUDITORS, TRANSFER AGENT AND REGISTRAR 68
INTEREST OF EXPERTS 68
PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION 69
SCHEDULE "A" – DRIVEN FINANCIAL STATEMENTS 70
CERTIFICATE OF THE COMPANY C-1
CERTIFICATE OF THE AGENT C-2

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Prospectus, including the documents incorporated herein by reference, contains "forward-looking information" within the meaning of applicable Canadian securities legislation, which is based upon the Company's current internal expectations, estimates, projections, assumptions and beliefs. Often, but not always, forward-looking information can be identified by the use of words and phrases such as "plans", "expects", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or similar expressions or variations (including negative and grammatical variations) of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. The forward-looking information included in this Prospectus is made only as of the date of this Prospectus or the document incorporated herein by reference, as applicable. Such forward-looking information may include, but is not limited to, statements with respect to: (i) the size of the Offering, the use of the net proceeds from the Offering, the timing and completion of the Offering and the listing of the Unit States, the Warrant Shares, the Broker Shares and the Corporate Finance Shares on the CSE; (ii) the future financial or operating performance of the Company and its subsidiaries; (iii) the Company's expectations with respect to future growth; (iv) the availability of sources of income to generate cash flow and revenue; (v) the dependence on management and directors; (vi) risks relating to additional funding requirements; (vii) exchange rate risks; (viii) risks relating to laws and regulations applicable to the production and sale of cannabis; (ix) regulatory risks associated with the operations of the Company; (x) timing and development of current and future projects; (xi) the Company's competitive position; (xii) the closing of the Merger (as defined herein); (xiii) the effect of the novel coronavirus ("**COVID-19**") outbreak on the Company's business; (xiv) the timing and possible outcome of regulatory and legislative matters, including, without limitation, the FDA, and other regulatory approval processes; and (xv) the business of the Company after giving effect to the Merger.

Forward-looking information is based on the reasonable assumptions, estimates, analyses and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. This Prospectus, including the documents incorporated herein by reference, may contain statements containing forward-looking information attributed to third party industry sources. The forward-looking information contained or incorporated by reference herein is based on certain assumptions, including without limitation: (i) receipt and/or maintenance by the Company and its subsidiaries of required permits and third party consents in a timely manner or at all; (ii) the Company will be able to generate cash flow from operations and obtain necessary financing on acceptable terms; (iii) general economic, financial market, regulatory and political conditions in which the Company operates will remain the same or will develop in accordance with publicly disclosed proposals; (iv) the Company will be able to compete as a real estate company specializing in the cannabis industry; (v) the Company will be able to manage anticipated and unanticipated costs; (vi) the Company will be able to maintain appropriate internal controls over financial reporting and appropriate disclosure controls and procedures; (vii) consumer interest in cannabis products; (vii) the timely receipt of any required regulatory approvals; (viii) the Company's ability to obtain qualified staff, equipment and services in a timely and cost efficient manner; (ix) the Company's ability to conduct operations in a safe, efficient and effective manner; (x) the Company using the proceeds of the Offering as set out herein; (xi) the global public health crisis in respect of the outbreak of the novel COVID-19, including volatility and disruptions in global supply chains and financial markets, as well as declining trade and market sentiment and reduced mobility of people; and the expected growth in the business of the Company; (xii) the closing of the Merger; and (xiii) the ability to integrate the business of Driven into the business of the Company following the closing of the Merger.

Although the Company believes that the expectations reflected in such forward-looking information are reasonable, it can give no assurance that such expectations will prove to have been correct. The Company's forward-looking information is expressly qualified in its entirety by this cautionary statement. In particular, but without limiting the foregoing, statements regarding the Company's objectives, plans and goals, including future operating results and economic performance may make reference to or involve forward-looking information. The purpose of forward-looking information is to provide prospective investors with a description of management's expectations, and such forward-looking information may not be appropriate for any other purpose. Prospective investors should not place undue reliance on forward-looking information contained in this Prospectus, including the documents incorporated herein by reference, as statements containing forward-looking information involve significant risks and uncertainties and should not be read as guarantees of future results, performance, achievements, prospects and opportunities. The Company undertakes no obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law. A number of factors could cause actual

events, performance or results to differ materially from what is projected in the forward-looking information. Some of the risks and other factors which could cause actual results to differ materially from those expressed in the forward-looking information contained in this Prospectus, including the documents incorporated herein by reference, include, but are not limited to, the factors described under "Risk Factors" in this Prospectus.

Investors are cautioned not to put undue reliance on forward-looking statements and are urged to read the Company's filings with Canadian securities regulatory agencies, which can be viewed online under the Company's profile on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com.

GENERAL MATTERS

Unless the context otherwise requires, any references in this Prospectus to the "Company" or "Stem" refer to Stem Holdings, Inc. and its subsidiaries.

MARKET AND INDUSTRY DATA

Unless otherwise indicated, information contained in this Prospectus, including the documents incorporated herein by reference, concerning the Company's industry and the markets in which it operates or seeks to operate is based on information from third party sources, industry reports and publications, websites and other publicly available information, and management studies and estimates. Unless otherwise indicated, the Company's estimates are derived from publicly available information released by third party sources as well as data from the Company's own internal research, and include assumptions which the Company believes to be reasonable based on management's knowledge of the Company's industry and markets. The Company's internal research and assumptions have not been verified by any independent source, and the Company has not independently verified any third party information. While the Company believes that such third party information to be generally reliable, such information and estimates are inherently imprecise. In addition, projections, assumptions and estimates of the Company's future performance or the future performance of the industry and markets in which the Company operates are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in this Prospectus under "*Risk Factors*" and "*Cautionary Statement Regarding Forward-Looking Information*".

FINANCIAL STATEMENT PRESENTATION IN THIS PROSPECTUS

The following financial statements have been prepared in accordance with U.S. GAAP and are included in this Prospectus under Schedule "A":

Schedule "A" - Driven Financial Statements

- Unaudited condensed interim consolidated financial statements of Driven (as defined herein) for the three and nine months ended September 30, 2020, together with the notes thereto; and

- Audited financial statements of Driven for the years ended December 31, 2019 and 2018, together with the notes thereto and the auditor's report thereon.

CURRENCY PRESENTATION AND EXCHANGE RATES

Unless the context otherwise requires, all references to "$" and "dollars" mean references to the lawful money of Canada. All references to "US$" refer to United States dollars.

The following table sets forth, for each of the periods indicated, the period end exchange rate, the average exchange rate and the high and low exchange rates of one United States dollar in exchange for Canadian dollars, based on the daily exchange rates, as reported by the Bank of Canada.

	Nine-Months Ended June 30		Twelve Months Ended September 30	
	2020	**2019**	**2019**	**2018**
	$	**$**	**$**	**$**

High……	1.4496	1.3642	1.3642	1.3310
Low……	1.2970	1.2803	1.2803	1.2288
Average……..	1.3502	1.3292	1.3292	1.2837
Period End……..	1.3628	1.3087	1.3243	1.2945

	Nine-Months Ended September 30		Twelve Months Ended December 31	
	2020	**2019**	**2019**	**2018**
	$	**$**	**$**	**$**
High……	1.4496	1.3600	1.3600	1.3642
Low……	1.2970	1.3038	1.2988	1.2288
Average……..	1.3541	1.3292	1.3269	1.2957
Period End……..	1.3339	1.3243	1.2988	1.3642

On December 14, 2020, the daily exchange rate for the United States dollar in terms of Canadian dollars, as quoted by the Bank of Canada, was US$1.00 = $1.2757.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of Stem Holdings, Inc. at 2201 NW Corporate Blvd., Suite 205, Boca Raton, FL 33431, Telephone 561-948-5410, and are also available electronically on SEDAR at www.sedar.com The following documents are specifically incorporated by reference into, and form an integral part of, this Prospectus:

(a) the annual report of the company under the United States Securities and Exchange Act of 1934 ("**1934 Act**") on Form 10-K for the fiscal year ended September 30, 2019 (the "**AIF**");

(b) the consolidated financial statements of the Company as at and for the year ended September 30, 2019 and 2018, together with the notes thereto and the auditor's report thereon;

(c) the management's discussion and analysis of the Company for the year ended September 30, 2019, prepared in accordance with Item 303 of Regulation S-K under the 1934 Act;

(d) the interim consolidated financial statements of the Company as at June 30, 2020 and for the nine months ended June 30, 2020, together with the notes thereto;

(e) the management's discussion and analysis of the Company for the quarter ended June 30, 2020, prepared in accordance with Item 303 of Regulation S-K under the 1934 Act;

(f) the material change report of the Company dated October 28, 2020 regarding the resignation of a director of the Company;

(g) the material change report of the Company dated October 8, 2020 regarding the entering into of a definitive agreement in respect of the Merger;

(h) the material change report of the Company dated September 4, 2020, as amended November 18, 2020, regarding receipt of regulatory approvals in respect of the purchase of the Opco Holdings, Inc., Consolidated Ventures of Oregon, Inc., Oregon Acquisitions, JV LLC, Gated Oregon Holdings LLC and Kind Care Holdings, LLC (collectively, the "**Operating Companies**") and the closing of the purchase of the Operating Companies by Stem;

(i) the material change report of the Company dated March 5, 2020 regarding the closing of the acquisition of 7LV (as defined herein) (the "**7LV Acquisition**") and the appointment of a new director of the Company;

(j) the material change report of the Company dated February 6, 2020 regarding a change in the Company's independent registered public accounting firm;

(k) the material change report of the Company dated January 17, 2020 regarding the resignation of a director of the Company;

(l) the material change report of the Company dated October 3, 2019 regarding the appointment of a new officer of the Company;

(m) the management proxy circular of the Company dated July 8, 2019, prepared in connection with an annual and special meeting of the shareholders of the Company held on August 2, 2019;

(n) the "template version" (as such term is defined National Instrument 41-101 *General Prospectus Requirements* ("**NI 41-101**")) of the term sheet of the Company dated December 14, 2020 with respect to the Offering ("**Initial Term Sheet**"); and

(o) the "template version" of the term sheet of the Company dated December 15, 2020 with respect to the Offering ("**Term Sheet**" and together with the Initial Term Sheet, the "**Marketing Materials**").

A reference to this Prospectus includes a reference to any and all documents incorporated by reference in this Prospectus. Any documents of the type required by Item 11.1 of Form 44-101F1 – *Short Form Prospectus*, filed by the Company with a securities commission or similar regulatory authority in any of the provinces of Canada (except Québec), pursuant to the requirements of applicable securities legislation after the date of this Prospectus and prior to the termination of the distribution of this Offering shall be deemed to be incorporated by reference into this Prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for the purposes of this Prospectus to the extent that a statement contained in this Prospectus or in any subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded will not constitute a part of this Prospectus, except as so modified or superseded. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the statement or document that it modifies or supersedes. The making of such a modifying or superseding statement will not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed in its unmodified or superseded form to constitute part of this Prospectus.

TRADEMARKS AND TRADE NAMES

The Company uses various trademarks, trade names and design marks in its business. This Prospectus may also contain trademarks and trade names of other businesses that are the property of their respective holders. The Company does not intend for its use or display of other companies' trademarks and trade names to imply a relationship with, or endorsement or sponsorship of it by, those other companies.

MARKETING MATERIALS

Any "template version" of any "marketing materials" (as defined in NI 41-101) that are used by the Agent in connection with the Offering, including the Marketing Materials, are not part of this Prospectus to the extent that the contents of the Marketing Materials have been modified or superseded by a statement contained in this Prospectus. Any template version of any "marketing materials" (each as defined in NI 41-101) that has been, or will be, filed on SEDAR before the termination of the distribution under the Offering (including any amendments to, or an amended version of, any template version of any marketing materials) is deemed to be incorporated into this Prospectus.

DESCRIPTION OF THE BUSINESS

Name, Address and Incorporation

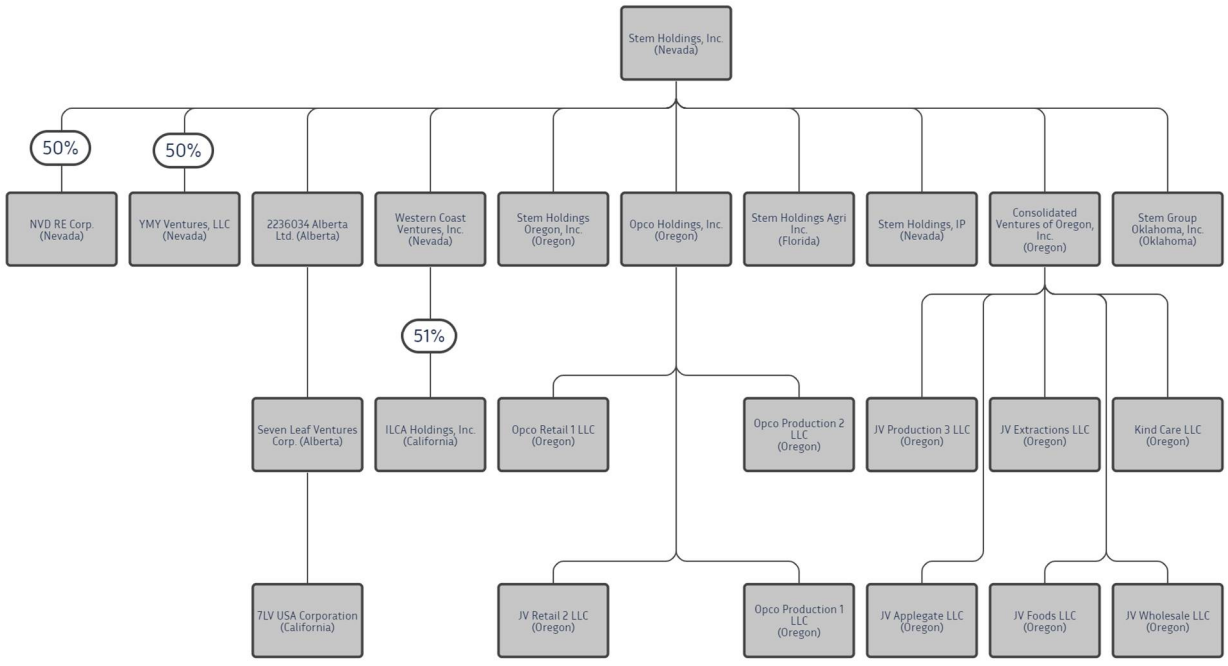
Stem Holdings, Inc. was incorporated on June 7, 2016 as a State of Nevada corporation under Chapter 78 of the Nevada Revised Statutes. The Shares are listed for trading on the CSE under the symbol "STEM" and on the OTCQX under the symbol "STMH".

On July 13, 2018 the shareholders of the Company adopted a resolution authorizing the board of directors of the Company (the "**Board of Directors**") to amend the articles of incorporation of the Company to increase the number of authorized Shares from 100,000,000 to 300,000,000. On July 24, 2018, the Company filed articles of amendment to increase the number of authorized Shares to 300,000,000.

The Company's head office is located at 2201 NW Corporate Blvd., Suite 205, Boca Raton, FL 33431. The Company's registered office is located at 202 North Carson Street, Carson City, NV 89701-4201.

Intercorporate Relationships

The following chart illustrates the Company's corporate structure including details of the jurisdiction of formation of each subsidiary. Unless otherwise noted, all lines represent 100% ownership of outstanding securities of the applicable subsidiary.



Business of the Company

Stem is a multi-state, vertically integrated, cannabis company that, through its subsidiaries and its investments, is engaged in the manufacture, possession, use, sale, distribution or branding of cannabis and/or holds licenses in the adult use and/or medical cannabis marketplace in the states of Oregon, Nevada, California, Oklahoma and Massachusetts. Additionally, the Company and its subsidiaries are directly engaged in the manufacture, possession, use, sale, distribution or branding of hemp in New York and Oregon. Stem has ownership interests in 22 state issued cannabis and industrial hemp licenses, including ten licenses for cannabis cultivation, four licenses for cannabis processing (including two hemp authorizations), one license for cannabis wholesale distribution, one license for hemp

production and processing, five cannabis dispensary licenses, one license that permits both dispensary and cultivation activities.

The Company is also currently working towards acquiring additional interests in entities holding cannabis licenses and is assisting certain joint ventures with obtaining licenses and permits for cannabis production, distribution and sale in the United States.

Stem's brands are award-winning, nationally known and include: Cultivators, TJ's Gardens, Travis X James, and Yerba Buena; retail brands, Stem and TJ's; infused product manufacturers, Cannavore and Supernatural Honey; and a cannabidiol ("**CBD**") company, Dose-ology.

Principal Products and Markets

The Company's principal operations have historically related to the leasing of properties, funding of capital, tenant improvements and administration of its leases and provision of financing to certain lessees engaged in the production and sale of cannabis. While the Company originally operated primarily as a real estate holding company, Stem is now also engaged, directly and indirectly, in the production, possession, use, sale, distribution or branding of cannabis in those states of the United States where such activities are permitted under state law. Historically, the Company's principal market has been the State of Oregon. Stem is now expanding into other markets, including California, Nevada, Oklahoma and Massachusetts.

Production and Sales

In the production of its cannabis, Stem utilizes sustainable organic cultivation methods including no-till living soil, processing, and extraction in an effort to produce superior quality cannabis and hemp plants for medical and recreational. The Company grows over 50 different strains of premium organic cannabis and. On an annual basis, the Company produces over 5,000 lbs of cannabis flower, 500,000 pre-roll cannabis cigarettes, 160,000 bottles of tincture and 300,000 units of edible cannabis products. The Company's retail locations process approximately 1000 orders per day. The Company does not conduct any retail sales online. Instead, the Company distributes its products through its physical dispensaries.

Specialized Knowledge and Skill

The Company's business requires that it possess or be in a position to access specialized knowledge and expertise regarding the state-licensed cannabis industry in the United States and those persons and entities who are involved in the industry. The Company believes that its management has such specialized expertise and experience, and the Company retains legal counsel that has recognized expertise in the industry. The Company does not believe that any aspect of its business is either: (i) cyclical or seasonal; or (ii) dependent on any particular franchise or license or other agreement to use a patent, formula, trade secret, process or trade name. The Company has not identified any specific environmental protection issues which will affect its business. The Company does not own significant identifiable intangible properties outside of its cannabis licenses.

The Company does not believe that its operations are dependent on any factors within the general economy. However, any material changes in either U.S. federal law enforcement priorities or the law of the State of California, Oregon, Nevada, Oklahoma and Massachusetts or other states where the Company operates affecting the cultivation and sale of cannabis could have a material impact on the Company's business, particularly since the growth, marketing, sale, and use of cannabis is illegal under federal law.

Stem's Properties

A summary of the Company's properties is set forth below:

Location	**Leased/Owned/**	**Description**	**Size**
Corporate			
Boca Raton, Florida	Leased	Corporate Office	1,800 sq. ft.
Dispensaries			
Eugene, Oregon (TJ's on Willamette)	Owned	Dispensary	4,600 sq. ft.

Eugene, Oregon (TJ's Provisions)	Owned	Dispensary	1,500 sq. ft.
Portland, Oregon (TJ's on Powell)	Owned	Dispensary	2,176 sq. ft.
Oklahoma City, Oklahoma (Stem Branded Store)	Indirectly Leased(1)	Dispensary	4,600 sq. ft.
Great Barrington, Massachusetts (Rebelle)	Indirectly Leased(2)	Dispensary	3,600 sq. ft.
Sacramento, California (Foothills Health & Wellness)	Leased	Dispensary	4,600 sq. ft.
Cultivation and Processing Facilities			
Eugene, Oregon (TJ's Wallis)	Owned	Cultivation and Processing	30,000 sq. ft.
Hillsboro, Oregon (Yerba Buena)	Leased	Cultivation	10,000 sq. ft.
Jacksonville, Oregon (Applegate Farms)	Owned	Cultivation	40 acres
Mulino, Oregon (Mulino Farm)	Owned	Cultivation	13.67 acres
Springfield, Oregon (42nd Street)	Leased	Cultivation	28,000 sq. ft.
Ada, Oklahoma	Indirectly Leased(3)	Cultivation and Processing	800,000 sq. ft.
Northampton, Massachusetts (Rebelle)	Indirectly Leased(4)	Cultivation and Processing	28,000 sq. ft.
North Las Vegas, Nevada (TJ's Las Vegas)	Indirectly Owned(5)	Cultivation and Processing	5,450 sq. ft.
San Diego, California	Indirectly Leased(5)	Cultivation and Processing	12,000 sq. ft.

Notes:

(1) The Company holds a 7% interest in SOK 1 LLC ("**SOK 1**"), which rents and operates a cannabis dispensary in Oklahoma City, Oklahoma.

(2) The Company holds a 7% interest in Community Growth Partners, Great Barrington Operations, LLC ("**CGP**"), which rents and operates a cannabis dispensary in Great Barrington, Massachusetts. The Company also holds debt that is convertible into an additional 15% interest in CGP.

(3) The Company holds a 7% interest in Cultivate ADA LLC ("**Cultivate ADA**"), which rents and operates a cannabis facility in Ada, Oklahoma.

(4) The Company holds a 7% interest in CGP, which is building a cannabis facility in Northampton, Massachusetts. The Company also holds debt that is convertible into an additional 15% interest in CGP.

(5) The Company holds a 50% interest in NVD RE Corp. ("**NVD RE**"), which owns a cannabis facility in North Las Vegas, Nevada ("**TJ's Las Vegas**"). The Company also holds a 50% interest in YMY Ventures, LLC ("**YMY**"), which rents and operates such facility from NVD RE.

(6) The Company holds a 51% interest in ILCA Holdings, Inc. ("**ILCA**"), which is building a cannabis facility in San Diego, California.

Stem Licenses

The following chart provides a summary of the Company's cannabis licenses in the United States:

Holding Entity	**Permit/License**	**City, State**	**Expiration Date**	**Description**
California				
ILCA(1)	2058040	San Diego, California	August 31, 2021	Conditional Use Permit - Production
7LV USA Corporation ("**7LV USA**")	C10-0000679-LIC	Sacramento, California	January 14, 2021	Medicinal Retailer License (Provisional)
Massachusetts				
CGP(2)	MR282695	Massachusetts	September 2, 2021	Dispensary and Cultivation License
Nevada				
YMY(3)	18897864143987354009	Las Vegas, Nevada	June 30, 2021	Medical Cultivation License
YMY(3)	49988620104464639364	Las Vegas, Nevada	June 30, 2021	Recreational Cultivation License

YMY[3]	78715576282428558550	Las Vegas, Nevada	June 30, 2021	Medical Product Manufacturing License
YMY[3]	32704290606712932888	Las Vegas, Nevada	June 30, 2021	Recreational Product Manufacturing License
Oklahoma				
SOK 1[4]	DAAA-NKHY-INEU	Oklahoma City, Oklahoma	September 19, 2021	Medical Cannabis Dispensary License
Cultivate ADA[4]	GAAA-4YBJ-EC7U	Ada, Oklahoma	September 19, 2021	Medical Cannabis Grower License
Oregon				
JV Retail 2 LLC	#100244446EC	Eugene, Oregon	September 3, 2021	Retailer License
Kind Care LLC	#1002427235E	Eugene, Oregon	September 3, 2021	Retailer License
Opco Retail 1 LLC	#10055331011	Portland, Oregon	September 3, 2021	Retailer License
JV Wholesale LLC	#1003324579F	Eugene, Oregon	September 3, 2021	Wholesaler License
JV Productions 3 LLC	#1001944721B	Eugene, Oregon	September 3, 2021	Producer License (Indoor Tier II)
JV Extraction LLC	#100331855FF	Eugene, Oregon	September 3, 2021	Processor License (Edible, Topical, Concentrate, Extract and Hemp)
JV Foods LLC	#10033219048	Eugene, Oregon	September 3, 2021	Processor License (Edible, Topical, Concentrate and Hemp)
Stem Holdings Oregon, Inc.	#10000662000	Hillsboro, Oregon	June 24, 2021	Producer License
JV Applegate LLC	#100439807B5	Jacksonville, Oregon	November 11, 2021	Producer License (Outdoor Tier 1)
Alternative Organics LLC ("**Alternative Organics**")[5]	#1003304ACE7	Medford, Oregon	July 2, 2021	Producer License (Mixed Tier II)
Opco Production II, LLC	#10074973A9C	Mulino, Oregon	September 3, 2021	Producer License (Indoor Tier II)
Opco Production 1 LLC	#1007550202B	Springfield, Oregon	September 3, 2021	Producer License (Indoor Tier II)
New York				
Stem Holdings Agri, Inc.	HEMP-G-000478	New York	September 30, 2022	Industrial Hemp Research Partner Authorization

Notes:

(1) The Company's wholly-owned subsidiary, 7LV USA, operates a cannabis dispensary in Sacramento, California. The Company holds a 51% interest in ILCA, which is building a cannabis facility in San Diego, California.

(2) The Company holds a 7% interest in CGP, which operates a cannabis dispensary in Great Barrington, Massachusetts. CGP is also building a cannabis facility in Northampton, Massachusetts. The Company also holds debt that is convertible into an additional 15% interest in CGP.

(3) The Company holds a 50% interest in YMY, which operates a cannabis facility in North Las Vegas, Nevada.

(4) The Company holds 7% interests in SOK 1 and Cultivate ADA, which operate a cannabis dispensary and cannabis facility, respectively.

(5) The Company has entered into an operating agreement with Alternative Organics pursuant to which the Company acts as director and manager of all day-to-day business operations.

For further disclosure regarding the Company's U.S. cannabis operations and compliance with the Staff Notice 51-352, see "*Regulatory Overview*".

Recent Developments

Financing

Concurrently with the Offering, Stem is conducting a non-brokered offering in the United States (the "**U.S. Offering**") under the terms of a registration statement on Form S-1 filed with the SEC under the U.S. Securities Act. Pursuant to the U.S. Offering, the Company is offering for sale units of the Company (the "**U.S. Offering Units**"), each comprised of one share of common stock and one share purchase warrant of the Company, at the Offering Price. The maximum combined aggregate gross proceeds of the U.S. Offering and the Offering shall be $[●]. The U.S. Offering Units will not be offered or sold in Canada and are not being qualified for distribution under this Prospectus. The Agent will not be acting as agent in respect of the U.S. Offering and will not be paid a fee in respect thereof.

Merger with Driven

On October 5, 2020, Stem, Driven Deliveries, Inc. ("**Driven**") and Stem Driven Acquisition, Inc. ("**SDA**") entered into an Agreement and Plan of Merger (the "**Merger Agreement**") wherein Driven has agreed to merge with and into SDA, with Driven being the surviving entity. Following completion of the merger transaction contemplated by the Merger Agreement (the "**Merger**"), Driven will become a wholly-owned subsidiary of Stem. Pursuant to the Merger Agreement, Stem will exchange one newly-issued Share for each issued and outstanding share of Driven. Management of the Company believes that the Merger will close prior to the end of calendar year 2020, subject to satisfaction of all terms and conditions of the Merger Agreement and completion of due diligence by all entities.

Driven is an e-commerce and DaaS (delivery-as-a-service) provider with proprietary logistics and omni-channel user experience/customer experience ("**UX/CX**") technology. At the closing of the Merger, it is anticipated Stem will be re-named *Driven by Stem*. Management of both Driven and Stem believe that following completion of the Merger, *Driven by Stem* will be the first vertically-integrated cannabis company with a DaaS platform. See "*Information Concerning Driven*" and "*Description of the Company – Post-Merger*".

The shares of common stock of Driven trade on the OTCQB market under the symbol "DRVD". At the effective date of the closing of the Merger, all of the then issued and outstanding shares of Driven will be converted into the right to receive shares of common stock of the Company (the "**Merger Consideration**"). The Merger Agreement includes interim covenant provisions applicable prior to the earlier of the (i) closing of the Merger, or (ii) termination of the Merger Agreement that, among other things, restrict the Company's ability to take certain actions with respect to the Company's organizational documents, including but not limited to amending the Certificate of Incorporation of the Company.

Under the terms of the Merger Agreement, Driven shareholders will receive (based on closing share prices and the number of issued and outstanding shares of Stem and Driven as of December 14, 2020) an aggregate purchase price of approximately US$39,533,945 and *Driven by Stem* would have a combined market capitalization of approximately US$75,506,371. It is currently anticipated that shareholders of Stem and shareholders of Driven will hold approximately 52% and 48% of the Company following completion of the Merger. **The Merger does not constitute a "significant acquisition" for the Company under Part 8 of National Instrument 51-102 – *Continuous Disclosure Obligations* ("NI 51-102").**

Following the completion of the Merger, management of the Company believes that the combined companies will achieve synergies in sales and operations and reduced sales, general and administrative expense as a percentage of sales. Management of the Company also believes that the Merger will lead to further organic growth and margin expansion. The Merger is an arm's length transaction. Following the effective date of the Merger, the shares of Driven will be delisted from the OTCQB market. Management of the Company expects the Shares to continue to trade on the OTCQX and on the CSE under Stem's current symbols (OTCQX: STMH, CSE: STEM) following the closing of the Merger.

The completion of the Merger is subject to satisfaction or waiver of various closing conditions, including (i) the receipt of all required approvals of the stockholders of all merger participants and any required third-party consents and regulatory clearances, (ii) the absence of any governmental order or law that makes consummation of the Merger illegal or otherwise prohibited, (iii) the effectiveness of a registration statement on Form S-4 to be filed by Stem pursuant to which the Shares to be issued in connection with the Merger are registered with the U.S. Securities and

Exchange Commission, (iv) the completion of equity financings by Stem and Driven, and (v) the absence of any material adverse change prior to the effective date of the Merger. The obligation of each party to consummate the Merger is also conditioned upon the other party's representations and warranties being true and correct (subject to certain materiality exceptions) and the other party having performed in all material respects its obligations under the Merger Agreement. If either party fails to meet its obligations under its equity financing closing conditions, either party may elect to terminate the Merger Agreement or proceed to close the Merger. Further, either party to the Merger could elect to waive certain conditions to the closing of the Merger in order to effect the transaction and, as a result, there can be no assurance that the combined organization will have the benefit of the conditions to closing described above or otherwise set forth in the Merger Agreement. See "*Risk Factors".*

Purchase of the Operating Companies

On August 12, 2019, the Company entered into two agreements (the "**Operating Companies Merger Agreement**") to acquire the Operating Companies, contingent upon the Company's receipt of a legal opinion that the operation of the Operating Companies' cannabis businesses in the State of Oregon by the Company would not violate any federal or U.S. state laws.

Pursuant to the terms of the Operating Companies Merger Agreement, Stem agreed to issue an aggregate of 12,500,000 Shares as consideration for all of the issued and outstanding securities of the Operating Companies.

On September 4, 2020, the Company received all of the necessary regulatory approvals from government entities of the State of Oregon and the transactions contemplated by the Operating Companies Merger Agreement were consummated. **The acquisition of the Operating Companies did not constitute a "significant acquisition" for the Company under Part 8 of NI 51-102.**

COVID-19

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China, and has since spread to a number of other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, as of the time of the Prospectus, several states in the United States have declared states of emergency, and several countries around the world, including the United States, have taken steps to restrict travel. The existence of a worldwide pandemic, the fear associated with COVID-19, or any, pandemic, and the reactions of governments in response to COVID-19, or any, pandemic, to regulate the flow of labor and products and impede the travel of personnel, may impact the Company's ability to conduct normal business operations, which could adversely affect the Company's results of operations and liquidity. Disruptions to the Company's supply chain and business operations, disruptions to the Company's retail operations and its ability to collect rent from the properties which it owns, personnel absences, or restrictions on the shipment of the Company's products or the Company's suppliers' or customers' products, any of which could have adverse ripple effects throughout the Company's business. If the Company needs to close any of its facilities or a critical number of its employees become too ill to work, the Company's production ability could be materially adversely affected in a rapid manner. Similarly, if the Company's customers experience adverse consequences due to COVID-19, or any other, pandemic, demand for the Company's products could also be materially adversely affected in a rapid manner. Global health concerns, such as COVID-19, could also result in social, economic, and labor instability in the markets in which the Company operates. Any of these uncertainties could have a material adverse effect on the Company's business, financial condition or results of operations. See "*Risk Factors*".

Conflicts of Interest

Conflicts of interest may arise as a result of the directors, officers and promoters of the Company also holding positions as directors or officers of other companies. Such persons also invest and may invest in businesses, including in the cannabis sector, that compete directly or indirectly with the Company or act as customers or suppliers of the Company. Some of the individuals that are directors and officers of the Company have been and will continue to be engaged in the identification and evaluation of assets, businesses and companies on their own behalf and on behalf of other companies, and situations may arise where the directors and officers of the Company will be in direct competition with the Company. Conflicts, if any, will be subject to the procedures and remedies provided under applicable laws.

To the best of the Company's knowledge, other than as disclosed below and elsewhere in this Prospectus, there are no known existing or potential material conflicts of interest among the Company or a subsidiary of the Company and a director or officer of the Company or a subsidiary of the Company as a result of their outside business interests except that: (i) certain of the Company's or its subsidiaries' directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Company and their duties as a director or officer of such other companies, and (ii) certain of the Company's or its subsidiaries' directors and officers have portfolio investments consisting of minority stakes in businesses that may compete directly or indirectly with the Company or act as a customer of, or supplier to, the Company.

The following chart identifies each director and officer of the Company and their respective conflict of interest:

Name of Director or Executive Officer	Description of Conflict(s) of Interest
Adam Berk, Chief Executive Officer, President and Director(1)	Mr. Berk was a director, officer and shareholder of Opco Holdings, Inc. ("**Opco Holdings**") and Consolidated Ventures of Oregon, Inc. ("**CVO**") at the time of the closing of the acquisition of the Operating Companies. Mr. Berk is a director and shareholder of Driven.
Steve Hubbard, Chief Financial Officer, Secretary and Director(1)	Mr. Hubbard was a director, officer and shareholder of Opco Holdings and CVO at the time of the closing of the acquisition of the Operating Companies.
Ellen B. Deutsch, Chief Operating Officer	None.
Garrett M. Bender, Director	Mr. Bender was a director and shareholder of Opco Holdings and CVO at the time of the closing of the acquisition of the Operating Companies.
Lindy Snider, Director	None.
Dennis Suskind, Director	None.

Notes:

(1) Messrs. Adam Berk and Steve Hubbard are not independent directors, as they serve as Chief Executive Officer of the Company and Chief Financial Officer of the Company, respectively.

Due Diligence Measures for Related Party Transactions

The following is a summary of the due diligence performed by the Company with respect to each of the Company's transactions with related parties.

Acquisition of Operating Companies – The Company retained legal counsel, both in Canada and in Oregon, to assist with the acquisition of the Operating Companies, including with respect to the drafting of the Operating Companies Merger Agreement. The Operating Companies Merger Agreement contained representations, warranties, covenants and indemnities in favour of the Company as would be customary for a transaction of this nature. In addition, the Company and its US counsel performed financial and legal due diligence on the Operating Companies, including a review of historical financial information, contracts and title searches. In addition, members of the Company's management team performed site visits of the property owned by the Operating Companies. Messrs. Berk, Hubbard and Bender declared a conflict of interest with respect to the acquisition of the Operating Companies. Messrs. Berk, Hubbard and Bender did not have influence on the due diligence review conducted by or on behalf of the Company. The non-conflicted members of the board of directors of the Company held an *in camera* session to consider the acquisition and ultimately approved it on the basis that it was in the best interests of the Company. The deemed value of the Shares issued to the vendors pursuant to the terms of the acquisition were determined in the context of the market. No third party valuations were obtained as part of the due diligence process.

Merger with Driven – The Company retained legal counsel, both in Canada and in Oregon, to assist with the Merger, including with respect to the drafting of the Merger Agreement. The Merger Agreement contains representations, warranties, covenants and indemnities in favour of the Company as would be customary for a transaction of this nature. In addition, the Company and its US counsel performed financial and legal due diligence on Operating Companies, including a review of historical financial information, contracts and title searches. In addition, members of the Company's management team performed site visits of the property leased by Driven. Members of the Company's management team also conducted due diligence on Driven's intellectual property. Mr. Berk declared a conflict of interest with respect to the Merger. Mr. Berk did not have influence on the due diligence review conducted by or on

behalf of the Company. The non-conflicted members of the board of directors of the Company held an *in camera* session to consider the acquisition and ultimately approved it on the basis that it was in the best interests of the Company. The deemed value of the Merger Consideration pursuant to the terms of the acquisition were determined in the context of the market. No third party valuations were obtained as part of the due diligence process.

INFORMATION CONCERNING DRIVEN

Name, Address and Incorporation

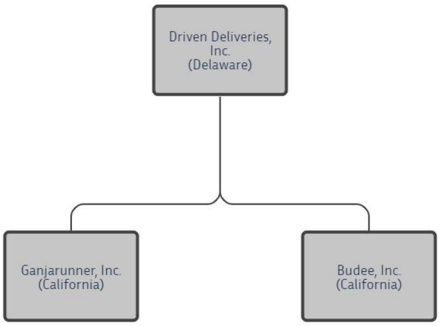
Driven was incorporated under the laws of the State of Delaware on July 22, 2013 under the name "Digital Commerce Solutions, Inc.". On September 5, 2014, Digital Commerce Solutions, Inc. changed its name to "Results-Based Outsourcing, Inc.".

On August 29, 2018, Results-Based Outsourcing, Inc. completed a reverse merger transaction with Driven Deliveries, Inc., a corporation incorporated under the laws of the State of Nevada ("**Driven Nevada**"). As consideration for the merger, Results-Based Outsourcing, Inc. issued the equity holders of Driven Nevada an aggregate of 30,000,000 shares of the common stock of Results-Based Outsourcing, Inc. Following the merger, Results-Based Outsourcing, Inc. changed its name to "Driven Deliveries, Inc." and carried on the business of Driven Nevada, as a delivery company for consumers of legal cannabis products in California. The shares of the common stock of Driven are listed for trading on the OTCQB under the symbol "DRVD".

Driven's principal executive office is located at 134 Penn Street, El Segundo, CA 90245.

Intercorporate Relationships

The following chart illustrates Driven's corporate structure including details of the jurisdiction of formation of each subsidiary. All lines represent 100% ownership of outstanding securities of the applicable subsidiary.



Business of Driven

Driven is an e-commerce and DaaS (delivery-as-a-service) provider with proprietary logistics and omnichannel UX/CX technology. Driven utilizes its own fulfillment centers, drivers, and proprietary technology. Driven provides two service levels to its customers: (i) an "Express" delivery with a limited product selection that is usually delivered within 90 minutes or less; and (ii) a "Next Day" scheduled delivery from a larger selection of 500+ products from a Driven fulfillment center.

Currently, customers are able to place online orders from Driven's core brands, Budee and Ganjarunner. Additionally, Driven provides third-party brands the ability to transact with customers using Driven's technology and delivery platform.

Currently, Driven completes tens of thousands of deliveries per month with a customer base of over 200,000 legal cannabis consumers. Driven's initial business was a "Dispensary to Consumer" model, where Driven provided the vehicle, logistics, and infrastructure to complete deliveries on behalf of orders processed by Driven's partner dispensaries. However, due to certain regulatory changes, Driven initiated a phase out of its "Dispensary to Consumer" model in favour of a "Direct to Consumer" model during the first quarter of 2019.

For further information in respect of Driven, see the unaudited condensed interim consolidated financial statements of Driven for the three and nine months ended September 30, 2020, as well as the audited financial statements of Driven for the years ended December 31, 2019 and 2018 included in this Prospectus at Schedule "A". See "*Financial Statement Presentation in this Prospectus*".

Development of the Business

In February 2019, Driven entered into a 2-year operating agreement with a joint venture between Driven and CA City Supply, LLC ("**City Supply**") to gain exposure in a new geographical area and create a location for operations based in California City, CA. Under Driven management, City Supply was selected as one of three licensee applicants to receive a non-storefront retail and delivery license in April 2019. Thereafter, the joint venture between Driven and City Supply was ultimately terminated due to changes in local regulations.

In June 2019, Driven acquired Ganjarunner, Inc. ("**Ganjarunner**"), an online retailer based in Sacramento, CA that also had a small operation in Los Angeles, CA that focused on "Next Day" delivery from a fulfillment center. Ganjarunner was focused on a more sophisticated consumer with its target audiences falling between 30 and 55 years of age and professionally employed who wanted specific products and brands and were willing to wait for them to be delivered the next day. Ganjarunner used a heavily modified commercially available eCommerce solution (WooCommerce) to complete the next day deliveries throughout the state of California.

In August 2019, following the integration of Ganjarunner with Driven, Driven began to combine "Express" deliveries with "Next Day" using a single technology and operations infrastructure.

In early September 2019, Driven entered into a joint venture with Budee, Inc. ("**Budee**"), a large on-demand retailer based in Oakland, CA, which had developed a proprietary inventory management system (the "**Budee Delivery Management System**"), eCommerce system, driver application and back-office system.

During the fourth quarter of 2019 and the first quarter of 2020, Driven and Budee, through the joint venture, began the process of analyzing and updating the Budee Delivery Management System. Through such efforts, Driven was able to complete the transition to the unified Budee Delivery Management System. On February 27, 2020, Driven acquired Budee. As of March 2020, all Driven brands, operations and infrastructure were integrated into a single technology based on the Budee Delivery Management System.

Driven's Properties

On October 22, 2019, Driven entered into a master services agreement with Herbacure Corporation ("**Herbalcure**") for the use of Herbalcure's licensed facility located in Gardena, CA. Additionally, Driven leases fulfilment centers in Oakland, CA and Sacramento, CA.

Driven Licenses

The following chart provides a summary of the Driven's cannabis licenses in the United States:

Holding Entity	Permit/License	City, State	Expiration Date	Description
Budee	C9-0000167-LIC	Oakland, CA	July 4, 2021	Adult-Use and Medical – Retailer Nonstorefront License
Budee	103038629-0001	Oakland, CA	N/A	Seller's Permit
Herbalcure	C12-0000205-LIC	Gardena, CA	July 4, 2012	Adult-Use and Medical – Retailer Nonstorefront License
Herbalcure	102-517344	Gardena, CA	N/A	Seller's Permit
Ganjarunner	C9-0000185-LIC(1)	Sacramento, CA	N/A	Adult-Use and Medical – Retailer Nonstorefront License

Note:

(1) License is in final stage of approval.

For further disclosure regarding the Driven's U.S. cannabis operations and compliance with the Staff Notice 51-352, see "*Regulatory Overview*".

Selected Financial Information

The following tables sets out selected financial information for Driven for the periods or as at the dates indicated. The summary financial information should be read in conjunction with such financial statements and the related notes included in Schedule "A" to this Prospectus.

