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

FORM 10-Q

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

For the quarterly period ended September 30, 2020

or

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

Commission File Number: 333-189731

DIEGO PELLICER WORLDWIDE, INC.
(Name of registrant as specified in its charter)

Delaware	**33-1223037**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6160 Plumas Street, Suite 100, Reno, NV 89519
(Address of principal executive offices) (Zip Code)

(516) 900-3799
(Registrant's telephone number, including area code)

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

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

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

Large accelerated Filer	☐	Accelerated Filer	☐
Non-accelerated Filer	☐	Small Reporting Company	☒
Emerging growth company	☐		

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of November 19, 2020 there were 198,432,057 shares of common stock issued and outstanding.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this “Report”) contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements discuss matters that are not historical facts. Because they discuss future events or conditions, forward-looking statements may include words such as “anticipate,” “believe,” “estimate,” “intend,” “could,” “should,” “would,” “may,” “seek,” “plan,” “might,” “will,” “expect,” “predict,” “project,” “forecast,” “potential,” “continue” negatives thereof or similar expressions. Forward-looking statements speak only as of the date they are made, are based on various underlying assumptions and current expectations about the future and are not guarantees. Such statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, level of activity, performance or achievement to be materially different from the results of operations or plans expressed or implied by such forward-looking statements.

We cannot predict all of the risks and uncertainties. Accordingly, such information should not be regarded as representations that the results or conditions described in such statements or that our objectives and plans will be achieved and we do not assume any responsibility for the accuracy or completeness of any of these forward-looking statements. These forward-looking statements are found at various places throughout this Report and include information concerning possible or assumed future results of our operations, including statements about potential acquisition or merger targets; business strategies; future cash flows; financing plans; plans and objectives of management; any other statements regarding future acquisitions, future cash needs, future operations, business plans and future financial results, and any other statements that are not historical facts.

These forward-looking statements represent our intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors. Many of those factors are outside of our control and could cause actual results to differ materially from the results expressed or implied by those forward-looking statements. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than we have described. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Report. All subsequent written and oral forward-looking statements concerning other matters addressed in this Report and attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this Report.

Except to the extent required by law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, a change in events, conditions, circumstances or assumptions underlying such statements, or otherwise.

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

DIEGO PELLICER WORLDWIDE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2020	December 31, 2019
	Unaudited	
Assets		
Current assets:		
Cash and cash equivalents	$ 390,195	$ 317,446
Accounts receivable	498,630	391,273
Prepaid expenses	—	12,111
Total current assets	888,825	720,830
Other receivables	753,331	788,177
Security deposits	150,000	150,000
Right of Use Assets	2,500,964	3,009,163
Total assets	$ 4,293,120	$ 4,668,170
Liabilities and deficiency in stockholders' equity		
Current liabilities:		
Accounts payable	$ 500,823	$ 514,196
Accrued payable - related party	1,351,408	1,293,238
Accrued expenses	826,246	587,707
Notes payable - related party	140,958	140,958
Notes payable	339,847	133,403
Convertible notes, net of discount and costs	3,208,474	2,352,530
Derivative liabilities	4,078,297	5,024,321
Lease Liabilities	677,689	676,336
Warrant liabilities	633	967
Total current liabilities	11,124,375	10,723,656
Lease Liabilities, net of current portion	1,792,687	2,299,152
Total liabilities	12,917,061	13,022,808
Redeemable convertible preferred stock, Series C, par value $.00001 per share; 1,500,000 shares authorized, 55,800 and 140,000 shares issued and outstanding, net of discount of $40,298 and $131,250, respectively	15,502	8,750
Deficiency in stockholders' equity:		
Preferred stock, Series A and B, par value $.0001 per share; 5,000,000 shares authorized, none issued and outstanding	—	—
Common stock, par value $.000001 per share; 840,000,000 shares authorized, 164,591,275 and 113,926,332 shares issued, respectively	160	114
Additional paid-in capital	44,209,527	43,478,139
Stock to be issued	238,947	127,261
Accumulated deficit	(53,088,078)	(51,968,902)
Total deficiency in stockholders' equity	(8,639,444)	(8,363,388)
Total liabilities and deficiency in stockholders' equity	$ 4,293,120	$ 4,668,170

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

DIEGO PELLICER WORLDWIDE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Revenues				
Net rental revenue	$ 351,502	$ 388,218	$ 1,080,382	$ 1,257,255
Rental expense	(283,916)	(280,613)	(857,535)	(858,136)
Gross profit	67,586	107,605	222,847	399,119
Operating expenses:				
General and administrative expenses	356,305	349,608	885,960	1,272,086
Selling expense	9,552	12,269	24,593	42,406
Depreciation expense	—	—	—	139,595
Loss from operations	(298,271)	(254,272)	(687,706)	(1,054,968)
Other income (expense)				
Other income (expense)	44,118	145	109,897	217
Interest expense	(207,427)	(856,017)	(1,502,058)	(2,468,228)
Gain on sale of lease	—	—	—	534,649
Extinguishment of debt	(677)	88,063	1,255	218,196
Change in derivative liabilities	(372,217)	2,467,245	1,095,821	1,873,119
Change in value of warrants	362	1,038	334	15,114
Total other income (loss), net	(535,841)	1,700,474	(294,751)	173,067
Provision for taxes	—	—	—	—
Net income (loss)	(834,112)	1,446,202	(759,610)	(881,901)
Accrued dividends and accretion of conversion feature	(20,832)	—	(80,545)	—
Deemed dividend on preferred stock	14,740	—	(56,156)	—
Net income (loss) available to common shareholders	$ (840,204)	$ 1,446,202	$ (896,311)	$ (881,901)
Income (loss) per share - basic	$ 0.00	$ 0.02	$ 0.00	$ (0.02)
Income (loss) per share - diluted	$ 0.00	$ 0.00	$ 0.00	$ (0.02)
Weighted average common shares outstanding - basic	150,791,163	63,999,272	136,131,006	50,426,491
Weighted average common shares outstanding - diluted	150,791,163	546,632,422	136,131,006	50,426,491

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

DIEGO PELLICER WORLDWIDE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Unaudited)