Statement of Operations Highlights

	Year Ended December 31 (Audited) (US $000)		**Nine Months Ended September 30 (Unaudited) (US $000)**	
	2019	**2018**	**2020**	**2019**
Net sales	2,823	(65)	13,848	1,259
Total cost of goods sold	1,851	3	15,421	604
Total operating expenses	13,474	2,553	11,965	9,344
Net income (loss)	(12,502)	(2,621)	(13,538)	(8,690)

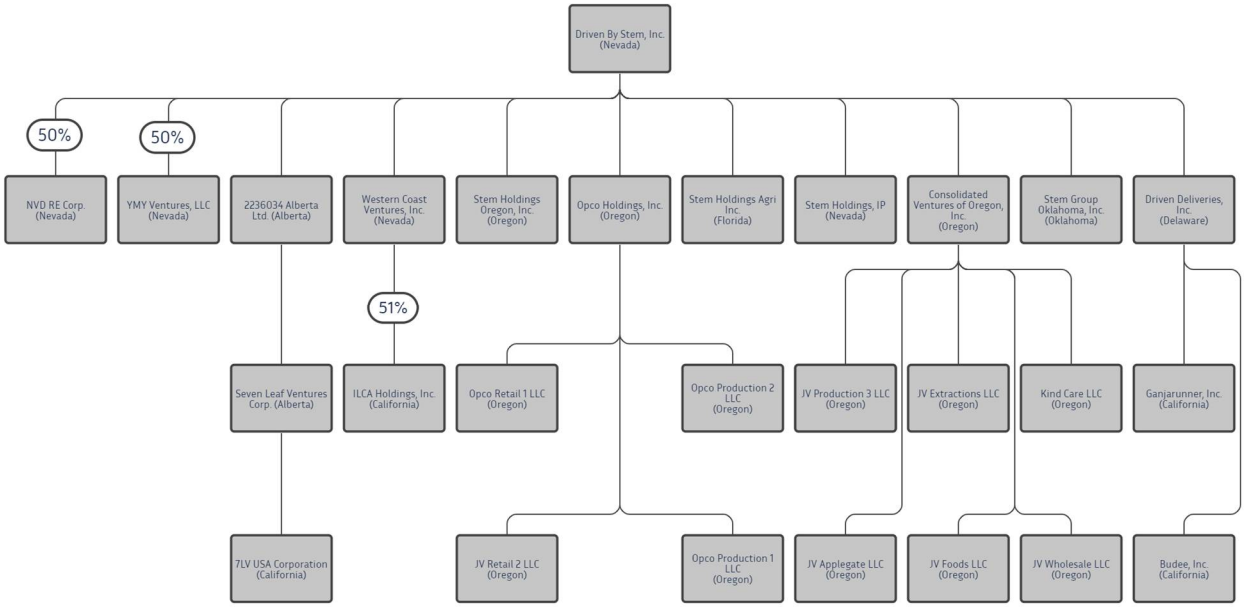
Statement of Financial Position Highlights

	December 31 (Audited) US $000		**September 30 (Unaudited) US $000**	
	2019	**2018**	**2020**	**2019**
Current assets	1,098	6	828	770
Total assets	7,251	34	15,722	7,668
Current liabilities	5,109	386	13,874	4,312
Total liabilities	5,628	386	14,160	5,877
Shareholders' equity (deficiency)	2,150	(352)	1,562	1,790

DESCRIPTION OF THE COMPANY – POST MERGER

Intercorporate Relationships

The following chart illustrates the Driven By Stem's corporate structure, following completion of the Merger, including details of the jurisdiction of formation of each subsidiary. Unless otherwise noted, all lines represent 100% ownership of outstanding securities of the applicable subsidiary.



Business of *Driven by Stem*

Following the completion of the Merger, the Company will continue to operate as a multi-state, vertically integrated, cannabis company that, through its subsidiaries and its investments, is engaged in the manufacture, possession, use, sale, distribution or branding of cannabis and/or holds licenses in the adult use and/or medical cannabis marketplace in the states of Oregon, Nevada, California, Oklahoma and Massachusetts. With the acquisition of Driven, the Company intends to become an omni-channel retailer, utilizing Driven's proprietary logistics and UX/CX technologies. The Company will be able to offer its customers: (i) an "Express" delivery with a limited product selection that is usually delivered within 90 minutes or less; and (ii) a "Next Day" scheduled delivery from a larger selection of 500+ products from a Company-operated fulfillment center.

Management of *Driven by Stem*

Upon the closing of the Merger, the members of senior management of *Driven by Stem* are expected to be:

- **Adam Berk, Chief Executive Officer and Chairman:** Adam Berk is the current CEO of Stem and a member of Driven's Board of Directors. Mr. Berk is the former CEO of Osmio (currently GrubHub), the first patented web-online food ordering system.

- **Steve Hubbard, Chief Financial Officer:** Steve Hubbard is the current CFO of Stem**.**

- **Ellen Deutsch, EVP/Chief Operating Officer:** Ellen Deutsch is the current Executive Vice President and COO of Stem. Ms. Deutsch was an executive of Hain Celestial Group, Inc. for over 20 years prior to joining Stem.

- **Salvador Villanueva, President:** Salvador Villanueva is the current President of Driven.

- **Brian Hayek, Chief Compliance Officer & Special Projects:** Brian Hayek is a co-founder and current Chief Financial Officer of Driven.

Selected Pro Forma Financial Information

The following table sets out selected unaudited pro forma financial information as at and for the periods indicated for the Company after giving effect to the Merger. This unaudited pro forma financial information is presented for illustrative purposes only and are not necessarily indicative of: (i) the financial results that would have occurred had the Merger actually occurred at the times contemplated by the notes to the unaudited pro forma consolidated financial statements of the Company; or (ii) the results expected in future periods.

	Nine Months Ended June 30, 2020 (Unaudited) (US $000)
Revenue	24,163
Total operating expenses	22,011
Net income (loss)	(23,209)

	June 30, 2020 (Unaudited) (US $000)
Current assets	16,452
Total assets	72,110
Current liabilities	31,509
Total liabilities	34,880
Shareholders' equity (deficiency)	37,230

REGULATORY OVERVIEW

In accordance with Staff Notice 51-352, below is a table of concordance that is intended to assist readers in identifying those parts of this Prospectus that address the disclosure expectations outlined in Staff Notice 51-352.

The following table is intended to assist readers in identifying those parts of this Prospectus that address the disclosure expectations outlined in Staff Notice 51-352 for issuers that currently have cannabis-related activities in U.S. states where such activity has been authorized within a state regulatory framework.

Industry Involvement	**Specific Disclosure Necessary to Fairly Present All Material Facts, Risks and Uncertainties**	**Prospectus Cross Reference**
All Issuers with U.S. Cannabis-Related Activities	Describe the nature of the issuer's involvement in the U.S. cannabis industry and include the disclosures indicated for at least one of the direct, indirect and ancillary industry involvement types noted in this table.	*Description of the Business* *Regulatory Overview – Regulation of the Cannabis Market at State and Local Levels*
	Prominently state that cannabis is illegal under U.S. federal law and that enforcement of relevant laws is a significant risk.	*Cover Page* *Regulatory Overview – Regulation of the Cannabis Market at State and Local Levels* *Risk Factors – Risks Related to the Legality of Cannabis*
	Discuss any statements and other available guidance made by federal authorities or prosecutors regarding the risk of enforcement action in any	*Cover Page* *Regulatory Overview – Regulation of Cannabis in the United States Federally*

	jurisdiction where the issuer conducts U.S. cannabis-related activities.	*Risk Factors – Risks Related to the Legality of Cannabis*
	Outline related risks including, among others, the risk that third-party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the issuer's ability to operate in the U.S.	*Cover Page* *Risk Factors – Risks Related to Management, Employees and Suppliers – Service Providers*
	Given the illegality of cannabis under U.S. federal law, discuss the issuer's ability to access both public and private capital and indicate what financing options are / are not available in order to support continuing operations.	*Regulatory Overview – Ability to Access Public and Private Capital*
	Quantify the issuer's balance sheet and operating statement exposure to U.S. cannabis-related activities.	*At the time of this Prospectus, 100% of the Company's operations are in the United States.*
	Disclose if legal advice has not been obtained, either in the form of a legal opinion or otherwise, regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law.	*Regulatory Overview – Compliance with Applicable State Law in the United States*
Issuers with Direct Involvement in Cultivation or Distribution	Outline the regulations for U.S. states in which the issuer operates and confirm how the issuer complies with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	*Regulatory Overview – Regulation of the Cannabis Market at State and Local Levels*
	Discuss the issuer's program for monitoring compliance with U.S. state law on an ongoing basis, outline internal compliance procedures and provide a positive statement indicating that the issuer is in compliance with U.S. state law and the related licensing framework. Promptly disclose any noncompliance, citations or notices of violation which may have an impact on the issuer's license, business activities or operations.	*Regulatory Overview – Compliance with Applicable State Law in the United States*
Issuers with Indirect Involvement in Cultivation or Distribution	Outline the regulations for U.S. states in which the issuer's investee(s) operate.	*Regulatory Overview – Regulation of the Cannabis Market at State and Local Levels*
	Provide reasonable assurance, through either positive or negative statements, that the investee's business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state. Promptly disclose any noncompliance, citations or notices of violation, of which the issuer is aware,	*Regulatory Overview – Compliance with Applicable State Law in the United States*

	that may have an impact on the investee's license, business activities or operations.	
Issuers with Material Ancillary Involvement	Provide reasonable assurance, through either positive or negative statements, that the applicable customer's or investee's business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	Not applicable.

In accordance with Staff Notice 51-352, below is a discussion of the federal and state-level U.S. regulatory regimes in those jurisdictions where the Company is currently directly or indirectly involved through its subsidiaries and affiliates. The Company's subsidiaries or affiliates are directly or indirectly engaged, or will be engaged, in the manufacture, possession, use, sale or distribution of cannabis in the adult use and/or medicinal cannabis marketplace in the states of Nevada, Oregon, Oklahoma, California and Massachusetts. In accordance with Staff Notice 51-352, the Company will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented and amended to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding cannabis regulation. Any non-compliance, citations or notices of violation which may have a material impact on the Company's licenses, business activities or operations will be promptly disclosed by the Company.

Regulation of Cannabis in the United States Federally

Under U.S. federal law, cannabis is classified as a Schedule I drug. The CSA has five different tiers or schedules. A Schedule I drug means the United States Drug Enforcement Administration ("**DEA**") considers it to have a high potential for abuse, no accepted medical treatment, and lack of accepted safety for the use of it even under medical supervision. Other Schedule I drugs include heroin, LSD and ecstasy. In June 2018, the FDA approved Epidiolex, a purified form of CBD derived from the cannabis plant and used to treat two rare, intractable forms of epilepsy. The Company believes cannabis's categorization as a Schedule I drug is thus not reflective of the medicinal properties of cannabis or the public perception thereof, and numerous studies show cannabis is not able to be abused in the same way as other Schedule I drugs, has medicinal properties, and can be safely administered. In this respect, 35 states, the District of Columbia, Guam, Puerto Rico, the U.S. Virgin Islands and the Northern Mariana Islands have passed laws authorizing comprehensive, publicly available medical cannabis programs, and 15 of those states and the District of Columbia have passed laws legalizing cannabis for adult use (and several other states are actively considering such laws).

In an effort to address incongruities between cannabis prohibition under the CSA and legalization under various state laws, the federal government issued guidance to law enforcement agencies and financial institutions during the Obama Administration through DOJ memorandum. The most recent such memorandum is the Cole Memo. The Cole Memo provided guidance to federal enforcement agencies as to how they should prioritize civil enforcement, criminal investigations and prosecutions regarding cannabis in all states. The Cole Memo shielded individuals and businesses participating in state-legal cannabis operations from prosecution under federal drugs laws, excepting cannabis related conduct that fell into one of the following enumerated prosecution priorities:

1. Preventing the distribution of cannabis to minors;
2. Preventing revenue from the sale of cannabis from going to criminal enterprises, gangs and cartels;
3. Preventing the diversion of cannabis from states where it is legal under state law in some form to other states;
4. Preventing the state-authorized cannabis activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity;
5. Preventing the violence and the use of firearms in the cultivation and distribution of cannabis;
6. Preventing the drugged driving and the exacerbation of other adverse public health consequences associated with cannabis use;

7. Preventing the growing of cannabis on public lands and the attendant public safety and environmental dangers posed by cannabis production on public lands; and

8. Preventing cannabis possession or use on federal property.

On January 4, 2018, then U.S. Attorney General Jeff Sessions issued a memorandum (the "**Sessions Memorandum**"), which rescinded the Cole Memo. Rather than provide nationwide guidance respecting cannabis-related crimes in jurisdictions where certain cannabis activity was legal under state law, the Sessions Memorandum instructs that "[i]n deciding which cannabis activities to prosecute... with the DOJ's finite resources, prosecutors should follow the well-established principles that govern all federal prosecutions." Namely, these include the seriousness of the offense, history of criminal activity, deterrent effect of prosecution, the interests of victims, and other principles. Former U.S. Attorney General Jeff Sessions resigned in November 2018 and was replaced by Matthew Whitaker as interim Attorney General. In February 2019, William Barr was sworn in as Attorney General. Following the recent election, President-elect Joseph Biden has yet to announce his nomination for who will succeed Mr. Barr as the U.S. Attorney General. It is unclear what position the new administration will take with respect to enforcing federal drugs laws in jurisdictions with state-legal cannabis operations.

Despite rescission of the Cole Memo, the Company remains mindful of the common-sense prosecution priorities set forth therein and has not modified policies or procedures intended to support its underlying safety-focused intent. To this end, the Company and its operating subsidiaries adhere to industry best practices for operations, mandate strict compliance with applicable state and local laws, rules, regulations, ordinances, guidance and like authority, implement procedures designed to ensure operations do not exceed what is authorized under applicable licenses, perform stringent diligence on third-parties with whom it does business, performs background checks on employees, and maintains state-of-the-art inventory tracking and other security infrastructure. Regular reviews of the foregoing and related operations, premises, documentation and the like are performed to ensure compliance with the Company's safety, security and compliance standards.

Although the Cole Memo has been rescinded, one legislative safeguard for the medical cannabis industry remains in place: Congress has passed a so-called "rider" provision in the FY 2015, 2016, 2017, 2018, 2019 and 2020 Consolidated Appropriations Acts to prevent the federal government from using congressionally appropriated funds to enforce federal cannabis laws against state regulated medical cannabis actors operating in compliance with state and local law (the "**Rohrabacher-Farr Amendment**"). In signing the 2019 Consolidated Appropriations Act, President Trump issued a signing statement noting that the Consolidated Appropriations Act "provides that the DOJ may not use any funds to prevent implementation of medical marijuana laws by various states and territories," and further stating "[he] will treat this provision consistent with the President's constitutional responsibility to faithfully execute the laws of the United States." While the signing statement can fairly be read to mean that the executive branch intends to enforce the CSA and other federal laws prohibiting the sale and possession of medical cannabis, President Trump did issue a similar signing statement in 2017 and no major federal enforcement actions followed. On September 27, 2019 the Rohrabacher-Farr Amendment was temporarily renewed through a stopgap spending bill and was similarly renewed again on November 21, 2019. The FY 2020 omnibus spending bill was ultimately passed on December 20, 2019, making the Rohrabacher-Farr Amendment effective through September 30, 2020. In signing the spending bill, President Trump again released a statement similar to the ones he made May 2017 and February 2019 regarding the Rohrabacher-Farr Amendment. On October 1, 2020, the Rohrabacher-Farr Amendment was temporarily renewed through the signing of a stopgap spending bill, effective through December 11, 2020; however, it is uncertain whether Congress will extend the Rohrabacher-Farr Amendment beyond December 11, 2020. Notably, the Rohrabacher-Farr Amendment has applied only to medical cannabis programs and has not provided the same protections to enforcement against adult-use cannabis activities.

There is a growing consensus among cannabis businesses and numerous congressmen and congresswomen that guidance is not law and temporary legislative riders, such as the Rohrabacher-Farr Amendment, are an inappropriate way to protect lawful medical cannabis businesses. Given current political trends, the Company considers recent efforts at comprehensive reform unlikely in the near-term. For the time being, cannabis remains a Schedule I controlled substance at the federal level, and neither the Cole Memo nor its rescission nor the continued passage of the Rohrabacher-Farr Amendment has altered that fact. The federal government of the United States has always reserved the right to enforce federal law regarding the sale and disbursement of medical or adult-use cannabis, even if state law sanctions such sale and disbursement. If the United States federal government begins to enforce United States federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state

laws are repealed or curtailed, the Company's business, results of operations, financial condition and prospects could be materially adversely affected.

Due to the CSA categorization of cannabis as a Schedule I drug, U.S. federal law makes it illegal for financial institutions that depend on the Federal Reserve's money transfer system to take any proceeds from cannabis sales as deposits. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses under the Bank Secrecy Act. Under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering or conspiracy.

While there has been no change in U.S. federal banking laws to account for the trend towards legalizing medical and adult use cannabis by U.S. states, the Financial Crimes Enforcement Network ("**FinCEN**") bureau of the U.S. Treasury Department has issued guidance in 2014 to prosecutors handling money laundering and other financial crimes advising them not to focus enforcement efforts on banks and other financial institutions servicing cannabis-related businesses so long as such businesses are legally operating under state law and not engaging in conduct within the scope of a Cole Memo prosecution priority (such as keeping cannabis away from minors and out of the hands of organized crime). The 2014 FinCEN guidance also clarifies how financial institutions can provide services to cannabis-related businesses consistent with their Bank Secrecy Act obligations, including thorough customer due diligence, but makes it clear that they are doing so at their own risk. The customer due diligence steps include:

1. Verifying with the appropriate state authorities whether the business is duly licensed and registered;

2. Reviewing the license application (and related documentation) submitted by the business for obtaining a state license to operate its cannabis-related business;

3. Requesting from state licensing and enforcement authorities available information about the business and related parties;

4. Developing an understanding of the normal and expected activity for the business, including the types of products to be sold and the type of customers to be served (e.g., medical versus adult use customers);

5. Ongoing monitoring of publicly available sources for adverse information about the business and related parties;

6. Ongoing monitoring for suspicious activity, including for any of the red flags described in this guidance; and

7. Refreshing information obtained as part of customer due diligence on a periodic basis and commensurate with the risk.

With respect to information regarding state licensure obtained in connection with such customer due diligence, the 2014 FinCEN guidance allows financial institutions to reasonably rely on the accuracy of information provided by state licensing authorities where states make such information available.

Unlike the Cole Memo, 2014 FinCEN guidance remains effective as of the date of this AIF, and Secretary Mnuchin has publicly voiced his intent to leave such guidance in force and effect. Despite FinCEN's guidance, most banks and other financial institutions are still unwilling to provide banking or other financial services to cannabis businesses resulting in largely cash-based operations. While the FinCEN guidance decreased some risk for banks and financial institutions that accept cannabis business, it has not increased the industry's access to banking services because financial institutions are required to perform extensive, continuous customer diligence respecting cannabis customers and are not immune from prosecution based transacting business with such customers. In fact, some banks that had been servicing cannabis businesses have been closing the cannabis businesses' accounts and are now refusing to open accounts for new cannabis businesses due to cost, risk, or both.

Though there is no guarantee the Trump administration, the Biden administration, or a future administration will not change relevant federal policy, as a practical matter, the legal cannabis industry has not seen a material change in federal enforcement activities since rescission of the Cole Memo. However, it is possible existing appropriation rider protection and existing prosecutorial discretion not to enforce federal drugs laws against state-legal cannabis business could change at any time.

Finally, revenue from the Company's cannabis operations is subject to Section 280E of the United States Internal Revenue Code of 1986 as amended. Section 280E of the United States Internal Revenue Code of 1986 prohibits cannabis businesses from deducting ordinary and necessary business expenses, resulting in a materially higher effective federal income tax rate than businesses in other industries Therefore, businesses in the legal cannabis industry may be less profitable than they would otherwise be in a different industry.

On December 20, 2018, the Farm Bill became law in the United States. Under the Farm Bill, industrial and commercial hemp is no longer classified as a Schedule I controlled substance in the United States. Hemp includes the plant cannabis sativa L and any part of that plant, including seeds, derivatives, extracts, cannabinoids and isomers. To qualify under the Farm Bill, hemp must contain no more than 0.3% of delta-9-THC. The Farm Bill explicitly allows interstate commerce of hemp which will enable the transportation and shipment of hemp across state lines, thus, the Farm Bill fundamentally changed how hemp and hemp-derived products (such as those containing CBD extracted from hemp) are regulated in the U.S.

The risk of federal enforcement and other risks associated with the Company's business are described under "*Risk Factors*" in this Prospectus

Regulation of the Cannabis Market at State and Local Levels

The following chart sets out, for each of the subsidiaries and other entities through which the Company conducts is operations, the U.S. state(s) in which it operates, the nature of its operations (adult-use/medicinal), whether such activities carried on are direct, indirect or ancillary in nature (as such terms are defined in Staff Notice 51-352), the number of sales, cultivation and other licenses held by such entity and whether such entity has any operational cultivation or processing facilities.

State	Entities	Adult-Use / Medical	Direct / Indirect / Ancillary	Dispensary Licenses	Cultivation / Processing / Distribution Licenses	Operational Dispensaries	Operational Cultivation / Processing Facilities
California	ILCA & 7LV USA	Medical	Direct and Indirect(1)	1	1	1	0
Massachusetts	CGP	Adult-Use	Indirect(2)	1	1	1	0
Nevada	YMY	Both	Indirect(3)	N/A	4	N/A	1
Oklahoma	SOK 1 & Cultivate ADA	Medical	Indirect(4)	1	1	1	1
Oregon	Various	Both	Direct and Ancillary(1)	3	9	3	5

Notes:

(1) The Company's wholly-owned subsidiary, 7LV USA, operates a cannabis dispensary in Sacramento, California. The Company holds a 51% interest in ILCA, which is building a cannabis facility in San Diego, California.

(2) The Company holds a 7% interest in CGP, which operates a cannabis dispensary in Great Barrington, Massachusetts. CGP is also building a cannabis facility in Northampton, Massachusetts. The Company also holds debt that is convertible into an additional 15% interest in CGP.

(3) The Company holds a 50% interest in YMY, which operates a cannabis facility in North Las Vegas, Nevada.

(4) The Company holds 7% interests in SOK 1 and Cultivate ADA, which operate a cannabis dispensary and cannabis facility, respectively.

(5) The Company holds all licenses in Oregon directly, through wholly-owned subsidiaries, except for a producer license held by Alternative Organics. Pursuant to an operating agreement between the Company and Alternative Organics, the Company acts as director and manager of all day-to-day business operations.

Following the completion of the Merger, the Company will also hold three non-storefront retail licenses and two seller's permits in the State of California.

California

History

In 1996, California voters passed a medical cannabis law allowing physicians to recommend cannabis for an inclusive set of qualifying conditions including chronic pain and providing immunity/defense to criminal proceedings. The law was amended in 2003 to expand the criminal defense to groups of patients/caregivers, but there was no state licensing authority to oversee the businesses that emerged as a result of the system. In September 2015, the California legislature passed three bills, collectively known as the "Medical Marijuana Regulation and Safety Act" ("**MMRSA**" later referred to as MCRSA after an amendment changed the word "Marijuana" to "Cannabis"). In 2016, California voters passed the "Adult Use of Marijuana Act" ("**AUMA**"), which legalized adult-use cannabis for adults 21 years of age and older and created a licensing system for commercial cannabis business. On June 27, 2017, Governor Brown signed SB-94 into law. SB-94 combines California's medicinal and adult-use regulatory framework into one licensing structure under the Medicinal and Adult-Use of Cannabis Regulation and Safety Act ("**MAUCRSA**").

Regulatory Summary

Pursuant to MAUCRSA: (i) the California Department of Food and Agriculture, via CalCannabis, issues licenses to cannabis cultivators, (ii) the California Department of Public Health, via the Manufactured Cannabis Safety Branch (the "**MCSB**") issues licenses to cannabis manufacturers and (iii) the California Department of Consumer Affairs, via the Bureau of Cannabis Control (the "**BCC**"), issues licenses to cannabis distributors, testing laboratories, retailers, and micro-businesses. These agencies also oversee the various aspects of implementing and maintaining California's cannabis landscape, including the statewide track and trace system. All three agencies released their emergency rulemakings at the end of 2017 and have begun issuing licenses.

In July, 2017, the State of California established the MCSB to develop statewide standards, regulations, and licensing procedures in relation to cannabis, and is addressing policy issues in support of cannabis manufacturers. MCSB is responsible for issuing licenses to manufacturers of cannabis products.

To operate legally under state law, cannabis operators must obtain the requisite state licensure and local approval. Local authorization is a prerequisite to obtaining state licensure, and local governments are permitted to prohibit or otherwise regulate the types and number of cannabis businesses allowed in their locality. The state license approval process is not competitive and there is no limit on the number of state licenses an entity may hold. Although vertical integration across multiple license types is allowed under the MAUCRSA, testing laboratory licensees may not hold any other licenses aside from a laboratory license. However, a licensee is not prohibited from performing testing on the licensee's premises for the purposes of quality assurance of a cannabis product in conjunction with reasonable business operations (testing conducted on a licensee's premises by the licensee does not meet the testing requirements required under the MAUCRSA). There are also no residency requirements for ownership under MAUCRSA.

California License Types

Once an operator obtains local approval, the operator must obtain state licenses before conducting any commercial cannabis activity. There are 12 different license types that cover all commercial activity. License types 1-3 and 5 authorize the cultivation of medical and/or adult use cannabis plants. Type 4 licenses are for nurseries that cultivate and sell clones and "teens" (immature cannabis plants that have established roots but require further vegetation prior to being sent into the flowering period). Type 6 and 7 licenses authorize manufacturers to process cannabis biomass into certain value-added products such as shatter or cannabis distillate oil with the use of volatile or non-volatile solvents, depending on the license type. Type 8 licenses are held by testing facilities who test samples of cannabis products and generate "certificates of analysis," which include important information regarding the potency of products and whether products have passed or failed certain threshold tests for pesticide and microbiological contamination. Type 9 licenses are issued to "non-storefront" retailers, commonly called delivery services, who bring cannabis products directly to customers and patients at their residences or other chosen deliver location. Type 10 licenses are known as "Transport-Only" distribution licenses, and they allow the distributor to transport cannabis and cannabis products between licensees, but not to retailers. Type 12 licenses are issued to distributors who move cannabis and cannabis products to all license types, including retailers.

Company Licenses

On March 29, 2019, the Company executed a definitive agreement to acquire Western Coast Ventures, Inc. ("**WCV**"), an arm's length private corporation incorporated under the laws of Nevada. Other than approximately $2,000,000 in cash, WCV's sole asset was a 51% ownership interest in ILCA. ILCA was issued a limited conditional use permit for a cannabis production facility by the City of San Diego. Upon issuance of the final cannabis production facility permit and the completed construction of the facility, the ILCA will: (i) operate an advanced cannabis facility to grow and cultivate cannabis; (ii) manufacture cannabis-derived products; and (iii) distribute cannabis and cannabis-derived products state-wide throughout California.

On March 5, 2020, the Company closed the acquisition of Seven Leaf Ventures Corp. ("**7LV**"), an arm's length private corporation incorporated under the laws of Alberta, and its subsidiaries, pursuant to the terms of a share purchase agreement dated March 5, 2020. A subsidiary of 7LV, 7LV USA, owns Foothills Health and Wellness, a medical dispensary, in the greater Sacramento, California area.

The table below lists the licences directly and indirectly held by the Company in the State of California:

Holding Entity	Permit/License	City, State	Expiration Date	Description
ILCA[(1)]	2058040	San Diego, California	August 31, 2021	Conditional Use Permit - Production
7LV USA	C10-0000679-LIC	Sacramento, California	January 14, 2021	Medicinal Retailer License (Provisional)

Note:
(1) The Company holds a 51% interest in ILCA, which is building a cannabis facility in San Diego, California.

Following the completion of the Merger, the Company will hold the following licenses:

Holding Entity	Permit/License	City, State	Expiration Date	Description
ILCA[(1)]	2058040	San Diego, California	August 31, 2021	Conditional Use Permit – Production
7LV USA	C10-0000679-LIC	Sacramento, California	January 14, 2021	Medicinal Retailer License (Provisional)
Budee	C9-0000167-LIC	Oakland, CA	July 4, 2021	Adult-Use and Medical – Retailer Nonstorefront License
Budee	103038629-0001	Oakland, CA	N/A	Seller's Permit
Herbalcure	C12-0000205-LIC	Gardena, CA	July 4, 2012	Adult-Use and Medical – Retailer Nonstorefront License
Herbalcure	102-517344	Gardena, CA	N/A	Seller's Permit
Ganjarunner	C9-0000185-LIC[(2)]	Sacramento, CA	N/A	Adult-Use and Medical – Retailer Nonstorefront License

Notes:
(1) The Company holds a 51% interest in ILCA, which is building a cannabis facility in San Diego, California.
(2) License is in final stage of approval.

California Agencies Regulating the Commercial Cannabis Industry

There are three agencies tasked with regulating the cannabis industry in California. The California Department of Food and Agriculture ("**CDFA**") oversees nurseries and cultivators; the California Department of Public Health ("**CDPH**") oversees manufacturers, and the newly created Bureau of Cannabis Control ("**BCC**") oversees distributors,

retailers, delivery services and testing laboratories. Operators must apply to one or more of the agencies for their licenses, and each agency has released regulations specific to the operation of the types of businesses they oversee. The BCC has a number of regulations that apply to all licensees, but the CDFA and CDPH regulations only apply to the licensees in their charge.

California Transportation

Transporting cannabis goods between licensees and a licensed facility may only be performed by persons holding a distributor license. The vehicle or trailer used must not contain any markings or features on the exterior which may indicate or identify the contents or purpose. All cannabis products must be locked in a box, container, or cage that is secured to the inside of the vehicle or trailer. When left unattended, vehicles must be locked and secured. At a minimum, the vehicle must be equipped with an alarm system, motion detectors, pressure switches, duress, panic, and hold-up alarms.

California Inventory/Storage

Each licensee is required to assign an account manager to oversee the track and trace system. The account manager is fully trained on the system and is accountable to record all commercial cannabis activities accurately and completely. The licensee is expected to correct any data that is entered into the track and trace system in error within three business days of discovery of the error. The licensee is required to report information in the track and trace system for each transfer of cannabis or non-manufactured cannabis products to, or cannabis or non-manufactured cannabis products received from, other licensed operators. Licensees must use the track and trace system for all inventory tracking activities at a licensed premise, including, but not limited to, reconciling all on-premise and in-transit cannabis or non-manufactured cannabis product inventories at least once every 30 business days. The licensee must store cannabis and cannabis products in a secure place with locked doors.

California Record-keeping/Reporting

The cultivation, processing, and movement of cannabis within the state is tracked by the METRC system, into which all licensees are required to input their track and trace data (either manually or using another software that automatically uploads to METRC). Immature plants are assigned a Unique Identifier number (UID), and this number follows the flowers and biomass resulting from that plant through the supply chain, all the way to the consumer. Each licensee in the supply chain is required to meticulously log any processing, packaging, and sales associated with that UID.

Retail Compliance in California

California require that certain warnings, images and content information be printed on all cannabis packaging. BCC regulations also include certain requirements about tamper-evident and child-resistant packaging. Distributors and retailers are responsible for confirming that products are properly labeled and packaged before they are sold to a customer.

Consumers aged 21 and up may purchase cannabis in California from a dispensary with an “adult-use” license. Some localities still only allow medicinal dispensaries. Consumers aged 18 and up with a valid physician’s recommendation may purchase cannabis from a medicinal-only dispensary or an adult-use dispensary. Consumers without valid physician’s recommendations may not purchase cannabis from a medicinal-only dispensary. All cannabis businesses are prohibited from hiring employees under the age of 21.

California Security

Each local government in California has its own security requirements for cannabis businesses, which usually include comprehensive video surveillance, intrusion detection and alarms and limited-access areas where only employees and other authorized individuals may enter. All licensee employees must wear employee badges. The limited-access areas

must be locked with "commercial-grade, non-residential door locks on all points of entry and exit to the licensed premises."

Each licensed premises must have a digital video surveillance system that can "effectively and clearly" record images of the area under surveillance. Cameras must be "in a location that allows the camera to clearly record activity occurring within 20 feet of all points of entry and exit on the licensed premises." The regulations list specific areas which must be under surveillance, including places where cannabis goods are weighed, packed, stored loaded and unloaded, security rooms and entrances and exits to the premises. Retailers must record point of sale areas on the video surveillance system.

Licensed retailers must hire security personnel to provide on-site security services for the licensed retails premises during hours of operation. All security personnel must be licensed by the Bureau of Security and Investigate Services.

California Inspections

All licensees are subject to annual and random inspections of their premises. Cultivators may be inspected by the California Department of Fish and Wildlife, the California Regional Water Quality Control Boards, and the California Department of Food and Agriculture. Manufacturers are subject to inspection by the California Department of Public Health, and Retailers, Distributors, Testing Laboratories, and Delivery services are subject to inspection by the Bureau of Cannabis Control. Inspections can result in notices to correct, or notices of violation, fines, or other disciplinary action by the inspecting agency.

Cannabis taxes in California

Several taxes are imposed at the point of sale and are required to be collected by the retailer. The State imposes an excise tax of 15%, and a sales and use tax is assessed on top of that. Cities and Counties apply their sales tax along with the State's sales and use tax, and many cities and counties have also authorized the imposition of special cannabis business taxes which can range from 2% to 10% of gross receipts of the business.

U.S. Attorney Statements in California

To the knowledge of management of Stem, other than as disclosed in this Prospectus, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in California. See *"Risk Factors"*.

Massachusetts

History

The Massachusetts Medical Use of Marijuana Program (the "**MA Program**") was formed pursuant to the Act for the Humanitarian Medical Use of Marijuana (the "**MA ACT**"). The MA Program allows registered persons to purchase medical cannabis and applies to any patient, personal caregiver, Registered Marijuana Dispensary (each, a "**RMD**"), and RMD agent that qualifies and registers under the MA Program. To qualify, patients must suffer from a debilitating condition as defined by the MA Program. Currently there are nine conditions that allow a patient to acquire cannabis in Massachusetts, including AIDS/HIV, ALS, cancer and Crohn's disease. The MA Program is administrated by the Department of Public Health, Bureau of Health Care Safety and Quality. In November 2016, Massachusetts voted affirmatively on a ballot petition to legalize and regulate cannabis for adult-use. The Massachusetts legislature amended the law on December 28, 2016, delaying the date adult-use cannabis sales would begin by six months. The delay allowed the legislature to clarify how municipal land-use regulations would treat the cultivation of cannabis and authorized a study of related issues. After further debate, the state House of Representatives and state Senate approved H.3818 which became Chapter 55 of the Acts of 2017, An Act to Ensure Safe Access to Marijuana, and established

the Cannabis Control Commission (the "**MA CCC**"). The MA CCC consists of five commissioners and regulates the Massachusetts Recreational Marijuana Program. Adult-use of cannabis in Massachusetts started in July 2018.

Regulatory Summary (Medical)

Under the MA Program, RMDs are heavily regulated. Vertically integrated RMDs grow, process, and dispense their own cannabis. As such, each RMD is required to have a retail facility as well as cultivation and processing operations, although retail operations may be separate from grow and cultivation operations. A RMD's cultivation location may be in a different municipality or county than its retail facility.

The MA Program mandates a comprehensive application process for RMDs. Each RMD applicant must submit a Certificate of Good Standing, comprehensive financial statements, a character competency assessment, and employment and education histories of the senior partners and individuals responsible for the day-to-day security and operation of the RMD. Municipalities may individually determine what local permits or licenses are required if an RMD wishes to establish an operation within its boundaries.

Each Massachusetts dispensary, grower and processor license is valid for one year and must be renewed no later than 60 calendar days prior to expiration. As in other states where cannabis is legal, the MA CCC can deny or revoke licenses and renewals for multiple reasons, including (a) submission of materially inaccurate, incomplete, or fraudulent information, (b) failure to comply with any applicable law or regulation, including laws relating to taxes, child support, workers compensation and insurance coverage, (c) failure to submit or implement a plan of correction (d) attempting to assign registration to another entity, (e) insufficient financial resources, (f) committing, permitting, aiding, or abetting of any illegal practices in the operation of the RMD, (g) failure to cooperate or give information to relevant law enforcement related to any matter arising out of conduct at an RMD, and (h) lack of responsible RMD operations, as evidenced by negligence, disorderly or unsanitary facilities or permitting a person to use a registration card belonging to another person. Additionally, license holders must ensure that no cannabis is sold, delivered, or distributed by a producer from or to a location outside of this state.

Regulatory Summary (Adult-Use)

Many of the same application requirements exist for a marijuana establishment license as a RMD application, and each owner, officer or member must undergo background checks and fingerprinting with the CCC. Applicants must submit the location and identification of each site, and must establish a property interest in the same, and the applicant and the local municipality must have entered into a host agreement authorizing the location of the adult-use marijuana establishment within the municipality, and said agreement must be included in the application. Applicants must include disclosure of any regulatory actions against it by the Commonwealth of Massachusetts, as well as the civil and criminal history of the applicant and its owners, officers, principals or members. The application must include the RMD applicant's plans for separating medical and adult-use operations, proposed timeline for achieving operations, liability insurance, business plan, and a detailed summary describing and/or updating or modifying the RMD's existing medical marijuana operating policies and procedures for adult-use including security, prevention of diversion, storage, transportation, inventory procedures, quality control, dispensing procedures, personnel policies, record keeping, maintenance of financial records and employee training protocols.

No person or entity may own more than 10% or "control" more than three licenses in each marijuana establishment class (i.e., marijuana retailer, marijuana cultivator, marijuana product manufacturer). Additionally, there is a 100,000 square foot cultivation canopy for adult-use licenses; however, there is no canopy restriction for RMD license holders relative to their cultivation facility.

Company Licenses

The Company holds a minority interest in an entity that holds one cultivation and one dispensary license in the State of Massachusetts. The table below lists the licences indirectly held by the Company:

Holding Entity	Permit/License	City, State	Expiration Date	Description
CGP[(1)]	MR282695	Massachusetts	September 2, 2021	Dispensary and Cultivation License

Note:

(1) The Company holds a 7% interest in CGP, which operates a cannabis dispensary in Great Barrington, Massachusetts. CGP is also building a cannabis facility in Northampton, Massachusetts. The Company also holds debt that is convertible into an additional 15% interest in CGP.

Massachusetts Transportation

A licensee transporting cannabis must ensure the product is in a secure, locked storage compartment. If a cannabis establishment, pursuant to a cannabis transporter license is transporting cannabis products for more than one cannabis establishment at a time, the cannabis products for each cannabis establishment must be kept in separate locked storage compartments during transportation and separate manifests are required for each cannabis establishment. Vehicles transporting cannabis must be equipped with an approved alarm system and functioning heating and air conditioning systems appropriate for maintaining correct temperatures for storage of cannabis products.

Massachusetts Inventory

Through the track and trace system, licensees are required to record all actions related to each individual cannabis plant. This robust inventorying requirement includes tracking how each plant is handled and processed from seed and cultivation, through growth, harvest and preparation of cannabis infused products, if any, to final sale of finished products. To meet this tracking requirement, the inventory tracking process is mandated to utilize unique plant and batch identification numbers. Besides capturing all processes associated with each cannabis plant, licensees must also establish and abide by inventory controls and procedures for conducting inventory reviews and comprehensive inventories of cultivating, finished, and stored cannabis products.

Massachusetts Security

Adequate security systems that prevent and detect diversion, theft, or loss of cannabis are required of each licensee. To ensure licensees meet the rigorous security standards, use of surveillance cameras is mandated. Video cameras must be appropriate for the lighting conditions of the area under surveillance. Interior video cameras must be directed at all safes, vaults, sales areas, and areas where cannabis is cultivated, harvested, processed, prepared, stored, handled, or dispensed.

Massachusetts Record-keeping/Reporting

Massachusetts uses METRC as the track and trace system. Individual licensees, whether directly or through a third-party application programming interface, are required to push data to the state to meet all reporting requirements.

Massachusetts Inspections

The CCC or its agents may inspect a licensee and affiliated vehicles at any time without prior notice. A licensee shall immediately upon request make available to the CCC information that may be relevant to a CCC inspection, and the CCC may direct a licensee to test cannabis for contaminants.

U.S. Attorney Statements in Massachusetts

On July 10, 2018, the U.S. Attorney for the District of Massachusetts, Andrew Lelling, issued a statement regarding the legalization of adult-use cannabis in Massachusetts. Mr. Lelling stated that since he has a constitutional obligation to enforce the laws passed by Congress, he would not immunize the residents of Massachusetts from federal law enforcement. He did state, however, that his office's resources would be primarily focused on combating the opioid epidemic. He stated that considering those factors and the experiences of other states that have legalized adult-use cannabis, his office's enforcement efforts would focus on the areas of (i) overproduction, (ii) targeted sales to minors and (iii) organized crime and interstate transportation of drug proceeds.

To the knowledge of management of the Company, other than as disclosed in this Prospectus, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Massachusetts.

Nevada

History

Nevada's medical cannabis market was introduced in June 2013 when the legislature passed SB374, legalizing the medicinal use of cannabis for certified patients. The first dispensaries opened to patients in August 2015.

The Nevada Division of Public and Behavioral Health licensed medical cannabis establishments up until July 1, 2017 when the State's medical cannabis program merged with adult-use cannabis enforcement under the State of Nevada Department of Taxation, Marijuana Enforcement Division (the "**Nevada Taxation Department**"). As of July 1, 2020, the medical cannabis program is administered by the Cannabis Compliance Board ("**CCB**"). In 2014, Nevada accepted medical cannabis business applications and a few months later the division approved 182 cultivation licenses, 118 licenses for the production of edibles and infused products, 17 independent testing laboratories, and 55 medical cannabis dispensary licenses. The number of dispensary licenses was then increased to 66 by legislative action in 2015. The application process is merit-based, competitive, and is currently closed. Residency is not required to own or invest in a Nevada medical cannabis business. In addition, vertical integration is neither required nor prohibited. Nevada's medical law includes patient reciprocity, which permits medical patients from other States to purchase cannabis from Nevada dispensaries. Nevada also allows for dispensaries to deliver medical cannabis to patients.

Each medical cannabis establishment must register with the Nevada Taxation Department and apply for a medical cannabis establishment registration certificate. As noted above, the application process is competitive, and, among other requirements, there are minimum liquidity requirements and restrictions on the geographic location of a medical cannabis establishment as well as restrictions relating to the age and criminal background of employees, owners, officers and board members of the establishment. All employees must be over 21 and all owners, officers and board members must not have any previous felony convictions or had a previously granted medical cannabis registration revoked. Additionally, each volunteer, employee, officer, board member, and owner of an effective 5% or greater interest of a medical cannabis establishment must be individually registered with the Nevada Taxation Department as a medical cannabis agent and hold a valid medical cannabis establishment agent card. The establishment must have adequate security measures and use an electronic verification system and inventory control system. If the proposed medical cannabis establishment will sell or deliver edible cannabis products or cannabis-infused products, the proposed establishment must establish operating procedures for handling such products, which must be preapproved by the Nevada Taxation Department.

In response to the rescission of the Cole Memo, Nevada Attorney General Adam Laxalt had issued a public statement, pledging to defend the law after it was approved by voters. Then-Governor Brian Sandoval also stated, "Since Nevada voters approved the legalization of recreational cannabis in 2016, I have called for a well-regulated, restricted and respected industry. My administration has worked to ensure these priorities are met while implementing the will of the voters and remaining within the guidelines of both the Cole and Wilkinson federal memos," and that he would like for Nevada to follow in the footsteps of Colorado, where the U.S. attorneys do not plan to change the approach to prosecuting crimes involving recreational cannabis.

In determining whether to issue a medical cannabis establishment registration certificate pursuant to NRS 453A.322, the Nevada Taxation Department, in addition the application requirements set out, considers the following criteria of merit:

- the total financial resources of the applicant, both liquid and illiquid;
- the previous experience of the persons who are proposed to be owners, officers of board members of the proposed medical cannabis establishment at operating other businesses or non-profit organizations;
- the educational achievements of the persons who are proposed to be owners, officers of board members of the proposed medical cannabis establishment;
- any demonstrated knowledge or expertise on the part of the persons who are proposed to be owners, officers or board members of the proposed medical cannabis establishment with respect to the compassionate use of cannabis to treat medical conditions;

- whether the proposed location of the proposed medical cannabis establishment would be convenient to serve the needs of persons who are authorized to engage in the medical use of cannabis;

- whether the applicant has an integrated plan for the care, quality and safekeeping of medical cannabis from seed to sale;

- the amount of taxes paid to, or other beneficial financial contributions made to, the State of Nevada or its political subdivisions by the applicant or the persons who are proposed to be the owners, officers or board members of the proposed medical cannabis establishment; and

- any other criteria of merit that the Nevada Taxation Department determines to be relevant.

A medical cannabis establishment registration certificate expires 1 year after the date of issuance and may be renewed upon resubmission of the application information and renewal fee to the Nevada Taxation Department.

The sale of cannabis for adult-use in Nevada was approved by ballot initiative on November 8, 2016, and Nevada Revised Statute 453D exempts a person who is 21 years of age or older from state or local prosecution for possession, use, consumption, purchase, transportation or cultivation of certain amounts of cannabis and requires the Nevada Taxation Department to begin receiving applications for the licensing of cannabis establishments on or before January 1, 2018. The legalization of retail cannabis does not change the medical cannabis program.

In February 2017, the Nevada Taxation Department announced plans to issue "early start" recreational cannabis establishment licenses in the summer of 2017. These licenses, which began on July 1, 2017, allowed cannabis establishments holding both a retail cannabis store and dispensary license to sell their existing medical cannabis inventory as either medical or adult-use cannabis, and expired at the end of the year. As of July 1, 2017, medical and adult-use cannabis have incurred a 15% excise tax on the first wholesale sale (calculated on the fair market value) and adult-use cannabis has incurred an additional 10% special retail cannabis sales tax in addition to any general State and local sales and use taxes.

On January 16, 2018, the Nevada Taxation Department issued final rules governing its adult-use cannabis program, pursuant to which up to sixty-six (66) permanent adult-use cannabis dispensary licenses will be issued. Existing adult-use cannabis licensees under the "early start" regulations must re-apply for licensure under the permanent rules in order to continue adult-use sales.

Under Nevada's adult-use cannabis law, the Nevada Taxation Department licenses cannabis cultivation facilities, product manufacturing facilities, distributors, retail stores and testing facilities. For the first 18 months, applications to the Nevada Taxation Department for adult-use distribution establishment licenses can only be accepted from existing medical cannabis establishments and existing liquor distributors.

In September, 2018, the Nevada Taxation Department accepted applications from existing Nevada medical cannabis establishment certificate owners to be awarded licenses for approximately 65 retail cannabis stores throughout the State. The application period closed on September 20, 2018, and the additional retail store licenses were awarded by the Nevada Taxation Department on December 5, 2018.

Regulatory Overview

The State of Nevada utilizes Metrc as its statewide seed-to-sale tracking system for all cannabis and cannabis products. All licensees within the State system are required, either directly or through third-party software systems that are capable of data integration, to report to the State all creation and transfers of such inventory to other licensees and sales to consumers. CSAC intends to designate a third-party computerized seed-to-sale inventory software tracking system designed to integrate with Metrc via an application programming interface.

Licensing Requirements

There are five certificate/license types issued in the State of Nevada:

"Marijuana cultivation facility" means an entity licensed to cultivate, process, and package cannabis, to have cannabis

tested by a cannabis testing facility, and to sell cannabis to retail cannabis stores, to cannabis product manufacturing facilities, and to other cannabis cultivation facilities, but not to consumers. NRS 453D.030(9).

"Marijuana product manufacturing facility" means an entity licensed to purchase cannabis, manufacture, process, and package cannabis and cannabis products, and sell cannabis and cannabis products to other cannabis product manufacturing facilities and to retail cannabis stores, but not to consumers. NRS 453D.030(12).

"Retail marijuana store" means an entity licensed to purchase cannabis from cannabis cultivation facilities, to purchase cannabis and cannabis products from cannabis product manufacturing facilities and retail cannabis stores, and to sell cannabis and cannabis products to consumers. NRS 453D.030(18).

"Marijuana distributor" means an entity licensed to transport cannabis from a cannabis establishment to another cannabis establishment. NRS 453D.030(10).

"Marijuana testing facility" means an entity licensed to test cannabis and cannabis products, including for potency and contaminants. NRS 453D.030(15).

Administration of the regular retail program in Nevada is governed by Nevada Revised Statutes Section 453D and the Adopted Regulation of the Nevada Department of Taxation, LCB File R092-17 (the "Nevada Adult-Use Regulation"). The Nevada Adult-Use Regulation was adopted on February 27, 2018 and is a regulation relating to cannabis responsible for: (i) revising requirements relating to independent testing laboratories; (ii) providing for the licensing of cannabis establishments and registration of cannabis establishment agents; (iii) providing requirements concerning the operation of cannabis establishments; (iv) providing additional requirements concerning the operation of marijuana cultivation facilities, marijuana distributors, marijuana product manufacturing facilities, marijuana testing facilities and retail marijuana stores; (v) providing standards for the packaging and labeling cannabis and cannabis products; (vi) providing requirements relating to the production of edible cannabis products and other cannabis products; (vii) providing standards for the cultivation and production of cannabis; (viii) establishing requirements relating to advertising by cannabis establishments; (ix) establishing provisions relating to the collection of excise taxes from cannabis establishments; (x) establishing provisions relating to dual licensees; and (xi) providing other matters properly relating thereto.

In the State of Nevada, only cannabis that is grown or produced in the state by a licensed establishment may be sold in the state. The Nevada regulatory regime does not mandate or prohibit vertically integrated facilities and only permits the holder of a retail dispensary license and registration certificate to purchase cannabis from cultivation facilities, cannabis and cannabis products from product manufacturing facilities and cannabis from other retail stores, for the sale of such products to consumers.

A medical cultivation license permits its holder to acquire, possess, cultivate, deliver, transfer, have tested, transport, supply or sell cannabis and related supplies to medical cannabis dispensaries, facilities for the production of edible medical cannabis products and/or medical cannabis-infused products, or other medical cannabis cultivation facilities.

The medical product manufacturing license permits its holder to acquire, possess, manufacture, deliver, transfer, transport, supply, or sell edible cannabis products or cannabis infused products to other medical cannabis production facilities or medical cannabis dispensaries.

Medical marijuana establishment certificates and recreational cannabis facility licenses are issued independently to specific owners and at identified locations. Ownership of certificates and licenses is transferable in accordance with the Nevada Taxation Department's policies and procedures, including completion of a background investigation. Establishment certificates and facility licenses may only be relocated to a new location within the identified local jurisdiction.

All licenses expire one year after the date of issue. The Nevada Taxation Department shall issue a renewal license within 10 days after the receipt of a renewal application and applicable fee if the license is not then under suspension or has not been revoked.

Company Licenses

YMY, in which the Company owns a 50% interest, holds one medical cultivation license and one recreational cultivation license and one medical product manufacturing license and one recreational product manufacturing license in the State of Nevada. The table below lists the licences indirectly held by the Company:

Holding Entity	Permit/License	City, State	Expiration Date	Description
YMY[(1)]	18897864143987354009	Las Vegas, Nevada	June 30, 2021	Medical Cultivation License
YMY[(1)]	49988620104464639364	Las Vegas, Nevada	June 30, 2021	Recreational Cultivation License
YMY[(1)]	78715576282428558550	Las Vegas, Nevada	June 30, 2021	Medical Product Manufacturing License
YMY[(1)]	32704290606712932888	Las Vegas, Nevada	June 30, 2021	Recreational Product Manufacturing License

Note:
(1) The Company holds a 50% interest in YMY, which operates a cannabis facility in North Las Vegas, Nevada.

Nevada Transportation

In Nevada, cannabis may only be transported from a licensed cultivation or production facility to a licensed retail cannabis establishment by a licensed marijuana distributor. Prior to transporting the cannabis or cannabis products, the distributor must complete a trip plan which includes: the agent name and registration number providing and receiving the cannabis; the date and start time of the trip; a description, including the amount, of the cannabis or cannabis products being transported; and the anticipated route of transportation.

During the transportation of cannabis or cannabis products, the licensed marijuana distributor agent must: (a) carry a copy of the trip plan with him or her for the duration of the trip; (b) have his or her cannabis establishment agent card in his or her immediate possession; (c) use a vehicle without any identification relating to cannabis and which is equipped with a secure lockbox or locking cargo area which must be used for the sanitary and secure transportation of cannabis, or cannabis products; (d) have a means of communicating with the cannabis establishment for which he or she is providing the transportation; and (e) ensure that all cannabis or cannabis products are not visible. After transporting cannabis or cannabis products a licensed marijuana distributor agent must enter the end time of the trip and any changes to the trip plan that was completed.

Each licensed marijuana distributor agent transporting cannabis or cannabis products must report any: (a) vehicle accident that occurs during the transportation to a person designated by the marijuana distributor to receive such reports within two (2) hours after the accident occurs; and (b) loss or theft of cannabis or cannabis products that occurs during the transportation to a person designated by the marijuana distributor to receive such reports immediately after the cannabis establishment agent becomes aware of the loss or theft. A marijuana distributor that receives a report of loss or theft pursuant to this paragraph must immediately report the loss or theft to the appropriate law enforcement agency and to the Nevada Taxation Department. The distributor must report any unauthorized stop that lasts longer than two (2) hours to the Nevada Taxation Department.

A marijuana distributor shall maintain the required documents and provide a copy of the documents required to the Nevada Taxation Department for review upon request. Each marijuana distributor shall maintain a log of all received reports.

Employees of licensed marijuana distributors, including drivers transporting cannabis and cannabis products, must be 21 years of age or older and must obtain a valid cannabis establishment agent registration card issued by the Nevada Taxation Department. If a marijuana distributor is co-located with another type of business, all employees of co-located businesses must have cannabis establishment agent registration cards unless the co-located business does not include common entrances, exits, break room, restrooms, locker rooms, loading docks, and other areas as are expedient for business and appropriate for the site as determined and approved by Nevada Taxation Department inspectors. While engaged in the transportation of cannabis and cannabis products, any person that occupies a transport vehicle

when it is loaded with cannabis or cannabis products must have their physical cannabis establishment agent registration card in their possession.

All drivers must carry in the vehicle valid driver's insurance at the limits required by the State of Nevada and the Nevada Taxation Department. All drivers must be bonded in an amount sufficient to cover any claim that could be brought, or disclose to all parties that their drivers are not bonded. Cannabis establishment agent registration cardholders and the licensed marijuana distributor they work for are responsible for the cannabis and cannabis product once they takes control of the product and leave the premises of the cannabis establishment.

There is no load limit on the amount or weight of cannabis and cannabis products that are being transported by a licensed marijuana distributor. Cannabis distributors are required to adhere to Nevada Taxation Department regulations and those required through their insurance coverage. When transporting by vehicle, cannabis and cannabis product must be in a lockbox or locked cargo area. A trunk of a vehicle is not considered secure storage unless there is no access from within the vehicle and it is not the same key access as the vehicle. Live plants can be transported in a fully enclosed, windowless locked trailer or secured area inside the body/compartment of a locked van or truck so that they are not visible to the outside. If the value of the cannabis and cannabis products being transported by vehicle is in excess of $10,000 (the insured value per the shipping manifest), the transporting vehicle must be equipped with a car alarm with sound or have no less than two (2) of the marijuana distributor's cannabis establishment agent registration cardholders involved in the transportation. All cannabis and cannabis product must be tagged for purposes of inventory tracking with a unique identifying label as required by the Nevada Taxation Department and remain tagged during transport. This unique identifying label should be similar to the stamp for cigarette distribution. All cannabis and cannabis product when transported by vehicle must be transported in sealed packages and containers and remain unopened during transport. All cannabis and cannabis product transported by vehicle should be inventoried and accounted for in the inventory tracking system. Loading and unloading of cannabis and cannabis products from the transporting vehicle must be within view of existing video surveillance systems prior to leaving the origination location. Security requirements are required for the transportation of cannabis and cannabis products.

Nevada Inventory

Each cannabis establishment must maintain an inventory control system to monitor and report on chain of custody of cannabis in real-time, from the point of harvest at a cultivation facility until it is sold at a dispensary, or it is processed at a facility for the production of edible cannabis products or cannabis-infused products. For this purpose, Nevada tracks information through METRC which maintains the name of each person or cannabis establishment to cannabis is sold, for dispensaries, the date of sales, quantity, and potency. Cannabis establishments must exercise vigilance to ensure personal identifying information contained in the inventory control system is encrypted, protected and not divulged for any purpose not specifically authorized by law.

Nevada Security

To prevent unauthorized access to cannabis at a Nevada-licensed cannabis establishment, the cannabis establishment must have security equipment to deter and prevent unauthorized entrance into limited access areas. This includes devices or a series of devices interconnected with a radio frequency, such as cellular or private radio signals, or other mechanical device, covering the entirety of the facility. Exterior lighting to facilitate surveillance, video cameras with a recording rate of at least 15 frames per second covering all entrances and exits of the building, any room or area that hold a vault or point-of-sale location and which records 24 hours per day. Recordings must be accessible remotely by law enforcement in real time upon request. Video quality providing coverage of a point-of-sale location must allow for the identification of any person purchasing cannabis. Video recording must be restored for at least 30 days in a secure off-site location or other service that provides on-demand access to the Department Nevada Taxation Department.

Department Inspections

Each establishment that has been granted a provisional operating certificate by the Nevada Taxation Department must undergo facility and audit inspections by the Nevada Taxation Department prior to the issuance of a final registration certificate. Additionally, the issuance of a registration certificate is considered provisional until the establishment is in compliance with all applicable local government requirements including, without limitation, the issuance of a local business licenses.

After an establishment registration certificate has been issued, the cannabis establishment is subject to reasonable inspection from the Nevada Taxation Department and a licensee must make himself or herself, or an agent, available and present for any inspection required by the Nevada Taxation Department.

Delivery and Online Distribution

There are specific situations in which the delivery of cannabis to customers is allowed under the Nevada Taxation Department regulations. Delivery services to customers may only be carried out by retail stores that are licensed properly by the Nevada Taxation Department. Deliveries can only be brought to the residential addresses of customers and only within the State of Nevada. Delivery was allowed as soon as retail cannabis sales began on July 1, 2017, although those regulations were only temporary. Drivers may not deliver more than the legal amount of cannabis, which is currently one ounce, in compliance with the existing seed-to-sale tracking system. Cannabis or cannabis products may not be shipped via the US Postal Service or via any private courier.

U.S. Attorney Statements in Nevada

In response to the rescission of the Cole Memo, Nevada Attorney General Adam Laxalt had issued a public statement, pledging to defend the law after it was approved by voters. Then-Governor Brian Sandoval also stated, "Since Nevada voters approved the legalization of recreational cannabis in 2016, I have called for a well-regulated, restricted and respected industry. My administration has worked to ensure these priorities are met while implementing the will of the voters and remaining within the guidelines of both the Cole and Wilkinson federal memos," and that he would like for Nevada to follow in the footsteps of Colorado, where the U.S. attorneys do not plan to change the approach to prosecuting crimes involving recreational cannabis.

In June 2019, incoming U.S. Attorney of the District of Nevada Nicholas Trutanich stated to the Reno Gazette Journal that he would not rule out the possibility of prosecuting cases related to cannabis, but did emphasize that it also was not a priority. He stated cannabis remains illegal under federal law, and his job is to enforce federal law. He stated, however, that one of his main priorities was to tackle the opioid crisis and human trafficking. He further stated that he is following orders from the DOJ.

To the knowledge of management of Stem, other than as disclosed in this Prospectus, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Nevada. See *"Risk Factors"*.

New York (Industrial Hemp)

In December 2014, New York State enacted legislation authorizing a research-based industrial hemp program pursuant to authority granted in the Original Farm Bill (as defined herein) (predecessor to the Farm Bill in which industrial hemp was initially legalized in the U.S., though legalization extended to research-related activities only). The state of New York subsequently launched an Industrial Hemp Agricultural Research Pilot Program regulated by the New York Department of Agriculture ("**NY DOA**"). In December 2018, the state of New York opened an application period for "hemp cannabis," or industrial hemp grown and processed for cannabinoid content, and particularly for CBD. In late 2019, the state of New York enacted legislation that made sweeping, structural changes to the hemp program. As is relevant to the Company, processing hemp for the purpose of extracting cannabinoids and manufacturing hemp-derived cannabinoid products was removed from NY DOA regulatory oversight and moved to the New York Department of Health ("**NY DOH**"), which regulates medical cannabis. State regulators have initiated the process of transitioning licensees, such as Sound Wellness, from NY DOA to NY DOH. This process is expected to continue through calendar year 2020. Once the transition is complete, NY DOH is expected to promulgate hemp regulations. No significant changes to the hemp program are expected between now and when NY DOH issues new regulations.

Company Licenses

The table below lists the licence directly held by the Company:

Holding Entity	Permit/License	City, State	Expiration Date	Description
Stem Holdings Agri, Inc.	HEMP-G-000478	New York	September 30, 2020	Industrial Hemp Research Partner Authorization

Oklahoma

History

Oklahoma's medical cannabis market was introduced in June 2018 when voters approved State Question 788, with 56.86% of the vote.

The Oklahoma State Department of Health, which is responsible for establishing regulations for the implementation of State Question 788, released a draft of the proposed rules on July 8, 2018. After a series of revisions, Governor Mary Fallin signed and approved the rules on August 1, 2018. Operating under the Oklahoma State Department of Health is the Oklahoma Medical Marijuana Authority ("**OMMA**") which is responsible for licensing, regulation, and administering the program as authorized by state law. On August 25, 2018 the OMMA began accepting online applications for medical cannabis licenses.

Regulatory Summary

There are four licenses available for commercial applicants: (i) a medical cannabis grower license; (ii) a medical cannabis processor license; (iii) a medical cannabis dispensary license; and (iv) a medical cannabis transportation license.

A medical cannabis grower license allows a business to legally grow cannabis for medical purposes in Oklahoma. Licensed growers can sell to licensed processors and licensed dispensaries only.

A medical cannabis processor license allows a business to legally process cannabis for medical purposes in Oklahoma. Licensed processors can sell to licensed dispensaries and other licensed processors. Licensed processors may also process cannabis into a concentrated form for a patient license holder for a fee. All growing and processing of cannabis must take place indoors in a building that has a complete roof enclosure on a foundation or slab that meets standards that ensure that the growing and processing activities contained within are undetectable.

A medical cannabis dispensary license allows a business to legally sell medical cannabis and medical cannabis products, including mature plants and seedlings. Licensed dispensaries can only sell to patient license holders, caregiver license holders, research license holders, and the parent or legal guardian named on a minor patient's license. Dispensaries must be at least 1,000 feet from schools, measured in a straight line from any entrance of the school to the nearest point of the location of the dispensary. A single transaction by a dispensary is limited to three ounces of useable cannabis, one ounce of cannabis concentrate, 72 ounces of medical cannabis products, 6 mature plants, and/or 6 seedling plants.

Company Licenses

The Company holds a minority interest in an entity that holds one cultivation and one dispensary license in the State of Oklahoma. The table below lists the licences indirectly held by the Company:

Holding Entity	Permit/License	City, State	Expiration Date	Description
SOK 1[(1)]	DAAA-NKHY-INEU	Oklahoma City, Oklahoma	September 19, 2021	Medical Cannabis Dispensary License

Cultivate ADA[(1)]	GAAA-4YBJ-EC7U	Ada, Oklahoma	September 19, 2021	Medical Cannabis Grower License

Note:

(1) The Company holds 7% interests in SOK 1 and Cultivate ADA, which operate a cannabis dispensary and cannabis facility, respectively.

Oklahoma Transportation

A medical cannabis transportation license is issued to qualifying applicants for a commercial license at the time of approval. The transportation license allows the holder to transport cannabis from an Oklahoma licensed dispensary, grower, processor to an Oklahoma licensed dispensary, grower processor or researcher. All medical cannabis must be transported in a locked container shielded from public view and clearly labeled as "Medical Marijuana or Derivative."

A medical cannabis transportation license will be provided with an approved grower, processor, or dispensary license allowing the licensee to legally transport medical cannabis from a licensed grower, licensed processor, or licensed dispensary to a licensed grower, licensed processor, licensed dispensary, or licensed researcher.

Oklahoma Inventory

Oklahoma uses BioTrack THC as the central trace and tracking system to oversee inventory of licensed cannabis operations across the state. All cultivation and manufacturing facilities and retail dispensaries are required to utilize an inventory management system to record certain information depending on the license type. For a grower, such information includes the amount of cannabis harvested, sold to a process or dispensary, or dried and on hand. For a processor, details on the amount of cannabis purchased from a grower, or sold to a researcher and the amount of cannabis waste must be accounted for in inventory. The licensee must also document with detailed explanations any discrepancies for cannabis that cannot be accounted for or is considered overage.

The licensee is required to document the 'chain of custody' of all cannabis and cannabis-related products with frequent on-going inventory reviews in order to detect any diversion, theft or loss in a timely manner. The system must be able to accurately trace the timeline from the time a cannabis plant is propagated to the time it is sold to a patient or caregiver. Traceability is a requirement in the event of a serious adverse event or recall to correctly source the cannabis product.

Oklahoma Record-keeping/Reporting

The state requires all commercial licensees to submit monthly reporting to the Oklahoma State Department of Health. Reports are considered untimely if not received by the state by the 15th of each month for activity from the preceding month. The report must include the amount purchased from a licensed process and/or grower, the amount sold to a licensee and the type of licensee, total sales to patients and caregivers as well as taxes collected from sales. If necessary, detailed explanations of inventory discrepancies must be included. Inaccurate reporting may result in fines and failure to report timely or to correct deficiencies within 30 days of department notification may lead to license revocation.

Oklahoma Inspections

Submission of an application for a medical cannabis processing license constitutes permission for entry to and inspection of the processing licensee's premises during hours of operation and other reasonable times in Oklahoma, and refusal to permit such entry or inspection is grounds for the nonrenewal, suspension, or revocation of a license. The Oklahoma State Department of Health may perform an unannounced on-site inspection of a licensed processor's operations to determine compliance with these rules and food safety/preparation standards one a year. If the Oklahoma State Department of Health receives a complaint concerning a licensed processor's noncompliance with this Chapter, the Oklahoma State Department of Health may conduct additional unannounced, on-site inspections beyond an annual inspection. The Oklahoma State Department of Health may review any and all records of a licensed processor and may require and conduct interviews with such persons or entities and persons affiliated with such entities, for the purpose of determining compliance with Oklahoma State Department of Health rules and applicable laws.

U.S. Attorney Statements in Oklahoma

To the knowledge of management of Stem, other than as disclosed in this Prospectus, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Oklahoma. See *"Risk Factors"*.

Oregon

History

Oregon's medical cannabis program was introduced in November 1998 when voters approved Measure 67, the Oregon Medical Marijuana Act, with 55% of the vote. In November 2014, voters approved Measure 91, the 'Oregon Legalized Marijuana Initiative,' which legalized adult-use cannabis in the state. In October 2015, the first adult-use dispensaries opened for sale.

Regulatory Summary

There are four types of adult-use cannabis licenses: producer, processor, wholesaler and retail. Additionally, the Oregon Liquor Control Commission ("**OLCC**") grants a certificate for research and a hemp certificate. A producer is permitted to cultivate cannabis. A processor is permitted to transform raw cannabis into another product (topicals, edibles, concentrates, or extracts). A wholesaler is permitted to buy cannabis in bulk and sell to licensees but not to consumers. A retailer is permitted to sell cannabis to consumers. A laboratory is permitted to test cannabis based on rules established by the Oregon Health Authority. To receive a laboratory license the laboratory must be accredited by the Oregon Environmental Laboratory Accreditation program. The hemp certificate allows persons that are registered with the Oregon Department of Agriculture to transfer hemp flower, extracts, or concentrates to OLCC licensed processors who hold an industrial hemp processor endorsement.

Company Licenses

Pursuant to the purchase of the Operating Companies by the Company, Stem has acquired an interest in three retail licenses, five producer licenses, one wholesaler license and two processing licenses. The Company also holds an indirect interest in a producer license through an operating agreement with Alternative Organics pursuant to which the Company acts as director and manager of all day-to-day business operations.

The table below lists the licences that are: (i) directly held by the Company; and (ii) held by the Company's operating partners:

Holding Entity	Permit/License	City, State	Expiration Date	Description
JV Retail 2 LLC	#100244446EC	Eugene, Oregon	September 3, 2021	Retailer License
Kind Care LLC	#1002427235E	Eugene, Oregon	September 3, 2021	Retailer License
Opco Retail 1 LLC	#10055331011	Portland, Oregon	September 3, 2021	Retailer License
JV Wholesale LLC	#1003324579F	Eugene, Oregon	September 3, 2021	Wholesaler License
JV Productions 3 LLC	#1001944721B	Eugene, Oregon	September 3, 2021	Producer License (Indoor Tier II)
JV Extraction LLC	#100331855FF	Eugene, Oregon	September 3, 2021	Processor License (Edible, Topical, Concentrate, Extract and Hemp)
JV Foods LLC	#10033219048	Eugene, Oregon	September 3, 2021	Processor License (Edible, Topical, Concentrate and Hemp)
Stem Holdings Oregon, Inc.	#10000662000	Hillsboro, Oregon	June 24, 2021	Producer License
JV Applegate LLC	#100439807B5	Jacksonville, Oregon	November 11, 2021	Producer License (Outdoor Tier 1)

Alternative Organics[(1)]	#1003304ACE7	Medford, Oregon	July 2, 2021	Producer License (Mixed Tier II)
Opco Production II, LLC	#10074973A9C	Mulino, Oregon	September 3, 2021	Producer License (Indoor Tier II)
Opco Production 1 LLC	#1007550202B	Springfield, Oregon	September 3, 2021	Producer License (Indoor Tier II)

Note:

(1) The Company has entered into an operating agreement with Alternative Organics pursuant to which the Company acts as director and manager of all day-to-day business operations.

Oregon Transportation

Licensed producers which transport cannabis to licensed retailers must comply with various requirements, including the following: (a) a licensee must keep cannabis items in transit shielded from public view, (b) the cannabis items must be of secured (locked-up) during transport, (c) the transport must be equipped with an alarm system, (d) the transport must be temperature controlled if perishable cannabis items are being transported, (e) the transport must provide arrival date and estimated time of arrival information, (f) all cannabis items must be packaged in shipping containers and labeled with a unique identifier, and (g) the transport must provide a copy of the printed manifest and any printed receipts for cannabis items delivered to law enforcement officers or other representatives of a government agency if requested to do so while in transit.

Oregon Inventory/Storage

OLCC licensees must report the following to Oregon's Cannabis Tracking System ("**CTS**") (a) a reconciliation of all on-premise and in-transit cannabis item inventories each day, (b) all information for seeds, usable cannabis, CBD concentrates and extracts by weight, (c) the wet weight of all harvested cannabis plants immediately after harvest, (d) all required information for CBD products by unit count, and (e) for retailer license holders, the price before tax and amount of each item sold to consumers and the date of each transaction. The data must be transmitted for each individual transaction before the retailer opens the next business day. All cannabis items on a licensed retailer's premises must be held in a safe or vault. All usable cannabis, cut and drying mature cannabis plants, CBD concentrates, extracts or products on the licensed premises of a licensee other than a retailer are to be kept in a locked, enclosed area within the licensed premises that is secured with at a minimum, a steel door with a steel frame or equivalent, and a commercial grade, non-residential door lock. All licensees must keep all video recordings and archived required records not stored electronically in a locked storage area. Current records may be kept in a locked cupboard or desk outside the locked storage area during hours when the licensed business is open.

Oregon Record-keeping/Reporting

Oregon uses the METRC trace and tracking system and allows other third-party system integration via an API to track cannabis. The Subsidiaries in Oregon use a third-party trace and tracking system to push the data to the state through an API to meet all reporting requirements. All cannabis products dispensed are documented at point of sale via the track and trace system. License holders must maintain the documentation from the track and trace system in a secure locked location at each dispensing or growing location for three years as required by the OLCC. The OLCC requires all cannabis licensees to have and maintain records that clearly reflect all financial transactions and the financial condition of the business. The following records may be kept in either paper or electronic form and must be maintained for a three year period and be made available for inspection if requested by the OLCC: (a) purchase invoices and supporting documents for items and services purchased for use in the production, processing, research, testing and sale of cannabis items that include from whom the items were purchased and the date of purchase, (b) bank statements for any accounts, (c) accounting and tax records, (d) documentation of all financial transactions, including contracts and agreements for services performed or received, and (e) all employee records, including training.

Oregon Security

A licensed premise must have a fully operational security alarm system, activated at all times when the licensed premises is closed for business. Among other features the security alarm system for the licensed premises must (a) be able to detect unauthorized entry onto the licensed premises and unauthorized activity within any limited access area where mature cannabis plants, usable cannabis, CBD concentrates, extracts or products are present, (b) be programmed

to notify the licensee, a licensee representative or other authorized personnel in the event of an unauthorized entry, and (c) either have at least two operational "panic buttons" located inside the licensed premises that are linked with the alarm system that immediately notifies a security company or law enforcement, or have operational panic buttons physically carried by all employees present on the licensed premises that are linked with the alarm system that immediately notifies a security company or law enforcement.

A licensed premise must have a fully operational video surveillance recording system. Among other requirements, a licensed premise must have cameras that continuously record, 24 hours a day, seven days a week: (a) in all areas where mature cannabis plants, usable cannabis, CBD concentrates, extracts or products may be present on the licensed premises; and (b) all points of ingress and egress to and from areas where mature cannabis plants, usable cannabis, CBD concentrates, extracts or products are present. A licensee must keep all surveillance recordings for a minimum of 90 calendar days and have the surveillance room or surveillance area with limited access.

Oregon Inspections

All cannabis licensees may be subject to safety inspections of licensed premises by state or local government officials to determine compliance with state or local health and safety laws. The OLCC also may conduct an inspection at any time to ensure that a registrant, licensee or permittee is in compliance with Oregon state laws. A licensee, licensee representative, or permittee must cooperate with the OLCC during an inspection. If licensee, licensee representative or permittee fails to permit the OLCC to conduct an inspection the OLCC may seek an investigative subpoena to inspect the premises and gather books, payrolls, accounts, papers, documents or records.

U.S. Attorney Statements in Oregon

To the knowledge of management of Stem, other than as disclosed in this Prospectus, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Oregon. See *"Risk Factors"*.

Compliance with Applicable State Law in the United States

The Company is classified as having both a direct and indirect involvement in the U.S. cannabis industry and is in compliance with applicable state law, licensing requirements and the regulatory framework enacted by each U.S. state in which it operates. The Company is not subject to any citations or notices of violation with applicable licensing requirements and the regulatory framework enacted by each applicable U.S. state which may have an impact on its licenses, business activities or operations.

The Company has in place a detailed compliance program, which oversees, maintains, and implements the compliance program and personnel. In addition to the Company's robust internal legal and compliance departments, the Company has state and local regulatory/compliance counsel engaged in every jurisdiction in which it operates.

The Company's compliance department oversees training for all employees, including on the following topics: (i) compliance with state and local laws; (ii) safe cannabis use; (iii) dispensing procedures; (iv) security and safety policies and procedures; (v) inventory control; (vi) quality control; and (vii) transportation procedures. The Company's compliance department includes the Chief Executive Officer and Chief Operating Officer of the Company, as well as the Company's managers in charge of cultivation, branding and sales.

The Company monitors all compliance notifications from the regulators and inspectors in each market, timely resolving any issues identified. The Company keeps records of all compliance notifications received from the state regulators or inspectors and how and when the issue was resolved.

To ensure compliance with the state laws and the regulatory framework enacted by each U.S. state in which the Company operates, the Company adheres to the following procedures and controls:

- The Company ensures the operations of its subsidiaries are compliant with all licensing requirements that are set forth by applicable state, county or municipal law by retaining appropriately experienced legal counsel;

- The Company ensures that its activities adhere to the scope of the licensing obtained; and

- The Company only works through licensed operators, which must pass a range of requirements, adhere to strict business practice standards and be subjected to strict regulatory oversight whereby sufficient checks and balances ensure that no revenue is distributed to criminal enterprises, gangs and cartels.

The Company will continue to monitor compliance on an ongoing basis in accordance with its compliance program and standard operating procedures. While the Company's operations are in full compliance with all applicable state laws, regulations and licensing requirements, such activities remain illegal under United States federal law. For the reasons described above and the risks further described under "*Risk Factors*" in this Prospectus, there are significant risks associated with the business of the Company. Readers are strongly encouraged to carefully read all of the risk factors described under "*Risk Factors*" in this Prospectus

Ability to Access Public and Private Capital

While the Company is not able to obtain traditional bank financing in the U.S. or financing from other U.S. federally regulated entities, the Company currently has access to equity financing through the private markets in Canada and the U.S. Since the use of cannabis is illegal under U.S. federal law, and in light of concerns in the banking industry regarding money laundering and other federal financial crime related to cannabis, U.S. banks have been reluctant to accept deposit funds from businesses involved with the cannabis industry. Consequently, businesses involved in the cannabis industry often have difficulty finding a bank willing to accept its business. Likewise, cannabis businesses have limited access, if any, to credit card processing services. As a result, cannabis businesses in the U.S. are largely cash-based. This complicates the implementation of financial controls and increases security issues.

Commercial banks, private equity firms and venture capital firms have approached the cannabis industry cautiously to date. However, there are increasing numbers of high net worth individuals and family offices that have made meaningful investments in companies and businesses similar to the Company. Although there has been an increase in the amount of private financing available over the last several years, there is neither a broad nor deep pool of institutional capital that is available to cannabis license holders and license applicants. There can be no assurance that additional financing, if raised privately, will be available to the Company when needed or on terms which are acceptable to the Company. The Company's inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability. See "*Risk Factors*".

DIVIDENDS

The Company has not declared distributions on Shares in the past. The Company currently intends to reinvest all future earnings to finance the development and growth of its business. As a result, the Company does not intend to pay dividends on Shares in the foreseeable future. Any future determination to pay distributions will be at the discretion of the Board of Directors and will depend on the financial condition, business environment, operating results, capital requirements, any contractual restrictions on the payment of distributions and any other factors that the Board of Directors deems relevant. The Company is not bound or limited in any way to pay dividends in the event that the Board of Directors determined that a dividend was in the best interest of its shareholders.

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of the Company as at June 30, 2020, (i) before giving effect to the Offering and the Merger, (ii) after giving effect to the Offering and (iii) after giving effect to the Offering and the Merger. There have been no material changes to the information provided below since June 30, 2020 other than as set forth in the notes to the table.

	As at June 30, 2020 (US$000, unless otherwise indicated)	**As at June 30, 2020 after giving effect to the Offering[2][3] (US$000, unless otherwise indicated)**	**As at June 30, 2020 after giving effect to the Offering and the Merger[2][3] (US$000, unless otherwise indicated)**
Share Capital (Common Stock – Authorized: 300,000,000)[1][4]…….	US$75,436 66,616,526 Shares	US$**[●]** **[●]** Shares	US$**[●]** **[●]** Shares

Long-term debt…….	US$3,085	US$[●]	US$[●]
Short term notes and advances.....	US$2,951	US$[●]	US$[●]
Convertible notes....……...…….	US$5,996	US$[●]	US$[●]
Warrants……...…	4,379,000[5]	[●]	[●]
Broker Warrants…...…...……..	58,030[6]	[●]	[●]

Notes:

(1) Excludes Shares issuable upon exercise of any convertible securities outstanding as at June 30, 2020.

(2) Based on the issuance of [●] Units pursuant to the Offering for aggregate gross proceeds of $[●] less the Agent's Commission of $[●], $50,000 of the Corporate Finance Fee payable in cash and the estimated expenses of the Offering of $350,000 for net proceeds to the Company of approximately $[●], assuming there are no President's List purchasers. If the Over-Allotment Option is exercised in full, the number of Shares issued and outstanding following the completion of the Offering will be increased by [●], the gross proceeds of the Offering will be $[●], the Agent's Commission will be $[●] and the net proceeds to the Company will be $[●] (after deducting $50,000 of the Corporate Finance Fee payable in cash and the estimated expenses of the Offering of $350,000), assuming there are no President's List purchasers.

(3) Excludes Shares issuable pursuant to the U.S. Offering.

(4) As at June 30, 2020, 4,747,916 options to purchase Shares ("**Options**") were outstanding under the Company's stock option plan. The average weighted exercise price of the outstanding Options as at June 30, 2020 was $2.03.

(5) As at June 30, 2020, 4,379,000 warrants to purchase Shares ("**Prior Warrants**") were outstanding. The average weighted exercise price of the Prior Warrants as at June 30, 2020 was US$2.54.

(6) As at June 30, 2020, 58,030 broker warrants to purchase Shares ("**Prior Broker Warrants**") were outstanding. Each Prior Broker Warrant entitles the holder thereof to purchase one Share and one half of one Prior Warrant for an exercise price of $3.00 for a period of two years following the date of issue. Each Prior Warrant underlying a Prior Broker Warrant is exercisable for $1.50 per Share for a period two years following the date of issue.

USE OF PROCEEDS

The estimated net proceeds of the Offering, assuming the Offering is fully subscribed and there are no President's List purchasers, after deducting the Agent's Commission of $[●] and the estimated expenses of the Offering of $350,000, will be $[●] (being approximately US$[●] based on the daily exchange rate for the United States dollar in terms of Canadian dollars, as quoted by the Bank of Canada on [●]). If the Over-Allotment Option of $[●] is exercised in full and there are no President's List purchasers, the estimated net proceeds of the Offering, after deducting the Agent's Commission of $[●] and the estimated expenses of the Offering of $350,000, will be $[●] (being approximately US$[●] based on the daily exchange rate for the United States dollar in terms of Canadian dollars, as quoted by the Bank of Canada on [●]).

All subscription funds received by the Agent will be held in trust, pending the closing of the Offering. If the Offering has not been subscribed for within the distribution period of the Units, the Agent will promptly return the proceeds of the subscription to the purchasers without interest or deduction. There is no minimum amount of funds that must be raised pursuant to the Offering. This means the Company could complete the Offering after raising only a small proportion of the Offering amount set out herein.

The Company intends to use the estimated net proceeds of the Offering for working capital and other general corporate purposes.

The above-noted allocation represents the Company's intention with respect to its use of proceeds based on current knowledge and planning by management of the Company (excluding potential contingencies, any deficiencies and cost-overages and costs to integrate future expansion with existing facilities). Actual expenditures may differ from the estimates set forth above. There may be circumstances where, for sound business reasons, the Company reallocates the use of proceeds. Pending the use of proceeds outlined above, the net proceeds of the Offering will be held as cash balances in the Company's bank account or invested in certificates of deposit and other short-term investment products. The Chief Financial Officer of the Company is responsible for executing the Company's investment policies. See "*Risk Factors – Discretion Over the Use of Proceeds*".

The Company had negative operating cash flow in its most recent interim financial period and financial year. The Company's ability to generate positive operating cash flow will depend on a number of factors, including, among others, expansion activities and the Company's acquisition activities and capital expenditure requirements. To the extent the Company has negative cash flows in future periods, the Company may use a portion of its general working capital or seek additional equity or debt financing to fund such negative cash flows. See "*Risk Factors - Negative Cash Flows*".

The primary business objectives of the Company over the next 12 months are to: (i) grow the business to US$75,000,000 in run rate revenue by increasing delivery operations to three additional states; (ii) increase canopy size in current markets; (iii) launch new SKUs of edible cannabis products in current markets; and (iv) launch new solvent-less extract cannabis products from the Company's current extraction labs. Significant events that must occur for the business objectives to be accomplished are: (i) continue to recruit and retain key personnel to support execution of growth and scale initiatives; and (ii) timely approval of applicable state regulatory agencies in respect to the facilities that the Company leases to its tenants or has an indirect or direct interest.

PLAN OF DISTRIBUTION

Pursuant to the terms and conditions of the Agency Agreement, the Company has agreed to retain the Agent to offer for sale, on a commercially reasonable efforts basis, to the public in all provinces of Canada (except Québec), up to a maximum of **[●]** Units at a price of $0.55 per Unit for aggregate gross proceeds of up to $**[●]**, subject to satisfaction of the conditions contained in the Agency Agreement. The Offering Price was determined by negotiation between the Company and the Agent, in the context of the market. The obligations of the Agent under the Agency Agreement will be subject to certain closing conditions and may be terminated at its discretion on the basis of "material change out", "disaster out", "regulatory out", "market out", "due diligence out" and "breach out" provisions in the Agency Agreement and may also be terminated upon the occurrence of certain other stated events. While the Agent ha agreed to use its commercially reasonable efforts to sell the Units, the Agent is not obligated to purchase any Units under the Agency Agreement. Each Unit will consist of one Unit Share and one Warrant. Each Warrant will entitle the holder to acquire, subject to adjustment in certain circumstances, one Warrant Share at an exercise price of $0.68 until the date that is 24 months from the Closing Date, after which time the Warrants will be void and of no value. This Prospectus qualifies the distribution of the Unit Shares and the Warrants included in the Units.

The Warrants will be created and issued pursuant to the terms of the Warrant Indenture. The Warrant Indenture will contain provisions designed to protect holders of the Warrants against dilution upon the happening of certain events. See "*Description of Securities Being Distributed*".

The Company has granted to the Agent the Over-Allotment Option exercisable, in whole or in part, at the Agent's sole discretion, to offer and sell up to **[●]** Additional Units at a price equal to the Offering Price to cover over-allocations, if any, and for market stabilization purposes. The Over-Allotment Option is exercisable at any time or times during the 30-day period immediately following the Closing Date. A purchaser who acquires securities forming part of the Agent's over-allocation position acquires those securities under this Prospectus, regardless of whether the Agent's over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. If the Over-Allotment Option is exercised in full, the total Offering, Agent's Commission and net proceeds to the Company (before deducting expenses of the Offering and assuming no President's List purchasers) will be $**[●]**, $**[●]** and $**[●]**, respectively. This Prospectus also qualifies the distribution of the Additional Units pursuant to the exercise of the Over-Allotment Option.

In consideration for the services provided by the Agent in connection with the Offering, and pursuant to the terms and conditions of the Agency Agreement, the Company has agreed to pay the Agent: (i) the Agent's Commission equal to 7% of the gross proceeds from the Offering (including any gross proceeds raised on exercise of the Over-Allotment Option, but to be reduced to 1% on proceeds raised from Units sold to purchasers on the President's List); and (ii) the Broker Warrants in the amount of which is equal to 7% of the total number of Units issued under the Offering (including any Additional Units issued and sold by the Company on exercise of the Over-Allotment Option; but to be reduced to 3.5% with respect to Units sold to purchasers on the President's List).

Pursuant to the terms and conditions of the Agency Agreement the Company has agreed to pay to the Agent the Corporate Finance Fee of $100,000, such Corporate Finance Fee to be payable as to $50,000 in cash and as to $50,000 by the issuance of 90,909 Corporate Finance Fee Shares at the Offering Price.

The Company has filed the Registration Statement with the SEC under the U.S. Securities Act with respect to the securities qualified for distribution pursuant to this Prospectus.