	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-in	Accumulated	Common Stock to be	
	Shares	Amount	Shares	Amount	Capital	Deficit	issued	Total
Balance - June 30, 2020	212,552	$ 56,287	135,187,691	$ 131	$43,881,123	$ (52,247,878)	$ 119,668	$(8,246,951)
Issuance of common shares for services	—	—	2,000,000	2	25,598	—	25,600	51,200
Issuance of common shares for services - related parties	—	—	—	—	—	—	46,092	46,092
Fair value of warrants and options granted for services	—	—	—	—	40,591	—	—	40,591
Common stock issued upon conversion of notes payable	—	—	—	—	—	—	47,587	47,587
Conversion of preferred shares into common shares	(156,752)	(61,617)	27,403,584	27	262,215	—	—	262,242
Accrued dividends and accretion of conversion feature on Series preferred stock	—	20,832	—	—	—	(20,832)	—	(20,832)
Deemed dividends related to conversion feature of Series C preferred stock	—	—	—	—	—	14,740	—	14,740
Net loss	—	—	—	—	—	(834,108)		(834,112)
Balance - September 30, 2020	55,800	$ 15,502	164,591,275	$ 160	$44,209,527	$ (53,088,078)	$ 238,947	$(8,639,444)

	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-in	Accumulated	Common Stock to be	
	Shares	Amount	Shares	Amount	Capital	Deficit	issued	Total
Balance - June 30, 2019	—	$ —	54,504,872	$ 55	$42,253,745	$ (51,682,133)	$ 444,973	$(9,010,090)
Issuance of common shares for services			1,478,693	1	25,327	—	(1,993)	23,335
Issuance of common shares for services - related parties			3,632,972	4	81,196	—	(42,000)	39,200
Common stock issued upon conversion of notes payable			16,654,444	17	283,394	—	56,821	340,232
Fair value of warrants and options granted for services			—	—	40,596	—	—	40,596
Net income			—		—	1,446,202	—	1,446,202
Balance - September 30, 2019	—	$ —	76,270,981	$ 77	$42,684,258	$ (50,235,931)	$ 475,801	$(7,120,525)

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

DIEGO PELLICER WORLDWIDE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Unaudited)

	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Common Stock to be issued	Total
	Shares	Amount	Shares	Amount				
Balance - December 31, 2019	**140,000**	**$ 8,750**	**113,926,332**	**$ 114**	**$43,478,139**	**$ (51,968,902)**	**$ 127,261**	**$(8,363,388)**
Issuance of common shares for services	—	—	2,000,000	2	25,598	—	37,803	63,403
Issuance of common shares for services - related parties	—	—	2,553,969	3	65,630	—	26,296	91,929
Fair value of warrants and options granted for services	—	—	—	—	121,785	—	—	121,785
Common stock issued upon conversion of notes payable	—	—	13,767,631	14	169,723	—	47,587	217,324
Series C preferred stock converted to common stock	(195,800)	(73,793)	32,343,343	27	348,653	—	—	348,681
Series C preferred stock issued for cash, net of costs and discounts	111,600	—	—	—	—	—		—
Accrued dividends and accretion of conversion feature on Series C preferred stock	—	80,545	—	—	—	(80,545)		(80,545)
Deemed dividends related to conversion feature of Series C preferred stock	—	—	—	—	—	(56,156)		(56,156)
Net loss	—	—	—	—	—	(982,476)		(969,808)
Balance - September 30, 2020	**55,800**	**$ 15,502**	**164,591,275**	**$ 160**	**$44,209,527**	**$ (53,088,078)**	**$ 238,947**	**$(8,639,444)**

	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Common Stock to be issued	Total
	Shares	Amount	Shares	Amount				
Balance - December 31, 2018	**—**	**$ —**	**28,287,414**	**$ 28**	**$40,405,703**	**$ (49,354,030)**	**$ 710,838**	**$(8,264,191)**
Issuance of common shares for services			4,475,943	5	398,452		(312,839)	85,618
Issuance of common shares for services - related parties			7,244,637	7	455,250		84,699	539,956
Common stock issued upon conversion of notes payable			36,938,746	37	1,411,188		(133,018)	1,278,207
Fair value of warrants and options granted for services			(675,759)		(108,121)		108,121	—
Grants and options granted for services			—	—	121,786			121,786
Net loss			—	—	—	(881,901)		(881,901)
Balance - September 30, 2019	**—**	**$ —**	**76,270,981**	**$ 77**	**$42,684,258**	**$ (50,235,931)**	**$ 457,801**	**$(7,120,525)**

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

DIEGO PELLICER WORLDWIDE, INC.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
(Unaudited)

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Cash flows from operating activities:		
Net loss	$ (982,476)	$ (881,901)
Adjustments to reconcile cash used in operations to net		
Depreciation	—	139,595
Change in fair value of derivative liability	(1,095,821)	(1,873,119)
Change in value of warrants	(334)	(15,114)
Amortization of debt related cost	942,601	2,203,630
Gain related to additional derivative liability	299,783	—
Extinguishment of debt	(1,255)	(218,196)
Stock based compensation	213,714	697,358
Common Stock payable issued for services	63,403	—
Changes in operating assets and liabilities:		
Accounts receivable	(107,357)	(172,866)
Prepaid expenses	12,111	48,670
Other Assets	(315,152)	(247,847)
Other current receivable – related parties	300,000	(38,655)
Other current receivable – related parties	50,000	49,922
Accounts payable	(13,372)	(38,655)
Accrued liability - related parties	58,170	49,922
Accrued expenses	246,705	195,423
Lease liabilities	3,085	(240,310)
Contingent liabilities	—	(71,110)
Cash used in operating activities	(326,195)	(424,519)
Cash flows from financing activities:		
Debt costs	—	(16,225)
Proceeds from notes payable	206,444	—
Proceeds from convertible notes payable	100,000	862,725
Repayments of convertible notes payable	(7,500)	(120,500)
Proceeds from sale of Preferred Stock, net	100,000	—
Cash provided by financing activities	398,944	726,000
Net increase in cash	72,749	301,481
Cash, beginning of period	317,446	60,437
Cash, end of period	$ 390,195	$ 361,918
Cash paid for interest	$ —	$ —
Cash paid for taxes	$ —	$ —
Supplemental schedule of noncash financial activities:		
Notes converted to stock	$ 119,000	$ 767,533
Discount related to convertible notes and Preferred C shares	$ (200,000)	—
Accrued interest converted to stock	$ 8,166	$ 47,165
Value of derivative liability extinguished upon conversion and pay off of notes and accrued interest	$ 128,582	$ 891,922
Value of derivative liability extinguished upon conversion and pay off of preferred stock	$ 276,445	$ —
Accounts payable and accrued expenses paid with common stock	$ —	$ 50,000
Debt issuance costs deducted from proceeds of notes	$ —	$ 16,225
Debt discount extinguished from note conversion	$ 39,843	$ —
Conversion of Preferred Stock for Common Stock	$ 73,793	$ —
Accrued dividends and accretion of conversion feature on Series C preferred stock	$ 80,545	$ —
Deemed dividends related to conversion feature of Series C preferred stock	$ 56,156	$ —

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

Diego Pellicer Worldwide, Inc.
September 30, 2020 and 2019
Notes to the Condensed Consolidated Financial Statements

Note 1 – Organization and Operations

History

On March 13, 2015, Diego Pellicer Worldwide, Inc. (the Company) (f/k/a Type 1 Media, Inc.) closed on a merger and share exchange agreement by and among (i) the Company, and (ii) Diego Pellicer World-wide 1, Inc., a Delaware corporation, ("Diego"), and (iii) Jonathan White, the majority shareholder of the Company. Diego was merged with and into the Company with the Company to continue as the surviving corporation in the merger. The Company succeeded to and assumed all the rights, assets, liabilities, debts, and obligations of Diego.