The Offering is not underwritten or guaranteed by any person. Subscription for the Units will be received subject to rejection or allotment in whole or in part and the Agent reserves the right to close the subscription books at any time without notice. Closing of the Offering is expected to occur on or about January [●], 2021 or such later date as

the Company and the Agent may agree but in no event later than the date that is 90 days after the date of the receipt for the final short form prospectus to be filed in connection with the Offering or such other time as may be permitted by applicable securities legislation and consented to by persons or companies who subscribed within that period and the Agent. Pending closing of the Offering, all subscription funds will be deposited and held by the Agent in trust under the terms and conditions of the Agency Agreement. If the Offering is not met or the Closing Date does not occur within 90 days from the date a receipt is issued for the final short form prospectus or such other time as may be permitted by applicable securities legislation and consented to by persons or companies who subscribed within that period and the Agents, the Offering will be discontinued and all subscription monies will be returned to subscribers without interest, set-off or deduction

The Unit Shares and Warrants will be issued in registered form to CDS or its nominee under the electronic book-based system administered by CDS. No certificates evidencing the Unit Shares or Warrants will be issued to purchasers except in certain limited circumstances. Purchasers of Units will receive only a customer confirmation from the Agent or other registered dealer who is a CDS participant and from or through whom a beneficial interest in the Units is purchased.

Pursuant to the Agency Agreement, the Company has agreed, for a period of 90 days following the Closing Date, not to, directly or indirectly, offer, issue, sell, grant, secure, pledge, or otherwise transfer, dispose of or monetize, or engage in any hedging transaction, or enter into any form of agreement or arrangement the consequence of which is to alter economic exposure to, or announce any intention to do so, in any manner whatsoever, any Shares or securities convertible into, exchangeable for, or otherwise exercisable to acquire Shares or other equity securities of the Company, without the prior written consent of the Agent (such consent not to be unreasonably withheld), other than in conjunction with (i) the grant of stock options and other similar issuances pursuant to the stock option plan of the Company and other share compensation arrangements, provided such options and other similar securities are granted or issued with an exercise price not less than the Offering Price; (ii) the exercise of outstanding warrants or stock options; (iii) the issuance of securities in connection with property or share acquisitions in the normal course of business; (iv) the U.S. Offering; or (v) the Merger.

Each of the executive officers and directors of the Company have entered into an undertaking in favour of the Agent pursuant to which such person has agreed not to, directly or indirectly, offer, issue, sell, grant, secure, pledge, or otherwise transfer, dispose of or monetize, or engage in any hedging transaction, or enter into any form of agreement or arrangement the consequence of which is to alter economic exposure to, or announce any intention to do so, in any manner whatsoever, any Shares or securities convertible into, exchangeable for, or otherwise exercisable to acquire Shares or other equity securities of the Company for a period of 90 days after the Closing Date, without the prior written consent of the Agent, such consent not to be unreasonably withheld, except in order to accept a bona fide take-over bid made to all securityholders of the Company or similar business combination transaction.

In the event the Company terminates the Agency Agreement before the closing of the Offering and the Company enters into an agreement or makes a public announcement to enter into an alternative transaction, namely any agreement to issue securities in excess of 5% of the total number of securities currently outstanding on a fully-diluted basis or a merger, business combination, take-over bid or similar involving an arm's length party, within six months of such termination, the Company will agree to pay the Agent all expenses related to the Offering and upon the closing of such alternative transaction, a fee equal to 100% of the Agent’s Commission that would have otherwise been payable upon the successful completion of the Offering (assuming an Offering of C$5 million).

Pursuant to the Agency Agreement, the Company has also agreed to indemnify the Agent, its respective subsidiaries and affiliates and their respective directors, officers, employees and partners against certain liabilities, including liabilities under Canadian securities legislation or to contribute to payments the Agent may have to make because of such liabilities.

Pursuant to policy statements of certain securities regulators, the Agent may not, throughout the period of distribution, bid for or purchase Shares. The foregoing restriction is subject to certain exceptions including (i) a bid or purchase permitted under the Universal Market Integrity Rules for Canadian Marketplaces administered by the Investment Industry Regulatory Organization of Canada relating to market stabilization and passive market making activities, (ii) a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of the distribution, provided that the bid or purchase was for the purpose of maintaining a fair and orderly market and not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, such securities, or

(iii) a bid or purchase to cover a short position entered into prior to the commencement of a prescribed restricted period.

The issued and outstanding Shares are listed for trading on the CSE under the symbol "STEM" and are also listed on the OTCQX under the symbol "STMH". On December 14, 2020, the last trading day prior to the date of this Prospectus, the closing price of the Shares on the CSE was $0.67 per Share and US$0.51 per Share on the OTCQX. The Company has given notice to list the Unit Shares and the Warrant Shares (including the Unit Shares and Warrant Shares issuable upon due exercise of the Over-Allotment Option) and the Corporate Finance Fee Shares and the Broker Shares on the CSE. Listing will be subject to the Company fulfilling all of the requirements of the CSE.

There is no minimum amount of funds that must be raised under the Offering. This means that the Company could complete this Offering after raising only a small proportion of the Offering amount set out above.

DESCRIPTION OF SECURITIES BEING DISTRIBUTED

The Offering consists of **[●]** Units (**[●]** Units if the Over-Allotment Option is exercised in full). Each Unit will be comprised of one Unit Share and one Warrant.

Authorized Share Capital

The Company is authorized to issue 300,000,000 Shares, 50,000,000 shares of preferred stock, Series A and 50,000,000 shares of preferred stock, Class B (collectively, the "**Preferred Shares**"). As at the date of this Prospectus, there are 70,534,168 Shares and no Preferred Shares outstanding.

The rights and attributes of the Shares are, as follows:

Shares

Right to Notice and Vote	Holders of Shares are entitled to notice of and to attend at any meeting of the shareholders of the Company. At each such meeting, holders of Shares are entitled to one vote in respect of each Share held.
Dividends	Holders of Shares are entitled to receive as and when declared by the directors of the Company, dividends in cash or property of the Company.
Participation	In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of Shares will have no special rights, no pre-emptive rights, and no conversion or exchange rights or any other rights with respect to such Shares.
Other Rights	Holders of Shares have no preemptive, subscription, redemption or conversion rights. The rights, preferences and privileges of holders of Shares are subject to and may be adversely affected by the rights of holders of shares of any series of preferred shares that the Company may designate and issue in the future.

Warrants

The Warrants are governed by the terms and conditions set forth in the Warrant Indenture between the Company and Odyssey, as Warrant Agent. The following is a summary of the material attributes and characteristics of the Warrants. This summary does not purport to be complete and is subject to, and qualified in its entirety by, reference to the terms of the Warrant Indenture, a copy of which may be obtained on request without charge from the Company at its registered office or electronically on SEDAR at www.sedar.com.

Each Warrant will entitle the holder thereof to acquire one Warrant Share at an exercise price of $0.68 per Warrant Share, until the date that is 24 months following the Closing Date, subject to adjustment in certain events.

The Warrant Indenture provides for adjustment in the number of Warrant Shares issuable upon the exercise of the Warrants and/or the exercise price per Share upon the occurrence of certain events, including, but not limited to: (i) the subdivision, re-division or change of the outstanding Shares into a greater number of Shares; (ii) the reduction, combination or consolidation of the outstanding Shares into a smaller number of Shares; (iii) the issuance of Shares or securities exchangeable for or convertible into Shares to all or substantially all of the holders of the Shares by way of stock dividend or other distribution (other than upon exercise of Warrants); and (iv) the fixing of a record date for the issuance of rights, options or warrants to all or substantially all the holders of the outstanding Shares entitling them, for a period expiring not more than 45 days after such record date, to subscribe for or purchase Shares (or securities convertible or exchangeable into Shares) at a price per Share (or having a conversion or exchange price per Share) less than 95% of the Current Market Price (as such term is defined in the Warrant Indenture) on such record date.

The Warrant Indenture also provides for adjustments in the class and/or number of securities issuable upon exercise of the Warrants and/or exercise price per security in the event of the following additional events: (i) reclassifications of the Shares or a capital reorganization other than as described above; (ii) consolidations, amalgamations, arrangements, or mergers of the Company with or into another body corporate, trust partnership or other entity; or (iii) the sale or conveyance of the property and assets of the Company as an entirety or substantially as on entirety to any other body corporate, trust, partnership or other entity.

Notwithstanding the foregoing, no adjustment shall be made in the acquisition rights attached to the Warrants if the issue of Shares is being made pursuant to the Warrant Indenture or in connection with: (i) any share incentive plan or restricted share plan or share purchase plan in force from time to time for directors, officers, employees, consultants or other service providers of the Company; or (ii) the satisfaction of existing instruments issued at the Closing Date.

The Company has agreed that, so long as any Warrant remains outstanding, it will give notice to the Warrant Agent and to the holders of Warrants of its intention to fix a record date that is prior to the expiry date of the Warrants for any matter for which an adjustment may be required pursuant to the Warrant Indenture. Such notice shall specify the particulars of such event and the record date for such event, provided that the Company shall only be required to specify in the notice such particulars of the event as shall have been fixed and determined on the date on which the notice is given. The notice shall be given in each case not less than 14 days prior to such applicable record date. If notice has been given and the adjustment is not then determinable, the Company shall promptly, after the adjustment is determinable, file with the Warrant Agent a computation of the adjustment and give notice to the holders of Warrants of such adjustment computation.

The Company is not required, upon the exercise of any Warrants, to issue fractions of Warrant Shares. Warrants may only be exercised in a sufficient number to acquire whole numbers of Warrant Shares. Any fractional Warrant Shares shall be rounded down to the nearest whole number and the holder of such Warrants shall not be entitled to any compensation in respect of any fractional Warrant Share which is not issued.

From time to time, the Company and the Warrant Agent may amend or supplement the Warrant Indenture for certain purposes, including curing defects or inconsistencies or making any change that does not adversely affect the rights of any holder of Warrants. Any amendment or supplement to the Warrant Indenture that adversely affects the interests of the holders of the Warrants may only be made by "extraordinary resolution", which is defined in the Warrant Indenture as a resolution proposed at a meeting of holders of Warrants duly convened for that purpose and held in accordance with the provisions of the Warrant Indenture at which there are present in person or by proxy holders of Warrants holding at least 10% of the aggregate number of all then outstanding Warrants and passed by the affirmative votes of holders of Warrants holding not less than $66^{2/3}$% of the aggregate number of all then outstanding Warrants represented at the meeting and voted on the poll upon such resolution. A quorum for such meeting shall consist of holders of Warrants present in person or by proxy and holding at least 10% of the aggregate number of all the then outstanding Warrants.

Warrant Shares

The Warrant Shares issuable pursuant to the exercise of the Warrants will have the same rights as the Shares. See "*Description of Securities Being Distributed – Shares*" for a description of the rights of holders of Shares.

Broker Warrants

The Company has agreed to issue Broker Warrants, the distribution of which are qualified by this Prospectus. The Broker Warrants will entitle the Agent to purchase such number of Broker Shares as is equal to 7% of the number of Units sold in the Offering (including any Over-Allotment Units issued upon the exercise of the Over-Allotment Option), subject to a reduced number of Broker Warrants equal to 3.5% of the Units sold by the Agent to purchasers on the President's List. The Broker Warrants will have an exercise price of $0.55 and will expire on a date that is 24 months from the Closing Date. The Broker Warrants may be exercised by the Agent to purchase Broker Shares on or before the expiration date by delivering (i) notice of exercise, appropriately completed and duly signed, and (ii) payment of the exercise price for the number of Broker Shares with respect to which the Broker Warrants are being exercised. The Broker Warrants may be exercised in whole or in part, but only for full Broker Shares. The Broker Shares will be, when issued and paid for in accordance with the Broker Warrants, duly authorized, validly issued and fully paid and non-assessable. The Company will authorize and reserve at least that number of Shares as is equal to the number of Broker Shares issuable upon exercise of all outstanding Broker Warrants. The Broker Shares will be Shares, the material attributes of which are described above. The exercise price and the number of Broker Shares issuable upon the exercise of each Broker Warrant are subject to adjustment upon the happening of certain events, such as a distribution on the Shares, or a subdivision, consolidation or reclassification of the Shares. In addition, upon any fundamental transaction, such as a merger, arrangement, consolidation, sale of all or substantially all of the Company's assets, share exchange or business combination, the Broker Warrants will thereafter evidence the right of the holder to receive the securities, property or cash deliverable in exchange for or on the conversion of or in respect of the Shares to which the holder of a Share would have been entitled immediately on such event. The Company is not required to issue fractional shares upon the exercise of the Broker Warrants. Instead, the Company may round down to the next whole Share. The Broker Warrants are non-transferable and will not be listed or quoted on any securities exchange. The holders of the Broker Warrants do not have the rights or privileges of holders of Shares and any voting rights until they exercise their Broker Warrants and receive the Broker Shares.

PRIOR SALES

The following table sets forth the details regarding all issuances of Shares, including issuances of all securities convertible or exchangeable into Shares, during the 12-month period before the date of this Prospectus.

Date of issuance	Security	Issue/Exercise price per security	Number of securities
January 1, 2020	Shares	US$0.80 – US$0.82	518,446
January 7, 2020	Shares	US$0.87	25,00
January 7, 2020	Prior Warrants	US$0.87	350,000
January 7, 2020	Options	US$0.89	25,000
January 13, 2020	Prior Warrants	US$0.45	200,000
January 14, 2020	Shares	US$0.88	250,000
January 14, 2020	Options	US$1.00	250,000
February 2, 2020	Shares	US$0.97	10,310
February 26, 2020	Shares[(1)]	US$0.97	595,238
March 1, 2020	Shares	US$0.75 – US$0.80	110,000
March 5, 2020	Shares	US$0.85	350,000
March 6, 2020	Shares[(2)]	US$0.79	12,085,770
March 6, 2020	Prior Warrants[(3)]	$1.67	2,322,813
March 6, 2020	Convertible Debentures[(4)]	$1.67	$3,410,000
March 26, 2020	Shares	US$0.29 – US$0.40	16,666
March 31, 2020	Shares	US$0.60	202,350
May 1, 2020	Shares	US$0.37	12,500
May 22, 2020	Shares	US$0.51	386,035
July 1, 2020	Options	US$0.52	100,000
July 2, 2020	Shares	US$0.48	125,000
July 13, 2020	Options	US$0.38	25,000
July 31, 2020	Shares	US$0.26	62,500
August 11, 2020	Shares	US$0.86	228,260

August 18, 2020	Shares	US$0.52	50,000
September 3, 2020	Shares	US$0.30	250,000
September 8, 2020	Shares[(5)]	US$0.00	450,000
September 15, 2020	Options	US$0.29	200,000
September 30, 2020	Shares	US$0.34	501,459
October 7, 2020	Shares	US$0.35	400,000
October 13, 2020	Shares	US$0.23	500,000
October 16, 2020	Shares	US$0.50	62,500
October 16, 2020	Shares	US$0.50	250,000
November 13,2020	Shares	US$0.23	3,200,000
November 13, 2020	Shares	US$0.30	219,570
November 23, 2020	Shares	US$0.30	6,250

Notes:

(1) Issued in connection with the certain pre-closing transactions related to the 7LV Acquisition.

(2) Issued in connection with the 7LV Acquisition.

(3) Issued in connection with the 7LV Acquisition. 1,022,915 Prior Warrants are exercisable into Shares at an exercise price of $2.08 per Share at any time prior to May 3, 2021; 299,975 Prior Warrants are exercisable into Shares at an exercise price of $4.17 at any time prior to December 31, 2020 and 999,923 Prior Warrants were exercisable into Shares at an exercise price of $0.50 at any time prior to October 10, 2020. The average weighted exercise price of all such Prior Warrants issued in connection with the 7LV Acquisition is $1.67.

(4) Issued in connection with the 7LV Acquisition. Such convertible debentures of the Company have n maturity date of May 3, 2021.

(5) Issued in connection with the buy-out of a minority interest of CVO by the Company.

TRADING PRICE AND VOLUME

The Shares are listed on the CSE under the trading symbol "STEM".

The following table sets out trading information for the Shares on the CSE from December 2019 up to the last trading day before the date of this Prospectus.

Period	High Trading Price	Low Trading Price	Volume (#)
December 2019	$1.28	$1.02	366,400
January 2020	$1.30	$0.97	223,773
February 2020	$1.29	$0.98	379,540
March 2020	$1.13	$0.48	237,182
April 2020	$0.54	$0.33	344,462
May 2020	$0.73	$0.40	320,147
June 2020	$0.72	$0.53	43,966
July 2020	$0.62	$0.41	79,072
August 2020	$0.65	$0.34	390,209
September 2020	$0.55	$0.26	513,700
October 2020	$0.80	$0.49	300,843
November 2020	$0.59	$0.41	1,037,941
December 1 - 14, 2020	$0.80	$0.51	1,009,514

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Dentons Canada LLP, counsel to the Company, and DLA Piper (Canada) LLP, counsel to the Agents, the following is at the date of this Prospectus a summary of the principal Canadian federal income tax considerations under the *Income Tax Act* (Canada) and the regulations thereto (the "**Tax Act**") generally applicable to a purchaser (and beneficial owner) of the Units under the Offering who, at all relevant times for purposes of the Tax Act, (i) is or is deemed to be resident in Canada, (ii) deals at arm's length with the Company and the Agent, (iii) is not affiliated with the Company or a subsequent purchaser of the Unit Shares, Warrant Shares or Warrants, and (iv) acquires and holds the Unit Shares, and Warrants, and will hold the Warrant Shares issuable on the exercise of the Warrants, as capital property (a "**Holder**"). Unit Shares, Warrants, and Warrant Shares (collectively, the "**Securities**") will generally be considered to be capital property to a Holder unless the Holder holds such Securities in the course of

carrying on a business of buying and selling securities or has acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. A Holder whose Shares might not otherwise qualify as capital property may be entitled to make the irrevocable election provided by subsection 39(4) of the Tax Act to have the Shares and every other "Canadian security" (as defined in the Tax Act) owned by such Holder in the taxation year of the election and in all subsequent taxation years deemed to be capital property. Such election is not available in respect of the Warrants. **Holders should consult their own tax advisors for such advice as to whether an election under subsection 39(4) of the Tax Act is available and/or advisable in their particular circumstances.**

This summary is not applicable to a Holder: (i) with respect to whom the Company is or will be a "foreign affiliate" within the meaning of the Tax Act, (ii) that is a "financial institution" for the purposes of the mark-to-market rules under the Tax Act, (iii) an interest in which is a "tax shelter" or a "tax shelter investment" as defined in the Tax Act, (iv) that is a "specified financial institution" as defined in the Tax Act, (v) who has made a "functional currency" reporting election under section 261 of the Tax Act to report the holder's "Canadian tax results" (as defined in the Tax Act) in a currency other than the Canadian currency or (vi) that has entered or will enter into a "derivative forward agreement" (as defined in the Tax Act) with respect to the Securities. **Any such Holder should consult its own tax advisor with respect to the income tax considerations applicable to it in respect of acquiring, holding and disposing of the Securities.**

This summary is based on the current provisions of the Tax Act and an understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the "**CRA**") made public prior to the date hereof. This summary takes into account all proposed amendments to the Tax Act that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof, which is referred to as the "**Proposed Amendments**," and assumes that such Proposed Amendments will be enacted in the form proposed, although no assurance can be given that the Proposed Amendments will be enacted in their current form or at all.

Except for the Proposed Amendments, this summary does not take into account or anticipate any other changes in law or any changes in the CRA's administrative policies and assessing practices, whether by judicial, governmental or legislative action or decision, nor does it take into account other Canadian federal or any provincial, territorial or foreign tax legislation or considerations, which may differ from the Canadian federal income tax considerations described herein. The provisions of provincial income tax legislation vary from province to province in Canada and in some cases differ from the Tax Act.

Currency Conversion

For purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of Securities (including dividends, adjusted cost base and proceeds of disposition) must generally be expressed in Canadian dollars. Amounts denominated in any other currency must be converted into Canadian dollars generally based on the exchange rate quoted by the Bank of Canada on the date such amounts arise or such other rate of exchange as is acceptable to the Minister of National Revenue (Canada).

Allocation of Cost

A Holder who acquires Units pursuant to this Offering will be required to allocate the purchase price paid for each Unit on a reasonable basis between the Unit Share and the Warrant comprising each Unit in order to determine their respective costs to such Holder for purposes of the Tax Act. **Holders should consult their own tax advisors in this regard.**

For its purposes, the Company has advised counsel that, of the $0.55 subscription price for each Unit, it intends to allocate $0.48 to each Unit Share and $0.07 to each Warrant and believes that such allocation is reasonable. The Company's allocation, however, is not binding on the CRA or on the Holder. The adjusted cost base to a Holder of each Unit Share comprising part of a Unit acquired pursuant to this Offering will be determined by averaging the cost of such Unit Share with the adjusted cost base to such Holder of all other Shares (if any) held by the Holder as capital property immediately prior to the acquisition.

Shares

Disposition of Shares

A disposition or a deemed disposition of a Share (including a Unit Share and a Warrant Share) by a Holder (except to the Company) will generally result in the Holder realizing a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of the Shares exceeds (or are less than) the aggregate of the adjusted cost base to the Holder thereof and any reasonable costs of disposition. Such capital gain (or capital loss) will be subject to the tax treatment described below under "*Shares – Taxation of Capital Gains and Capital Losses*".

Taxation of Capital Gains and Capital Losses

Generally, one-half of any capital gain (a "**taxable capital gain**") realized by a Holder in a taxation year must be included in the Holder's income for the year, and one-half of any capital loss (an "**allowable capital loss**") realized by a Holder in a taxation year must be deducted from taxable capital gains realized by the Holder in that year. Allowable capital losses in excess of taxable capital gains realized in a taxation year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

A Holder that is, throughout the relevant taxation year, a "Canadian-controlled private corporation", as defined in the Tax Act, may also be liable to pay an additional tax (refundable in certain circumstances) on certain investment income, including taxable capital gains.

Capital gains realized by an individual (and certain trusts) may give rise to liability for alternative minimum tax as calculated under the detailed rules set out in the Tax Act. Holders should consult their own tax advisors in this regard.

Receipts of Dividends on Shares

Dividends received or deemed to be received on Shares held by a Holder will be included in the Holder's income for the purposes of the Tax Act.

Warrants

Exercise of Warrants

The exercise of a Warrant to acquire a Warrant Share will be deemed not to constitute a disposition of property for purposes of the Tax Act. As a result, no gain or loss will be realized by a Holder upon the exercise of a Warrant to acquire a Warrant Share. When a Warrant is exercised, the Holder's cost of the Warrant Share acquired thereby will be equal to the aggregate of the Holder's adjusted cost base of such Warrant and the exercise price paid for the Warrant Share. The Holder's adjusted cost base of the Warrant Share so acquired will be determined by averaging the cost of the Warrant Share with the adjusted cost base to the Holder of all Shares (if any) owned by the Holder as capital property immediately prior to such acquisition.

Other Disposition of Warrants

A disposition or deemed disposition of a Warrant by a Holder (other than on the exercise of a Warrant into Warrant Shares), generally should result in the Holder realizing a capital gain (or, subject to certain rules in the Tax Act, a capital loss) equal to the amount by which the proceeds of disposition, net of any amount otherwise required to be included in the Holder's income as interest, exceed (or are less than) the aggregate of the adjusted cost base to the Holder thereof and any reasonable costs of disposition. Such capital gain (or capital loss) should be subject to the tax treatment described below above "Shares – *Taxation of Capital Gains and Capital Losses*".

Foreign Property Information Reporting.

In general, a Holder that is a "specified Canadian entity" (as defined in the Tax Act) for a taxation year or fiscal period and whose total "cost amount" of all "specified foreign property" (as defined in the Tax Act) at any time in the taxation year or fiscal period exceeds $100,000 is required to file an information return for the year or fiscal period disclosing prescribed information in respect of such property. Subject to certain exceptions, a Holder will generally be a specified Canadian entity. The Securities will be a specified foreign property to a Holder. Accordingly, Holders should consult their own tax advisors regarding compliance with these rules.

Eligibility for Investment

In the opinion of Dentons Canada LLP, counsel to the Company, and DLA Piper (Canada) LLP, counsel to the Agents, based on the current provisions of the Tax Act and the regulations thereunder, in force as of the date hereof, the Unit Shares, Warrants, and Warrant Shares, if issued on the date hereof, would be qualified investments for trusts governed by a registered retirement savings plan, registered retirement income fund, registered education savings plan, registered disability savings plan, tax-free savings account (collectively referred to as "**Registered Plans**") or a deferred profit sharing plan ("**DPSP**"), provided that:

(a) in the case of Unit Shares and Warrant Shares, the Unit Shares or Warrant Shares (as applicable) are listed on a designated stock exchange for the purposes of the Tax Act (which currently includes the CSE); and

(b) in the case of the Warrants, the Warrant Shares are qualified investments as described in (a) above and the Company is not, and deals at arm's length with each person who is, an annuitant, a beneficiary, an employer or a subscriber under or a holder of such Registered Plan or DPSP.

Notwithstanding the foregoing, the holder or subscriber of, or annuitant under, a Registered Plan (the "**Controlling Individual**") will be subject to a penalty tax in respect of Unit Shares, Warrant Shares or Warrants held in the Registered Plan if such securities are a prohibited investment for the particular Registered Plan. A Unit Share, Warrant Share or Warrant generally will be a "prohibited investment" for a Registered Plan if the Controlling Individual does not deal at arm's length with the Company for the purposes of the Tax Act or the Controlling Individual has a "significant interest" (as defined in the Tax Act) in the Company. However, a Unit Share or Warrant Share will not be a prohibited investment for a Registered Plan if such securities are "excluded property" (as defined in the Tax Act) for such Registered Plan. Controlling Individuals should consult their own tax advisors as to whether the Unit Shares, Warrant Shares, or Warrants will be a prohibited investment in their particular circumstances.

RISK FACTORS

An investment in the securities of the Company is speculative and subject to risks and uncertainties. The occurrence of any one or more of these risks or uncertainties could have a material adverse effect on the value of any investment in the Company and the business, prospects, financial position, financial condition or results of operations of the Company.

The risks and uncertainties described or incorporated by reference in this Prospectus are not the only ones the Company may face. Additional risks and uncertainties that the Company is unaware of, or that the Company currently deems not to be material, may also become important factors that affect the Company. If any such risks actually occur, the Company's business, prospects, financial position, financial condition or results of operations could be materially adversely affected, with the result that the trading price of the Shares could decline and purchasers could lose all or part of their investment.

Investors should carefully review and consider all the information described in this Prospectus, including the documents incorporated herein by reference, and in particular should give special consideration to the risk factors under the section titled "*Risk Factors*" in the AIF and the information contained in the section entitled "*Cautionary Statement Regarding Forward-Looking Information*" above.

Risks Related to the Legality of Cannabis

Cannabis is a Schedule I Controlled Substance

The Company is involved in the cannabis industry in the United States where only state law permits such activities. Investors are cautioned that in the United States, cannabis is largely regulated at the state level. To the Company's knowledge, some form of cannabis has been legalized in 35 states, the District of Columbia, Guam, Puerto Rico, the U.S. Virgin Islands, and the Northern Mariana Islands and 15 of those states and the District of Columbia have passed laws legalizing cannabis for adult use. Additional states have pending legislation regarding the same. Notwithstanding the permissive regulatory environment of cannabis at the state level, cannabis continues to be categorized as a controlled substance under the CSA and as such, cultivation, distribution, sale and possession of cannabis violates federal law in the United States.

Violations of any U.S. federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the U.S. federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business in the United States, the listing of its securities on the CSE, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

Federal Regulation of Cannabis in the United States

Under the Obama administration in 2013, the DOJ issued the Cole Memo, which gave U.S. Attorneys discretion not to enforce federal law in states with legalization regimes that adequately addressed the eight federal priorities of preventing: (i) the distribution of cannabis to minors; (ii) revenue from the sale of cannabis from going to criminal enterprises, gangs, and cartels; (iii) the diversion of cannabis from states where it is legal under state law in some form to other states; (iv) state authorized cannabis activities from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity; (v) violence and the use of firearms in the cultivation and distribution of cannabis; (vi) drugged driving and exacerbation of other adverse public health consequences associated with cannabis use; (vii) the growing of cannabis on public lands and the attendant public safety and environmental dangers posed by cannabis production on public lands; and (viii) cannabis possession or use on federal property. Noting that the DOJ was "committed to using it limited investigative and prosecutorial resources to address the most significant threat in the most effective, consistent, and rational way," the Cole Memo served "as guidance to the Department attorneys in law enforcement to focus their enforcement resources and efforts, including prosecution, on persons or organizations whose conduct interferes with any one or more of these priorities, regardless of state law."

On January 4, 2018, however, former Attorney General, Jeff Sessions rescinded the Cole Memo and other DOJ guidance on cannabis law enforcement. Sessions wrote that the CSA, the money laundering statues, and the Bank Secrecy Act "reflect Congress's determination that marijuana is a dangerous drug in that marijuana activity is a serious crime." Instead of following the Cole Memo guidance, "prosecutors should follow the well-established principles that govern all federal prosecutions. These principles require federal prosecutors deciding which cases to prosecute to weigh all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community." The ramifications of this change in policy are unclear. Since the Cole Memo was rescinded, however, U.S. Attorneys have taken no legal action against state law compliant entities. In addition, Sessions resigned and left the DOJ, and William Barr was confirmed as Attorney General on February 14, 2019. Following the recent election in November 2020, President-elect Joseph Biden has yet to announce his nomination for who will succeed Mr. Barr as the U.S. Attorney General.

The current uncertainty about federal enforcement is more acute with respect to the state adult use programs because federal law currently precludes federal interference with the state medical cannabis programs. Starting in December 2014, Congress included in its omnibus spending bill the Rohrabacher-Farr Amendment, which prohibits the DOJ and the DEA from using funds to interfere with state medical cannabis programs "to prevent…States from implementing

their own State laws that authorize the use, distribution, possession, or cultivation of medical marijuana." Courts have interpreted the protection to preclude any prosecution against those in strict compliance with state medical cannabis laws. While the Rohrabacher-Farr protection prevents prosecutions, it does not make cannabis legal. Accordingly, the U.S. Appellate Court for the Ninth Circuit noted in a footnote that, if the protection were lifted, the federal government could prosecute any conduct within the statute of limitations. In other words, if Congress does not renew the Rohrabacher-Farr protection, the federal government could commence prosecuting cannabis companies for any activity occurring within the statute of limitations even if the Rohrabacher-Farr protection was in place when the federally illegal activity occurred.

The Rohrabacher-Farr protection depends on its continued inclusion in the federal omnibus spending bill, or inclusion in some other legislation, and entities' strict compliance with the state medical cannabis laws. That protection has been extended through the most recent spending bill, effective through December 11, 2020.

Until Congress changes the law with respect to medical cannabis and particularly if the Congress does not extend the Rohrabacher-Farr protection of state medical cannabis programs, there is a risk that federal authorities may enforce current federal cannabis law, and the Company may be found to violate federal law by growing, processing, possessing, and selling cannabis, by possessing and selling drug paraphernalia, and by laundering the proceeds of the sale of cannabis or otherwise violating the money laundering laws or the Bank Secrecy Act. Active enforcement of the current federal regulatory position on cannabis may thus directly or indirectly adversely affect the Company's revenues and profits.

Because the medical cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry which are either used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property was never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

Regardless of the federal government's criminal enforcement, federal prohibition otherwise can negatively affect businesses involved in the cannabis industry for several reasons including that: most banks refuse to serve cannabis companies, making banking and other financial transactions difficult; businesses trafficking in cannabis may not take tax deductions for costs beyond costs of goods sold under Section 280E of the United States Internal Revenue Code of 1986 as amended; cannabis businesses have restricted intellectual property rights particularly with respect to obtaining trademarks and enforcing patents; and cannabis businesses may face court action by third parties under the Racketeer Influenced and Corrupt Organizations Act. Any of these risks could make it difficult for the Company to operate or could impact its profitability. In addition, cannabis businesses cannot avail themselves of federal bankruptcy protection and face fewer and generally more expensive options for insurance coverage.

Investors should understand that there is no guarantee that the current administration will not change federal enforcement policy or execution in the future. Additionally, the incoming Biden administration or any other new administration or attorney general could change this policy and decide to enforce the federal laws more strongly. A change in the federal approach towards enforcement could negative affect the industry, potentially ending it entirely. Any such change in the federal government's enforcement of current federal laws could cause significant financial damage to the Company. The legal uncertainty and possible future changes in law could negatively affect the Company's existence, expansion plans, revenues, profits, and success generally.

Until recently, hemp (defined as Cannabis sativa L. with a THC concentration of not more than 0.3 percent on a dry weight basis) and hemp's extracts (except mature stalks, fibre produced from the stalks, oil or cake made from the seeds, and any other compound, manufacture, salt derivative, mixture, or preparation of such parts) were illegal Schedule I controlled substances under the CSA. The United States Agricultural Act of 2014 (the "**Original Farm Bill**") legalized the cultivation of industrial hemp for research under programs established by states. The majority of states established programs purportedly in compliance with the Original Farm Bill. Many industry participants and even states interpreted the law to include "research" into commercialization and commercial markets.

In December 2018, the U.S. government changed the legal status of hemp. The Farm Bill, removed hemp and extracts of hemp, including CBD, from the CSA schedules. Accordingly, the production, sale, and possession of hemp or extracts of hemp (including CBD) no longer violate the CSA. For hemp farmers and hemp product producers, the law expands banking options, expands intellectual property protection and enforceability, decreases tax liabilities, and

makes crop insurance available. The law also grandfathers Original Farm Bill industrial hemp research programs for at least one year.

Notably, the Farm Bill did not make hemp nationally legal and did not implement the legalization in permissive states. States can still prohibit hemp or limit hemp more stringently than the federal regulations will, although hemp may pass through all states, regardless of the particular state's law on growth and sales. The Farm Bill directs the United States Department of Agriculture (the "**USDA**") to create federal regulations and to set the framework for states to regulate their regulations. On October 31, 2019, the USDA published an interim final rule for the establishment of a domestic hemp production program. The rule had a sixty-day comment period and is effective from October 31, 2019 through November 1, 2021. For states choosing to permit and regulate hemp and hemp extracts, the state department of agriculture, in consultation with the state's governor and chief law enforcement officer, will devise a plan, which the USDA must approve. For states permitting, but opting out of regulating, hemp, the rule constructs a regulatory program under which hemp cultivators must apply for licenses and comply with the federally run program. Federal requirements for producers will include maintaining information about land and procedures for testing THC levels and disposing of hemp or by-products that exceed 0.3% THC.

The section of the Farm Bill establishing a framework for hemp production also states explicitly that it does not affect or modify the Food, Drug and Cosmetic Act (the "**FDCA**"), section 351 of the Public Health Service Act (addressing the regulation of biological products), the authority of the Commissioner of the FDA under those laws, or the Commissioner's authority to regulate hemp production under those laws.

Within hours of President Trump signing the Farm Bill, FDA Commissioner Scott Gottlieb, who subsequently resigned from the FDA, issued a statement reminding the public of the FDA's continued authority "to regulate products containing cannabis or cannabis-derived compounds under the FDCA and section 351 of the Public Health Service Act." (Statement, dated Dec. 20, 2018, available at https://www.fda.gov/NewsEvents/Newsroom/PressAnnouncements/ucm628988.htm.) He continued: "additionally, it's unlawful under the FD&C Act to introduce food containing added CBD or THC into interstate commerce, or to market CBD or THC products, as, or in, dietary supplements, regardless of whether the substances are hemp-derived," because CBD had entered the FDA's jurisdiction when GW Pharmaceuticals submitted Sativex and Epidiolex, both containing CBD as an active ingredient, for testing.

The statement added that any cannabis product, whether derived from hemp or otherwise, marketed with a disease claim (e.g., therapeutic benefit, disease prevention) must be approved by the FDA for its intended use through one of the drug approval pathways prior to being introduced into interstate commerce. Notably, the FDA can look beyond the express claims to find that a product is a "drug." The definition of "drug" under the FDCA includes, in relevant part, "articles intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease in man or other animals" as well as "articles intended for use as a component of [a drug as defined in the other sections of the definition]." 21 U.S.C. § 321(g)(1). In determining "intended use," the FDA has traditionally looked well beyond a product's actual label to statements made on websites, on social media, or orally by representatives of the company. Gottlieb did acknowledge that the FDA has completed its evaluation of three generally recognized as safe notices for hulled hemp seeds, hemp seed protein, and hemp seed oil, which can be legally marketed in human food.

Notably, the FDA could take similar action on products with THC if the federal government ever similarly legalized cannabis.

Enforcement under the FDCA may be criminal or civil in nature and can include those who aid and abet a violation, or conspire to violate, the FDCA. Violations of the FDCA (21 U.S.C. § 331 (Prohibited acts)) are for first violations misdemeanours punishable by imprisonment up to one year or a fine or both and for second violations or violations committed with an "intent to defraud or mislead" felonies punishable by fines and imprisonment up to three years. 21 U.S.C. § 333(a). The fines provided for in 21 U.S.C. § 333(a) are low (US$1000 and US$3000), but under the Criminal Fine Improvements Act of 1987 the criminal fines can be increased significantly (approximately US$100,000 - US$500,000). Civil remedies under the FDCA include civil money penalties (see, e.g., 21 U.S.C. §333(b) and (f)(2)A), 21 C.F.R. §17.1), injunctions, and seizures (21 U.S.C §334). The FDA also has a number of administrative remedies, e.g., warning letters, recalls, debarment.

Risk of Legal, Regulatory or Political Change

The success of the business strategy of the Company depends on the legality of the cannabis industry. Delays in enactment of new state or U.S. federal regulations could restrict the ability of the Company to reach strategic growth targets. The growth strategy of the Company is contingent upon certain U.S. federal and state regulations being enacted to facilitate the legalization of medical and adult-use cannabis. If such regulations are not enacted, or enacted but subsequently repealed or amended, or enacted with prolonged phase-in periods, the growth targets of the Company, and thus, the effect on the return of investor capital, could be detrimental. The Company is unable to predict with certainty when and how the outcome of these complex regulatory and legislative proceedings will affect its business and growth.

Further, there is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. If the U.S. federal government begins to enforce U.S. federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed, the Company's business, results of operations, financial condition and prospects would be materially adversely affected. It is also important to note that local and city ordinances may strictly limit and/or restrict disbursement of cannabis in a manner that will make it extremely difficult or impossible to transact business that is necessary for the continued operation of the cannabis industry. U.S. federal actions against individuals or entities engaged in the cannabis industry or a repeal of applicable cannabis related legislation could adversely affect the Company and its business, results of operations, financial condition and prospects.

The Company is also aware that multiple states are considering special taxes or fees on businesses in the cannabis industry. It is a potential yet unknown risk at this time that other states are in the process of reviewing such additional fees and taxation. Should such special taxes or fees be adopted, this could have a material adverse effect upon the Company's business, results of operations, financial condition or prospects.

Overall, the medical and adult-use cannabis industry is subject to significant regulatory change at both the state and federal level. The inability of the Company to respond to the changing regulatory landscape may cause it to not be successful in capturing significant market share and could otherwise harm its business, results of operations, financial condition or prospects.

Intellectual Property Risks

The Company's ability to compete in the future partly depends on the superiority, uniqueness and value of its intellectual property and technology, including both internally developed technology and technology licensed from third parties. To the extent the Company is able to do so, in order to protect its proprietary rights, the Company will rely on a combination of trademark, copyright and trade secret laws, confidentiality agreements with its employees and third parties, and protective contractual provisions which may prove insufficient to protect the Company's proprietary rights.

Third parties may independently develop substantially equivalent proprietary information without infringing upon any proprietary technology. Third parties may otherwise gain access to the Company's proprietary information and adopt it in a competitive manner. Any loss of intellectual property protection may have a material adverse effect on the Company's business, results of operations or prospects.

As long as cannabis remains illegal under U.S. federal law as a Schedule I controlled substance pursuant to the CSA, the benefit of certain U.S. federal laws and protections which may be available to most businesses, such as U.S. federal trademark and patent protection regarding the intellectual property of a business, may not be available to the Company. As a result, the Company's intellectual property may never be adequately or sufficiently protected against the use or misappropriation by third-parties. In addition, since the regulatory framework of the cannabis industry is in a constant state of flux, the Company can provide no assurance that it will ever obtain any protection of its intellectual property, whether on a federal, state or local level. While many states do offer the ability to protect trademarks independent of the U.S. federal government, patent protection is wholly unavailable on a state level, and state-registered trademarks provide a lower degree of protection than would federally-registered marks.

Lack of Access to United States Bankruptcy Protections

Because cannabis is illegal under U.S. federal law, and bankruptcy is a strictly federal proceeding, many courts have denied cannabis businesses bankruptcy protections, thus making it very difficult for lenders to recoup their investments in the cannabis industry in the event of a bankruptcy. If the Company were to experience a bankruptcy, there is no guarantee that U.S. federal bankruptcy protections would be available to the Company's United States operations, which would have a material adverse effect on the Company, its lenders and other stakeholders.

Enforceability of Contracts

It is a fundamental principle of law that a contract will not be enforced if it involves a violation of law or public policy. Because cannabis remains illegal at a U.S. federal level, judges in multiple U.S. states have on a number of occasions refused to enforce contracts for the repayment of money when the loan was used in connection with activities that violate U.S. federal law, even if there is no violation of state law. There remains doubt and uncertainty that the Company will be able to legally enforce contracts it enters into if necessary. The Company cannot be assured that it will have a remedy for breach of contract, the lack of which may have a material adverse effect on the Company's business, revenues, operating results, financial condition or prospects.

Market for Cannabis Could Decline due to Regulatory Changes

There can be no assurance that the number of states that allow the use of medicinal cannabis will increase. Furthermore, there can be no assurance that the existing states and districts that permit the use of medicinal cannabis will not reverse their position. If either of these things happens at any future time, then growth of the Company's business may be materially impacted. The Company may not be able to achieve targeted revenue levels and may experience declining revenue as the potential market for its products and services diminishes.

U.S. Border Officials Could Deny Entry into the U.S.

Since cannabis remains illegal under U.S. federal law, those employed at or investing in legal and licensed cannabis companies could face detention, denial of entry or lifetime bans from the U.S. for their business associations with U.S. cannabis businesses. Entry happens at the sole discretion of the CBP officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a foreign national. The Government of Canada has started warning travellers on its website that previous use of cannabis, or any substance prohibited by U.S. federal laws, could mean denial of entry to the U.S. In addition, business or financial involvement in the legal cannabis industry in the U.S. could also be reason enough for U.S. border guards to deny entry. On September 21, 2018, the CBP released a statement outlining its current position with respect to enforcement of the laws of the U.S. It stated that the CBP enforcement of U.S. laws regarding controlled substances has not changed and because cannabis continues to be a controlled substance under U.S. law, working in or facilitating the proliferation of the legal cannabis industry in U.S. states where it is deemed legal may affect admissibility to the U.S. As a result, the CBP has affirmed that, a Canadian citizen working in or facilitating the proliferation of the legal cannabis industry in Canada, coming to the U.S. for reasons unrelated to the cannabis industry, will generally be admissible to the U.S. However, if a traveller is found to be coming to the U.S. for reasons related to the cannabis industry, they may be deemed inadmissible.

General Legal Risks

Anti-Money Laundering Laws and Regulations

The Company is subject to a variety of laws and regulations domestically and in the United States that involve money laundering, financial recordkeeping and proceeds of crime. These include: (i) the *Bank Secrecy Act*, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001; (ii) sections 1956 and 1957 of U.S.C. Title 18 ; (iii) the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada)*, as amended and the rules and regulations thereunder; (iv) the *Criminal Code*

(Canada); and (v) any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

In the event that any of the Company's operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Company has no current intention to declare or pay dividends on its Shares in the foreseeable future, in the event that a determination was made that the Company's proceeds from operations (or any future operations or investments in the United States) could reasonably be shown to constitute proceeds of crime, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

Certain Remedies may be Limited

The Company's governing documents may provide that the liability of the Board of Directors and the officers of the Company is eliminated to the fullest extent permitted under the laws of the State of Nevada. Thus, the Company and the shareholders of the Company may be prevented from recovering damages for alleged errors or omissions made by the members of the Board of Directors and the officers of the Company. The Company's governing documents may also provide that the Company will, to the fullest extent permitted by law, indemnify members of the Board of Directors and its officers for certain liabilities incurred by them by virtue of their acts on behalf of the Company.

Difficulty in Enforcing Judgments and Effecting Service of Process on Directors and Officers

The majority of the directors and officers of the Company reside outside of Canada. Some or all of the assets of such persons may be located outside of Canada. Therefore, it may not be possible for shareholders of the Company to collect or to enforce judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable Canadian securities laws against such persons. Moreover, it may not be possible for shareholders of the Company to effect service of process within Canada upon such persons.

General Regulatory Risks

Risks Associated with a Change in U.S. Administrations

The election of President-elect Joseph Biden Jr. in November 2020 has created significant political uncertainty with respect to the regulation of cannabis in the U.S. federally. This uncertainty may include issues such as enforcement of the U.S. federal laws including those with respect to the cannabis industry. Implementation by the U.S. of new legislative or regulatory regimes could impose additional costs on the Company, decrease U.S. demand for the Company's products or otherwise negatively impact the Company, which may have a material adverse effect on the Company's business, financial condition and operations.

Heightened Scrutiny by Regulatory Authorities

The Company's existing investments in the United States, and any future operations or investments of the Company, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada and the United States. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to operate or invest in the United States or any other jurisdiction, in addition to those described herein.

Relatedly, it has been reported by certain publications in Canada that CDS, Canada's central securities depository, clearing and settling trades in the Canadian equity, fixed income and money markets, is considering a policy shift whereby CDS would refuse to settle trades for cannabis issuers that have investments in the United States. The TMX Group, the owner and operator of CDS, subsequently issued a statement on August 17, 2017 reaffirming that there is

no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, despite media reports to the contrary and that the TMX Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time.

On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding ("**MOU**") with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange, and the TSX Venture Exchange. The MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the United States. The MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented at a time when the Shares are listed on a stock exchange, it would have a material adverse effect on the ability of holders of Shares to make and settle trades. In particular, the Shares would become highly illiquid as until an alternative was implemented, investors would have no ability to effect a trade of securities through the facilities of the applicable stock exchange.

Regulatory Proceedings, Investigations and Audits

The Company's investments may not be able to obtain or maintain the necessary licenses, permits, authorizations or accreditations, or may only be able to do so at great cost, to operate their respective businesses. In addition, the Company's investments may not be able to comply fully with the wide variety of laws and regulations applicable to the cannabis industry. Failure to comply with or to obtain the necessary licenses, permits, authorizations or accreditations could result in restrictions on an investment's ability to operate in the cannabis industry, which could have a material adverse effect on the Company's business. Failure to comply with these laws and regulations could also subject the Company to a number of government or agency proceedings, investigations and audits. The outcome of any regulatory or agency proceedings, investigations, audits, and other contingencies could harm the Company's reputation, require the Company to take, or refrain from taking, actions that could harm its operations or require the Company to pay substantial amounts of money, harming its financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources or have a material adverse impact on the Company's business, financial condition and results of operation.

Regulatory Action from the Food and Drug Administration

The Company's investments or its tenants sell certain cannabis-based products in the certain states where such products are legal. However, such cannabis-based products are not approved by the FDA as "drugs" or for the diagnosis, cure, mitigation, treatment, or prevention of any disease. Accordingly, the FDA may regard any promotion of the cannabis-based products as the promotion of an unapproved drug in violation of the FDCA.

In recent years, the FDA has issued letters to a number of companies selling products that contain CBD derived from hemp warning them that the marketing of their products violates the FDCA. FDA enforcement action against the Company, its investee entities or its tenants could result in a number of negative consequences, including fines, disgorgement of profits, recalls or seizures of products, or a partial or total suspension of the Company's production or distribution of its products. Any such event could have a material adverse effect on the Company's business, prospects, financial condition, and operating results.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. Such recalls cause unexpected expenses of the recall and any legal proceedings that might arise in connection with the recall. This can cause loss of a significant amount of sales. In addition, a product recall may require significant management attention. If one of the products being sold by the Company's investee entities or tenants were subject to recall, the image of that product and the

Company could be harmed. Additionally, product recalls can lead to increased scrutiny of operations by applicable regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Tax Risks

Unfavorable Tax Treatment of Cannabis Businesses

Under Section 280E of the United States Internal Revenue Code of 1986 as amended, "no deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of schedule I and II of the CSA) which is prohibited by U.S. federal law or the law of any state in which such trade or business is conducted." This provision has been applied by the Internal Revenue Service to cannabis operations, prohibiting them from deducting expenses directly associated with the sale of cannabis. Section 280E therefore has a significant impact on the retail side of cannabis, but a lesser impact on cultivation and manufacturing operations. A result of Section 280E is that an otherwise profitable business may, in fact, operate at a loss, after taking into account its U.S. income tax expenses.

Market and Economic Risks

Global Financial Conditions

Following the onset of the credit crisis in 2007-2008, global financial conditions were characterized by extreme volatility and several major financial institutions either went into bankruptcy or were rescued by governmental authorities. While global financial conditions subsequently stabilized, there remains considerable risk in the system given the extraordinary measures adopted by government authorities to achieve that stability. Global financial conditions could suddenly and rapidly destabilize in response to future economic shocks, as government authorities may have limited resources to respond to future crises.

Future economic shocks may be precipitated by a number of causes, including a rise in the price of oil, geopolitical instability and natural disasters. Any sudden or rapid destabilization of global economic conditions could impact the Company's ability to obtain equity or debt financing in the future on terms favourable to the Company. Additionally, any such occurrence could cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. Further, in such an event, the Company's operations and financial condition could be adversely impacted.

Furthermore, general market, political and economic conditions, including, for example, inflation, interest and currency exchange rates, structural changes in the cannabis industry, supply and demand for commodities, political developments, legislative or regulatory changes, social or labour unrest and stock market trends will affect the Company's operating environment and its operating costs, profit margins and share price. Any negative events in the global economy could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Currency Fluctuations

Due to the Company's present operations in the United States, the Company is expected to be exposed to significant currency fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. The Company does not have currency hedging arrangements in place. Fluctuations in the exchange rate between the United States dollar and the Canadian dollar, may have a material adverse effect on the Company's business, financial position or results of operations.

Financing Risks

Restricted Access to Banking

The Company is subject to a variety of laws and regulations domestically and in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the *Currency and Foreign Transactions Reporting Act of 1970,* the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada)*, the *Criminal Code* (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

In February 2014, FinCEN issued guidance (which is not law) with respect to financial institutions providing banking services to cannabis businesses, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the DOJ, FinCEN or other U.S. federal regulators. Thus, most banks and other financial institutions in the United States do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the Trump Administration. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, the Company may have limited or no access to banking or other financial services in the United States. The inability or limitation in the Company's ability to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Company to operate and conduct its business as planned or to operate efficiently.

Difficulty Accessing Public and Private Capital

While the Company is not able to obtain traditional bank financing in the U.S. or financing from other U.S. federally regulated entities, the Company currently has access to equity financing through the private markets in Canada and the U.S. Since the use of cannabis is illegal under U.S. federal law, and in light of concerns in the banking industry regarding money laundering and other federal financial crime related to cannabis, U.S. banks have been reluctant to accept deposit funds from businesses involved with the cannabis industry. Consequently, businesses involved in the cannabis industry often have difficulty finding a bank willing to accept its business. Likewise, cannabis businesses have limited access, if any, to credit card processing services. As a result, cannabis businesses in the U.S. are largely cash-based. This complicates the implementation of financial controls and increases security issues.

Commercial banks, private equity firms and venture capital firms have approached the cannabis industry cautiously to date. However, there are increasing numbers of high net worth individuals and family offices that have made meaningful investments in companies and businesses similar to the Company. Although there has been an increase in the amount of private financing available over the last several years, there is neither a broad nor deep pool of institutional capital that is available to cannabis license holders and license applicants. There can be no assurance that additional financing, if raised privately, will be available to the Company when needed or on terms which are acceptable to the Company. The Company's inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability.

Environmental Risks

Environmental Regulation

The Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors (or the equivalent thereof) and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Government approvals and permits are currently, and may in the future, be required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company's investee companies may be curtailed or prohibited from its proposed production of medical cannabis or from proceeding with the development of its operations as currently proposed.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing the production of medical cannabis, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in expenses, capital expenditures or production costs or reduction in levels of production or require abandonment or delays in development.

Unknown Environmental Risks

There can be no assurance that the Company will not encounter hazardous conditions at the site of the real estate used to operate its businesses, such as asbestos or lead, in excess of expectations that may delay the development of its businesses. Upon encountering a hazardous condition, work at the facilities of the Company may be suspended. If the Company receives notice of a hazardous condition, it may be required to correct the condition prior to continuing construction. The presence of other hazardous conditions will likely delay construction and may require significant expenditure of the Company's resources to correct the condition. Such conditions could have a material impact on the investment returns of the Company.

Risks Related to Management, Employees and Suppliers

Reliance on Key Personnel

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management (collectively, "**Key Personnel**"). The Company's future success depends on its continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and the Company may incur significant costs to attract and retain them. The loss of the services of Key Personnel, or an inability to attract other suitably qualified persons when needed, could have a material adverse effect on the Company's ability to execute on its business plan and strategy, and the Company may be unable to find adequate replacements on a timely basis, or at all. In addition, if Key Personnel leave the Company, and the Company is unable to find a suitable replacement in a timely manner, or at all, there could occur a material adverse effect on the Company's business, financial condition and results of operations. While employment agreements are customarily used as a primary method of retaining the services of Key Personnel, these agreements cannot assure the continued services of such employees.

Potential Conflict of Interest

There are potential conflicts of interest to which some of the directors, officers and insiders of the Company may be subject in connection with the operations of the Company. Some of the individuals appointed as directors of the Company are also directors and/or officers of other issuers. As of the date hereof, and to the knowledge of the directors and officers of the Company, other than as disclosed in this Prospectus, there are no existing conflicts of interest

between the Company and any of the Company's director who act as directors or officers of other issuers, however, situations may arise where the directors and/or officers of the Company may be in competition with the Company.

Independence of the Board of Directors

Several members of the Board of Directors are not considered independent within the meaning set forth in National Instrument 52-110 – *Audit Committees.* Failure to maintain a Board of Directors that is not majority independent could jeopardize the effectiveness and the proper functioning of the Board of Directors.

Difficulty Attracting and Retaining Personnel

The Company's success depends to a significant degree upon its ability to attract, retain and motivate highly skilled and qualified personnel. Failure to attract and retain necessary technical personnel, sales and marketing personnel and skilled management could adversely effect the Company's business. If the Company fails to attract, train and retain sufficient numbers of these highly qualified people, its prospects, business, financial condition and results of operations will be materially and adversely effected.

Dependence on Suppliers

The ability of the Company to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of equipment, parts and components. It is also possible that the final costs of the major equipment contemplated by the Company's capital expenditure plans may be significantly greater than anticipated by the Company's management, and may be greater than funds available to the Company, in which circumstance the Company may curtail, or extend the timeframes for completing, its capital expenditure plans. This could have an adverse effect on the business, financial condition, results of operations or prospects of the Company.

Reliance on Inputs

The cannabis business is dependent on a number of key inputs and their related costs including raw materials and supplies related to growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition, results of operations or prospects of the Company. In addition, any restrictions on the ability to secure required supplies or utility services or to do so on commercially acceptable terms could have a materially adverse impact on the business, financial condition and operating results. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, the Company might be unable to find a replacement for such source in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to the Company in the future. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition, results of operations or prospects of the Company.

Service Providers

As a result of any adverse change to the approach in enforcement of United States cannabis laws, adverse regulatory or political change, additional scrutiny by regulatory authorities, adverse change in public perception in respect of the consumption of cannabis or otherwise, third party service providers to the Company could suspend or withdraw their services, which may have a material adverse effect on the Company's business, revenues, operating results, financial condition or prospects.

Fraudulent or Illegal Activity by Employees, Contractors and Consultants

The Company is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violates: (i) government regulations; (ii)

manufacturing standards; (iii) federal, state and provincial healthcare fraud and abuse laws and regulations; or (iv) laws that require the true, complete and accurate reporting of financial information or data. It is not always possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the Company's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Company's operations, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

Risks Related to the Offering

Discretion over the Use of Proceeds

The Company will have discretion concerning the use of the net proceeds of the Offering as well as the timing of their expenditures, and may apply the net proceeds of the Offering in ways other than as described under "*Use of Proceeds*" in this Prospectus. As a result, an investor will be relying on the judgment of the Company for the application of the net proceeds of the Offering. The Company may use the net proceeds of the Offering in ways that an investor may not consider desirable. The results and the effectiveness of the application of the net proceeds are uncertain. If the net proceeds are not applied effectively, the Company's business, prospects, financial position, financial condition or results of operations may suffer.

Securing Additional Financing

There is no guarantee that the Company will be able to achieve its business objectives. The continued development of the Company will require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or the Company ceasing to carry on business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable to the Company. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed wholly or partially with debt, which may increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. Debt financings may also contain provisions which, if breached, may entitle lenders or their agents to accelerate repayment of loans and/or realize upon security over the assets of the Company, and there is no assurance that the Company would be able to repay such loans in such an event or prevent the enforcement of security granted pursuant to such debt financing. The Company will require additional financing to fund its operations until positive cash flow is achieved.

Completion of the Offering is Subject to Conditions

The completion of the Offering remains subject to completion of definitive binding documentation and satisfaction of a number of conditions, including final approval of the Offering by the CSE. There can be no certainty that the Offering will be completed.

Forward-looking Information May Prove to be Inaccurate

Investors are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Additional information on the risks, assumptions and uncertainties are found in this Prospectus under the

heading "*Cautionary Note Regarding Forward-Looking Information*".

Volatile Market Price of the Shares

The market price of the Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control. This volatility may affect the ability of holders of Shares to sell their securities at an advantageous price. Market price fluctuations in the Shares may be due to the Company's operating results failing to meet expectations of securities analysts or investors in any period, downward revision in securities analysts' estimates, adverse changes in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Company or its competitors, along with a variety of additional factors. These broad market fluctuations may adversely affect the market price of the Shares.

Financial markets historically at times experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Shares may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of the Shares may be materially adversely effected.

No Guarantee of a Positive Return in an Investment

There is no guarantee that an investment in the Units will earn any positive return in the short term or long term. An investment in the Units involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the Units is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

Risk Factors Related to Dilution

The Company may issue additional securities in the future, which may dilute a shareholder's holdings in the Company. The Company's articles permit the issuance of up to 300,000,000 Shares, and shareholders will have no pre-emptive rights in connection with such further issuance. The directors of the Company have discretion to determine the price and the terms of issue of further issuances. Moreover, additional Shares will be issued by the Company on the exercise of options under the Company's stock option plan and upon the exercise of outstanding warrants.

Limited Market for Securities

There is no market through which the Warrants may be sold and purchasers may not be able to resell the Warrants acquired pursuant to the Offering. This may affect the pricing of Warrants in the secondary market, the transparency and availability of trading prices, the liquidity and the extent of issuer regulation. An investment in the Warrants and Shares should only be made by those persons who can afford the loss of their entire investment.

There can be no assurance that an active and liquid market for the Shares will develop and shareholders may find it difficult to resell their Shares. Accordingly, no assurance can be given that the Company or its business will be successful.

Risks Related to the Transaction

Possible Failure to Realize Anticipated Benefits of the Acquisitions

The Company is proposing to complete the Merger to achieve synergies in sales and operations and reduced sales, general and administrative expense as a percentage of sales. Achieving the benefits of the Merger depends in part on

successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as the Company's ability to realize the anticipated growth opportunities and synergies from integrating Driven's assets and intellectual property into its operations. The integration of Driven requires the dedication of substantial management effort, time and resources, which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process may result in the loss of key employees and the disruption of ongoing business, customer and employee relationships that may adversely affect the Company's ability to achieve the anticipated benefits of the Merger.

Possible Failure to Complete the Acquisitions

The Merger is subject to completion of the conditions described herein and normal commercial risk that the Merger may not be completed on the terms negotiated or at all. If closing of the Merger does not take place, the Company will have incurred substantial costs and expenses for which no ultimate benefit will have been realized.

Potential Undisclosed Liabilities Associated with the Acquisitions and Limited Recourse

In connection with the Merger, there may be liabilities that the Company fails to discover in its due diligence on Driven, in respect of which the Company may not be indemnified. The inability by the Company to recover damages incurred as a result of the Merger may have a material adverse effect on the financial position of the Company. In addition, the holders of Driven have not made any representation to the Company, as to the disclosure in this Prospectus constituting full, true and plain disclosure of all material facts related to the Merger, or that this Prospectus does not contain a misrepresentation with respect to Driven. Accordingly, the Company will have all of the liability if the disclosure in this Prospectus relating to Driven does not meet such standard or contains a misrepresentation.

Risks Relating to Driven

Following the completion of the Merger, Driven will become a wholly owned subsidiary of the Company. Driven's business and operations is subject to several risks relating to the cannabis industry and its evolving business plan. Growth prospects in the cannabis delivery industry can be affected by a variety of factors including: (i) competition; (ii) regulatory limitations on the products that Driven can offer and the markets it can serve; (iii) changes in the regulation of medical and adult-use cannabis; and (iv) changes in underlying consumer behaviour. Further, Driven only operates in the State of California and given the high barrier to entry for cannabis delivery companies in other U.S. states, no assurances can be made as to Driven's ability to expand its business into other U.S. states.

General Business Risks

Limited Operating History and Generated Revenues

The Company was founded in 2016 and has limited operating history from which to evaluate the Company's business prospects. The Company has accrued accumulated net losses from the date of inception and faces risks encountered by early stage companies in general, including but not limited to: difficulty in raising sufficient funding to achieve growth objectives, uncertainty of market acceptance of products and services, and the ability to attract and retain qualified personnel. There can be no guarantees that the Company will be successful in managing these risks, and if the Company is unsuccessful in doing so, the Company's shareholders face the risk of losing their entire investment.

Negative Operating Cash Flow

The Company had negative operating cash flow in its most recent interim financial period and financial year. The Company's ability to generate positive operating cash flow will depend on a number of factors, including, among others, receipt and/or maintenance by the Company and its subsidiaries of required permits to operate the Company's business. To the extent the Company has negative cash flows in future periods, the Company may use a portion of its general working capital or seek additional equity financing to fund such negative cash flows. There is no assurance that additional capital or other types of financing will be available if needed or that these financings will be on terms at least as favourable to the Company as those previously obtained, or at all.

Difficulty to Forecast

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the adult-use cannabis industry in the states in which the Company's business will operate. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

Management of Growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Internal Controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Company under Canadian securities law, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and materially adversely affect the trading price of the Shares.

Insurance Coverage

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, environmental damage, delays in operations, monetary losses and possible legal liability. Although the Company intends to continue to maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards encountered in the operations of the Company is not generally available on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Unfavorable Publicity or Consumer Perception

The Company believes the adult-use and medical cannabis industries are highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. In particular, the Company's financial performance in each state will depend on whether patients and physicians view its products as effective and safe for use. Under the laws of the states in which the Company and its affiliates operate, the participation of physicians and health care providers in the certification process is voluntary and therefore depends on a number of variables, including: medical professionals' views as to the use of medical cannabis to treat qualifying conditions; the risks and benefits to individual patients or patient groups; the policies of particular medical practices; and patient demand. If physicians and other medical professionals do not certify patients where certification is required under state law, the Company's business, financial position and results of operations may be negatively affected.

Public perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research or findings, regulatory investigations, litigation, media attention or other publicity will be favorable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory investigations, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or other publicity could have a material adverse effect on the demand for adult-use or medical cannabis and on the business, results of operations, financial condition, cash flows or prospects of the Company.

Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or associating the consumption of adult-use and medical cannabis with illness or other negative effects or events, could have such a material adverse effect. There is no assurance that such adverse publicity reports or other media attention will not arise. A negative shift in the public's perception of cannabis in the United States or any other applicable jurisdiction could cause state jurisdictions to abandon initiatives or proposals to legalize medical and/or adult-use cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand. Any inability to fully implement the Company's expansion strategy may have a material adverse effect on the Company's business, results of operations or prospects.

Results of Future Clinical Research

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as CBD and tetrahydrocannabinol ("**THC**")) remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC). Although the Company believes that the articles, reports and studies support its beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, uncertainties and assumptions, investors should not place undue reliance on such articles and reports. Future research studies and clinical trials may reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to cannabis, which could have a material adverse effect on the demand for the Company's products with the potential to lead to a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Competition

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company.

Increased Costs of Being a Public Company

As a reporting issuer, the Company is subject to the reporting requirements and rules and regulations under the applicable Canadian securities laws and rules of any stock exchange on which the Company's securities may be listed from time to time. Additional or new regulatory requirements may be adopted in the future. The requirements of existing and potential future rules and regulations will increase the Company's legal, accounting and financial compliance costs, make some activities more difficult, time-consuming or costly and may also place undue strain on its personnel, systems and resources, which could adversely affect its business, financial condition, and results of operations.

Future Acquisitions or Dispositions

Material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) potential disruption of the Company's ongoing business; (ii) distraction of management; (iii) the Company may become more financially leveraged; (iv) the anticipated benefits and cost savings of those transactions may not be realized fully or at all or may take longer to realize than expected; (v) increasing the scope and complexity of the Company's

operations; and (vi) loss or reduction of control over certain of the Company's assets. Additionally, the Company may issue additional securities in connection with such transactions, which would dilute a shareholder's holdings in the Company.

The presence of one or more material liabilities of an acquired company that are unknown to the Company at the time of acquisition could have a material adverse effect on the business, results of operations, prospects and financial condition of the Company. A strategic transaction may result in a significant change in the nature of the Company's business, operations and strategy. In addition, the Company may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into the Company's operations.

The Company's previously announced acquisitions and transactions, including the Reorganization, may be completed on different terms and conditions than were previously contemplated or may not be completed at all. Failure to close such acquisitions may lead to a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Co-Investment Risk

The Company may co-invest in one or more investments with certain strategic investors and/or other third parties through joint ventures or other entities, which parties in certain cases may have different interests or superior rights to those of the Company. Additionally, the Company's investments may be subject to typical risks associated with third-party involvement, including the possibility that a third-party may have financial difficulties resulting in a negative impact on such investment, may have economic or business interests or goals that are inconsistent with those of the Company, or may be in a position to take (or block) action in a manner contrary to the Company's objectives. The Company may also, in certain circumstances, be liable for the actions of its third-party partners or co-investors. Co-investments by third parties may or may not be on substantially the same terms and conditions as the Company, and such different terms may be disadvantageous to the Company.

COVID-19 Impacts on Operations

The COVID-19 pandemic has negatively affected the U.S. and global economies, disrupted global supply chains, resulted in significant travel and transport restrictions, including mandated closures and orders to "shelter-in-place," and created significant disruption of the financial markets. The Company is closely monitoring the impact of the COVID-19 pandemic on all aspects of its business, including how it will impact the Company's customers, employees and supply chain. Given the critical nature of the services and products that the Company provides, its calibration labs, distribution centers and support offices have remained open during the pandemic. While the COVID-19 pandemic did not have a material adverse effect on the Company's reported results for the second quarter of fiscal year 2020, the Company is unable to predict the ultimate impact that it may have on the Company's business, future results of operations, financial position or cash flows. The extent to which the Company's operations may be impacted by the COVID-19 pandemic will depend largely on future developments, which are highly uncertain and cannot be accurately predicted. The Company may experience additional operating costs due to increased challenges with its workforce (including as a result of illness, absenteeism or government orders), access to supplies, capital, and fundamental support services (such as shipping and transportation). Even after the COVID-19 pandemic has subsided, the Company may experience materially adverse impacts to its business due to any resulting economic recession or depression. Furthermore, the impacts of a potential worsening of global economic conditions and the continued disruptions to and volatility in the financial markets remain unknown.

The impact of the COVID-19 pandemic may also exacerbate other risks discussed in this section, any of which could have a material adverse effect on the Company. This situation is changing rapidly and additional impacts may arise that the Company is not aware of currently.

COVID-19 Impacts on Workforce

The COVID-19 pandemic may significantly disrupt the Company's workforce if a significant percentage of its employees are unable to work due to illness, quarantines, government actions, facility closures in response to the pandemic, fear of acquiring COVID-19 while performing essential business functions, or as a result of recent changes to unemployment insurance where unemployed workers can receive, in the short-term, benefits in excess of what

would be offered for working for the Company. As part of the Company's response to the pandemic, it instituted hazard pay for certain employees that perform essential work at customer sites. While the Company remains fully operational as an essential business, it cannot guarantee that it will be able to adequately staff its operations when needed, particularly as the COVID-19 pandemic progresses, which may strain the Company's existing personnel, increase costs, and negatively impact the Company's operations. As a result, the Company's internal operations may experience disruptions. The pandemic may create additional challenges in attracting and retaining quality employees in the future. In addition, COVID-19 related-illness could impact members of the Company's board of directors resulting in absenteeism from meetings of the directors or committees of directors, making it more difficult to convene the quorums of the full board of directors or its committees needed to conduct meetings for the management of the Company's affairs. The Company cannot predict the extent to which the COVID-19 pandemic may disrupt the Company's workforce and internal operations.

Operational Changes Due to COVID-19

In response to the COVID-19 pandemic, the Company has taken measures intended to protect the health and well-being of its employees, customers, and communities, which could negatively impact the Company's business. These measures include temporarily requiring all non-essential employees (personnel whose roles allow) to work remotely, restricting work-related travel except for direct onsite service to the Company's customers, restricting non-essential visitors from entering the Company's sites, increasing the frequency and extent of cleaning and disinfecting facilities, workstations, and equipment, developing social distancing plans, and instituting specialized training to ensure the safe handling of the Company's products and equipment. The health of the Company's workforce, customers and communities is of primary concern and the Company may take further actions as may be required by government authorities or as its determines are in the best interests of the Company's employees, customers and others. In addition, the Company's management team has, and will likely continue to, spend significant time, attention and resources monitoring the COVID-19 pandemic and seeking to manage its effects on the Company's business and workforce. The extent to which the pandemic and the Company's precautionary measures may impact the Company's business will depend on future developments, which are highly uncertain and cannot be predicted at this time.

Risks Inherent in an Agricultural Business

A large portion of the Company's business involves the growing of cannabis, an agricultural product. Such business will be subject to the risks inherent in the agricultural business, such as insects, plant diseases, natural disasters and similar agricultural risks. While such growing will be completed in controlled outdoor and indoor environments, there can be no assurance that natural elements will not have a material adverse effect on any such future production, which may have an adverse effect on the financial results of the Company.

MATERIAL CONTRACTS

Other than contracts entered into in the ordinary course of business, the following are the only material contracts of the Company:

- the Agency Agreement;
- the Warrant Indenture;
- the Merger Agreement;
- the Operating Companies Merger Agreement; and
- the trust indenture dated December 27, 2018 between the Company and Odyssey, as supplemented by a first supplemental indenture dated March 6, 2020, as further supplemented by a supplemental indenture dated March 17, 2020 and as further supplemented by a supplemental indenture dated April 8, 2020.

Copies of the above material contracts are available on the Company's SEDAR profile at www.sedar.com.

ENFORCEMENT OF JUDGMENTS AGAINST FOREIGN PERSONS

The Company, the following directors and/or officers and the auditors of the Company reside outside of Canada. Such persons named below have appointed the following agent for service of process:

Name	Name and Address of Agents for Service
Stem Holdings, Inc.	Dentons Canada LLP, Suite 400, 77 King Street West, Toronto, Ontario M5K 0A1
Adam Berk	Dentons Canada LLP, Suite 400, 77 King Street West, Toronto, Ontario M5K 0A1
Steve Hubbard	Dentons Canada LLP, Suite 400, 77 King Street West, Toronto, Ontario M5K 0A1
Ellen B. Deutsch	Dentons Canada LLP, Suite 400, 77 King Street West, Toronto, Ontario M5K 0A1
Garrett M. Bender	Dentons Canada LLP, Suite 400, 77 King Street West, Toronto, Ontario M5K 0A1
Lindy Snider	Dentons Canada LLP, Suite 400, 77 King Street West, Toronto, Ontario M5K 0A1
Dennis Suskind	Dentons Canada LLP, Suite 400, 77 King Street West, Toronto, Ontario M5K 0A1
L J Soldinger Associates, LLC	Dentons Canada LLP, Suite 400, 77 King Street West, Toronto, Ontario M5K 0A1
Rosenberg Rich Baker Berman, P.A.	Dentons Canada LLP, Suite 400, 77 King Street West, Toronto, Ontario M5K 0A1

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person that resides outside of Canada, even if the party has appointed an agent for service of process.

AUDITORS, TRANSFER AGENT AND REGISTRAR

L J Soldinger Associates, LLC are the auditors of the Company and have confirmed that, as of the date hereof, they are independent with respect to the Company within the meaning of the United States Securities Act of 1933 and the applicable rules and regulations thereunder adopted by the SEC and the Public Company Accounting Oversight Board (United States).

Rosenberg Rich Baker Berman, P.A. are the auditors of Driven and have confirmed that, as of the date hereof, they are independent with respect to the Company and Driven within the meaning of the United States Securities Act of 1933 and the applicable rules and regulations thereunder adopted by the SEC and the Public Company Accounting Oversight Board (United States).

The transfer agent and registrar for the Shares is Odyssey at its principal offices in Vancouver, British Columbia.

INTEREST OF EXPERTS

Certain legal matters in connection with this Offering will be passed upon by Dentons Canada LLP, on behalf of the Company, and by DLA Piper (Canada) LLP, on behalf of the Agent. As at the date hereof, the partners and associates of Dentons Canada LLP, as a group and the partners and associates of DLA Piper (Canada) LLP, as a group, each beneficially own, directly or indirectly, less than one percent of the outstanding Shares of the Company.

PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages, if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. Purchasers should refer to any applicable provisions of the securities legislation of the province in which the purchaser resides for the particulars of these rights or consult with a legal advisor.

In an offering of convertible securities, including the Warrants, investors are cautioned that the statutory right of action for damages for a misrepresentation contained in the prospectus is limited, in certain provincial securities legislation, to the price at which the convertible securities is offered to the public under the prospectus offering. This means that, under the securities legislation of certain provinces, if the purchaser pays additional amounts upon exercise of the security, those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of this right of action for damages or consult with a legal adviser.

SCHEDULE "A" – DRIVEN FINANCIAL STATEMENTS

(as attached)

Unaudited condensed interim consolidated financial statements of Driven (as defined herein) for the three and nine months ended September 30, 2020, together with the notes thereto

(as attached)

Driven Deliveries, Inc.
Form 10-Q Report
For the Fiscal Quarter Ended September 30, 2020

TABLE OF CONTENTS

		Page
Part I.	Financial Information	1
Item 1	Financial Statements:	1
	Condensed Consolidated Balance Sheets at September 30, 2020 (unaudited) and December 31, 2019	1
	Condensed Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2020 and 2019 (unaudited)	2
	Condensed Consolidated Statements of Stockholders' Equity for Nine Months Ended September 30, 2020 and 2019 (unaudited)	3
	Condensed Consolidated Statements of Cash Flows for Nine Months Ended September 30, 2020 and 2019 (unaudited)	4
	Notes to Condensed Consolidated Financial Statements (unaudited)	5
Item 2	Management's Discussion and Analysis of Financial Condition and Results of Operations	26
Item 3	Quantitative and Qualitative Disclosures about Market Risk	35
Item 4	Controls and Procedures	35
Part II.	Other Information	36
Item 1	Legal Proceedings	36
Item 1A	Risk Factors	37
Item 2	Unregistered Sales of Equity Securities and Use of Proceeds	37
Item 3	Defaults upon Senior Securities	37
Item 4	Mine Safety Disclosures	37
Item 5	Other Information	37
Item 6	Exhibits	37
Signatures		38

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

DRIVEN DELIVERIES, INC. & SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30,	December 31,

	2020 (Unaudited)	2019
ASSETS		
CURRENT ASSETS		
Cash	$ 511,318	$ 266,869
Accounts receivable	69,571	127,747
Receivable from merchant processor	-	206,734
Due from affiliate	-	346,610
Inventory	247,282	149,946
TOTAL CURRENT ASSETS	828,171	1,097,906
Notes receivable	500,000	-
Prepaid expenses	107,231	-
Intangible assets, net	11,677,585	4,622,267
Goodwill	1,820,999	1,271,718
Right of use asset	544,032	115,859
Fixed assets, net	52,626	81,839
Deposit	191,213	61,138
TOTAL ASSETS	$ 15,721,857	$ 7,250,727
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 3,097,922	$ 1,238,239
Accrued expenses	3,417,195	462,414
Accrued taxes	782,874	784,168
Settlement payable	642,045	352,272
Notes payable, net of unamortized debt discount of $333,728 and $480,108 as of September 30, 2020 and December 31, 2019, respectively	3,338,772	1,016,892
Notes payable - related party, net of unamortized debt discount of $32,226 and $234,667 as of September 30, 2020 and December 31, 2019, respectively	202,441	-
Lease liability	257,772	40,217
Derivative liability	178,108	306,762
Acquisition liability	1,956,497	908,469
TOTAL CURRENT LIABILITIES	13,873,626	5,109,433
Lease liability - long term	286,260	76,264
Acquisition liability - long term	-	442,617
TOTAL LIABILITIES	14,159,886	5,628,314
COMMITMENTS AND CONTINGENCIES – Note 8		
STOCKHOLDERS' EQUITY		
Preferred stock, $0.0001 par value, 15,000,000 shares authorized, no shares issued and outstanding as of September 30, 2020 and December 31, 2019, respectively	-	-
Common stock, $0.0001 par value, 200,000,000 shares authorized, 77,517,539 and 40,961,054 shares issued and outstanding as of September 30, 2020 and December 31, 2019, respectively	7,752	4,096
Additional paid in capital	31,436,888	17,387,684
Accumulated deficit	(29,882,669)	(15,241,762)
TOTAL STOCKHOLDERS' EQUITY	1,561,971	2,150,018
NON-CONTROLLING INTEREST	-	(527,605)
TOTAL STOCKHOLDERS' EQUITY	1,561,971	1,622,413
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 15,721,857	$ 7,250,727

See accompanying notes to the condensed consolidated financial statements.

DRIVEN
DELIVERIES, INC. & SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended September 30, 2020	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
REVENUE				
Gross Sales	$ 7,212,418	$ 1,237,885	$ 16,608,963	$ 1,284,292
Discounts and returns	1,232,543	25,222	2,761,335	25,222
Net Sales	5,979,875	1,212,663	13,847,628	1,259,070
Cost of goods sold - Product costs	2,598,193	458,239	6,195,462	458,239
Cost of goods sold - Fulfilment Costs and Other	5,372,005	97,536	9,225,191	145,930
Total Cost of goods sold	7,970,198	555,775	15,420,653	604,169
Gross Profit (Loss)	(1,990,323)	656,888	(1,573,025)	654,901
OPERATING EXPENSES				
Professional fees	413,906	296,735	1,261,084	805,605
Compensation, includes stock-based compensation of $1,941,362 and $5,007,996 for the three months ended September 30, 2020 and 2019 and $3,022,063 and $5,979,629 for the nine months ended September 30, 2020 and 2019	2,848,861	5,691,843	5,643,563	7,188,496
General and administrative expenses	2,219,705	709,536	4,243,070	1,122,968
Sales and marketing	355,733	134,142	817,103	227,419
Total Operating Expenses	5,838,205	6,832,256	11,964,820	9,344,488
NET LOSS FROM OPERATIONS	(7,828,528)	(6,175,368)	(13,537,845)	(8,689,587)
OTHER EXPENSES				
Interest expense	(168,263)	(52,318)	(755,056)	(63,176)
Loss on sale of fixed asset	-	23,727	(11,970)	25,582
Change in fair value of derivative liability	694,291	(807,250)	345,897	(807,250)
Gain (loss) on extinguishment of debt	-	521,387	(810,518)	521,387
Total Other Expenses	526,028	(314,454)	(1,231,647)	(323,457)
Net loss before provision for income taxes	(7,302,500)	(6,489,822)	(1,231,647)	(9,013,044)
Provision for Income Taxes	-	169,166	-	169,166
NET LOSS	(7,302,500)	(6,658,988)	(14,769,492)	(9,182,210)
NET LOSS ATTRIBUTABLE TO NON-CONTROLLING INTEREST	-	-	(128,584)	-
NET LOSS ATTRIBUTABLE TO DRIVEN DELIVERIES, INC. & SUBSIDIARY	$ (7,302,500)	$ (6,658,988)	$ (14,640,908)	$ (9,182,210)
Net loss per share - basic and diluted	$ (0.10)	$ (0.12)	$ (0.24)	$ (0.19)
Weighted average number of shares outstanding during the period - basic and diluted	72,054,338	54,222,493	61,263,796	48,886,493

See accompanying notes to the condensed consolidated financial statements.

DRIVEN DELIVERIES, INC. & SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

(Unaudited)

	Common Shares	Par	Additional Paid-in Capital	Accumulated Deficit	Non-controlling Interest	Stock Subscription Receivable	Total Stockholders' Deficit
Balance January 1, 2019	40,875,014	$ 4,088	$ 2,425,275	$ (2,681,192)	$ -	$ (100,000)	$ (351,829)
Sale of common stock	5,060,000	506	1,011,494	-	-	-	1,012,000
Issuance of options for services	-	-	244,062	-	-	-	244,062
Issuance of warrants for services	-	-	103,632	-	-	-	103,632
Issuance of common stock and warrants for cancellation of debt	375,000	37	53,823	-	-	-	53,860
Proceeds from stock subscription receivable	-	-	-	-	-	100,000	100,000
Net loss	-	-	-	(954,387)	-	-	(954,387)
Balance March 31, 2019	46,310,014	$ 4,631	$ 3,838,286	$ (3,635,579)	$ -	$ -	$ 207,338
Sale of common stock	3,005,000	$ 301	$ 960,700	$ -	$ -	$ -	$ 961,001
Issuance of options for services	-	-	106,986	-	-	-	106,986
Issuance of warrants for services	-	-	516,953	-	-	-	516,953
Issuance of common stock for conversion of debt	261,665	26	52,307	-	-	-	52,333
Issuances of common stock for acquisition	1,000,000	100	499,900	-	-	-	500,000
Net loss	-	-	-	(1,568,835)	-	-	(1,568,835)
Balance June 30, 2019	50,576,679	$ 5,058	$ 5,975,132	$ (5,204,414)	$ -	$ -	$ 775,776
Sale of common stock	1,320,000	132	659,868	-	-	-	660,000
Cancelation of stock from legal settlement	(12,272,616)	(1,227)	(121,499)	-	-	-	(122,726)
Cancelation of stock from debt	(2,500,000)	(250)	-	-	-	-	(250)
Issuance of options for services	-	-	118,065	-	-	-	118,065
Issuance of warrants for services	-	-	4,890,181	-	-	-	4,890,181
Issuance of common stock for conversion of warrants	5,072,812	507	(507)	-	-	-	-
Warrants issued with notes	-	-	418,541	-	-	-	418,541
Issuances of common stock for acquisition	1,960,756	196	1,709,804	-	-	-	1,710,000
Net loss	-	-	-	(6,658,988)	-	-	(6,658,988)
Balance September 30, 2019	44,157,671	$ 4,416	$ 13,649,585	$ (11,683,402)	$ -	$ -	$ 1,790,599

	Common Shares	Par	Additional Paid-in Capital	Accumulated Deficit	Non-controlling Interest	Stock Subscription Receivable	Total Stockholders' Deficit
Balance January 1, 2020	40,961,054	$ 4,096	$ 17,387,684	$ (15,241,762)	$ (527,605)	$ -	$ 1,622,413
Sale of common stock	674,000	68	336,932	-	-	-	337,000
Issuance of options for services	-	-	121,539	-	-	-	121,539
Issuance of warrants for services	-	-	206,265	-	-	-	206,265
Warrants issued with notes	-	-	622,373	-	-	-	622,373
Issuances of common stock for merger	12,000,000	1,200	5,998,800	-	-	-	6,000,000
Reclassification of non-controlling interest for merger	-	-	(656,189)	-	656,189	-	-
Net loss	-	-	-	(3,576,755)	(128,584)	-	(3,705,339)
Balance March 31, 2020	53,635,054	$ 5,364	$ 24,017,404	$ (18,818,517)	$ -	$ -	$ 5,204,251
Sale of common stock	1,110,000	$ 111	$ 554,889	$ -	$ -	$ -	$ 555,000
Issuance of common stock and warrants for settlement of AP	188,000	19	93,981	-	-	-	94,000
Issuance of common stock for exercise of warrants	10,628,611	1,063	(1,063)	-	-	-	-
Issuance of common stock for exercise of options	450,000	45	(45)	-	-	-	-
Issuance of options for services	-	-	121,977	-	-	-	121,977
Issuance of warrants for services	-	-	630,920	-	-	-	630,920
Net loss	-	-	-	(3,761,652)	-	-	(3,761,652)
Balance June 30, 2020	66,011,665	$ 6,602	$ 25,418,063	$ (22,580,169)	$ -	$ -	$ 2,844,496
Sale of common stock, net of issuance costs	2,600,000	260	1,125,740	-	-	-	1,126,000
Issuance of common stock for settlement	5,000,000	500	2,749,500	-	-	-	2,750,000
Common stock issued with notes	100,000	10	133,333	-	-	-	133,343

Issuance of common stock for conversion of interest and penalties	1,088,893	108	69,162	-	-	-	69,270
Issuance of common stock for exercise of warrants	2,716,981	272	(272)	-	-	-	-
Issuance of options for services	-	-	67,797	-	-	-	67,797
Issuance of warrants for services	-	-	1,873,565	-	-	-	1,873,565
Net loss	-	-	-	(7,302,500)	-	-	(7,302,500)
Balance September 30, 2020	77,517,539	$ 7,752	$ 31,371,545	$ (29,882,669)	$ -	$ -	$ 1,561,971

See accompanying notes to the condensed consolidated financial statements.