Prior to the merger, 3,135,000 shares of Type 1 Media, Inc. were issued and outstanding. The principal owners of the Company agreed to transfer their 2,750,000 issued and outstanding shares to a third party in consideration for $169,000 and cancellation of their 2,750,000 shares. The remaining issued and outstanding shares are still available for trading in the marketplace. At the time of the merger, Type 1 Media, Inc. had no assets or liabilities. Accordingly, the business conducted by Type 1 prior to the merger is not being operated by the combined entity post-merger.

At the closing of the merger, Diego common stock issued and outstanding immediately prior to the closing of the merger was exchanged for the right to receive one share of the surviving corporation for each share of Diego. An aggregate of 1,081,613 common shares of the surviving corporation were issued to the holders of Diego in exchange for their common shares representing approximately 74% of the combined entity.

The merger has been accounted for as a reverse merger and recapitalization in which Diego is treated as the accounting acquirer and Diego Pellicer Worldwide, Inc. is the surviving corporation.

Business Operations

The Company leases real estate to licensed marijuana operators providing complete turnkey growing space, processing space, recreational and medical retail sales space and related facilities to licensed marijuana growers, processors, dispensary and recreational store operators. Additionally, the Company plans to explore ancillary opportunities in the regulated marijuana industry as well as offering for wholesale distribution branded non-marijuana clothing and accessories.

The properties generating rents in 2019 and 2020 are as follows:

Purpose	Size	City	State
Retail store (recreational and medical)	3,300 sq.	Denver	CO
Cultivation warehouse	18,600 sq.	Denver	CO
Cultivation warehouse	14,800 sq.	Denver	CO
Retail store (recreational and medical) - Sold in May 2019	4,500 sq.	Seattle	WA

The Company's three properties in Denver, CO are leased to Royal Asset Management, LLC ("Royal Asset Management"). Royal Asset Management opened the Diego Denver branded flagship store in February 2017. This store known as "Diego Colorado". The retail facilities have shown steady growth in sales since opening. For the other two properties subleased, Royal Asset Management uses these properties for its cultivation facilities in Denver, CO. Production at these facilities began in late 2016. The Company is currently exploring the acquisition of this entity, and the parties are in negotiation. In October 2020, the master and sublease associated with the 18,600 sq. Cultivation warehouse in Denver were terminated.

In regards to the Seattle property, on May 6, 2019, the Company entered into an agreement with a third party, and sold the Seattle leased location. The sale provided $550,000 in capital and executive resources for expansion which the company allocated to its efforts in a new location and cannabis grow facilities in Colorado.

Note 2 - Significant and Critical Accounting Policies and Practices

The management of the Company is responsible for the selection and use of appropriate accounting policies and the appropriateness of accounting policies and their application. Critical accounting policies and practices are those that are both most important to the portrayal of the Company's financial condition and results and require management's most difficult, subjective, or complex judgments, often because of the need to make estimates about the effects of matters that are inherently uncertain. The Company's significant and critical accounting policies and practices are disclosed below as required by generally accepted accounting principles.

Basis of Presentation

The accompanying consolidated financial statements and related notes have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") and presented in accordance with accounting principles generally accepted in the United States of America (US GAAP).

The accompanying consolidated balance sheet at December 31, 2019, has been derived from audited consolidated financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America ("U.S. GAAP"). The accompanying unaudited condensed consolidated financial statements as of September 30, 2020 and for the nine months ended September 30, 2020 and 2019, have been prepared in accordance with U.S. GAAP for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements, and should be read in conjunction with the audited consolidated financial statements and related notes to the financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019 as filed with the U.S. Securities and Exchange Commission ("SEC") on the opinion of management, all material adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been made to the condensed consolidated financial statements. The condensed consolidated financial statements include all material adjustments (consisting of normal recurring accruals) necessary to make the condensed consolidated financial statements not misleading as required by Regulation S-X Rule 10-01. Operating results for the nine months ended September 30, 2020 are not necessarily indicative of the results that may be expected for the year ending December 31, 2020 or any future periods.

Principles of Consolidation

The financial statements include the accounts of Diego Pellicer Worldwide, Inc., and its wholly-owned subsidiary Diego Pellicer Worldwide 1, Inc. Intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the financial statements in conformity with 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 dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates. These estimates and assumptions include valuing equity securities and derivative financial instruments issued in financing transactions and share based payment arrangements, the collectability of accounts receivable and other receivables (See Note 5), valuation of right of use assets and lease liabilities and deferred taxes and related valuation allowances.

Certain estimates, including evaluating the collectability of accounts receivable, could be affected by external conditions, including those unique to our industry, and general economic conditions. It is possible that these external factors could influence our estimates that could cause actual results to differ from our estimates. The Company intends to re-evaluate all its accounting estimates at least quarterly based on these conditions and record adjustments when necessary.

Fair Value Measurements

The Company evaluates its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the consolidated statements of operations. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date.

Fair Value of Financial Instruments

As required by the Fair Value Measurements and Disclosures Topic of the FASB ASC, fair value is measured based on a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of September 30, 2020 and December 31, 2019. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values. These financial instruments include cash, prepaid expenses and accounts payable. Fair values were assumed to approximate carrying values for cash and payables because they are short term in nature and their carrying amounts approximate fair values or they are payable on demand.

The following table reflects assets and liabilities that are measured at fair value on a recurring basis (in thousands):

As of September 30, 2020	**Fair Value Measurement Using**			
	Level 1	**Level 2**	**Level 3**	**Total**
Derivative liabilities	$ —	$ —	$ 4,078	$ 4,078
Stock warrant liabilities	—	—	1	1
	$ —	$ —	$ 4,786	$ 4,786

As of December 31, 2019	**Fair Value Measurement Using**			
	Level 1	**Level 2**	**Level 3**	**Total**
Derivative Liabilities	$ —	$ —	$ 5,024	$ 5,024
Stock warrant Liabilities	—	—	1	1
	$ —	$ —	$ 5,025	$ 5,025

Derivative liabilities and stock warrant liabilities were valued using the Binomial Option Pricing Model in calculating the embedded conversion features for the nine months ended September 30, 2020 and the year ended December 31, 2019.