DRIVEN DELIVERIES, INC. & SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (14,769,492)	$ (9,182,210)
Adjustments to reconcile net loss to net cash used in operating activities		
Gain/loss on extinguishment of debt	810,518	(521,387)
Stock-based compensation	3,022,063	5,979,629
Amortization of right-of-use asset	(621)	4,199
Amortization of debt discount	548,752	45,959
Depreciation and amortization expense	1,441,619	123,229
Change in fair value of derivative liability	(345,897)	807,250
Settlement expense paid in stock	2,144,606	-
Gain/loss on sale of fixed asset	11,970	(25,582)
Changes in operating assets and liabilities		
Inventory	35,114	(107,679)
Settlement payable	289,773	-
Deposit	(101,575)	-
Accounts payable and accrued compensation	3,542,556	388,475
Accrued taxes	(1,294)	168,766
Accounts receivable	58,176	(5,993)
Other current asset	206,734	-
Prepaid expense	(107,231)	-
Net Cash Used In Operating Activities	(3,214,229)	(2,325,344)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash acquired in acquisition	20,678	123,088
Cash payment for acquisition liability	(220,000)	(150,000)
Purchase of fixed assets	-	(40,537)
Contingent liability	-	(320,000)
Cash used in the acquisition of intangible assets	-	(200,000)
Net Cash Used In Investing Activities	(199,322)	(587,449)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash paid from loan receivable	(500,000)	-
Proceeds from stock receivable	-	100,000
Proceeds from loan payable	2,140,000	508,333
Repayments of loan payable	-	(50,000)
Proceeds from loan payable - related party	-	78,726
Repayments of loan payable - related party	-	(8,705)
Common stock issued for cash	2,018,000	2,633,001
Net Cash Provided By Financing Activities	3,658,000	3,261,355
NET INCREASE IN CASH	244,449	348,562

CASH AT BEGINNING OF PERIOD	266,869	5,249
CASH AT END OF PERIOD	$ 511,318	$ 353,811
Supplemental cash flow information:		
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Warrants issued in conjunction with - business combination	$ 7,398,191	$ -
Common stock and contingent consideration - business combination	$ -	$ 5,944,827
Issuance of common stock and warrants for cancellation of debt	$ -	$ 106,193
Issuance of common stock for conversion of interest and penalties	69,270	-
Lease liability recognized from right of use asset	$ 582,065	$ 266,869
Settlement of related party AP for related party debt	$ 30,000	$ -
Issuance of common stock and warrants for settlement of AP	$ 94,000	$ -
Debt discount on conversion feature	$ -	$ 295,575
Settlement expense	$ 605,394	$ -

See accompanying notes to the condensed consolidated financial statements.

DRIVEN DELIVERIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

(Unaudited)

NOTE 1 – ORGANIZATION AND NATURE OF BUSINESS

Overview

Driven Deliveries Inc. (formerly Results-Based Outsourcing Inc) (the "Company" or "Driven"), formed on July 22, 2013, is engaged in selling legal cannabis products to consumers in California.

On August 29, 2018, Driven Deliveries, Inc., a Nevada company ("Driven Nevada"), was acquired by Results-Based Outsourcing Inc. as part of a reverse merger transaction. As consideration for the merger, Results-Based Outsourcing Inc. issued the equity holders of Driven Nevada an aggregate of 30,000,000 post-split shares of their common stock. Following the merger, the Company adopted the business plan of Driven Nevada as a delivery company focused on deliveries for consumers of legal cannabis products, in California. The merger was accounted for as a recapitalization of the Company, therefore the financial statements as presented in this report include the historical results of Driven Nevada.

In June 2019, the Company completed its acquisition of Ganjarunner, Inc. and Global Wellness, LLC, which are engaged in the business of selling legal cannabis products to consumers in California. See Note 4 – Merger and Asset Purchase Agreement below for more information on the acquisition.

In July 2019, the Company entered into an Asset Purchase Agreement with Mountain High Recreation, Inc., in which the Company acquired certain limited assets from Mountain High Recreation, Inc. See Note 4 – Merger and Asset Purchase Agreement for more information on the asset purchase.

In September 2019 the Company entered into a Joint Venture agreement with Budee, Inc. to expand our operations and engaged in the business of providing delivery services of legal cannabis products to the consumer in California. See Note 5 – Joint Venture for more information on the Joint Venture.

On February 27, 2020, the Company entered into an Agreement and Plan of Merger by and among the Company, Budee Acquisition, Inc., a Nevada corporation and Budee, Inc., a California corporation, pursuant to which the Company acquired Budee. See Note 4 – Merger and Asset Purchase Agreement for more information on the acquisition.

On April 9, 2020 our common stock became quoted on the OTCQB under the symbol DRVD.

Risks and Uncertainties

The Company's business and operations are sensitive to general business and economic conditions in the U.S. along with local, state, and federal governmental policy decisions. A host of factors beyond the Company's control could cause fluctuations in these conditions. Adverse conditions may include: changes in the cannabis regulatory environment and competition from larger more well-funded companies. These adverse conditions could affect the Company's financial condition and the results of its operations.

In December 2019, a novel strain of coronavirus, COVID-19, surfaced in Wuhan, China. This virus continues to spread around the world, resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the Company could be materially adversely affected as a result of the pandemic. Employers are also required to prepare for and increase, by as much capacity as possible, the arrangement for employees to work remotely. The extent to which the coronavirus may impact business activity or results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others.

NOTE 2 – GOING CONCERN ANALYSIS

Going Concern Analysis

The accompanying condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates continuity of operations, realization of assets, and liquidation of liabilities in the normal course of business.

For the nine months ended September 30, 2020, the Company had a net loss of $14,769,492 and working capital deficit of ($13,045,455). The Company will require additional capital in order to continue its operations in the normal course of business.

Management's plans include raising capital through the sale of debt and/or equity. The Company's ability to continue as a going concern is dependent upon its ability to raise capital to implement the business plan, generate sufficient revenues and to control operating expenses. While we believe in the viability of our strategy to generate sufficient revenue, control costs and the ability to raise additional funds, there can be no assurances that our strategy will be successful. The Company's financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the matters discussed herein.

Management has concluded that due to these conditions, there is substantial doubt about the Company's ability to continue as a going concern. The accompanying condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern for one year from the issuance of these financial statements.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and the rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial information. In the opinion of the Company's management, the accompanying condensed consolidated financial statements reflect all adjustments, consisting of normal, recurring adjustments, considered necessary for a fair presentation of the results for the interim period ended September 30, 2020. Although management believes that the disclosures in these unaudited condensed consolidated financial statements are adequate to make the information presented not misleading, certain information and footnote disclosures normally included in financial statements that have been prepared in accordance U.S. GAAP have been condensed or omitted pursuant to the rules and regulations of the SEC.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the Company's financial statements for the year ended December 31, 2019, which contains the audited financial statements and notes thereto, for the year ended December 31, 2019 included within the Company's Form 10-K filed with the SEC on May 22, 2020. The interim results for the nine months ended September 30, 2020 are not necessarily indicative of the results to be expected for the year ended December 31, 2020 or for any future interim periods. The December 31, 2019 Balance Sheet is derived from the Company's audited financial statements but does not include all necessary disclosures for full U.S. GAAP presentation.

Principles of consolidation

The consolidated condensed financial statements include the accounts of Driven Deliveries, Inc., and its wholly-owned subsidiaries, Budee, Inc.,

Ganjarunner, Inc. and Global Wellness, LLC. All intercompany balances and transactions have been eliminated in the consolidated condensed financial statements.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Coronavirus Aid, Relief and Economic Security Act ("CARES Act")

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") was signed into law in March 2020. The CARES Act lifts certain deduction limitations originally imposed by the Tax Cuts and Jobs Act of 2017 ("2017 Tax Act"). Corporate taxpayers may carryback net operating losses (NOLs) originating between 2018 and 2020 for up to five years, which was not previously allowed under the 2017 Tax Act. The CARES Act also eliminates the 80% of taxable income limitations by allowing corporate entities to fully utilize NOL carryforwards to offset taxable income in 2018, 2019 or 2020. Taxpayers may generally deduct interest up to the sum of 50% of adjusted taxable income plus business interest income (30% limit under the 2017 Tax Act) for 2019 and 2020. The CARES Act allows taxpayers with alternative minimum tax credits to claim a refund in 2020 for the entire amount of the credits instead of recovering the credits through refunds over a period of years, as originally enacted by the 2017 Tax Act.

In addition, the CARES Act raises the corporate charitable deduction limit to 25% of taxable income and makes qualified improvement property generally eligible for 15-year cost-recovery and 100% bonus depreciation.

Concentrations

The Company maintains its cash accounts at financial institutions which are insured by the Federal Deposit Insurance Corporation. At times, the Company may have deposits in excess of federally insured limits.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. As of September 30, 2020 and December 31, 2019, the Company did not have any cash equivalents.

Inventory

Inventory consists of finished goods and applicable capitalized costs and is stated at the lower of cost or net realizable value, on an average cost basis. Inventory is determined to be salable based on demand forecast within a specific time horizon. Inventory in excess of salable amounts is considered obsolete, at which point it is written down to its net realizable value.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Company generally does not require collateral to support customer receivables. The Company determines if receivables are past due based on days outstanding, and amounts are written off when determined to be uncollectible by management. As of September 30, 2020 and 2019, there was no allowance for doubtful accounts deemed necessary.

Goodwill

We review goodwill for impairment at least annually or more frequently if events or changes in circumstances would more likely than not reduce the fair value of our single reporting unit below its carrying value. As of September 30, 2020, no impairment of goodwill has been identified.

	Goodwill
Balance, January 1, 2019	$ -
Additions	1,271,718
Balance, December 31, 2019	1,271,718
Additions	549,281
Balance, September 30, 2020	$ 1,820,999

Intangible Assets

The Company's intangible assets include the following at September 30, 2020:

	Cost Basis	Accumulated Amortization	Net	Estimated Life
Trade Names/Trademarks	$ 4,440,962	$ (388,625)	$ 4,052,337	10
IP/Trade Secrets	3,053,060	(619,828)	2,433,232	5
License	1,064,684	(170,642)	894,042	15
Proprietary Software/Technology	4,189,000	(354,139)	3,834,861	7
Non-Compete Agreements	536,009	(251,304)	284,705	2
Customer Relations	211,000	(32,592)	178,408	7
Total Intangible Assets	$ 13,494,715	(1,817,130)	$ 11,677,585	

The Company's intangible assets include the following at December 31, 2019:

	Cost Basis	Accumulated Amortization	Net	Estimated Life
Trade Names/Trademarks	$ 1,918,962	$ (95,324)	$ 1,823,638	10
IP/Trade Secrets	1,978,060	(195,616)	1,782,444	5
License	678,684	(22,463)	656,221	15
Proprietary Software/Technology	289,009	(69,742)	219,267	7
Customer Relations	152,000	(11,303)	140,697	7
Total Intangible Assets	$ 5,016,715	$ (394,448)	$ 4,622,267	

There was no impairment recorded to intangible assets as of September 30, 2020. Amortization expense was $1,422,682 and $0 for the nine months ended September 30, 2020 and September 30, 2019, respectively. Amortization expense was $551,881 and $0 for the three months ended September 30, 2020 and September 30, 2019, respectively.

The future amortization expense intangible assets are as follows:

2020 (remainder)	$ 551,881
2021	2,119,392
2022	1,814,416
2023	1,728,525
2024	1,535,478
2025 and after	3,927,893
Total	$ 11,677,585

Cost of Sales

Cost of sales consists of:

Product costs: Product costs include the purchase price of products sold.

Fulfillment costs and other: includes the costs of outbound shipping and handling and other costs which include direct and indirect labor costs, rent, and depreciation expenses, and inbound shipping and handling costs for inventory related to delivering products to the customer.

The Company's cost of sales for September 30, 2020 and 2019 are as follows:

Cost of Sales Type	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Cost of Sales – Product Costs	$ 6,195,462	$ 458,239
Cost of Sales – Fulfilment Costs and Other	9,225,191	145,930
Total	$ 15,420,653	$ 604,169

Advertising

The Company expenses the cost of advertising and promotions as incurred. Advertising expense was $817,103 and $227,419 for the nine months ended September 30, 2020 and 2019, respectively. Advertising expense was $355,733 and $134,142 for the three months ended September 30, 2020 and 2019, respectively.

Stock-Based Compensation

The Company accounts for stock-based compensation costs under the provisions of ASC 718, "Compensation–Stock Compensation", which requires the measurement and recognition of compensation expense related to the fair value of stock-based compensation awards that are ultimately expected to vest. Stock-based compensation expense recognized includes the compensation cost for all stock-based payments granted to employees, officers, and directors based on the grant date fair value estimated in accordance with the provisions of ASC 718. ASC 718 is also applied to awards modified, repurchased, or cancelled during the periods reported. The Company accounts for warrants and options issued to non-employees under ASU 2018-07, Equity – Equity Based Payments to Non-Employees, using the Black-Scholes option-pricing model.

The Black–Scholes option valuation model requires the development of assumptions that are inputs into the model. These assumptions are the value of the underlying share, the expected stock volatility, the risk–free interest rate, the expected life of the option, the dividend yield on the underlying stock and are accounted for as they occur. Due to the lack of sufficient trading history, the Company benchmarked their volatility to similar companies in a similar industry over the expected option life and other appropriate factors. Risk–free interest rates are calculated based on continuously compounded risk–free rates for the appropriate term. The dividend yield is assumed to be zero as the Company has never paid or declared any cash dividends on its Common stock and does not intend to pay dividends on its Common stock in the foreseeable future. The Company records forfeitures as they occur.

The Company's stock-based compensation expense was $3,022,063 and $5,979,629 for the nine months ended September 30, 2020 and 2019, respectively. The Company's stock-based compensation expense was $1,941,362 and $5,007,996 for the three months ended September 30, 2020 and 2019, respectively.

Fair Value Measurements

ASC 820, "Fair Value Measurements and Disclosure," defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels giving the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels are described below:

Level 1 Inputs – Unadjusted quoted prices in active markets for identical assets or liabilities that is accessible by the Company;

Level 2 Inputs – Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 Inputs – Unobservable inputs for the asset or liability including significant assumptions of the Company and other market participants.

The carrying amount of the Company's financial assets and liabilities, such as cash, accounts payable, accounts receivables, and accrued expenses approximate their fair value because of the short maturity of those instruments. Non- recurring fair value items are re-assessed at the end of each reporting period.

The assets or liability's fair value measurement within the fair value hierarchy is based upon the lowest level of any input that is significant to the fair value measurement. The following table provides a summary of financial instruments that are measured at fair value as of September 30, 2020.

	Carrying Value	Fair Value Measurement Using			
		Level 1	Level 2	Level 3	Total
Derivative liabilities	$ (178,108)	$ -	$ -	$ (178,108)	$ (178,108)

The following table provides a summary of financial instruments that are measured at fair value as of December 31, 2019.

	Carrying Value	Fair Value Measurement Using			
		Level 1	Level 2	Level 3	Total
Derivative liabilities	$ (306,762)	$ -	$ -	$ (306,762)	$ (306,762)

The table below provides a summary of the changes in fair value, including net transfers in and/or out, of all financial assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the nine months ended September 30, 2020:

	Fair Value Measurement Using Level 3 Inputs Total

Balance, January 1, 2019	$ -
Debt Discount	305,424
Change in fair value of derivative liabilities	1,338
Balance, December 31, 2019	306,762
Extinguishment	(311,360)
Debt Discount	528,603
Change in fair value of derivative liabilities	(345,897)
Balance, September 30, 2020	$ 178,108

The level 3 financial instruments consist of embedded conversion features. The fair value of these embedded conversion features are estimated using a Black Scholes valuation model. The fair value of the derivative features were calculated using a Black-Scholes option model valued with the following assumptions:

	September 30, 2020	December 31, 2019
Exercise price	$ 0.50	$ 0.50
Risk free interest rate	0.16-1.12%	1.52-1.81%
Dividend yield	0.00%	0.00%
Expected volatility	97-157%	93-109%
Contractual term (Years)	0.38-1.19	0.91-1.37
Fair value of stock on grant date	$0.50-0.63	$ 0.50

Risk-free interest rate: The Company uses the risk-free interest rate of a U.S. Treasury Note with a similar expected term on the date of measurement.

Dividend yield: The Company uses a 0% expected dividend yield as the Company has not paid dividends to date and does not anticipate declaring dividends in the near future.

Volatility: The Company calculates the expected volatility of the stock price based on the corresponding volatility of the Company's peer group stock price for a period consistent with the warrants' expected term.

Expected term: The Company's expected term is based on the remaining contractual maturity of the warrants.

Changes in the unobservable input values would likely cause material changes in the fair value of the Company's Level 3 financial instruments.

The most sensitive unobserved inputs used in valuing derivative instruments are volatility and estimated fair value of the Company's stock on the grant date of the instruments. Significant changes in either of these inputs could have a material effect on the fair value measurement of the derivative instruments.

During the nine months ended September 30, 2020 and 2019, the Company marked the derivative feature of the warrants to fair value and recorded a gain of $345,897 and a loss of $807,250 relating to the change in fair value, respectively.

During the three months ended September 30, 2020 and 2019, the Company marked the derivative feature of the warrants to fair value and recorded a gain of $694,291 and a loss of $807,250 relating to the change in fair value, respectively.

Derivative Liability

The Company evaluates its options, warrants or other contracts, if any, to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for in accordance with ASC 815-10-05-4 and 815-40-25. The result of this accounting treatment is that the fair value of the embedded derivative is marked-to-market each balance sheet date and recorded as either an asset or a liability. In the event that the fair value is recorded as a liability, the change in fair value is recorded in the consolidated condensed statement of operations as other income or expense. Upon conversion, exercise or cancellation of a derivative instrument, the instrument is marked to fair value at the date of conversion, exercise or cancellation and then the related fair value is reclassified to equity or to gain or loss on extinguishment of the note if the derivative is attached to a note.

The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is re-assessed at the end of each reporting period. Equity instruments that are initially classified as equity that become subject to reclassification are reclassified to liability at the fair value of the instrument on the reclassification date. Derivative instrument liabilities will be classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument is expected within 12 months of the balance sheet date. The pricing model includes subjective input assumptions that can materially affect the fair value estimates. The expected volatility is estimated based on the most recent historical period of time of comparable companies equal to the remaining contractual term of the instrument granted.

Revenue Recognition

As of January 1, 2018, the Company adopted ASC 606. The adoption of ASC 606 (*Revenue From Contracts With Customers*) represents a change in accounting principle that will more closely align revenue recognition with the delivery of the Company's services and will provide financial statement readers with enhanced disclosures. In accordance with ASC 606, revenue is recognized when a customer obtains control of promised services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for these services. The Company used the Modified-Retrospective Method when adopting this standard. There was no accounting effect due to the initial adoption. To achieve this core principle, the Company applies the following five steps:

1) *Identify the contract with a customer*

The Company sells retail products directly to customers. In these sales there is no formal contract with the customer. These sales have commercial substance and there are no issues with collectability as the customer pays the cost of the goods at the time of purchase or delivery.

2) *Identify the performance obligations in the contract*

The Company sells its products directly to consumers. In this case these sales represent a performance obligation with the sales and any necessary deliveries of those products.

3) *Determine the transaction price*

The sales that are done directly to the customer have no variable consideration or financing component. The transaction price is the cost that those goods are being sold for plus any additional delivery costs.

4) *Allocate the transaction price to performance obligations in the contract*

For the goods that the Company sells directly to customers, the transaction price is allocated between the cost of the goods and any delivery fees that may be incurred to deliver to the customer.

5) *Recognize revenue when or as the Company satisfies a performance obligation*

For the sales of the Company's own goods the performance obligation is complete once the customer has received their product.

Disaggregation of Revenue

The following table depicts the disaggregation of revenue according to revenue type.

Revenue Type	Revenue for the three months ended September 30, 2020	Revenue for the three months ended September 30, 2019	Revenue for the nine months ended September 30, 2020	Revenue for the nine months ended September 30, 2019
Delivery Income	$ -	$ 53,496	$ 27,043	$ 87,869
Dispensary Cost Reimbursements	-	(36,007)	(7,528)	(99,353)
Delivery Income, net	-	17,489	19,515	(11,484)
Product Sales	5,979,875	1,195,174	13,828,113	1,270,554
Total	$ 5,979,875	$ 1,212,663	$ 13,847,628	$ 1,259,070

Leases

Under Topic 842, operating lease expense is generally recognized evenly over the term of the lease. The Company has operating leases primarily consisting of office space with remaining lease terms of 32 months to 34 months. Current facility leases include our offices in El Segundo California, Oakland California, and Sacramento California. Lease costs were $239,065 and $148,021 for the nine months ended September 30, 2020 and 2019. There was no sublease rental income for the nine months ended September 30, 2020 and 2019. Lease costs were $142,942 and $51,313 for the three months ended September 30, 2020 and 2019. There was no sublease rental income for the three months ended September 30, 2020 and 2019.

Leases with an initial term of twelve months or less are not recorded on the balance sheet. For lease agreements entered into or reassessed after the adoption of Topic 842, we combine the lease and non-lease components in determining the lease liabilities and right of use ("ROU") assets.

Our lease agreements generally do not provide an implicit borrowing rate, therefore an internal incremental borrowing rate is determined based on information available at lease commencement date for purposes of determining the present value of lease payments. We used the incremental borrowing rate on September 30, 2020 and December 31, 2019 for all leases that commenced prior to that date. In determining this rate, which is used to determine the present value of future lease payments, we estimate the rate of interest we would pay on a collateralized basis, with similar payment terms as the lease and in a similar economic environment.

Lease Costs

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Components of total lease costs:		
Operating lease expense	$ 239,065	$ 148,021
Total lease costs	$ 239,065	$ 148,021

Lease Positions as of September 30, 2020

ROU lease assets and lease liabilities for our operating leases were recorded in the consolidated condensed balance sheet as follows:

	September 30, 2020	December 31, 2019
Assets		
Right of use asset	$ 544,032	$ 115,859
Total assets	$ 544,032	$ 115,859
Liabilities		
Operating lease liabilities – short term	$ 257,772	$ 40,217
Operating lease liabilities – long term	286,260	76,264
Total lease liability	$ 544,032	$ 116,481

Lease Terms and Discount Rate

Weighted average remaining lease term (in years) – operating lease	3.08
Weighted average discount rate – operating lease	10.91%

Cash Flows

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Cash paid for amounts included in the measurement of lease liabilities:		
ROU amortization	$ 153,893	$ 44,823
Cash paydowns of operating liability	$ (153,893)	$ (42,601)
Supplemental non-cash amounts of lease liabilities arising from obtaining:		
ROU asset	$ (544,032)	$ (390,109)
Lease Liability	$ 544,032	$ 369,986

The future minimum lease payments under the leases are as follows:

2020 (remainder)	$ 72,519
2021	250,543
2022	231,678
2023	39,178
Total future minimum lease payments	593,918
Less: Lease imputed interest	49,886
Total	$ 544,032

Excise and Sales Tax

The State of California and various local governments impose certain excise and state and local taxes on product sales. The Company's policy is to include excise taxes as part of sales and cost of sales. The Company's policy for various state and local sales taxes are to exclude them from revenue and cost of sales.

Basic and Diluted Net Loss per Common Share

Basic loss per common share is computed by dividing the net loss by the weighted average number of shares of common stock outstanding for each period. For diluted earnings per common share, the weighted-average number of common shares outstanding excludes common stock equivalents because their inclusion would be anti-dilutive. As of September 30, 2020, common stock equivalents are comprised of 29,628,272 warrants and 6,611,434 options.

Recent Accounting Pronouncements

In January 2017, the FASB issued ASU 2017-04, Intangibles—Goodwill and Other (Topic 350)—Simplifying the Test for Goodwill Impairment. ASU 2017-04 simplifies the accounting for goodwill impairments by eliminating the requirement to compare the implied fair value of goodwill with its carrying amount as part of step two of the goodwill impairment test referenced in Accounting Standards Codification ("ASC") 350, Intangibles - Goodwill and Other ("ASC 350"). As a result, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value. However, the impairment loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. ASU 2017-04 is effective for annual reporting periods beginning after December 15, 2019. The adoption of this standard did not have a material impact on the Company's consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement" ("ASU 2018-13"). ASU 2018-13 removes, modifies and adds certain disclosure requirements in Topic 820 "Fair Value Measurement". ASU 2018-13 eliminates certain disclosures related to transfers and the valuations process, modifies disclosures for investments that are valued based on net asset value, clarifies the measurement uncertainty disclosure, and requires additional disclosures for Level 3 fair value measurements. ASU 2018-13 is effective for the Company for annual and interim reporting periods beginning January 1, 2020. The adoption of this standard did not have a material impact on the Company's consolidated financial statements and related disclosures.

In December 2019, the FASB issued authoritative guidance intended to simplify the accounting for income taxes (ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes"). This guidance eliminates certain exceptions to the general approach to the income tax accounting model and adds new guidance to reduce the complexity in accounting for income taxes. This guidance is effective for fiscal years beginning after December 15, 2020, including interim periods within those annual periods. The Company is currently evaluating the potential impact of this guidance on its consolidated financial statements.

In January 2020, the FASB issued ASU 2020-01, Investments - Equity Securities (Topic 321), Investments - Equity Method and Joint Ventures (Topic 323), and Derivative and Hedging (Topic 815), which clarifies the interaction of rules for equity securities, the equity method of accounting, and forward contracts and purchase options on certain types of securities. The guidance clarifies how to account for the transition into and out of the equity method of accounting when considering observable transactions under the measurement alternative. The ASU is effective for annual reporting periods beginning after December 15, 2020, including interim reporting periods within those annual periods, with early adoption permitted. We are currently evaluating the impact of the new guidance on our consolidated financial statements.

In August 2020, the FASB issued ASU 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity. This ASU amends the guidance on convertible instruments and the derivatives scope exception for contracts in an entity's own equity, and also improves and amends the related EPS guidance for both Subtopics. The ASU will be effective for annual reporting periods after December 15, 2021 and interim periods within those annual periods and early adoption is permitted. We are currently evaluating the impact of the new guidance on our consolidated financial statements.

NOTE 4 – MERGER AND ASSET PURCHASE AGREEMENTS

Ganjarunner Merger

On June 21, 2019, the Company, GR Acquisition, Inc. ("GRA"), a Nevada corporation, Ganjarunner, Inc. ("Ganjarunner"), a California corporation, and Global Wellness, LLC ("GW"), a California limited liability company, (Ganjarunner and GW are hereafter referred to collectively as "GR/GW") entered into an Agreement and Plan of Merger (the "Merger Agreement"), pursuant to which GR/GW shall merge with and into GRA, with GRA continuing as the surviving entity and wholly-owned subsidiary of the Company (the "Merger"). The Merger closed on June 24, 2019 (the "Closing Date"). Pursuant to the Merger Agreement, the Company agreed to pay to GR/GW $1,000,000, $150,000 of which has already been paid to GR/GW with $300,000 to be paid in two equal tranches of $150,000 whereby each tranche is subject to GRA's achievement of certain milestones. (i) $350,000 at the earlier to occur of the 6-month anniversary of the Closing Date or upon the Company raising additional funding of at least $2,000,000 and (ii) $300,000 at the end of the 24-month anniversary of the Closing Date. In addition, as further consideration, the Company issued to GR/GW's founders 1,000,000 shares of the Company's common stock on the Closing Date and shall make two additional issuances of 2,000,000 shares of common stock on the 12-month and 24-month anniversaries of the Closing Date, with each respective issuance contingent upon GRA's achievement of certain milestones as set forth in the Merger Agreement.

On October 4, 2019, the Company amended the Merger Agreement with GR/GW. As part of this amendment, the Company issued 5,000,000 warrants to purchase shares of the Company's common stock to GR/GW. These warrants have a term of three years and an exercise price of $0.50. These warrants replace the previously agreed upon common stock consideration of 5,000,000 shares and eliminated the contingencies related to achieving certain milestones as set forth in the initial merger agreement. The fair value of the stock warrant granted was estimated using the Black-Scholes valuation model. These warrants were valued at $1,933,368. $1,694,092 of the value from the warrants was booked against the previously recorded contingent liability for the stock that the warrants replaced and the remaining $239,276 value from the warrants was expensed.

As of September 30, 2020 and December 31, 2019, the Company owed a total of $300,000 and $685,000 on the acquisition, respectively, with a present value of $274,041 and $583,886, respectively. The amount owed as of September 30, 2020 consist of cash owed of $300,000.

Following the closing of the transaction, Ganjarunner's financial statements as of the Closing Date were consolidated with the Condensed Consolidated Financial Statements of the Company.

The following presents the consideration paid for the acquisition of Ganjarunner and the purchase price allocation.

Purchase Price	
Purchase Price	$ 2,987,254
Total purchase price	$ 2,987,254
Allocation of purchase price	
Tangible Assets/(Liabilities)	$ (459,464)
Trade Names/Trademarks	877,000
IP/Trade Secrets	801,000
License	306,000
Non-Compete Agreements	39,000
Customer Relationships	152,000
Goodwill	1,271,718
Total allocation of purchase price	$ 2,987,254

Mountain High Asset Purchase

On July 10, 2019 (the "Closing Date"), the Company and Mountain High Recreation, Inc. ("MH"), a California corporation, entered into an Asset Purchase Agreement (the "Purchase Agreement"), pursuant to which the Company acquired certain assets from MH as specified in the Purchase Agreement, which included (i) the option to purchase to MH's California Cannabis - Retailer Nonstorefront License (ii) the option to purchase a certain real property lease located at 8 Light Sky Ct, Sacramento, CA 95828 associated with that certain license, (iii) the right to use all trademarks and intellectual property associated with the MH brand (the "Assets"). The Company assumed no liabilities of MH. The transactions contemplated by the Purchase Agreement closed on July 10, 2019 (the "Closing").

Pursuant to the Agreement, the Company agreed to pay to MH the following: $200,000 at Closing, $150,000 on or before December 20, 2019, $150,000 on or before June 30, 2020, $250,000 at the end of the twelfth (12th) month (on a rolling basis) following the Closing Date and $250,000 at the end of the twenty-fourth (24th) month (on a rolling basis) following the Closing Date. In addition, at Closing, the Company issued to MH 1,000,000 shares of its common stock. At the end of the twelfth month (on a rolling basis) from the Closing Date, the Company agreed to issue to MH warrants to purchase 2,000,000 shares of the Company's Common Stock with an exercise price equal to the per share purchase price paid by investors of the Company's then most recent private placement and exercisable for a period of three (3) years from the date of issuance (the "2020 Warrants"). At the end of the twenty-fourth month (on a rolling basis) from the Closing Date, the Company shall issue to MH warrants to purchase 2,000,000 shares of the Company's Common Stock with an exercise price equal to the per share purchase price paid by investors of the Company's then most recent private placement price, exercisable for a period of three (3) years from the date of issuance (the "2021 Warrants"). The 2020 Warrants and 2021 Warrants are subject to adjustment, based on the amount of gross revenue the Company recognized in connection with the Assets.

On October 4, 2019, the Company amended the Asset Purchase Agreement with Mountain High Recreation, Inc. As part of this amendment, the Company issued 5,000,000 warrants to purchase shares of the Company's common stock to Mountain High Recreation, Inc. These warrants have a term of three years and an exercise price of $0.50. These warrants replace the previously agreed upon share and warrant consideration and eliminated the contingencies related to the gross revenue recognized in connection with the assets. The fair value of the stock warrant granted was estimated using the Black-Scholes valuation model. These warrants were valued at $1,933,368.

As of September 30, 2020 and December 31, 2019, the Company owed a total of $850,000 and $850,000 on the acquisition, respectively, with a present value of $776,310 and $708,347, respectively. The amount owed as of September 30, 2020 consist of cash owed of $850,000.

The following presents the consideration paid for the asset acquisition of Mountain High Recreation, Inc. and the preliminary purchase price allocation. These amounts are provisional and may be adjusted during the measurement period.

Purchase Price	
Purchase Price	$ 2,841,715
Total purchase price	$ 2,841,715
Allocation of purchase price	
Trade Names / Trademarks	$ 1,041,962
IP/Trade Secrets	1,177,060
License	372,684
Non-Compete Agreements	250,009
Total allocation of purchase price	$ 2,841,715

Budee Merger

On February 27, 2020 (the "Effective Date"), Driven Deliveries, Inc. (the "Company") entered into an Agreement and Plan of Merger (the "Merger Agreement") by and among the Company, Budee Acquisition, Inc., a Nevada corporation and Budee, Inc. ("Budee"), a California corporation, pursuant to which the Company acquired Budee (the "Budee Acquisition"). On the Effective Date, all then-issued and outstanding shares of Budee were canceled and Budee issued 1,000,000 new shares of its common stock, representing 100% of the now issued and outstanding shares of Budee, to the Company. As a result, Budee became a wholly-owned subsidiary of the Company. As consideration, the Company agreed to: i) cash payments to Budee of $725,000 in three payments of $225,000, $200,000 and $300,000, due April 15, 2020, July 15, 2020 and October 15, 2020, respectively, and ii) issue to Budee 13,333,333 shares of the Company's common stock (the "Consideration Shares"). 1,333,333 of the 13,333,333 shares will not be issued until the completion of a lawsuit. Pursuant to the Merger Agreement, holders of the Consideration Shares received the right to have their Consideration Shares registered with the Securities and Exchange Commission if and when the Company files a new registration statement on Form S-1.

As of September 30, 2020 and December 31, 2019, the Company owed a total of $1,106,497 and $0 on the acquisition, respectively. The amount owed as of September 30, 2020 consist of cash owed of $505,000 and 1,333,333 shares of common stock value at $666,667.

The following presents the consideration paid for the asset acquisition of Budee, Inc. and the preliminary purchase price allocation. These amounts are provisional and may be adjusted during the measurement period. During the seconds quarter of 2020 the assumed liabilities was increase by $160,000 which lead to an increase in Goodwill for the same amount.

Purchase Price	
Cash	$ 690,504
Stock	6,603,722
Assumed liabilities	1,818,538
Total purchase price	$ 9,112,764
Allocation of purchase price	
Tangible Assets/(Liabilities)	$ 85,483
Trade Names/Trademarks	2,522,000
IP/Trade Secrets	1,075,000
License	386,000
Proprietary Software/Technology	4,189,000
Non-Compete Agreements	247,000
Customer Relationships	59,000
Goodwill	549,281
Total allocation of purchase price	$ 9,112,764

The following presents the unaudited pro-forma combined results of operations of the Company with the Ganjarunner and Budee Businesses as if the entities were combined on January 1, 2019.

	Nine Months September 30, 2020	Nine Months September 30, 2019
Gross Revenue	$ 14,529,993	$ 6,223,725

Gross Profit	$	(1,237,660)	$	4,944,064
Net loss	$	(14,304,770)	$	(7,402,688)
Net loss per share, basic and diluted	$	(0.23)	$	(0.15)
Weighted average number of shares outstanding		61,263,796		48,886,493

The unaudited pro-forma results of operations are presented for information purposes only. The unaudited pro-forma results of operations are not intended to present actual results that would have been attained had the acquisitions been completed as of January 1, 2019, or to project potential operating results as of any future date or for any future periods.

NOTE 5 – JOINT VENTURE

On September 30, 2019, the Company entered into a joint venture agreement (the "JV Agreement") with Budee, Inc., ("Budee'), a privately-held company involved in the delivery of cannabis-related products in California, pursuant to which the parties formed a joint venture company, GanjaBudee Inc., a Nevada Corporation ("GB"), in anticipation of a merger between the parties (the "GanjaBudee Merger'). GB is a separate and independent entity from either party with its own management team and Board of Directors and is owned 51% by the Company and 49% by Budee. The term of GB will continue until such GanjaBudee Merger is effective or any definitive agreement for such GanjaBudee Merger is terminated but in any case will not be for a period of more than sixty months, subject to a mutual extension agreed to by the parties.

In connection with the JV Agreement, the Company and Budee agreed to share certain expenses between the Company and Budee, Inc. The Company is also allowed to charge an additional 10% fee on any of these charged back expenses. The Company charged back expenses to Budee totaling $96,610 during the first quarter of 2020. In addition, pursuant to the JV Agreement the Company agreed to pay certain obligations of Budee Inc. of $250,000. As of September 30, 2020, the Company has not paid this amount. As a result of the merger agreement the Company derecognized a non-controlling interest of $656,189 attributable to the Joint Venture in the Statement of Stockholder's Equity. See Note 4.

NOTE 6 – NOTES PAYABLE

On August 28, 2019, the Company issued a senior convertible note ("Note") to M2 Equity Partners ("Holder"), pursuant to which the Holder agreed to advance the Company $1,000,000 in three equal installments, with the final installment advanced on October 30, 2019. The Note matures on August 28, 2020 and is the senior obligation of the Company. The Note's principal balance of $1,000,000 bears interest at a rate of 10% per annum and interest payments are payable on a monthly basis. The funds from this loan were distributed in three parts with $333,333 being issued on August 30, 2019, September 30, 2019 and October 30, 2019. An additional $497,000 was received in excess of the original note as of December 31, 2019. These amounts were subject to the same terms as the original note. An additional $1,140,000 was received in excess of the original note during the first quarter of 2020. The principal of the note was amended on January 31, 2020 to be $2,637,000. This amendment also changed the maturity date of the note to February 14, 2021. Pursuant to the Note, the Holder has the right to convert all or part of the Note to shares of common stock of the Company at a price equivalent to a value of $0.50 per share of common stock on an as-converted basis. As additional consideration for entering into the exchange, the Company issued to the Holder a three-year warrant to purchase 4,500,000 shares of the Company's common stock at an exercise price of $0.05. The Company also recognized a derivative liability in connection with the note valued at $306,762 as of December 31, 2019 and $178,108 as of September 30, 2020. The derivative occurred due to anti-dilution provisions contained in the conversion feature of the note.

To determine how to account for the modification of the Note, the Company performed a net present value test to compare the old note with the new note discounted at the effective interest rate of the original note. Since the change in the net present value between the two notes exceeded 10% of the value of the original note, the note modification needed to be accounted for as an extinguishment of debt. As part of this the Company recognized a $810,518 loss on the extinguishment of debt for the old note. The loss is due to $1,497,000 from the extinguishment of the note, $311,360 from the extinguishment of the derivative offset by $499,505 from the extinguishment of the debt discount and $2,119,373 from the recognition of the new note. The Company recognized a debt discount on the new note of $528,603 at the date of issuance. The Company recognized $127,978 and $331,072 in amortization on the debt discount during the three and nine months ended September 30, 2020, respectively, leaving a remaining debt discount of $190,575 at September 30, 2020 due to the conversion of the note.

In addition, as an inducement to enter into the Note and to fund each advance thereunder, the Company entered into a security agreement with the Holder executed concurrently with the Note (the "Security Agreement"). Pursuant to the Security Agreement, the Company granted the Holder a first priority security interest in certain assets of the Company (the "Collateral") for the benefit of the Holder to secure the Company's obligations under the Note. The occurrence of any event of default under the Note, as well as the Company's failure to observe or perform its obligations under the Security Agreement and such failure goes uncured for five days after receiving notice, constitutes an event of default under the Security Agreement. If an event of default under the Security Agreement occurs, the Holder is entitled to certain rights, including the right to take possession of the Collateral and the right to operate the business of the Company using the Collateral. The Security Agreement terminates when all payments under the Note have been made in full or upon conversion. Matthew Atkinson, a member of M2 owns approximately 5.98% of the Company's common stock. The Company will also be required to appoint a member of M2 to the Board of Directors of the Company for the duration of the term of the debt. The Company will also make an appointment to the Company's Board of Directors and audit committee.

During the year ended December 31, 2019, the Company entered into a loan agreement with Brian Hayek, the Company's Chief Financial Officer and a member of its board of directors. Pursuant to the Loan Agreement, the Company issued Mr. Hayek a Secured Convertible Note in the principal amount of $188,743 with an interest rate of 10%. As of September 30, 2020, the amount due on this loan was $184,667. The note is convertible into shares of the Company's equity securities at a price of $0.50 per share or preferred stock designated by the parties in an amount equivalent to a value of $0.50 per share on an as converted basis. The obligation of the Note is an obligation of the Company other than obligations specifically

designated otherwise by the Company. In addition, the Company issued Mr. Hayek warrants to purchase 500,000 shares of the Company's common stock at an exercise price of $0.50 per share which warrants terminate five years after their issuance. As part of this loan the Company recognized the intrinsic value of a beneficial conversion feature and value of warrants issued resulting in a debt discount of $102,111 as of the date of issuance. The Company had a remaining debt discount of $101,831 at December 31, 2019. The Company recognized $25,738 and $76,653 in amortization on the debt discount during the three and nine months ended September 30, 2020, respectively, leaving a remaining debt discount of $25,718 at September 30, 2020.

On December 31, 2019, the Company entered into a loan agreement with Christian Schenk, the Company's former Chairman and Chief Executive Officer and a member of its board of directors, pursuant to which Mr. Schenk extended a loan to the Company in the amount of $50,000 with an interest rate of 10%. In connection with this loan, the Company issued Mr. Schenk a secured convertible note. The note is convertible into equity of the Company at a price of $0.50 per share of common stock. The note was funded with the proceeds from the settlement of $30,000 in accounts payable to Truck That, LLC and a check from Truck That, LLC in the amount of $20,000 (see Note 9). In addition, the Company issued Mr. Schenk warrants to purchase 150,000 shares of the Company's common stock at an exercise price of $0.50 per share which warrants terminate five years after their issuance.. As part of this loan the Company recognized the intrinsic value of a beneficial conversion feature and value of warrants issued resulting in a debt discount of $28,585 as of the date of issuance. The Company had a remaining debt discount of $28,507 at December 31, 2019. The Company recognized $7,205 and $21,458 in amortization on the debt discount during the nine months ended September 30, 2020, respectively, leaving a remaining debt discount of $7,048 at September 30, 2020.

On July 28, 2020, the Company entered into a convertible promissory note with a principal of $1,050,000. The note accrues interest at a rate of 8% per annum. The note converts to the Company's common stock at a rate of $0.50 per share. This note has an original issuance discount of $50,000. The proceeds of the note will be paid out in two tranches, the first for $787,500 upon the execution of the note and the second for $262,500 30 days after the original funding. Each tranche will be due 12 months from the date of the funding. The Company can prepay the note as follows: if the note is outstanding for less than 90 days than 105% of the principal will be paid, at 91-120 day 110% of the principal will be paid, at 121-180 days 115% of the principal will be paid, and at 181-365 days 120% of the principal will be paid. So long as this note is outstanding, upon any issuance by the Company or any of its subsidiaries of any convertible debt security (whether such debt begins with a convertible feature or such feature is added at a later date) with any term more favorable to the holder of such security or with a term in favor of the holder of such security that was not similarly provided to the holder in this Note, then the Company shall notify the holder of such additional or more favorable term and such term, at the holder's option, shall become a part of this note and its supporting documentation. The types of terms contained in the other security that may be more favorable to the holder of such security include, but are not limited to, terms addressing conversion discounts, terms addressing maturity, conversion look back periods, interest rates, original issue discount percentages and warrant coverage. As part of the note the Company will issue 100,000 shares of the Company's common stock to the note holder. The Company recorded a debt discount based on the relative fair value of the shares of $47,619. The Company notes the agreement included certain make-whole provisions related to the issuance of these shares which resulted in a liability. The Company did not record the liability as it was determined to be trivial. The Company also recognized a debt discount resulting from the intrinsic value of a beneficial conversion feature of $123,214. The Company recognized $27,681 in amortization on the debt discount during the three and nine months ended September 30, 2020, respectively, leaving a remaining unamortized debt discount of $143,152 at September 30, 2020.

NOTE 7 – STOCKHOLDERS' DEFICIT

Common Stock

The Company is authorized to issue 200,000,000 shares of common stock, par value $0.0001 per share.