Cash

The Company maintains cash balances at various financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation, and the National Credit Union Share Insurance Fund, up to $250,000. The Company's accounts at these institutions may, at times, exceed the federal insured limits. The Company has not experienced any losses in such accounts.

Revenue recognition

In accordance with ASC 842, *Leases* , the Company recognizes rent income on a straight-line basis over the lease term to the extent that collection is considered probable.

During the initial term of the lease, management has a policy of partial rent forbearance when the tenant first opens the facility to assure that the tenant has the opportunity for success. Management may be required to exercise considerable judgment in estimating revenue to be recognized.

When management concludes that the Company is the owner of tenant improvements, management records the cost to construct the tenant improvements as a capital asset. In addition, management records the cost of certain tenant improvements paid for or reimbursed by tenants as capital assets when management concludes that the Company is the owner of such tenant improvements. For these tenant improvements, management records the amount funded or reimbursed by tenants as deferred revenue, which is amortized as additional rental income over the term of the related lease. When management concludes that the tenant is the owner of tenant improvements for accounting purposes, management records the Company's contribution towards those improvements as a lease incentive, which is amortized as a reduction to rental revenue on a straight-line basis over the term of the lease.

The Company has adopted the new revenue recognition guidelines in accordance with ASC 606, *Revenue from Contracts with Customers* (ASC 606), commencing from January 1, 2019. The adoption of ASU 2016-10 did not have a material impact on the financial statements and related disclosures since the Company is primarily a lessor for revenue purposes and recognizes rent income under ASC 842, *Leases.*

The Company analyzes its contracts to assess that they are within the scope and in accordance with ASC 606. In determining the appropriate amount of revenue to be recognized as the Company fulfills its obligations under each of its agreements, whether for goods and services or licensing, the Company performs the following steps: (i) identification of the promised goods or services in the contract; (ii) determination of whether the promised goods or services are performance obligations including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations based on estimated selling prices; and (v) recognition of revenue when (or as) the Company satisfies each performance obligation.

Advertising

During the nine months ended September 30, 2020 and 2019, advertising expense was $24,593 and $42,406, respectively.

Income Taxes

Income taxes are provided for using the liability method of accounting in accordance with the Income Taxes Topic of the FASB ASC. Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized and 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. The computation of limitations relating to the amount of such tax assets, and the determination of appropriate valuation allowances relating to the realizing of such assets, are inherently complex and require the exercise of judgment. As additional information becomes available, the Company continually assesses the carrying value of their net deferred tax assets.

Common Stock Purchase Warrants and Other Derivative Financial Instruments

The Company classifies as equity any contracts that require physical settlement or net-share settlement or provide us a choice of net cash settlement or settlement in our own shares (physical settlement or net-share settlement) provided that such contracts are indexed to our own stock as defined in ASC Topic 815-40 "Contracts in Entity's Own Equity." The Company classifies as assets or liabilities any contracts that require net-cash settlement including a requirement to net cash settle the contract if an event occurs and if that event is outside our control or give the counterparty a choice of net-cash settlement or settlement in shares. The Company assesses classification of its common stock purchase warrants and other free-standing derivatives at each reporting date to determine whether a change in classification between assets and liabilities is required.

Stock-Based Compensation

The Company recognizes compensation expense for stock-based compensation in accordance with ASC Topic 718. The Company calculates the fair value of the award on the date of grant using the Black-Scholes method for stock options and the quoted price of our common stock for unrestricted shares; the expense is recognized over the service period for awards expected to vest. The estimation of stock-based awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from original estimates, such amounts are recorded as a cumulative adjustment in the period estimates are revised. The Company considers many factors when estimating expected forfeitures, including types of awards, employee class, and historical experience. The adoption of new standard did not have a material impact on the Company's Consolidated Financial Statements.

Income (loss) per common share

The Company utilizes ASC 260, "Earnings per Share" for calculating the basic and diluted loss per share. In accordance with ASC 260, the basic and diluted loss per share is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding. Diluted net loss per share is computed similar to basic loss per share except that the denominator is adjusted for the potential dilution that could occur if stock options, warrants, and other convertible securities were exercised or converted into common stock. Potentially dilutive securities are not included in the calculation of the diluted loss per share if their effect would be anti-dilutive. The Company has 1,129,526,612 and 533,059,641 common stock equivalents at September 30, 2020 and 2019, respectively. For the nine and three months ended September 30, 2020, the potential shares were excluded from the shares used to calculate diluted earnings per share as their inclusion would reduce net loss per share. There are 840,000,000 shares authorized resulting in 289,076,612 insufficient shares as of September 30, 2020.

Legal and regulatory environment

The cannabis industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, and different taxation between federal and state. Federal government activity may increase in the future with respect to companies involved in the cannabis industry concerning possible violations of federal statutes and regulations.

Management believes that the Company is in compliance with local, state and federal regulations, while no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Note 3 - Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has incurred losses since inception, its current liabilities exceed its current assets by $ 10,235,550, and has an accumulated deficit of $53,088,078 at September 30, 2020. These factors raise substantial doubt about its ability to continue as a going concern over the next twelve months. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

There are future noncash charges in connection with financing such as a change in derivative liability that will affect income but have no effect on cash flow.

Although the Company has been successful raising additional capital, there is no assurance that the company will sell additional shares of stock or borrow additional funds. The Company's inability to raise additional cash could have a material adverse effect on its financial position, results of operations, and its ability to continue in existence. These financial statements do not include any adjustments that might result from the outcome of this uncertainty. Management believes that the Company's future success is dependent upon its ability to achieve profitable operations, generate cash from operating activities and obtain additional financing. There is no assurance that the Company will be able to generate sufficient cash from operations, sell additional shares of stock or borrow additional funds. However, cash generated from lease revenues is currently exceeding lease costs, but is insufficient to cover operating expenses.

Note 4 - Property and Equipment

As of September 30, 2020 and December 31, 2019, fixed assets and the estimated lives used in the computation of depreciation are as follows:

	Estimated Useful Lives	September 30, 2020	December 31, 2019
Leasehold improvements	10 years	515,450	515,450
Less: Accumulated depreciation and amortization		(515,450)	(515,450)
Property and equipment, net		$ —	$ —

During the nine months ended September 30, 2020 and 2019, the Company recorded depreciation expense of $0 and $139,595, respectively.