During the nine months ended September 30, 2020, the Company issued 4,384,000 shares of common stock for cash of $2,018,000, 188,000 shares issued for the settlement of accounts payable, 10,628,611 shares issued for the exercise of warrant, 450,000 shares issued for the exercise of options, 100,000 share issued with notes payable, 5,000,000 shares issued related to legal settlement (See Note 8), and 1,873,565 shares issued for conversion of interest and penalties on notes payable (See Note 6). 12,000,000 shares were issued relating to the merger with Budee (See Note 4).

On August 6, 2020, the Company filed an S-1. With this S-1 the Company is making an offering of up to 10,000,000 shares of common stock.

Preferred Stock

The Company is authorized to issue 15,000,000 shares of preferred stock, par value $0.0001 per share. The preferred stock may be issued from time to time in one or more series as the Company's Board may authorize. None of the preferred stock has been designated and none are issued and outstanding as of September 30, 2020 and December 31, 2019.

Warrants

There were 25,128,272 warrants outstanding as of September 30, 2020. The fair value of each stock warrant granted was estimated using the Black-Scholes valuation model with the assumptions as follows:

Exercise price	$ 0.04 - $0.50
Expected dividend yield	0%
Risk free interest rate	0.18% - 1.71%
Expected life in years	3-7

Expected volatility		133% - 152%
Estimated fair value of stock on measurement date	$	0.44 – $0.73

There were 29,243,750 warrants outstanding as of December 31, 2019. The fair value of each stock warrant granted was estimated using the Black-Scholes valuation model with the assumptions as follows:

Exercise price	$	0.10 - $0.50
Expected dividend yield		0%
Risk free interest rate		1.42% - 2.66%
Expected life in years		3-7
Expected volatility		134% - 158%
Estimated fair value of stock on measurement date	$	0.50

The Company uses the latest common stock sale price as the fair value of stock on grant date rather than the market value of the stock as the Company believes this is a more accurate valuation of the Company's common stock due to the lack of sufficient volume and trading history on the Company's common stock on the OTC Markets.

A summary of warrant issuances are as follows:

	Number		Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Warrants				
Outstanding January 1, 2019	9,131,250		0.19	3.83
Granted	27,658,000		0.44	4.29
Forfeited	(7,545,500)		0.34	4.48
Outstanding December 31, 2019	29,243,750	$	0.39	4.10
Granted	13,484,522		0.27	3.58
Exercised	(17,600,000)		0.24	2.91
Outstanding September 30, 2020	25,128,272	$	0.42	3.77

Nonvested Warrants	**Shares**
Nonvested at January 1, 2019	-
Granted	27,658,000
Vested	(19,762,500)
Forfeited	(7,545,500)
Nonvested at December 31, 2019	350,000
Granted	13,484,522
Vested	(13,236,605)
Nonvested at September 30, 2020	597,917

During the first quarter of 2020, the Company issued warrants to purchase an aggregate of 5,335,000 shares of common stock of the Company at an exercise price of $0.05 or $0.50 per share. The warrants may be exercised on a cashless basis and have a term of three, five, or seven years. 375,000 warrants were issued for consulting services, 4,500,000 warrants in connection with notes issued to M2, and 460,000 warrants in connection with stock sold.

During the second quarter of 2020, the Company issued warrants to purchase an aggregate of 2,216,000 shares of common stock of the Company at an exercise price of $0.55 or $0.50 per share. The warrants may be exercised on a cashless basis and have a term of three, or five years. 986,000 warrants were issued for consulting services, 120,000 warrants issued for the settlement of accounts payable, and 1,110,000 warrants in connection with stock sold.

During the third quarter of 2020, the Company issued warrants to purchase an aggregate of 5,933,522 shares of common stock of the Company at an exercise price of $0.04, $0.50 or $0.57 per share. The warrants may be exercised on a cashless basis and have a term of three, five, or seven years. 208,000 warrants were issued for services, 3,105,522 were issued in connection with a note, and 2,620,000 warrants in connection with stock sold.

The Company recognized a stock compensation expense of $2,501,803 and $5,510,766 for the nine months ended September 30, 2020 and 2019, related to warrants.

The Company recognized a stock compensation expense of $1,873,565 and $4,890,181 for the three months ended September 30, 2020 and 2019, respectively, related to warrants.

Options

There were 6,611,434 options outstanding as of September 30, 2020. The fair value of each stock option granted was estimated using the Black-Scholes valuation model with the assumptions as follows:

Exercise price	$	0.59 – 0.75
Expected dividend yield		0%
Risk free interest rate		0.25-0.77%
Expected life in years		3
Expected volatility		150-152%
Estimated fair value of stock on grant date	$	0.40-0.61

There were 7,879,933 options outstanding as of December 31, 2019. The fair value of each stock option granted was estimated using the Black-Scholes valuation model with the assumptions as follows:

Exercise price	$	0.10 - $0.50
Expected dividend yield		0%
Risk free interest rate		1.49% -2.63%
Expected life in years		7
Expected volatility		153% - 157%
Estimated fair value of stock on grant date	$	0.50

The Company uses the latest common stock sale price as the fair value of stock on grant date rather than the market value of the stock as the Company believes this is a more accurate valuation of the Company's common stock due to the lack of sufficient volume and trading history on the Company's common stock on the OTC Markets.

A summary of options issuances are as follows:

Options	**Number**	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life**	**Weighted Average Grant Date Fair Value**
Outstanding January 1, 2019	4,854,692	0.04	3.00	0.19
Granted	6,210,022	0.16	5.13	0.24
Forfeited	(3,184,781)	0.19	3.53	0.19
Outstanding December 31, 2019	7,879,933	$ 0.14	4.74	$ 0.24
Granted	142,500	0.79	3.52	0.56
Exercised	(450,000)	0.10	5.66	0.20
Forfeited	(960,999)	0.97	14.41	0.24
Outstanding September 30, 2020	6,611,434	$ 0.13	4.10	$ 0.22

Nonvested Shares	**Shares**
Nonvested at January 1, 2019	3,641,019
Granted	6,210,022
Vested	(2,840,194)
Forfeited	(3,184,781)
Nonvested at December 31, 2019	3,826,066
Granted	142,500
Vested	(947,490)
Forfeited	(960,999)
Nonvested at September 30, 2020	2,060,077

During the first quarter of 2020, the Company issued stock options to purchase an aggregate of 112,500 shares of common stock of the Company at an exercise price of $0.59 per share. The options expire in three years from the grant date.

During the second quarter of 2020, the Company issued no stock options.

During the third quarter of 2020, the Company issued stock options to purchase an aggregate of 30,000 shares of common stock of the Company at an exercise price of $0.75 per share. The options expire in three years from the grant date.

The Company recognized a stock compensation expense of $311,312 and $470,394 respectively for the nine months ended September 30, 2020 and 2019, related to stock options.

The Company recognized a stock compensation expense of $67,797 and $118,065 respectively for the three months ended September 30, 2020 and 2019, related to stock options.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Carla Baumgartner, Chris Haas, and Eric Steele ("Plaintiff") filed a Complaint against Driven Deliveries, Inc. ("Driven"), and Brian Hayek and Christian Schenk, individually, on November 26, 2019 in San Diego County Superior Court, Case No. 37-2019-00063208. In June 2019, Driven entered into a Merger Agreement with Ganjarunner, Inc. ("Ganjarunner"), whereby Driven acquired Ganjarunner. Plaintiffs, the former owners of Ganjarunner, allege in their First Amended Complaint causes of action for Breach of the Merger Agreement, Fraudulent Inducement, Fraudulent Concealment, Negligent Misrepresentation, Breach of Fiduciary Duty, Violation of Corporate Code § 25401, Conversion, Unfair Competition, and Violation of Penal Code §496. On February 18, 2020, Driven filed a Demurrer to Plaintiffs' First Amended Complaint challenging seven of Plaintiffs' nine causes of action. The hearing on the demurrer, original set for May 1, 2020, has been continued indefinitely due to Court closures. The Company intends to vigorously defend against this action. See Note 10 for settlement details.

On July 13, 2020 the Company reached a settlement agreement with Carla Baumgartner, Chris Haas, and Eric Steele who filed a Complaint against Driven Deliveries, Inc., and Brian Hayek and Christian Schenk, individually, on November 26, 2019 in San Diego County Superior Court, Case No. 37-2019-00063208. As part of the settlement agreement Driven shall issue and deliver 5,000,000 shares of restricted common stock of Driven (DRVD) to Plaintiffs, thereby nullifying the Amendment and the Warrants issued as part of the Amendment. Additionally, cash consideration is due to the Plaintiffs on the following schedule: 1) One Hundred Seventy-Five Thousand Dollars ($175,000) immediately upon the signing of the agreement ("Effective Date"); 2) Eighty-Five Thousand Dollars ($85,000) within fourteen (14) days following the Effective Date 3) One Hundred Seventy-Five Thousand Dollars ($175,000) within thirty (30) days following the Effective Date; 4) Seventy-Five Thousand Dollars ($75,000) within sixty (60) days following the Effective Date; and 5) Three Hundred Thousand Dollars ($300,000) on or before July 1, 2021. The 5,000,000 shares issued were valued at $2,750,000 with this expense being recognized during the three months ended September 30, 2020. As of September 30, 2020, the outstanding balance on this settlement is $300,000.

In February 2020, Irth Communications, LLC filed a complaint in the Superior Court of California, County of Los Angeles, against the Company. The complaint alleges that pursuant to a services agreement the Company issued Irth 500,000 shares of its common stock but the Company breached this agreement because according to the complaint, the Company has refused to authorized its transfer agent to remove the restrictive legend on the Shares. Among other remedies, Irth seeks at least $1,130,000 in compensatory damages, attorneys' fees, and injunctive relief. The Company is reviewing the Complaint and intends to defend itself vigorously.

On January 3, 2020, the Company entered into a consulting agreement. As part of this agreement the Company will pay the Consultant $10,000 upon signing of the agreement and an additional $15,000 30 days and 60 days after the signing of the agreement. The Company will also issue 80,000 warrants to purchase the shares of the Company's common stock at an exercise price of $0.50 per share and a term of seven years. On June 3, 2020 this agreement was amended to issue cashless warrant for an 200,000 in lieu of the 80,000 previous warrants with a cashless exercise price of $0.50 and the payment schedule was updated to $10,000.00 on January 1, 2020; $5,000.00 on February 1, 2020; $15,000.00 on March 1, 2020; $10,000.00 on April 1, 2020; $10,000.00 on May 1, 2020; and $11,500.00 June 1, 2020

On April 23, 2020, the Company entered into a consulting agreement for investor relation services. As part of this agreement the Company will pay a monthly fee of $8,000. This monthly fee will also increase by 5% every 12 months of service.

On March 1, 2020 the Company entered into a consulting agreement. As part of this agreement the Company will issue the consultant a warrant for 250,000 shares of DRVD stock with a cashless exercise feature at an exercise price of $.50 per share and a 3 year expiration period.

NOTE 9 – RELATED PARTY TRANSACTIONS

On August 28, 2019, the Company issued a senior convertible note ("Note") to M2 Equity Partners ("Holder"), pursuant to which the Holder agreed to advance the Company $1,000,000. The principal of the note was amended on January 31, 2020 to be $2,637,000. As additional consideration, the Company issued to the Holder a three-year warrant to purchase 4,500,000 shares of the Company's common stock at an exercise price of $0.05. The Company also recognized a derivative liability in connection with the note valued at $306,762 as of December 31, 2019 and $623,032 as of September 30, 2020. M2 is a related party due to the terms of the note giving them a seat on the board of directors of the Company. As of September 30, 2020, there was $2,637,000 outstanding on the note. There was an interest expense of $62,855 and $171,947 related to this note during the three and nine months ended September 30, 2020, respectively. There is a total accrued interest of $0 as of September 30, 2020. The interest on this note was converted to share of common stock on September 22, 2020. See Note 6.

During the year ended December 31, 2019, the Company entered into a loan agreement with the Company's CFO, Brian Hayek, the Company's Chairman and Chief Executive Officer and a member of the Company's board of directors. Pursuant to the Loan Agreement, the Company issued Mr. Hayek a Secured Convertible, pursuant to which Mr. Hayek extended a loan to the Company in the amount of $188,743 with an interest rate of 10%. As of September 30, 2020, the amount due on this loan was $184,667. There was an interest expense of $4,655 and $13,863 related to this note during the three and nine months ended September 30, 2020, respectively. There is a total accrued interest of $19,015 as of September 30, 2020.

On December 31, 2019, the Company entered into a loan agreement with Christian Schenk, the Company's Chairman and Chief Executive Officer and a member of the Company's board of directors, pursuant to which Mr. Schenk extended a loan to the Company in the amount of $50,000 with an interest rate of 10%. As of September 30, 2020, the amount due on this loan was $50,000. There was an interest expense of $1,260 and $3,753 related to this note during the three and nine months ended September 30, 2020, respectively. There is a total accrued interest of $3,767 as of September 30, 2020.

On March 25, 2020, the board of directors of the Company appointed Christopher DeSousa as a member of the Board, with such appointment to take effect immediately. In connection with his appointment, the Board approved a grant of an option to purchase 112,500 shares of the Company's common stock at an exercise price of $0.59 per share. These options vest quarterly over one year and expire in three years from the grant date. In addition, Mr. DeSousa shall receive an option to purchase 28,125 shares of Common Stock at the exercise price of $0.59 for each quarter he serves on the Board.

On July 6, 2020, Chris DeSousa resigned as a Director of Driven Deliveries, Inc., effective immediately. Mr. DeSousa's resignation was not the result of any dispute or disagreement with Company or the Company's board of Directors on any matter relating to the operations, policies or practices of the Company.

On August 7, 2020, Salvador Villanueva, the Company's President, was appointed to the Company's board of directors and interim CEO.

On July 19, 2020, the Company issued a promissory note for $500,000 to a related party. The related party is a company whose CEO is also a board member of the Company. (See Note 10).

NOTE 10 – NOTES RECEIVABLE

On July 19, 2020, the Company issued a promissory note for $500,000 to a related party. The related party is a company whose CEO is also a board member of the Company. The effective date of the note is June 19, 2020. This note will accrue 6% interest and a default interest rate of 8%. This note will be issued in three tranches with $200,000 being 10 days after the execution of the note, $200,000 being issued 30 days after the note and $100,000 being issued 45 days after the note. The Company had $2,466 and $2,466 interest income from the note for the three and nine months ended September 30, 2020, respectively.

NOTE 11 – SUBSEQUENT EVENTS

On October 5, 2020, Driven Deliveries, Inc. (the "Company") entered into an Agreement and Plan of Reorganization (the "Merger Agreement") among Stem Holdings, Inc., a Nevada corporation ("Parent") Stem Driven Acquisition, Inc., a Nevada corporation ("Acquisition Sub") and the Company.

Pursuant to the Merger Agreement, on the Effective Date (as defined in the Merger Agreement), Acquisition Sub shall be merged (the "Merger") with and into the Company and shall become a wholly-owned subsidiary of Parent. As of the closing of the Merger, all of the Company's outstanding shares shall be cancelled and converted into the shares of the Parent on a pro-rata basis at a ratio of one share of the Parent for every one share of the Company. Immediately prior to the closing of the Merger the Parent will issue to each holder of warrants, options or convertible debentures to purchase the Company's shares, warrants, options and convertible debentures that are equal in value and on the same terms as the respective holder's Company warrants, options and debentures. Additionally, certain outstanding debt of the Company will be converted into shares of the Company's common stock in accordance with the Merger Agreement. Adam Berk, is the Parent's Chief Executive Officer and President as well as a member of its board of directors. Mr. Berk is a member of the Company's board of directors. Mr. Berk abstained from voting on the approval of the Merger during the Company's board meeting at which the Merger was voted on.

The Closing of the Merger is subject to customary closing conditions including (but not limited to):

(i) The Merger being approved by the Company's shareholders, the shareholders of Acquisition Sub, and the board of directors by the Parent;

(ii) The listing of the Consideration Shares shall have been approved by the Canadian Securities Exchange;

(iii) Any required third-party consents shall have been received; and

(iv) The Company shall have obtained executed waivers from Salvador Villanueva, III, Jeanette Villanueva and Lisa Chow pursuant to which such parties waive their respective rights to re- purchase all of the assets of Budee, Inc. under the Agreement and Plan of Merger among the Company, Budee Acquisition, Inc. and Budee Inc., dated February 27, 2020.

Either the Company or the Parent may terminate the Merger Agreement if the Merger has not been consummated by December 31, 2020.

The foregoing description of the Merger Agreement does not purport to be complete, and is qualified in its entirety by reference to the full text of the Merger Agreement, a copy of which is filed as Exhibit 2.1 to this filing.

On October 4, 2020 Christian Schenk resigned as the Company's Chief Executive Officer and as the Chairman and as a member of the Company's board of Directors.

On October 4, 2020, Salvador Villanueva, who is currently serving as the Company's President, was appointed the Company's Interim Chief Executive Officer. Mr. Villanueva will continue to serve as the Company's President.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation

Certain statements in "Management's Discussion and Analysis of Financial Condition and Results of Operations" below, and elsewhere in this quarterly report, are not related to historical results, and are forward-looking statements. Forward-looking statements present our expectations or forecasts of future events. You can identify these statements by the fact that they do not relate strictly to historical or current facts. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements frequently are accompanied by such words such as "may," "will," "should," "could," "expects," "plans," "intends," "anticipates," "believes," "estimates," "predicts," "potential" or "continue," or the negative of such terms or other words and terms of similar meaning. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, achievements, or timeliness of such results. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of such forward-looking statements. We are under no duty to update any of the forward-looking statements after the date of this quarterly report. Subsequent written and oral forward looking statements attributable to us or to persons acting in our behalf are expressly qualified in their entirety by the cautionary statements and risk factors set forth in our annual report on Form 10-K filed with the SEC on May 22, 2020, and in other reports filed by us with the SEC.

You should read the following description of our financial condition and results of operations in conjunction with the financial statements and accompanying notes included in this report.

Overview

We were incorporated in the State of Delaware on July 22, 2013 under the name Digital Commerce Solutions, Inc. and changed our name to Results-Based Outsourcing, Inc. on September 5, 2014. On August 29, 2018, Driven Deliveries, Inc., a Nevada company ("Driven Nevada"), was acquired by Results-Based Outsourcing as part of a reverse merger transaction. As consideration for the merger, Results-Based Outsourcing issued the equity holders of Driven Nevada an aggregate of 30,000,000 post-split shares of their common stock. Following the merger, the Company adopted the business plan of Driven Nevada as a delivery company focused on deliveries for consumers of legal cannabis products, in California. The merger was accounted for as a recapitalization of the Company, therefore the financial statements as presented in this report include the historical results of Driven Nevada.

On September 6, 2018, we amended our Certificate of Incorporation to (i) changed our name to Driven Deliveries, Inc., (ii) increase the number of our authorized shares to 215,000,000, comprised of 200,000,000 shares of common stock, par value $0.0001 per share and 15,000,000 shares of "blank check" preferred stock, par value $0.0001 per share (the "Preferred Stock") and (iii) to effect a forward split such that 12.35 shares of Common Stock were issued for every one (1) share of Common Stock issued and outstanding immediately prior to the amendment.

On January 24th, 2019 we changed our ticker symbol to DRVD.

In June 2019, we completed our acquisition of Ganjarunner, Inc. and Global Wellness, LLC, which are engaged in the business of providing delivery services of legal cannabis products to consumers.

In July 2019, we entered into an Asset Purchase Agreement with Mountain High Recreation, Inc., in which the Company acquired certain assets from Mountain High Recreation, Inc.

In September 2019, we entered into a Joint Venture with Budee, Inc. to expand our operations and engage in the business of providing delivery services of legal cannabis products to the consumer.

In February 2020, we completed an acquisition of Budee, Inc which allowed us to consolidate all of the Budee, Inc. revenue, expand our delivery operations, and unify our operations and technology into a single, scalable, and supportable platform and infrastructure.

On April 9, 2020 our common stock became quoted on the OTCQB under the symbol DRVD.

Audited financial statements of Driven for the years ended December 31, 2019 and 2018, together with the notes thereto and the auditor's report thereon

(as attached)

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

Signature	Title	Date
/s/ Christian Schenk Christian Schenk	Chairman and Chief Executive Officer (Principal Executive Officer)	May 22, 2020
/s/ Brian Hayek Brian Hayek	Chief Financial Officer, Treasurer, Secretary (Principal Financial and Accounting Officer)	May 22, 2020
/s/ Adam Berk Adam Berk	Director	May 22, 2020
/s/ Christopher DeSousa Christopher DeSousa	Director	May 22, 2020

DRIVEN DELIVERIES, INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2019 AND 2018

	Page
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets	F-3
Consolidated Statements of Operations	F-4
Consolidated Statements of Stockholders' Equity	F-5
Consolidated Statements of Cash Flows	F-6
Notes to Consolidated Financial Statements	F-7

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Driven Deliveries Inc. (the Company) as of December 31, 2019 and 2018, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the two year period ended December 31, 2019, and the related notes (collectively referred to as the financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the two year period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company had a net loss for the year ended December 31, 2019 and a working capital deficit at December 31, 2019. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in this regard are described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty

Basis for Opinion

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

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

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

/s/ Rosenberg Rich Baker Berman, P.A.

We have served as the Company's auditor since 2018.
Somerset, New Jersey
May 22, 2020

DRIVEN DELIVERIES, INC.
CONSOLIDATED BALANCE SHEETS

	December 31, 2019	December 31, 2018
ASSETS		
CURRENT ASSETS		
Cash	$ 266,869	$ 5,249
Accounts receivable	127,747	400
Due from merchant processor	206,734	-
Due from Affiliate	346,610	-
Inventory	149,946	-
TOTAL CURRENT ASSETS	1,097,906	5,649
Intangible assets	4,622,267	-
Excess purchase price over net liabilities acquired	1,271,718	-
Right of use asset	115,859	-
Fixed assets, net	81,839	24,344
Deposit	61,138	3,920
TOTAL ASSETS	$ 7,250,727	$ 33,913
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 1,700,653	$ 219,137
Income taxes payable	784,168	-
Settlement payable	352,272	-
Notes payable, net of debt discount of $480,108	1,016,892	150,000
Notes payable - related party, net of debt discount of $234,667	-	11,705
Deferred Rent	-	4,900
Lease liability	40,217	-
Derivative Liability	306,762	-
Acquisition liabilities	908,469	-

TOTAL CURRENT LIABILITIES	5,109,433	385,742
Lease liability - long term	76,264	-
Acquisition liabilities - long term	442,617	-
TOTAL LIABILITIES	5,628,314	385,742
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred stock, $0.0001 par value, 15,000,000 shares authorized, no shares issued and outstanding	-	-
Common stock, $0.0001 par value, 200,000,000 shares authorized, 40,961,054 and 39,000,000 shares issued and outstanding	4,096	4,088
Additional paid in capital	17,387,684	2,425,275
Accumulated deficit	(15,241,762)	(2,681,192)
Stock subscription receivable	-	(100,000)
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	2,150,018	(351,829)
NON-CONTROLLING INTEREST	(527,605)	-
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	1,622,413	(351,829)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 7,250,727	$ 33,913

See accompanying notes to the consolidated financial statements.

DRIVEN DELIVERIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Year Ended December 31, 2019	For the Year Ended December 31, 2018
REVENUE		
Sales	$ 2,822,575	$ (65,034)
Cost of goods sold	1,850,629	2,735
Gross Profit (Loss)	971,946	(67,769)
OPERATING EXPENSES		
Professional fees	1,294,778	295,567
Compensation	9,941,497	2,029,434
General and administrative expenses	1,876,457	165,996
Sales and marketing	361,668	62,470
Total Operating Expenses	13,474,400	2,553,467
NET LOSS FROM OPERATIONS	(12,502,454)	(2,621,236)
OTHER EXPENSES		
Interest expense	(368,713)	(7,581)
Gain on extinguishment of debt	25,582	-
Change in fair value of derivative liability	(1,338)	-
Total Other Expenses	(344,469)	(7,581)
Net loss before provision for income taxes	(12,846,923)	(2,628,817)
Provision for Income Taxes	241,252	-
NET LOSS	(13,088,175)	(2,628,817)
NET LOSS ATTRIBUTABLE TO NON-CONTROLLING INTEREST	(527,605)	-
NET LOSS ATTRIBUTABLE TO DRIVEN DELIVERIES, INC. & SUBSIDIARY	$ (12,560,570)	$ (2,628,817)

Net loss per share - basic and diluted	$ (0.28)	$ (0.14)
Weighted average number of shares outstanding during the period - basic and diluted	46,898,066	18,992,967

See accompanying notes to the consolidated financial statements.

DRIVEN DELIVERIES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIENCY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Common Shares	Par	Additional Paid-in Capital	Accumulated Deficit	Non-controlling Interest	Stock Subscription Receivable	Total Stockholders' Deficit
Balance December 31, 2017	-	$ -	$ -	$ (52,375)	$ -	$ -	$ (52,375)
Issuance of Founders' shares	28,340,000	2,295	-	-	-	-	2,295
Recapitalization due to merger and forward stock split	6,310,000	1,224	(1,224)	-	-	-	-
Sale of common stock	5,725,014	519	724,481	-	-	-	725,000
Issuance of common stock for services	500,000	50	99,950	-	-	-	100,000
Issuance of options for services	-	-	226,530	-	-	-	226,530
Issuance of warrants for services	-	-	1,375,538	-	-	-	1,375,538
Stock subscription receivable	-	-	-	-	-	(100,000)	(100,000)
Net loss	-	-	-	(2,628,817)			(2,628,817)
Balance December 31, 2018	40,875,014	$ 4,088	$ 2,425,275	$ (2,681,192)	$ -	$ (100,000)	$ (351,829)
Sale of common stock	9,655,000	966	2,767,034	-	-	-	2,768,000
Cancelation of stock from legal settlement	(12,878,437)	(1,288)	(121,438)	-	-	-	(122,726)
Cancelation of stock from debt	(2,500,000)	(250)	250	-	-	-	-
Issuance of shares for services	100,000	10	49,990				50,000
Issuance of options for services	-	-	589,334	-	-	-	589,334
Issuance of warrants for services	-	-	7,047,596	-	-	-	7,047,596
Issuance of common stock for conversion of warrants	5,072,812	507	(507)	-	-	-	-
Warrants issued with notes			549,237	-	-	-	549,237
Intrinsic value of beneficial conversion feature	-	-	108,047	-	-	-	108,047
Issuance of common stock and warrants for cancellation of debt	636,665	63	106,130	-	-	-	106,193
Proceeds from stock subscription receivable	-	-	-	-	-	100,000	100,000

Issuances of common stock for acquisition	2,960,769	296	2,209,704	-	-	-	2,210,000
Amendment to purchase agreement	(2,960,769)	(296)	1,657,032	-	-	-	1,656,736
Net loss	-	-	-	(12,560,570)	(527,605)	-	(13,088,175)
Balance December 31, 2019	40,961,054	$ 4,096	$17,387,684	$ (15,241,762)	$ (527,605)	$ -	$ 1,622,413

See accompanying notes to the consolidated financial statements.

DRIVEN DELIVERIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Year Ended December 31, 2019	For the Year Ended December 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (13,088,175)	$ (2,628,817)
Adjustments to reconcile net loss to net cash used in operating activities		
Gain on extinguishment of debt	(25,582)	-
Stock based compensation	7,686,930	1,704,363
Amortization of right-of-use asset	271,651	-
Amortization of debt discount	306,786	-
Depreciation and amortization expense	407,611	4,713
Change in fair value of derivative liability	1,388	-
Changes in operating assets and liabilities		
Inventory	(10,929)	-
Settlement payable	102,272	-
Deposit	(57,218)	-
Accounts payable and accrued compensation	1,476,540	202,993
Due from Affiliate	(346,610)	-
Income taxes payable	235,168	-
Accounts receivable	(127,347)	(400)
Due from Merchant Processor	(206,734)	-
Deferred Rent	-	4,900
Cash paydowns of lease liability	(276,551)	-
Net Cash Used In Operating Activities	(3,650,850)	(712,248)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash acquired in acquisition	123,088	-
Cash used in acquisition	(350,000)	-
Cash outlay for deposit	-	(3,920)
Purchase of fixed assets	(52,305)	(28,472)
Payments on acquisition liabilities	(320,000)	-
Net Cash Used In Investing Activities	(599,217)	(32,392)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from stock receivable	100,000	-
Proceeds from loan payable	1,497,000	100,000
Repayments of loan payable	(50,000)	(25,000)
Proceeds from loan payable - related party	205,393	11,705
Repayments of loan payable - related party	(8,705)	-
Common Stock issued for cash	2,768,000	625,000
Net Cash Provided By Financing Activities	4,511,688	711,705
NET INCREASE (DECREASE) IN CASH	261,620	(32,935)
CASH AT BEGINNING OF PERIOD	5,249	38,184
CASH AT END OF PERIOD	$ 266,869	$ 5,249
Supplemental cash flow information:		

Cash paid for income taxes	$ -	
Cash paid for interest expense	$ -	
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Receivable for Common Stock issued	$ -	$ 100,000
Warrants and acquisition consideration - business combination	$ 2,802,254	$ -
Warrants and acquisition consideration - asset acquisition	$ 2,641,000	$ -
Issuance of common stock and warrants for cancellation of debt	$ 106,193	$ -
Lease liability recognized from right of use asset	$ 393,032	$ -
Debt discount on conversion feature	$ 413,471	$ -
Conversion of accounts payable to notes payable related party	$ 30,000	$ -
Debt Discount from warrants	$ 549,237	$ -

See accompanying notes to the consolidated financial statements.

DRIVEN DELIVERIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 – ORGANIZATION AND NATURE OF BUSINESS

Overview

Driven Deliveries Inc. (formerly Results-Based Outsourcing Inc) (the "Company" or "Driven"), formed on July 22, 2013, is engaged in providing delivery services of legal cannabis products to consumers in California.

On August 29, 2018, Driven Deliveries, Inc., a Nevada company ("Driven Nevada"), was acquired by Results-Based Outsourcing as part of a reverse merger transaction. As consideration for the merger, Results-Based Outsourcing issued the equity holders of Driven Nevada an aggregate of 30,000,000 post-split shares of their common stock. Following the merger, the Company adopted the business plan of Driven Nevada as a delivery company focused on deliveries for consumers of legal cannabis products, in California. The merger was accounted for as a recapitalization of the Company, therefore the financial statements as presented in this report include the historical results of Driven Nevada.

In June 2019, the Company completed its acquisition of Ganjarunner, Inc. and Global Wellness, LLC, which are engaged in the business of providing delivery services of legal cannabis products to consumers in California. See Note 4 – Merger and Asset Purchase Agreement below for more information on the acquisition.

In July 2019, the Company entered into an Asset Purchase Agreement with Mountain High Recreation, Inc., in which the Company acquired certain limited assets from Mountain High Recreation, Inc. See Note 4 – Merger and Asset Purchase Agreement for more information on the asset purchase.

In September 2019 we entered into a Joint Venture agreement with Budee, Inc. to expand our operations and engaged in the business of providing delivery services of legal cannabis products to the consumer in California. See Note 5 – Joint Venture for more information on the Joint Venture.

Risks and Uncertainties

The Company's business and operations are sensitive to general business and economic conditions in the U.S. along with local, state, and federal governmental policy decisions. A host of factors beyond the Company's control could cause fluctuations in these conditions. Adverse conditions may include: changes in the cannabis regulatory environment and competition from larger more well-funded companies. These adverse conditions could affect the Company's financial condition and the results of its operations.

In December 2019, a novel strain of coronavirus, COVID-19, surfaced in Wuhan, China. This virus continues to spread around the world, resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the Company could be materially adversely affected. Employers are also required to prepare and increase as much as possible the capacity and arrangement for employees to work remotely. The extent to which the coronavirus may impact business activity or results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others.

NOTE 2 – GOING CONCERN ANALYSIS

Going Concern Analysis

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates continuity of operations, realization of assets, and liquidation of liabilities in the normal course of business.

For the year ended December 31, 2019, the Company had a net loss of $13,088,175 and working capital deficit of $4,011,527. The Company will require additional capital in order to continue its operations in the normal course of business. Management has concluded that due to these conditions, there is substantial doubt about the company's ability to continue as a going concern. The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern for one year from the issuance of these financial statements.

Management's plans include raising capital through the sale of debt and/or equity. The Company's ability to continue as a going concern is dependent upon its ability to raise capital to implement the business plan, generate sufficient revenues and to control operating expenses. While we believe in the viability of our strategy to generate sufficient revenue, control costs and the ability to raise additional funds, there can be no assurances that our strategy will be successful. The Company's financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the matters discussed herein.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") and the rules and regulations of the Securities and Exchange Commission ("SEC").

Principles of consolidation

The consolidated financial statements include the accounts of Driven Deliveries, Inc., and its wholly owned subsidiaries, Ganjarunner, Inc. and Global Wellness, LLC and its 51% owned Joint Venture Ganjabudee, Inc. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Concentrations of Credit Risk

The Company maintains its cash accounts at financial institutions which are insured by the Federal Deposit Insurance Corporation. At times, the Company may have deposits in excess of federally insured limits.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. As of December 31 2019, the Company did not have any cash equivalents.

Equipment

Equipment is stated at cost less accumulated depreciation. Cost includes expenditures for vehicles and computer equipment. Maintenance and repairs are charged to expense as incurred. When assets are sold, retired, or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in operations. The cost of equipment is depreciated using the straight-line method over the estimated useful lives of the related assets which is three years for computer equipment and five years for vehicles. Depreciation expense was $25,203 and $4,713 for the years ended December 31, 2019 and 2018, respectively.

Inventory

Inventory consists of finished goods and is stated at the lower of cost or net realizable value, on an average cost basis. Inventory is determined to be saleable based on demand forecast within a specific time horizon. Inventory in excess of saleable amounts is considered obsolete, at which point it is written down to its net realizable value.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Company generally does not require

collateral to support customer receivables. The Company determines if receivables are past due based on days outstanding, and amounts are written off when determined to be uncollectible by management.

Intangible Assets

The Company's intangible assets include the following:

	Value	Estimated Life
Trade Names / Trademarks	$ 1,823,638	10
IP/Trade Secrets	1,782,444	5
License	656,221	15
Non-Compete Agreements	219,267	2
Customer Relations	140,697	7
Total Intangible Assets	$ 4,622,267	

There was no impairment recorded to intangible assets as of December 31, 2019. Amortization expense was $394,448 and $0 for the year ended December 31, 2019 and 2018, respectively.

Cost of Sales

Cost of goods sold consists of:

Product costs: Product costs include the purchase price of products sold, which include direct and indirect labor costs, rent, and depreciation expenses, and inbound shipping and handling costs for inventory.

Advertising

The Company expenses the cost of advertising and promotions as incurred. Advertising expense was $361,668 and $62,470 for the years ended December 31, 2019 and 2018, respectively.

Stock-Based Compensation

The Company accounts for stock-based compensation costs under the provisions of ASC 718, "Compensation—Stock Compensation", which requires the measurement and recognition of compensation expense related to the fair value of stock-based compensation awards that are ultimately expected to vest. Stock based compensation expense recognized includes the compensation cost for all stock-based payments granted to employees, officers, and directors based on the grant date fair value estimated in accordance with the provisions of ASC 718. ASC 718 is also applied to awards modified, repurchased, or canceled during the periods reported. The Company accounts for warrants and options issued to non-employees under ASU 2018-07, Equity – Equity Based Payments to Non-Employees, using the Black-Scholes option-pricing model.

The Black–Scholes option valuation model requires the development of assumptions that are inputs into the model. These assumptions are the value of the underlying share, the expected stock volatility, the risk–free interest rate, the expected life of the option, the dividend yield on the underlying stock and the expected forfeiture rate. Due to the lack of sufficient trading history, the Company benchmarked their volatility to similar companies in a similar industry over the expected option life and other appropriate factors. Risk–free interest rates are calculated based on continuously compounded risk–free rates for the appropriate term. The dividend yield is assumed to be zero as the Company has never paid or declared any cash dividends on its Common stock and does not intend to pay dividends on its Common stock in the foreseeable future. The expected forfeiture rate is estimated based on management's best estimate.

Fair Value Measurements

ASC 820, "Fair Value Measurements and Disclosure," defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, not adjusted for transaction costs. ASC 820 also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels giving the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels are described below:

Level 1 Inputs – Unadjusted quoted prices in active markets for identical assets or liabilities that is accessible by the Company;

Level 2 Inputs – Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 Inputs – Unobservable inputs for the asset or liability including significant assumptions of the Company and other market participants.

The carrying amount of the Company's financial assets and liabilities, such as cash, accounts payable, accounts receivables, and accrued expenses approximate their fair value because of the short maturity of those instruments.

The assets or liability's fair value measurement within the fair value hierarchy is based upon the lowest level of any input that is significant to the fair value measurement. The following table provides a summary of financial instruments that are measured at fair value as of December 31, 2019.

	Carrying Value	Fair Value Measurement Using			
		Level 1	Level 2	Level 3	Total
Derivative liabilities	$ (306,762)	$ -	$ -	$ (306,762)	$ (306,762)

The table below provides a summary of the changes in fair value, including net transfers in and/or out, of all financial assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended December 31, 2019:

	For the Year Ended December 31, 2019
Balance, December 31, 2018	$ -
Initial recognition of conversion feature	-
Debt Discount	305,424
Change in fair value of derivative liabilities	(1,338)
Balance, December 31, 2019	$ 306,762

The level 3 financial instruments consist of embedded conversion features. The fair value of these embedded conversion features are estimated using a Black Scholes valuation model. The fair value of the derivative features on were calculated using a Black-Scholes option model valued with the following assumptions:

	December 31, 2019
Exercise price	$ 0.50
Risk free interest rate	1.52-1.81%
Dividend yield	0.00%
Expected volatility	93-109%
Contractual term	0.91-1.37 Years

Risk-free interest rate: The Company uses the risk-free interest rate of a U.S. Treasury Note with a similar expected term on the date of measurement.

Dividend yield: The Company uses a 0% expected dividend yield as the Company has not paid dividends to date and does not anticipate declaring dividends in the near future.

Volatility: The Company calculates the expected volatility of the stock price based on the corresponding volatility of the Company's peer group stock price for a period consistent with the warrants' expected term.

Expected term: The Company's expected term is based on the remaining contractual maturity of the warrants.

Changes in the unobservable input values would likely cause material changes in the fair value of the Company's Level 3 financial instruments.

The most sensitive unobserved inputs used in valuing derivative instruments are volatility and market price. Significant changes in either of these inputs could have a material effect on the fair value measurement of the derivative instruments.

During the year ended December 31, 2019, the Company marked the derivative feature of the warrants to fair value and recorded a loss of $1,338 relating to the change in fair value, respectively.

Derivative Liability

The Company evaluates its options, warrants or other contracts, if any, to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for in accordance with ASC 815-10-05-4 and 815-40-25. The result of this accounting treatment is that the fair value of the embedded derivative is marked-to-market each balance sheet date and recorded as either an asset or a liability. In the event that the fair value is recorded as a liability, the change in fair value is recorded in the consolidated statement of operations as other income or expense. Upon conversion, exercise or cancellation of a derivative instrument, the instrument is marked to fair value at the date of conversion, exercise or cancellation and then the related fair value is reclassified to equity.

The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is re-assessed at the end of each reporting period. Equity instruments that are initially classified as equity that become subject to reclassification are reclassified to liability at the fair value of the instrument on the reclassification date. Derivative instrument liabilities will be classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument is expected within 12 months of the balance sheet date. The pricing model includes subjective input assumptions that can materially affect the fair value estimates. The expected volatility is estimated based on the most recent historical period of time of comparable companies equal to the remaining contractual term of the instrument granted.

Revenue Recognition

As of January 1, 2018, the company adopted ASC 606. The adoption of ASC 606, Revenue From Contracts With Customers, represents a change in accounting principle that will more closely align revenue recognition with the delivery of the Company's services and will provide financial statement readers with enhanced disclosures. In accordance with ASC 606, revenue is recognized when a customer obtains control of promised services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for these services. The Company used the Modified-Retrospective Method when adopting this standard. There was no accounting effect due to the initial adoption. To achieve this core principle, the Company applies the following five steps:

1) *Identify the contract with a customer*

Delivery Income
The Company has three contracts with different customers with the same terms. All of these qualify as contracts since they have been approved by both parties, have identifiable rights and payment terms regarding the services to be transferred, have commercial substance, and it is probable that the entity will collect the consideration in exchange for the services.

Product Sales
The Company performs retail sales directly to customers. In these sales there is no formal contract with the customer. These sales have commercial substance and there are no issues with collectability as the customer pays the cost of the goods at the time of purchase or delivery.

2) *Identify the performance obligations in the contract*

Delivery Income
The Company's performance obligations are to (1) deliver cannabis in compliance with California law, and (2) provide a platform to sell the retailer's or their own products. These items represent performance obligations since they are distinct services and are distinct in the context of the contract.

Product Sales
The Company sells its products directly to consumers. In this case these sales represent a performance obligation with the sales and any necessary deliveries of those products.

3) *Determine the transaction price*

Delivery Income
The company will perform delivery services in exchange for a flat fee per delivery. As mandated by The California Bureau of Cannabis Control, delivery drivers are required to be on the payroll of a licensed retailer. In order to fulfill the performance obligation, delivery drivers are included on the payroll of the customer, and the Company reimburses the customer for the drivers' wages at a premium. The cost of paying the drivers are considered a cost to fulfill a contract for which the Company receives no benefit, so it is consideration payable to the customer, which is considered in determining the transaction price. In addition, the company currently nets the amounts owed by the customers for deliveries with the amounts owed to the customers for drivers' wages. As such, the company reduces the delivery fee by the drivers' wages to determine the transaction price. These elements of the transaction price are based on variable consideration determined to be constrained and are recognized as of the later of when the service is rendered or when the Company pays or promises to pay the consideration, which will generally be on a monthly basis. If the cost of the drivers' wages exceeds the total fees for delivery, the company would present a net negative revenue. For the year ended December 31, 2018, the company shows net negative revenue related to delivery of cannabis.

Commission Income
The transaction price of the commissions is a variable consideration as the price is determined to be 10% of a delivered sale from an order generated on the Company's online platform. The variable consideration is also constrained as the amount of the consideration is dependent on the cost of the products purchased; and is further constrained as the company has little history to predict the amount to be recognized. Transaction price for

the commissions will be determined as the company satisfies the performance obligation. During 2019 the company discontinued earning commission income.

Product Sales
The sales that are done directly to the customer have no variable consideration or financing component. The transaction price is the cost that those goods are being sold for plus any additional delivery costs.

Excise Tax
As part of the Company's sales, the company collects an excise tax. The amount of tax collected is based on state and local laws.

4) *Allocate the transaction price to performance obligations in the contract*

Delivery Income
The Company will allocate the transaction price of the delivery fees and to the deliveries that they perform separately for the customer.

Commission Income
The transaction price of the commissions will be allocated per each sale that the Company generates for a retailer that is delivered.

Product Sales
For the goods that the Company sells directly to customers, the transaction price is allocated between the cost of the goods and any delivery fees that may be incurred to deliver to the customer.

Excise Tax
The tax collected is allocated to the transactions that the tax was collected from.

5) *Recognize revenue when or as the Company satisfies a performance obligation*

Delivery Income
The Company satisfies performance obligations either over time or at a point in time. Revenue is recognized at the time the related performance obligation is satisfied by transferring a promised service to a customer.