Note 5 – Accounts Receivables and Other Receivables

As disclosed in Note 1, the Company subleases three properties in Colorado to Royal Asset Management. At September 30, 2020, the Company had outstanding receivables from the subleases totaling $498,630, and during the three months ended September 30, 2020, the Company's subleases with Royal Asset Management accounted for 100% of the Company's revenues.

In addition to the receivables from the subleases, the Company has agreed to provide Royal Asset Management and affiliates of Royal Asset Management up to aggregate amount of $1,030,000 in financing. These notes accrue interest at the rates ranging from 12% to 18% per annum. As of September 30, 2020 and December 31, 2019, the outstanding balance of these notes receivable total $753,331 and $788,177, respectively, including accrued interest of $252,047 and $153,509. The amount presented in our balance sheet is $755,331 and $788,177, which represents the $982,047 and $1,017,143 due to us, less $228,966 and $228,966 that we owe to Royal Asset Management for leasehold improvements. The notes are secured by a UCC filing and also $400,000 of the balance is personally guaranteed by the managing member of Royal Asset Management. During the nine months ended September 30, 2020, we loaned an additional net $204,448 under these contracts.

If we do acquire Royal Asset Management, part of the purchase price will be paid through receivables that are owed to us.

On September 9, 2020, Diego Pellicer Worldwide, Inc. ("Registrant") closed on a Membership Interest Purchase Agreement dated September 4, 2020, and obtained the right to acquire a 15.13% membership interest in Blue Bronco, LLC. The purchase of the 15.13% interest in Blue LLC, is subject to the approval of the Colorado Marijuana Enforcement Division. Necessary approval by governing authorities is expected to be received in Q4 2020. As part of these transactions, Registrant received full payment of E2T2, LLC's promissory note receivable, dated November 1, 2018, in the principal amount of $300,000, made by E2T2, LLC, as maker, and Registrant, as payee, as well as full payment of its outstanding promissory note receivable, dated February 27, 2020, in the principal amount of $50,000. Upon receipt of this payment of $50,000 plus accrued interest, Registrant made a payment of $34,264.84 to E2T2, LLC in order to "true up" its obligations under that certain E2T2, LLC promissory note, dated July 25, 2019, in the principal amount of $400,000 made in favor of Registrant.

Note 6 – Other Assets

Security deposits: Security deposits reflect the deposits on various property leases, most of which require for two months' rental expense in the form of a deposit. On May 6, 2019, $20,000 security deposit related to the Seattle leased location were expensed due to the sale of the Seattle leased location. As of September 30, 2020 and December 31, 2019, the remaining balance was $150,000 and $150,000, respectively.

Note 7 – Related Party Transactions

As of September 30, 2020 and December 31, 2019, the Company has accrued compensation to CEO, CFO and Director in the amount of $280,097, and $155,841, respectively, of which $94,060 and $5,245 are included in stock payable. As of September 30, 2020 and December 31, 2019, accrued payables due to former officers were $1,071,311 and $1,137,397. For the three months ended September 30, 2020 and September 30, 2019, total cash-based compensation to related parties was $90,000 and $122,099 respectively. For the nine months ended September 30, 2020 and 2019, total cash-based compensation to related parties was $270,000 and $379,597, respectively. For the three months ended September 30, 2020 and September 30, 2019, total share-based compensation to related parties was $86,687 and $136,616, respectively. For the nine months ended September 30, 2020 and 2019, total share-based compensation to related parties was $213,714 and $661,742 respectively. These amounts are included in general and administrative expenses in the accompanying financial statements.

From 2017 to 2019, Mr . Gonfiantini, CEO, personally and through his Company, Crystal Bay Financial LLC, loaned an aggregate amount of $1,020,000 to Royal Asset Management. These notes accrue interest at 17%-18% per annum, and require monthly payment approximately from $5,000 to $20,000. These notes are personally guaranteed by the managing member of Royal Asset Management, and secured by certain equipment and other tangible properties of Royal Asset Management. Among these notes, $500,000 note was also secured by the medical marijuana licenses held by Royal Asset Management.

At September 30, 2020, the Company owed Mr. Throgmartin, former CEO (See Note 11), $140,958 pursuant to a promissory note dated August 12, 2016. This note accrued interest at the rate of 8% per annum and was payable upon the earlier date of (i) the second anniversary date of the promissory notes, (ii) the date all of the current investor notes, in the outstanding aggregate principal and accrued interest amount of approximately $1,480,000 at September 30, 2016, have been paid in full and the Company has achieved gross revenues of at least $3,000,000 over any consecutive 12-month period. The balance of related party note was $140,958 and $140,958 at September 30, 2020 and December 31, 2019, respectively. As of September 30, 2020, the note was past the maturity date, however the Company has not yet received a default notice.

Note 8 – Notes Payable

On August 31, 2015, the Company issued a note in the amount of $126,000 with third parties for use as operating capital. The note was amended to include accrued interest on October 31, 2016 and extended the maturity date to October 31, 2018. As of September 30, 2020 and December 31, 2019 the outstanding principal balance of the note was $133,403. As of September 30, 2020, the note was past the maturity date, however the Company has not yet received a default notice.

On April 22, 2020, the Company was granted a loan from Numerica Credit Union, in the aggregate amount of $56,444, pursuant to the Paycheck Protection Program, (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The loan, which was in the form of a note dated April 22, 2020 issued by the Borrower, matures on April 22, 2022 and bears interest at a rate of 1.0% per annum, payable monthly commencing October 22, 2020. There have not been any payments made towards this loan, as the full amount of the loan expects to be forgiven when the company applies for forgiveness. Application for loan forgiveness is due ten months from the last day of the twenty-four week window that the company has to spend the money from the disbursement date of the loan on April 22, 2020. The loan may be prepaid by the Borrower at any time prior to maturity with no prepayment penalty. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The Company used the entire Loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

On June 30, 2020, the Company was granted a loan from the Small Business Association, in the aggregate amount of $150,000, pursuant to the Economic Injury Disaster Loan, (the "EIDL") under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The Company received the net funds of $149,900 on July 2, 2020. The loan, which was in the form of a note dated June 30, 2020 issued by the Borrower, matures on June 30, 2050 and bears interest at a rate of 3.75% per annum, payable monthly commencing June 30, 2021. The loan may be prepaid by the Borrower at any time prior to maturity with no prepayment penalty. Funds from the Loan may be used solely for working capital to alleviate economic injury caused by disaster occurring in the month of January 31, 2020 and continuing thereafter and to pay Uniform Commercial Code (UCC) lien filing fees and a third-party UCC handling charge of $100 which will be deducted from the loan amount stated above. The Company intends to use the entire Loan amount for qualifying expenses.

Note 9 – Convertible Notes Payable

The Company has issued several convertible notes which are outstanding. The note holders shall have the right to convert principal and accrued interest outstanding into shares of common stock at a discounted price to the market price of our common stock. The conversion feature was recognized as an embedded derivative and was valued using a Binomial Option Pricing Model that resulted in a derivative liability of $4,015,091, and $4,834,190 at September 30, 2020 and December 31, 2019, respectively. All notes accrue interest ranging from 8% to 12% and will mature in 2020. In connection with the issuance of certain of these notes, the Company also issued warrants to purchase its common stock.

Several convertible note holders elected to convert their notes to common stock during the nine months ended September 30, 2020, and the nine months ended September 30, 2019. The tables below provides the note payable activity for the nine months ended September 30, 2020, and the nine months ended September 30, 2019, and also a reconciliation of the beginning and ending balances for the derivative liabilities measured using fair significant unobservable inputs (Level 3) for the nine months ended September 30, 2020 and for the nine months ended September 30, 2019:

	Convertible Notes	Discount	Convertible Notes, Net of Discount	Derivative Liabilities
Balance, December 31, 2019	$ 3,266,775	$ 914,239	$ 2,352,530	$ 4,834,190
Issuance of convertible notes	103,000	103,000	—	394,001
Conversion of convertible notes	(119,000)	(39,843)	(79,157)	(128,583)
Repayment of convertible notes	(7,500)	—	(7,500)	—
Change in fair value of derivatives	—	—	—	(1,084,517)
Amortization	—	(942,602)	942,601	—
Balance September 30, 2020	$ 3,243,275	$ 34,794	$ 3,208,474	$ 4,015,091

	Convertible Notes	Discount	Convertible Notes, Net of Discount	Derivative Liabilities
Balance, December 31, 2018	$ 3,324,487	$ 2,151,167	$ 1,173,319	$ 6,000,830
Issuance of convertible notes	870,500	886,725	(16,225)	1,656,840
Conversion of convertible notes	(767,533)	(210,217)	(557,316)	(835,725)
Repayment of convertible notes	(122,500)	—	(120,500)	(56,197)
Change in fair value of derivatives	—	—	—	(1,873,119)
Amortization	—	(1,409,516)	1,409,516	—
Balance September 30, 2019	$ 3,306,954	$ 1,418,159	$ 1,888,795	$ 4,892,629

During the nine months ended September 30, 2020, the Company entered into a convertible note in an aggregate amount of $103,000 which is a twelve months maturity, bearing 12% interest per annum. The note is convertible at 35% discount to the average of the two lowest Volume Weighted Average Prices (VWAPs) during the previous ten (10) trading days to the date of a Conversion Notice. This note was partially converted to common stock in the amount of $30,000 on September 28, 2020 along with accrued interest in the amount of $2,042, for a total of 5,733,397 shares converted. A loss on extinguishment of debt of **$1,884**, extinguishment of debt discount of **$14,466** and reduction of derivative liabilities of **$25,485** have been recorded related to this conversions The remaining balance on this convertible loan is $73,000 at the end of the quarter, with accrued interest of $4,968. The conversion features related were determined in the amount of $60,362 using Binomial Option Pricing Model.

During the nine months ended September 30, 2020, $7,500 of note principal and $819 of accrued interest were repaid to a debt holder.

During the nine months ended September 30, 2020, $89,000 of notes unrelated to the above mentioned $30,000 conversion, $6,282 of accrued interest and $210 additional fee was converted into 13,767,631 shares of common stock. A loss on extinguishment of debt of $1,931, extinguishment of debt discount of $25,377 and reduction of derivative liabilities of $97,838 have been recorded related to these conversions. As of September 30, 2020, several convertible notes in aggregate principal of $3,175,275 were past their maturity dates, however the Company has not yet received a default notice. No default or penalty was paid or required to be paid.

On July 17, 2018, the Company entered into a certain Equity and Debt Restructure Agreement with two, long-time investors in the Company (the "Restructure Agreement"). Pursuant to the material terms of the Restructure Agreement, the investors agreed to return and cancel their collective 2,774,093 restricted Company common shares, which had been received from the prior conversion of their older convertible notes, in exchange for the Company's issue to them recast convertible promissory notes. Accordingly, on the same date, these investors were each issued a First Priority Secured Promissory Note (the "Note" or "Notes"), in the principal amount of $1,683,558 and $545,607, respectively. In connection with this transaction, one of these investors agreed to loan the Company an additional $700,000. In 2018, the Company has received $220,000 cash proceeds of the additional $700,000 loan. Fair value of 2,774,093 restricted Company common shares were determined in the amount of $443,855 using market price and fair value of the embedded conversion feature were determined in the amount of $3,555,888 using Black Sholes Merton Option Model. As the result of the transaction, the Company recorded $2,892,033 in financing costs, and $2,449,275 as debt discount during year ended December 31, 2018. On March 29, 2019, the Company received $100,000 cash proceeds from the additional $700,000 loan. The conversion feature related to $100,000 were determined in the amount of $154,861 using Binomial Option Pricing Model. During year ended December 31, 2019, the Company received $380,000 cash proceeds from the additional $700,000 loan. The conversion feature related to $380,0000 were determined in the amount of $586,710 using Binomial Option Pricing Model. During the year ended December 31, 2019, we recorded $206,710 loss related to financing costs and $380,000 as debt discount.

The following assumptions were used in the Binomial Option Pricing Model in calculating the embedded conversion features and related fair values for the nine months ended September 30, 2020 and 2019.