Both performance obligations are satisfied at a point in time, and as such revenue will be recognized when the delivery is completed. The revenue will not be recognized for orders not fulfilled, but the delivery fee is earned even if the delivery is rejected or the person who placed the order is not present or available at the time of delivery. The consideration payable to the customer for drivers' wages is recognized over time based on the inputs to determine the drivers' wage obligations, but the net transaction price is known and therefore recognized by the end of each reporting period.

Product Sales
For the sales of the Company's own goods the performance obligation is complete once the customer has received their product.

Excise Tax
The Company recognizes the revenue when the tax is collected and the customer has received their product.

Disaggregation of Revenue

The following table depicts the disaggregation of revenue according to revenue type.

Revenue Type	Revenue for the year ended December 31, 2019	Revenue for the year ended December 31, 2018
Delivery Income	$ 139,323	43,468
Dispensary Cost Reimbursements	(126,093)	(114,574)
Delivery Income, net	13,230	(71,106)
Product Sales	2,498,164	-
Commission Income	821	6,072
Excise Tax and Regulatory and Compliance fees	310,360	-
Total	$ 2,822,575	(65,034)

Due to this reduction of revenue from the reimbursement of wages for the delivery couriers, the Company is presenting a net negative revenue for the year ended December 31, 2018.

Leases

Under Topic 842, operating lease expense is generally recognized evenly over the term of the lease. The Company has operating leases primarily consisting of office space with remaining lease terms of 35 months to 37 months. Current facility leases include our offices in El Segundo California, Gardena California, and Sacramento California. Lease costs were $280,375 for the year ended December 31, 2019. There was no sublease rental income for the year ended December 31, 2019 and 2018.

Leases with an initial term of twelve months or less are not recorded on the balance sheet. For lease agreements entered into or reassessed after the adoption of Topic 842, we combine the lease and non-lease components in determining the lease liabilities and right of use ("ROU") assets.

Our lease agreements generally do not provide an implicit borrowing rate, therefore an internal incremental borrowing rate is determined based on information available at lease commencement date for purposes of determining the present value of lease payments. We used the incremental borrowing rate on December 31, 2019 and 2018 for all leases that commenced prior to that date.

Lease Costs

	Year Ended December 31, 2019
Components of total lease costs:	
Operating lease expense	$ 280,375
Total lease costs	$ 280,375

Lease Positions as of December 31, 2019

ROU lease assets and lease liabilities for our operating leases were recorded in the consolidated balance sheet as follows:

	December 31, 2019
Assets	
Right of use asset	$ 115,859
Total assets	$ 115,859
Liabilities	
Operating lease liabilities – short term	$ 40,217
Operating lease liabilities – long term	76,264
Total lease liability	$ 116,481

Lease Terms and Discount Rate

Weighted average remaining lease term (in years) – operating lease	3.58
Weighted average discount rate – operating lease	10.91%

Cash Flows

	Year Ended December 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
ROU amortization	$ 271,651
Cash paydowns of operating liability	$ (276,551)
Supplemental non-cash amounts of lease liabilities arising from obtaining	
ROU assets	$ (387,510)
Lease Liability	$ 393,032

The future minimum lease payments under the leases are as follows:

2020	$ 230,076
2021	230,543
2022	231,678
2023	39,178
Total future minimum lease payments	731,475
Lease imputed interest	145,594

Total	$ 585,881

Excise and Sales Tax

The State of California and various local governments impose certain excise and state and local taxes on product sales. The Company's policy is to include excise taxes as part of sales and cost of sales. The Company's policy for various state and local sales taxes are to exclude them from revenue and cost of sales.

Income Taxes

Income taxes are provided in accordance with ASC No. 740, "*Accounting for Income Taxes*". A deferred tax asset or liability is recorded for all temporary differences between financial and tax reporting and net operating loss carryforwards. Deferred tax expense (benefit) results from the net change during the period of deferred tax assets and liabilities.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Per FASB ASC 740-10, disclosure is not required of an uncertain tax position unless it is considered probable that a claim will be asserted and there is a more-likely-than-not possibility that the outcome will be unfavorable. Using this guidance, as of December 31, 2019 and 2018, the Company has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

We include interest and penalties assessed by income taxing authorities in income tax expense as incurred.

Basic and Diluted Net Loss per Common Share

Basic loss per common share is computed by dividing the net loss by the weighted average number of shares of common stock outstanding for each period. Diluted loss per share is computed by dividing the net loss by the weighted average number of shares of common stock outstanding plus the dilutive effect of shares issuable through the common stock equivalents. The weighted-average number of common shares outstanding excludes common stock equivalents because their inclusion would be anti-dilutive. As of December 31, 2019, common stock equivalents are comprised of 29,243,750 warrants and 7,879,933 options.

Recent Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update ("ASU") 2016-02: Leases (Topic 842). The objective of this ASU, along with several related ASUs issued subsequently, is to increase transparency and comparability between organizations that enter into lease agreements. The new guidance generally requires an entity to recognize on its balance sheet operating and financing lease liabilities and corresponding right-of-use assets. The standard will be effective for the first interim period within annual reporting periods beginning after December 15, 2018 and early adoption is permitted. The new standard requires a modified retrospective transition for existing leases to each prior reporting period presented or entered into after, the beginning of the earliest comparative period presented in the financial statements. This standard was adopted by the Company on January 1, 2019. The adoption of this standard lead to the Company recognizing a lease liability and right of use assets on the Company's consolidated financial statements and related disclosures. The adoption of Topic 842 resulted in the recognition of an operating ROU asset and operating lease liability of $387,510 and $393,032, respectively as of January 1, 2019.

The FASB issues ASUs to amend the authoritative literature in ASC. There have been several ASUs to date, that amend the original text of ASC. Management believes that those issued to date either (i) provide supplemental guidance, (ii) are technical corrections, (iii) are not applicable to us or (iv) are not expected to have a significant impact our financial statements.

NOTE 4 – MERGER AND ASSET PURCHASE AGREEMENTS

Ganjarunner Merger

On June 21, 2019, the Company, GR Acquisition, Inc. ("GRA"), a Nevada corporation, Ganjarunner, Inc. ("Ganjarunner"), a California corporation, and Global Wellness, LLC ("GW"), a California limited liability company, (Ganjarunner and GW are hereafter referred to collectively as "GR/GW") entered into an Agreement and Plan of Merger (the "Merger Agreement"), pursuant to which GR/GW shall merge with and into GRA, with GRA continuing as the surviving entity and wholly-owned subsidiary of the Company (the "Merger"). The Merger closed on June 24, 2019 (the "Closing Date"). Pursuant to the Merger Agreement, the Company agreed to pay to GR/GW $1,000,000, $150,000 of which has already been paid to GR/GW

with $300,000 to be paid in two equal tranches of $150,000 whereby each tranche is subject to GRA's achievement of certain milestones. (i) $350,000 at the earlier to occur of the 6-month anniversary of the Closing Date or upon the Company raising additional funding of at least $2,000,000 and (ii) $300,000 at the end of the 24-month anniversary of the Closing Date. In addition, as further consideration, the Company issued to GR/GW's founders 1,000,000 shares of the Company's common stock on the Closing Date and shall make two additional issuances of 2,000,000 shares of common stock on the 12-month and 24-month anniversaries of the Closing Date, with each respective issuance contingent upon GRA's achievement of certain milestones as set forth in the Merger Agreement.

On October 4, 2019, the Company amended the Merger Agreement with GR/GW. As part of this amendment, the Company will 5,000,000 warrants to purchase shares of the Company's common stock to GR/GW. These warrants have a term of three years and an exercise price of $0.50. These warrants replace the previously agreed upon common stock consideration of 5,000,000 shares and eliminated the contingencies related to achieving certain milestones as set forth in the initial merger agreement.

Following the closing of the transaction, Ganjarunner's financial statements as of the Closing Date are consolidated with the Consolidated Financial Statements of the Company.

The following presents the unaudited pro-forma combined results of operations of the Company with the Ganjarunner Business as if the entities were combined on January 1, 2018.

	Year Ended December 31, 2019	Year Ended December 31, 2018
Gross Revenue	$ 4,420,265	2,011,758
Gross Profit	$ 1,118,535	1,072,235
Net loss	$ (13,088,173)	(2,879,370)
Net loss per share	$ (0.28)	(0.15)
Weighted average number of shares outstanding	46,898,066	18,992,697

The unaudited pro-forma results of operations are presented for information purposes only. The unaudited pro-forma results of operations are not intended to present actual results that would have been attained had the acquisitions been completed as of January 1, 2018, or to project potential operating results as of any future date or for any future periods.

The following presents the consideration paid for the acquisition of Ganjarunner and the preliminary purchase price allocation. These amounts are provisional and may be adjusted during the measurement period.

Purchase Price	
Purchase Price	$ 2,987,254
Total purchase price	$ 2,987,254
Allocation of purchase price	
Tangible Assets/ (Liabilities)	$ (459,464)
Trade Names / Trademarks	877,000
IP/Trade Secrets	801,000
License	306,000
Non-Compete Agreements	39,000
Customer Relationships	152,000
Goodwill (incl. trained and assembled workforce)	1,271,718
Total allocation of purchase price	$ 2,987,254

Mountain High Asset Purchase

On July 10, 2019 (the "Closing Date"), the Company and Mountain High Recreation, Inc. ("MH"), a California corporation, entered into an Asset Purchase Agreement (the "Purchase Agreement"), pursuant to which the Company acquired certain assets from MH as specified in the Purchase Agreement, which included (i) the option to purchase to MH's California Cannabis - Retailer Nonstorefront License (ii) the option to purchase a certain real property lease located at 8 Light Sky Ct, Sacramento, CA 95828 associated with that certain license, (iii) the right to use all trademarks and intellectual property associated with the MH brand (the "Assets"). The Company assumed no liabilities of MH. The transactions contemplated by the Purchase Agreement closed on July 10, 2019 (the "Closing").

Pursuant to the Agreement, the Company agreed to pay to MH the following: $200,000 at Closing, $150,000 on or before December 20, 2019, $150,000 on or before March 31, 2020, $250,000 at the end of the twelfth (12th) month (on a rolling basis) following the Closing Date and $250,000 at the end of the twenty-fourth (24th) month (on a rolling basis) following the Closing Date. In addition, at Closing, the Company issued to MH 1,000,000 shares of its common stock. At the end of the twelfth month (on a rolling basis) from the Closing Date, the Company agreed to issue to MH warrants to purchase 2,000,000 shares of the Company's Common Stock with an exercise price equal to the per share purchase price paid by investors of the Company's then most recent private placement and exercisable for a period of three (3) years from the date of issuance (the "2020

Warrants"). At the end of the twenty-fourth month (on a rolling basis) from the Closing Date, the Company shall issue to MH warrants to purchase 2,000,000 shares of the Company's Common Stock with an exercise price equal to the per share purchase price paid by investors of the Company's then most recent private placement price, exercisable for a period of three (3) years from the date of issuance (the "2021 Warrants"). The 2020 Warrants and 2021 Warrants are subject to adjustment, based on the amount of gross revenue the Company recognized in connection with the Assets.

On October 4, 2019, the Company amended the Asset Purchase Agreement with Mountain High Recreation, Inc. As part of this amendment, the Company will issue 5,000,000 warrants to purchase shares of the Company's common stock to Mountain High Recreation, Inc. These warrants have a term of three years and an exercise price of $0.50. These warrants replace the previously agreed upon share and warrant consideration and eliminated the contingencies related to the gross revenue recognized in connection with the assets.

The following presents the consideration paid for the asset acquisition of Mountain High Recreation, Inc. and the preliminary purchase price allocation. These amounts are provisional and may be adjusted during the measurement period.

Purchase Price	
Purchase Price	$ 2,841,715
Total purchase price	$ 2,841,715
Allocation of purchase price	
Trade Names / Trademarks	$ 1,041,962
IP/Trade Secrets	1,177,060
License	372,684
Non-Compete Agreements	250,009
Total allocation of purchase price	$ 2,841,715

NOTE 5 – JOINT VENTURE

On September 30, 2019, the Company entered into a joint venture agreement (the "JV Agreement") with Budee, Inc., ("Budee'), a privately-held company involved in the delivery of cannabis-related products in California, pursuant to which the parties formed a joint venture company, GanjaBudee Inc., a Nevada Corporation ("GB"), in anticipation of a merger between the parties (the "GanjaBudee Merger'). GB is a separate and independent entity from either party with its own management team and Board of Directors and is owned 51% by the Company and 49% by Budee. The term of GB will continue until such GanjaBudee Merger is effective or any definitive agreement for such GanjaBudee Merger is terminated but in any case will not be for a period of more than sixty months, subject to a mutual extension agreed to by the parties. As part of this joint venture the company recognized a loss attributable to non-controlling interest of $527,605.

In connection with the JV Agreement, the Company and Budee agreed to share certain expenses between the Company and Budee, Inc. The company is also allowed to charge an additional 10% fee on any of these charged back expenses. The Company charged back expenses to Budee totaling $96,610. In addition, pursuant to the JV Agreement the Company agreed to pay certain obligations of Budee Inc. of $250,000. This has resulted in a "Due from Affiliate" on the Company's Balance Sheet of $346,610 as of December 31, 2019.

NOTE 6 – NOTES PAYABLE

On November 7, 2017 the Company issued a promissory note for $75,000 that accrues interest of 6% annually. The promissory note is due on the earlier of January 31, 2018 or in the event of default, as such term is defined in the agreement. The terms of the promissory note provide that the principal amount of the note is convertible into the same security that is sold and issued in the next Qualified Financing Round completed by the Company, except that the conversion price shall be at a ten percent (10%) discount to the equity price per share raised in such Qualified Financing Round. Qualified Financing Round is defined as an equity financing of the Company that is consummated during the term of the promissory note which results in gross proceeds of not less than $925,000. The note was fully paid off in January 2019.

On February 1, 2018, the Company entered into a convertible bridge loan agreement providing for a loan in the principal amount of $50,000 to the Company. The loan bears interest at the rate of 6% annually and is convertible into shares of the Company's common stock at a 10% discount to the equity price per share that is sold and issued in the next Qualified Financing Round completed by the Company. Qualified Financing Round is defined as an equity financing of the Company that is consummated during the term of the loan which results in gross proceeds of not less than $925,000. In connection with the loan, the Company issued to the lender a three-year warrant to purchase 12,500 shares of common stock of the Company at an exercise price of $0.50 per share. The bridge loan was due on March 31, 2018. In March 2019, the Company entered into a debt cancellation agreement with the lender pursuant to which the Company agreed to issue to the lender 375,000 shares of the Company's common stock and a three year warrant to purchase 25,000 shares of the Company's common stock at an exercise price of $0.20. The Company recorded a loss on extinguishment of debt of $225 related to the cancellation.

On October 25, 2018, the Company issued a convertible promissory note in the principal amount of $50,000 which is convertible into shares of the Company's common stock at a price of $0.20 per share. This note accrues interest of 8% annually and had a maturity date of October 25, 2019. During the second quarter of 2019, the note was converted into 261,665 shares of the Company's common stock.

On August 28, 2019, the Company issued a senior convertible note ("Note") to M2 Equity Partners ("Holder"), pursuant to which the Holder agreed to advance the Company $1,000,000 in three equal installments, with the final installment advanced on October 30, 2019. The Note matures on August 28, 2020 and is the senior obligation of the Company. The Note's principal balance of $1,000,000 bears interest at a rate of 10% per annum and interest payments are payable on a monthly basis. The funds from this loan were distributed in three parts with $333,333 being issued on August 30, 2019, September 30, 2019 and October 30, 2019. The principal of the note was amended on January 31, 2020 to be $2,635,000 with the full balance of the note received on February 14, 2020. This amendment also changed the maturity date of the note to February 14, 2021. As of December 31, 2019, the Company had received $1,497,000 in funds from the note. Pursuant to the Note, the Holder has the right to convert all or part of the Note to shares of common stock of the Company at a price equivalent to a value of $0.50 per share of common stock on an as-converted basis. As additional consideration, the Company issued to the Holder a three-year warrant to purchase 4,500,000 shares of the Company's common stock at an exercise price of $0.05. The company also recognized a derivative liability in connection with the note valued at $306,762 as of December 31, 2019.

In addition, as an inducement to enter into the Note and to fund each advance thereunder, the Company entered into a security agreement with the Holder executed concurrently with the Note (the "Security Agreement"). Pursuant to the Security Agreement, the Company granted the Holder a first priority security interest in certain assets of the Company (the "Collateral") for the benefit of the Holder to secure the Company's obligations under the Note. The occurrence of any event of default under the Note, as well as the Company's failure to observe or perform its obligations under the Security Agreement and such failure goes uncured for five days after receiving notice, constitutes an event of default under the Security Agreement. If an event of default under the Security Agreement occurs, the Holder is entitled to certain rights, including the right to take possession of the Collateral and the right to operate the business of the Company using the Collateral. The Security Agreement terminates when all payments under the Note have been made in full. Matthew Atkinson, a member of M2 owns approximately 5.98% of the Company's common stock.

On September 27, 2019, the Company entered into a settlement agreement with Chris Boudreau, the Company's former Chief Executive Officer, pursuant to which the Company was required to repurchase 12,272,616 shares of the Company's common stock from Mr. Boudreau at a per share purchase price of approximately $0.01, totaling an aggregate purchase price of $122,726 (the "Settlement Agreement"). Pursuant to the Settlement Agreement, the Company was required to pay Mr. Boudreau in twelve monthly instalments of $10,227 starting October 1, 2019. As of December 31, 2019, the Company is in default on these payments. Additionally, Mr. Boudreau also forfeited options to purchase an aggregate of 1,538,910 shares of the Company's common stock and warrants to purchase an aggregate of 2,000,000 shares of the Company's common stock. Mr. Boudreau also forfeited a $23,726 loan to the Company resulting in a gain on extinguishment of debt.

During the year ended December 31, 2019, the Company entered into a loan agreement with the Company's CFO, Brian Hayek. Pursuant to the Loan Agreement, the Company issued Mr. Hayek a Secured Convertible Note in the principal amount of $188,743 with an interest rate of 10%. As of December 31, 2019, the amount due on this loan was $184,667. The note is convertible into shares of the Company's equity securities at a price of $.50 per share or preferred stock designated by the parties in an amount equivalent to a value of $.50 per share on an as converted basis. The obligation of the Note is an obligation of the Company other than obligations specifically designated otherwise by the Company. In addition, the Company issued Mr. Hayek warrants to purchase 500,000 shares of the Company's common stock at an exercise price of $.50 per share which warrants terminate five years after their issuance. As part of this loan the Company recognized the intrinsic value of a beneficial conversion feature leading to a debt discount of $86,632 as of December 31, 2019.

On December 31, 2019, the Company entered into a loan agreement with a Director of the Company, Christian Schenk, pursuant to which Mr. Schenk extended a loan to the Company in the amount of $50,000 with an interest rate of 10%. In connection with this loan, the Company issued Mr. Schenk a secured convertible note. The note is convertible into equity of the Company at a valuation equal to a price of $.50 per share of common stock. The note was funded with the proceeds from $30,000 in accounts payable to Truck That, LLC and a check from Truck That, LLC in the amount of $20,000 (see Note 9). In addition, the Company issued Mr. Schenk warrants to purchase 150,000 shares of the Company's common stock at an exercise price of $.50 per share which warrants terminate five years after their issuance. As part of this loan the Company recognized the intrinsic value of a beneficial conversion feature leading to a debt discount of $21,415 as of December 31, 2019.

NOTE 7 – STOCKHOLDERS' DEFICIT

Common Stock

The Company is authorized to issue 200,000,000 shares of common stock, par value $0.0001 per share.

During the year ended December 31, 2019, the company issued 9,655,000 shares of common stock for cash of $2,768,000, 100,000 shares were issued for services, 636,665 shares of common stock for conversion or cancellation of debt, 5,072,812 shares from the exercise of warrants, and 18,339,206 shares were cancelled.

Preferred Stock

The Company is authorized to issue 15,000,000 shares of preferred stock, par value $0.0001 per share. The preferred stock may be issued from time to time in one or more series as the Company's Board may authorize. None of the preferred stock has been designated and none are issued and outstanding.

Warrants

There were 29,243,750 warrants outstanding as of December 31, 2019. The fair value of each stock warrant granted was estimated using the Black-Scholes valuation model with the assumptions as follows:

Exercise price	$	0.10 - $0.50
Expected dividend yield		0%
Risk free interest rate		1.42% - 2.66%
Expected life in years		3-7
Expected volatility		134% - 158%

There were 9,131,250 warrants outstanding as of December 31, 2018. The fair value of each stock warrant granted was estimated using the Black-Scholes valuation model with the assumptions as follows:

Exercise price	$	0.10 - $0.50
Expected dividend yield		0%
Risk free interest rate		2.33% - 3.05%
Expected life in years		3-7
Expected volatility		134% - 158%

A summary of warrant issuances are as follows:

	Number		Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Warrants				
Outstanding January 1, 2018	18,750	$	0.50	2.85
Granted	9,112,500		0.19	3.83
Outstanding December 31, 2018	9,131,250		0.19	3.83
Granted	27,658,000		0.44	4.29
Forfeited	(7,545,500)		0.34	4.48
Outstanding December 31, 2019	29,243,750	$	0.39	4.10

During the first quarter of 2019, the Company issued warrants to purchase an aggregate of 1,558,000 shares of common stock of the Company at an exercise price of $0.10 per share. The warrants may be exercised on a cashless basis and have a term of five and seven years. The warrants were issued for consulting services.

During the second quarter of 2019, the Company issued warrants to purchase an aggregate of 2,500,000 shares of common stock of the Company at an exercise price of $0.20 per share. The warrants may be exercised on a cashless basis and have a term of seven years. The warrants were issued for consulting services.

During the third quarter of 2019, the Company issued warrants to purchase an aggregate of 11,000,000 shares of common stock of the Company at varying exercise prices of $0.20 and $0.50 per share. The warrants may be exercised on a cashless basis and have a term of three or seven years. The warrants were issued for consulting services and in connection with a note.

During the fourth quarter of 2019, the Company issued warrants to purchase an aggregate of 12,600,000 shares of common stock of the Company with an exercise price of $0.50 per share. The warrants may be exercised on a cashless basis and have a term of three or five years. The warrants were issued for consulting services, as compensation, in connection with notes, as part of a merger, and an asset purchase agreement.

The company recognized a stock compensation expense of $7,047,596 year ended December 31, 2019, related to warrants.

Options

There were 7,879,933 options outstanding as of December 31, 2019. The fair value of each stock option granted was estimated using the Black-Scholes valuation model with the assumptions as follows:

Exercise price	$	0.10 - $0.50

Expected dividend yield	0%
Risk free interest rate	1.49% - 2.63%
Expected life in years	7
Expected volatility	153% - 157%

There were 4,854,692 options outstanding as of December 31, 2018. The fair value of each stock option granted was estimated using the Black-Scholes valuation model with the assumptions as follows:

Exercise price	$ 0.40
Expected dividend yield	0%
Risk free interest rate	2.50%
Expected life in years	3
Expected volatility	157%

A summary of options issuances are as follows:

	Number	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Weighted Average Grant Date Fair Value
Options				
Outstanding January 1, 2018	-	$ -	-	$ -
Granted	4,854,692	0.04	3.00	0.19
Outstanding December 31, 2018	4,854,692	0.04	3.00	0.19
Granted	6,210,022	0.16	5.13	0.24
Forfeited	(3,184,781)	0.19	3.53	0.19
Outstanding December 31 2019	7,879,933	$ 0.14	4.74	$ 0.24

Nonvested Shares	**Shares**
Nonvested at January 1, 2018	-
Granted	4,854,692
Vested	(1,213,673)
Forfeited	-
Nonvested at December 31, 2018	3,641,019
Granted	6,210,022
Vested	(2,840,194)
Forfeited	(3,184,781)
Nonvested at December 31, 2019	3,826,066

During the first quarter of 2019, the Company issued stock options to purchase an aggregate of 3,922,522 shares of common stock of the Company at an exercise price of $0.10 per share. The options have a term of seven years.

During the second quarter of 2019, the Company issued stock options to purchase an aggregate of 1,687,500 shares of common stock of the Company at an exercise price of $0.10 to $0.50 per share. The options have a term of seven years.

During the third quarter of 2019, the Company issued stock options to purchase an aggregate of 600,000 shares of common stock of the Company at an exercise price of $0.50 per share. The options have a term of seven years.

During the fourth quarter of 2019, the Company issued no stock options.

The company recognized a stock compensation expense of $589,334 respectively for the year ended December 31, 2019, related to stock options.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

On May 15, 2018, the Company entered into a three (3) year lease to rent office space for its principal executive office, with an effective date of June 1, 2018. The lease provides for monthly rent of $2,800 per month for the first year of the lease, $3,780 per month for the second year and $3,920 per month for the third year. The Company is also required to pay a monthly common area maintenance fee of $420. As of December 31, 2019, this lease has been terminated.

On February 1, 2019, the Company entered into a twelve-month lease for office space in Las Vegas, Nevada. The lease requires a monthly payment of $1,764 and terminates on February 14, 2020. This lease has been terminated.

In February 2019, Driven entered into a 2-year Operating Agreement within the joint venture CA City Supply, LLC in an attempt to gain exposure in a new area and create a location for operations out of California City, CA. Under Driven management, CA City Supply was selected as 1 of 3 licensee applicants to receive a non-storefront retail & delivery license in April of 2019. Unfortunately, all members of the LLC have opted out of the Operating Agreement early and Driven has withdrawn from ownership due to changes in local regulations.

The Company assumed a five (5) year lease, with an effective date of June 24, 2019, the acquisition of Ganjarunner. The lease provides for monthly rent of $3,113 per month through July 31, 2021, $3,206 per month through July 31, 2022 and $3,302 per month through July 31, 2023.

On February 22, 2019, the Company entered into a consulting agreement for public and media relations services. As part of this agreement the Company will pay $4,000 per month to the consultant. This agreement has been terminated.

On March 7, 2019, the Company entered into a consulting agreement for business advisory services. Pursuant to the terms of the consulting agreement, the Company agreed to pay cash compensation of $10,417 per month. The Company also agreed to pay a one-time payment of $5,000 within 5 days of the execution of the agreement. The Company also agreed to issue the consultant 125,000 options to purchase shares of the Company's common stock, which options will vest quarterly over a 3 year period. This agreement has been terminated.

On April 1, 2019 the Company entered into a consulting agreement for business advisory services. As part of this agreement the Company will pay the consultant $20,000 per month. Additionally, the Company agreed to issue 500,000 warrants to purchase shares of its common stock. These warrants have an exercise price of $0.20 and a term of 7 years. On July 1, 2019, the agreement was amended. As part of this amendment the Company will issue a total of 6,000,000 warrants to purchase the Company's stock. These warrants have a seven year term and an exercise price of $0.50 per share. On August 27, 2019, the agreement was amended to extend the term of the agreement to March 31, 2020. Additionally, as part of this amendment the Company will issue of 2,500,000 warrants to purchase the Company's stock. These warrants have a three year term and an exercise price of $0.50 per share.

On July 10, 2019 (the "Closing Date"), the Company and Mountain High Recreation, Inc. ("MH"), a California corporation, entered into an Asset Purchase Agreement (the "Purchase Agreement"), pursuant to which the Company acquired certain limited assets from MH as specified in the Purchase Agreement, which included (i) the option to purchase to MH's California Cannabis - Retailer Nonstorefront License (ii) the option to purchase a certain real property lease located at 8 Light Sky Ct, Sacramento, CA 95828 associated with that certain license, (iii) the right to use all trademarks and intellectual property associated with the MH brand (the "Assets"). The Company assumed no liabilities of MH. The transactions contemplated by the Purchase Agreement closed on July 10, 2019 (the "Closing").

Pursuant to the Amended Agreement, the Company agreed to pay to MH the following: $200,000 at Closing, $150,000 on or before December 20, 2019, $150,000 on or before March 31, 2020, $250,000 at the end of the twelfth (12th) month (on a rolling basis) following the Closing Date and $250,000 at the end of the twenty-fourth (24th) month (on a rolling basis) following the Closing Date. On October 4, 2019, the Company amended the Asset Purchase Agreement with Mountain High Recreation, Inc. As part of this amendment, the Company will issue 5,000,000 warrants to purchase shares of the Company's common stock to Mountain High Recreation, Inc. These warrants have a term of three years and an exercise price of $0.50. These warrants will replace the previously agreed upon share consideration and eliminated the contingencies related to the gross revenue recognized in connection with the assets.

Pursuant to the Merger Agreement with GR/GW, the Company agreed to pay to GR/GW $1,000,000, $150,000 of which has already been paid to GR/GW with $300,000 to be paid in two equal tranches of $150,000 whereby each tranche is subject to GRA's achievement of certain milestones. (i) $350,000 at the earlier to occur of the 6-month anniversary of the Closing Date or upon the Company raising additional funding of at least $2,000,000 and (ii) $300,000 at the end of the 24-month anniversary of the Closing Date. On October 4, 2019, the Company amended the Merger Agreement with GR/GW. As part of this amendment, the Company has issued 5,000,000 warrants to purchase shares of the Company's common stock to GR/GW. These warrants have a term of three years and an exercise price of $0.50. These warrants replace the previously agreed upon common stock consideration of 5,000,000 shares and eliminated the contingencies related to achieving certain milestones as set forth in the initial merger agreement.

On September 27, 2019, the Company entered into a settlement agreement with Chris Boudreau, the Company's former chief executive officer, pursuant to which the Company was required to repurchase 12,272,616 shares of the Company's common stock from Mr. Boudreau at a per share purchase price of approximately $0.12, totaling an aggregate purchase price of $122,726 (the "Settlement Agreement"). Pursuant to the Settlement Agreement, the Company was required to pay Mr. Boudreau in twelve monthly installments of $10,227 starting October 1, 2019. As of December 31, 2019, the Company is in default on these payments. Additionally, Mr. Boudreau will also forfeit options to purchase an aggregate of 1,538,910 shares of the Company's common stock and warrants to purchase an aggregate of 2,000,000 shares of the Company's common stock. Mr. Boudreau also forfeited a $23,726 loan to the Company resulting in a gain on extinguishment of debt.

Carla Baumgartner, Chris Haas, and Eric Steele ("Plaintiff") filed a Complaint against Driven Deliveries, Inc. ("Driven"), and Brian Hayek and Christian Schenk, individually, on November 26, 2019 in San Diego County Superior Court, Case No. 37-2019-00063208. In June 2019, Driven entered

into a Merger Agreement with Ganjarunner, Inc. ("Ganjarunner"), whereby Driven acquired Ganjarunner. Plaintiffs, the former owners of Ganjarunner, allege in their First Amended Complaint causes of action for Breach of the Merger Agreement, Fraudulent Inducement, Fraudulent Concealment, Negligent Misrepresentation, Breach of Fiduciary Duty, Violation of Corporate Code § 25401, Conversion, Unfair Competition, and Violation of Penal Code §496. On February 18, 2020, Driven filed a Demurrer to Plaintiffs' First Amended Complaint challenging seven of Plaintiffs' nine causes of action. The hearing on the demurrer, original set for May 1, 2020, has been continued indefinitely due to Court closures. The Company intends to vigorously defend against this action.

In February 2020 Irth Communications, LLC filed a complaint in the Superior Court of California, County of Los Angeles, against the Company. The complaint alleges that pursuant to a services agreement the Company issued Irth 500,000 shares of its common stock to Irth but the Company breached this agreement because according to the complaint, the Company has refused to authorized its transfer agent to remove the restrictive legend on the Shares. Among other remedies, Irth seeks at least $1,130,000 in compensatory damages, attorneys' fees, and injunctive relief. The Company is reviewing the Complaint and intends to defend itself vigorously.

NOTE 9 – RELATED PARTY TRANSACTIONS

Transactions involving related parties cannot be presumed to be carried out on an arm's-length basis, as the requisite conditions of competitive, free-market dealings may not exist. Representations about transactions with related parties, if made, shall not imply that the related party transactions were consummated on terms equivalent to those that prevail in arm's-length transactions unless such representations can be substantiated.

During the year ended December 31, 2018, the Company entered into a loan agreement with the Company's chief financial officer ("CFO"), Brian Hayek, pursuant to which Mr. Hayek extended an interest free loan to the Company in the amount of $30,705. As of December 31, 2018, the amount due on this note was $11,705. As of December 31, 2019, the loan was paid in full.

On April 3, 2019, the Company appointed Christian Schenk as a Director to the Company. In connection with his appointment the Company agreed to issue to Mr. Schenk, warrants to purchase 1,500,000 shares of common stock which will vest immediately upon grant. The Company also agreed to issue warrants to purchase 500,000 shares of common stock of the Company after the close of the merger with Ganjarunner (see details on the business combination), and issue warrants to purchase 1,000,000 shares of common stock of the Company after successfully closing the Company's pending business arrangement with a cannabis B2B transportation provider or other business as determined by the Board of Directors.

During the year ended December 31, 2019, the Company entered into a loan agreement with the Company's CFO, Brian Hayek. Pursuant to the Loan Agreement, the Company issued Mr. Hayek a Secured Convertible Note in the principal amount of, pursuant to which Mr. Hayek extended a loan to the Company in the amount of $188,743 with an interest rate of 10%. As of December 31, 2019, the amount due on this loan was $184,667.

On December 31, 2019, the Company entered into a loan agreement with a Director of the Company, Christian Schenk, pursuant to which Mr. Schenk extended a loan to the Company in the amount of $50,000 with an interest rate of 10%. As of December 31, 2019, the amount due on this loan was $50,000.

In connection with the JV Agreement, the Company and Budee agreed to certain expenses sharing between the Company and Budee, Inc. The company is also allowed to charge an additional 10% fee on any of these charged back expenses. The Company charged back expenses to Budee totaling $96,610. In addition, pursuant to the JV Agreement the Company agreed to pay certain obligations of Budee Inc. up to $250,000. This has resulted in a "Due from Affiliate" on the Company's Balance Sheet of $346,610 at December 31, 2019.

On December 1, 2019, the Company entered into an agreement with Teal Marketing LLC, an entity owned by Mrs. Maddie Schenk, the wife of our Chief Executive Officer and Director, Christian Schenk, for marketing services. As part of this agreement the Company will pay $9,000 per month. The Company will also issue 350,000 warrants to purchase the Company's common stock. These warrants have an exercise price of $0.50, a term of three years, and will vest quarterly over two years. The Company's contract with Teal Marketing LLC was terminated March 13, 2020.

On May 1, 2019, the Company entered into a consulting agreement with TruckThat LLC. Christian Schenk, the Company's chairman of the board and Chief Executive Officer is an owner and managing member of TruckThat, LLC. Pursuant to the consulting agreement, TruckThat is providing the Company services as a strategic marketing and fundraising consultant. Pursuant to the consulting agreement the Company pays TruckThat $18,000 per month. The term of the consulting agreement is the sooner of six months from the effective date of the agreement or the replacement of the agreement with a subsequent agreement between the parties. Either party may terminate the consulting agreement with or without cause upon giving the other party thirty days prior written notice. The Company may terminate this Agreement immediately and without prior notice if TruckThat refuses to or is unable to perform the services or is in breach of any material provision of the Agreement. Upon termination of the consulting agreement the Company will pay within thirty days after the effective date of the termination all amounts owing to the TruckThat for services completed and accepted by the Company prior to the termination date and any related reimbursable expenses.

NOTE 10 – INCOME TAX PROVISION

For the years ended December 31, 2019 and 2018, income taxes expense consisted of:

	Year Ended December 31,

Current:	2019	2018
Federal	241,252	-
State	-	-
Total Current	241,252	-
Deferred:		
Federal	-	-
State	-	-
Total Deferred	-	-
Total	**241,252**	**-**

The Company's pre-tax losses were $12,846,923 and $2,628,817 for the years ended December 31, 2019 and 2018, respectively, and were generated entirely in the United States.

A reconciliation of the statutory federal income tax with the provision for income taxes is as follows:

	Year Ended December 31, 2019		Year Ended December 31, 2018	
Federal tax at statutory rate	$ (2,697,854)	21.0%	$ (190,771)	21%
Nondeductible expenses	$ 2,952,759	-23.0%	$ -	0.0%
State taxes, including NOL true up	$ (491,230)	3.8%	$ -	0.0%
Derivative liability	$ 63,306	-0.5%	$ -	0.0%
Other	$ (63,861)	5%	$ -	0.0%
Increase in Valuation Allowance	$ 478,132	3.7%	$ 190,771	-21.0%
Tax Provision	$ 241,252	-1.8%	$ 0	0.0%

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and for income tax purposes, as well as tax loss and tax credit carryforwards. The components of the Company's deferred tax assets were as follows at December 31, 2019 and 2018.

	December 31,	
	2019	2018
Deferred tax assets		
Net operating loss carryforwards	678,000	201,770
Derivative liability	27,000	-
Right of use asset	10,000	-
Total deferred tax assets	715,000	201,770
Deferred tax asset valuation allowance	(642,000)	(201,770)
Net deferred tax assets	73,000	0
Deferred tax liabilities		
Lease liability	(10,000)	-
Convertible notes	(63,000)	-
Net deferred tax assets	-	-

At December 31, 2019, the Company had federal net operating loss carryforwards of $1,044,230, of which $82,203 begin to expire in 2037 and $962,027 have an indefinite carryforward.

At December 31, 2019, the Company had state net operating loss carryforwards of $5,764,000, some of which have an indefinite carryforward period, and others that begin to expire in 2037.

As required by ASC 740,"Accounting for Income Taxes," valuation allowances are provided against deferred tax assets when, based on all available evidence, it is considered more likely than not that some portion or all of the recorded deferred tax assets will not be realized in future periods. Management has evaluated the positive and negative evidence bearing upon the realizability of its deferred tax assets, and has determined that it is more likely than not that the Company will not realize the benefits of its deferred tax assets. Accordingly, a valuation allowance has been established for the full amount of these deferred tax assets. The valuation allowance increased by approximately $478,000 in 2019 due primarily to

the generation of net operating losses during the year.

As the Company operates in the cannabis industry, it is subject to the limitations of IRC Section 280E under which the Company is only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E. Therefore, the effective tax rate can be highly variable and may not necessarily correlate with pre-tax income or loss.

The Company files tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Company is subject to examination by federal and state jurisdictions, where applicable. There are currently no pending tax examinations. The Company is thus still open to examination from tax year 2015 for both federal and state jurisdictions. Neither of the Company's Federal or State tax returns are currently under examination.

The Company has previously adopted ASC 740-10-25 Accounting for Uncertainty in Income Taxes, an interpretation of ASC 740. This guidance prescribes a threshold for the financial statement recognition and measurement of an uncertain tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures and transitions. The resolution of tax matters is not expected to have a material effect on the Company's financial statements and as of December 31, 2019 and 2018, the Company had not accrued uncertain tax positions. The Company's policy is to record interest and penalties related to income taxes as part of the tax provision. There were no interest and penalties pertaining to uncertain tax positions in 2018 and 2017.

Utilization of the net operating loss carryforwards are subject to review and possible adjustment by the Internal Revenue Service and state tax authorities. These carryforwards may become subject to a substantial annual limitation under Sections 382 and 383 of the Internal Revenue Code of 1986 ("the Code") due to certain ownership change limitations that have occurred previously or that could occur in the future. These limitations are based on certain cumulative change in ownership interests of significant shareholders over a three-year period in excess of 50%, as defined in the Code, as well as similar state provisions. This may limit the amount of net operating loss carryforwards that can be utilized annually to offset future taxable income. The Company has not completed a study to assess whether an ownership change has occurred, or whether there have been multiple ownership changes since its formation, due to significant complexity and related costs associated with such a study. There also could be additional ownership changes in the future which may result in additional limitations on the utilization of NOL carryforwards.

NOTE 11 – SUBSEQUENT EVENTS

Subsequent to the year ended December 31 2019, the Company issued 214,000 shares of its common stock for consideration of $107,000.

Subsequent to the year ended December 31 2019, the Company issued 980,000 shares of its common stock for consideration of $490,000. As part of this issuance the investors will also receive warrants to purchase the Company's common stock equal to the number of shares of common stock purchased. These warrants have an exercise price of $0.55, are fully vested on issuance, and expire three years after issuance.

On January 3, 2020, the Company entered into a consulting agreement. As part of this agreement the Company will pay the Consultant $10,000 upon signing of the agreement and an additional $15,000 30 days and 60 day after the signing of the agreement. The Company will also issue 80,000 warrant to purchase the shares of the Company's common stock an exercise price of 0.50 and a term of seven years.

On February 28, 2020 (the "Effective Date"), Driven Deliveries, Inc. (the "Company") entered into an Agreement and Plan of Merger (the "Merger Agreement") by and among the Company, Budee Acquisition, Inc., a Nevada corporation and Budee, Inc. ("Budee"), a California corporation, pursuant to which the Company acquired Budee (the "Budee Acquisition").

On March 16, 2020, the Company issued 45,000 warrant to an employee as compensation for the employee relocating. These warrants have an exercise price of $0.50, are fully vested on issuance, and expire three years after issuance.

On March 25, 2020, the board of directors of the Company appointed Christopher DeSousa as a member of the Board, with such appointment to take effect immediately. In connection with his appointment, the Board approved a grant of an option to purchase 112,500 shares of the Company's common stock at an exercise price of $0.59 per share. In addition, Mr. DeSousa shall receive an option to purchase 28,125 shares of Common Stock at the Exercise Price for each quarter he serves on the Board.

On April 23, 2020, the Company entered into a consulting agreement. As part of this agreement the Company will pay a monthly fee of $8,000. This monthly fee will also increase by 5% every 12 months of service.

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") was signed into law in March 2020. The CARES Act lifts certain deduction limitations originally imposed by the Tax Cuts and Jobs Act of 2017 ("2017 Tax Act"). Corporate taxpayers may carryback net operating losses (NOLs) originating between 2018 and 2020 for up to five years, which was not previously allowed under the 2017 Tax Act. The CARES Act also eliminates the 80% of taxable income limitations by allowing corporate entities to fully utilize NOL carryforwards to offset taxable income in 2018, 2019 or 2020. Taxpayers may generally deduct interest up to the sum of 50% of adjusted taxable income plus business interest income (30% limit under the 2017 Tax Act) for 2019 and 2020. The CARES Act allows taxpayers with alternative minimum tax credits to claim a refund in 2020 for the entire amount of the credits instead of recovering the credits through refunds over a period of years, as originally enacted by the 2017 Tax Act.

In addition, the CARES Act raises the corporate charitable deduction limit to 25% of taxable income and makes qualified improvement property generally eligible for 15-year cost-recovery and 100% bonus depreciation.

CERTIFICATE OF THE COMPANY

Dated: December 15, 2020

This amended and restated short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this amended and restated short form prospectus as required by the securities legislation of each of the provinces of Canada (except Québec).

(Signed) *"Adam Berk"*
Chief Executive Officer

(Signed) "*Steve Hubbard"*
Chief Financial Officer

On Behalf of the Board of Directors

(Signed) *"Lindy Snider"*
Director

(Signed) *"Dennis Suskind"*
Director

CERTIFICATE OF THE AGENT

Dated: December 15, 2020

To the best of our knowledge, information and belief, this amended and restated short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this amended and restated short form prospectus as required by the securities legislation of each of the provinces of Canada (except Québec).

CANACCORD GENUITY CORP.

By: (Signed) *"Frank Sullivan"*
Vice President, Sponsorship, Investment Banking