	September 30, 2020	September 30, 2019
Risk-free interest rates	0.10-0.11%	1.92%
Expected life (years)	0.25 – 0.50	0.08 – 1.25
Expected dividends	0%	0%
Expected volatility	147 - 165%	70 - 557%

Note 10 – Stockholders' Equity (Deficit)

Series C Preferred Stock

On December 16, 2019, Diego Pellicer Worldwide sold 140,000 of its Series C Convertible Preferred Shares, with an annual accruing dividend of 10%, to Geneva Roth Remark Holdings, Inc. ("Geneva"), for $130,000 pursuant to a Series C Preferred Purchase Agreement with Geneva. To accommodate this transaction, Registrant's Board of Directors approved and filed a certain Certificate of Designations with the Secretary of State of Delaware, designating 1,500,000 of its available preferred shares as Series C Preferred Convertible Stock, Stated Value of $1.00 per share, and with a par value of $0.0001 per share. This Certificate of Designations provides Registrant with the opportunity to redeem the Series C Shares at various increased prices at time intervals up to the 6-month anniversary of the closing and mandates full redemption on the 24-month anniversary. Geneva may convert the Series C Shares into Registrant's common shares, commencing on the 6-month anniversary of the closing at a 30% discount to the public market price. The Company recorded a derivative liability of $165,218, valued using a Binomial Option Pricing Model, associated with Series C Preferred Shares. On December 31, 2019, the fair value of the conversion feature was a derivative liability of $190,131, valued using a Binomial Option Pricing Model, associated with Series C Preferred Shares. The Series C Preferred Stock is classified as temporary equity due to that the shares are immediately convertible at the option of the note holder. During the year ended December 31, 2019, we recorded $8,750 accretion of discount. As of December 31, 2019, there were 140,000 shares outstanding and a discount of $131,250. For the nine months ended September 30, 2020, the company converted 140,000 shares of series C preferred stock along with related discount to 21,744,479 shares of Common Stock per the terms of the Agreement. As of September 30, 2020, there were 0 shares outstanding related to this issuance.

On March 3, 2020, Diego Pellicer Worldwide sold 55,800 of its Series C Convertible Preferred Shares, with an annual accruing dividend of 10% to Geneva Roth Remark Holdings, Inc. ("Geneva"), for $50,000 pursuant to a Series C Preferred Purchase Agreement with Geneva. The Company recorded a derivative liability of $88,868 valued using a Binomial Option Pricing Model, associated with Series C Preferred Shares. During the nine months ended September 30, 2020, the company converted 55,800 shares of series C preferred stock along with related discount to 10,598,864 shares of Common Stock per the terms of the Agreement. As of September 30, 2020, there were 0 shares outstanding related to this issuance.

On April 14, 2020, Diego Pellicer Worldwide sold 55,800 of its Series C Convertible Preferred Shares, with an annual accruing dividend of 10%, to Geneva Roth Remark Holdings, Inc. ("Geneva"), for $50,000 pursuant to a Series C Preferred Purchase Agreement with Geneva. The Company recorded a derivative liability of $82,028 valued using a Binomial Option Pricing Model, associated with Series C Preferred Shares. On September 30, 2020, the fair value of the conversion feature was a derivative liability of $63,206, valued using a Binomial Option Pricing Model, associated with Series C Preferred Shares. The Series C Preferred Stock is classified as temporary equity due to that the shares are immediately convertible at the option of the note holder. During the nine months ended September 30, 2020, we recorded $67,201 accretion of discount and $2,583 of accrued dividend. As of September 30, 2020, there were 55,800 shares outstanding and a discount of $42,882.

	Preferred Stock and Accrued Dividends	Discount	Preferred Stock and Accrued Dividends, Net of Discount	Derivative Liabilities
Balance, December 31, 2019	$ 140,000	$ 131,250	$ 8,750	$ 190,131
Issuance of Series C Preferred shares	111,600	111,600	—	170,896
Conversion of Series C Preferred shares and accrued dividend	(206,561)	(132,768)	(73,793)	(302,127)
Accretion of conversion feature on Series C preferred stock	13,345	(67,200)	80,545	15,610
Change in fair value of derivatives	—	—	—	(11,304)
Balance September 30, 2020	$ 58,324	$ 42,882	$ 15,502	$ 63,206

The following assumptions were used in the Binomial Option Pricing Model in calculating the embedded conversion features and current liabilities for the three months ended September 30, 2020 and the year ended December 31, 2019.

	September 30, 2020	September 30, 2019
Risk-free interest rates	0.12 – 0.14%	1.53 – 2.60%
Expected life (years)	1.2 – 1.54	0.08 – 1.25
Expected dividends	0%	0%
Expected volatility	171.7 – 180.1%	70 - 557%

Common Shares

During the nine months ended September 30, 2020, $119,000 of notes, $8,166 of accrued interest and $210 additional fee was converted into 19,501,028 shares of common stock. A gain on extinguishment of debt of $1,255, extinguishment of debt discount of $39,843 and reduction of derivative liabilities of $128,583 have been recorded related to these conversions. As of September 30, 2020, 5,733,397 shares were authorized, but not issued as of September 30, 2020.

During the nine months ended September 30, 2020, 2,553,969 shares of common stock were issued for related party services valued at $65,633. These shares have been removed from shares to be issued as of September 30, 2020. As of September 30, 2020, 3,907,356 shares, valued at $28,296 for related party services, had not been issued. These were classified as shares to be issued at September 30, 2020.

During the nine months ended September 30, 2020, 32,343,343 shares of common stock were issued as a result of the conversion of 195,800 shares of Series C Preferred shares.

During the nine months ended September 30, 2020, 5,196,378 shares of common stock, valued at $63,403 for services, were authorized. 2,000,000 of the shares were issued during the nine months ended September 30, 2020. As of September 30, 2020, 3,196,378 shares, valued at $37,803 for services, had not issued. These were classified as shares to be issued at September 30, 2020.

Common stock warrant activity:

The Company has determined that certain of its warrants are subject to derivative accounting. The table below provides a reconciliation of the beginning and ending balances for the warrant liabilities measured using fair significant unobservable inputs (Level 3) for the nine months ended September 30, 2020:

Balance at December 31, 2019	$ 967
Issuance of warrants	—
Change in fair value during period	334
Balance at September 30, 2020	$ 633

The following assumptions were used in calculations of the Binomial Option Pricing Model for the periods ended September 30, 2020 and the year ended December 31, 2019.

	September 30, 2020	December 31, 2019
Annual dividend yield	0%	0%
Expected life (years)	0.17-7.13	0.42 – 8.13
Risk-free interest rate	0.11 – 0.55%	1.56 – 2.40%
Expected volatility	234.4 - 239.7%	165 - 318%

The following represents a summary of all common stock warrant activity:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
Balance outstanding, December 31, 2019	211,826	$ 10.08	3.51
Expired	(78,031)	$ 30.00	-
Balance outstanding, September 30, 2020	133,795	$ 10.08	3.22
Exercisable, September 30, 2020	133,795	$ 10.08	3.22

Common stock option activity:

The Company maintains an Equity Incentive Plan pursuant of which 124,000 shares of Common Stock are reserved for issuance thereunder. This Plan was established to award certain founding members, who were instrumental in the development of the Company, as well as key employees, directors and consultants, and to promote the success of the Company's business. The terms allow for each option to vest immediately, with a term no greater than 10 years from the date of grant, at an exercise price equal to par value at date of the grant. As of September 30, 2020, 88,750 shares had been granted, with 10,000 of those shares granted with warrants attached. There remain 35,250 shares available for future grants.

During the nine months ended September 30, 2020 and 2019, the Company recorded total option expense of $121,785. Unamortized stock option expense at September 30, 2020 is $5,416, which will be charged to expense in remaining months of 2020. The aggregate intrinsic value of stock options outstanding at September 30, 2020 is $0.

The following represents a summary of all common stock option activity:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
Balance outstanding, December 31, 2019	172,479	$ 5.29	5.47
Granted	—	—	
Balance outstanding, September 30, 2020	172,479	$ 5.25	5.22
Exercisable, September 30, 2020	172,479	$ 5.25	5.22

Note 11 – COMMITMENTS AND CONTINGENCIES

Leases

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

The Company records the lease asset and lease liability at the present value of lease payments over the lease term. The leases typically do not provide an implicit rate; therefore, the Company uses its estimated incremental borrowing rate at the time of lease commencement to discount the present value of lease payments. The Company's discount rate for operating leases at September 30, 2020 was 12%. Leases often include rental escalation clauses, renewal options and/or termination options that are factored into the determination of lease payments when appropriate. Lease expense is recognized on a straight-line basis over the lease term to the extent that collection is considered probable. As a result, the Company been recognizing rents as they become payable. Our weighted-average remaining lease term is 3.64 years.

As of September 30, 2020, the maturities of operating leases liabilities are as follows (in thousands):

	Operating Leases
2020 remaining	$ 241
2021	863
2022	719
2023	733
2024	445
2025 and beyond	45
Total	3,046
Less: amount representing interest	(576)
Present value of future minimum lease payments	2,470
Less: current obligations under leases	678
Long-term lease obligations	$ 1,793

The Company has executed a series of agreements that will cancel the master lease on it Elizabeth street cannabis cultivation facility in Denver on October 21, 2020. It will allow the Company to reduce its liability exposure in the Elizabeth Street cultivation facility while securing deferred rents due and future sublet payments for 3 years and 9 months, valued at $1,325,443. In addition, a $120,000 deposit on the property is being returned to the Company. This is a disclosed subsequent event, see Note 13.

Rent expense is recognized on a straight-line basis over the life of the lease. Rent expense consists of the following:

	Nine months ended September 30, 2020
Operating lease costs	$ 508,199
Variable rent costs	349,336
Total rent expense	$ 857,535

Other information related to leases is as follows:

	Nine months ended September 30, 2020
Other information:	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 118,577
Weighted-average remaining lease term - operating leases	3.64yr
Weighted-average discount rate - operating leases	12%

The Company recognized sublease income of $1,080,382 and $1,257,255 during the nine months ended September 30, 2020 and 2019, respectively.

These three leases have three to five years terms with optional extension, expiration dates range from July 2021 to June 2025, and monthly base rent approximately $20,000-$40,000 plus variable triple net.

As of September 30, 2020, the maturities of expected base sublease income are as follows (in thousands):

	Operating Leases
Remaining of 2020	$ 328
2021	1,154
2022	930
2023	944
2024	588
2025 and beyond	58
Total	$ 4,002

The Master Lease and Sublease Agreements of the property located at Elizabeth St in Colorado have been terminated as of October 21, 2020. The sublease income associated with that property, constituting approximately $2,139,000 of the above projected income for 2020 through 2025 and beyond. This is a disclosed subsequent event, see Note 13.

Employment Agreements

As a condition of their employment, the Board of Directors approved employment agreements with three key executives. These agreement provided that additional shares will be granted each year over the term of the agreement should their shares as a percentage of the total shares outstanding fall below prescribed ownership percentages. Nello Gofiniatini III, who became the Company's CEO in October 2019 receives an annual grant of additional shares each year to maintain his ownership percentage at 10% of the outstanding stock. The Company's CFO received a similar grant each to maintain his ownership percentage at 2% of the outstanding stock. In addition, prior to his departure in October 2019, Ron Throgmartin, the Company's previous CEO, would receive a grant of additional shares to maintain his ownership at 7.5% of the Company's outstanding stock. During the nine months ended September 30, 2020, the Company accrued compensation expense of approximately $92,034 on 6,461,325 shares of common stock under these agreements. During the year ended December 31, 2019, the Company accrued compensation expense of approximately $593,000 on 20,782,014 shares of common stock under these agreements. As of September 30, 2020 and December 31, 2019, the ending balance of accrued compensation was $60,022 and $79,817, respectively.

During the three and nine months ending September 30, 2020 and 2019, the Company accrued compensation expenses as follows:

	Three Months ending September 30, 2020	Three Months ending September 30, 2019	Nine Months ending September 30, 2020	Nine Months ending September 30, 2019
Compensation	$ 46,092	$ 224,941	$ 92,034	$ 539,957
Number of Shares	4,216,438	6,518,625	6,461,325	15,233,729

Departure of Executive Officer

On January 30, 2019, the Company executed a Separation Agreement and Release with David Thompson, its former Senior Vice President-Finance, finalizing his departure from the Company as an employee. Pursuant to its material terms, the Company agreed to pay Mr. Thompson aggregate cash payments of $206,250 , based upon the Company's receipt of certain gross sales receipts derived from its Alameda Store in Colorado, and certain stock grants based upon the Company's outstanding common shares as of February 1, 2019, including a stock grant of 53,717 restricted common shares for accrued salary and 122,934 restricted common shares in exchange for his approximate 122,000 of stock options. During the three and nine months ended September 30, 2020, $13,452 and $21,086 was paid under this agreement, respectively. During the three and nine months ended September 30, 2019 no amounts were paid under this agreement. As of September 30, 2020 and December 31, 2019, the outstanding balance was $175,714 and $196,800, respectively, and is included in Accrued Payable – Related Party in the accompanying Consolidated Balance Sheet.

On October 29, 2019, Diego Pellicer Worldwide, Inc. ("Registrant") accepted the resignation of Ron Throgmartin from his positions as CEO, President and Director. Mr. Throgmartin's resignation was not the result of any disagreements with Registrant's plan of operations, policies or management. On the same date, Registrant appointed Christopher D. Strachan, Registrant's Chief Financial Officer, to membership on Registrant's Board of Directors and appointed Nello Gonfiatini III, Regiatrant's Chief Operations Officer, to the additional post of Chief Executive Officer.

Ron Throgmartin signed a 5-year term Separation Agreement which, among other matters, terminated his Employment Agreement, as amended. On the date of the Separation Agreement, the Company acknowledged it owed Mr. Throgmartin the amount of $517,252.06 in principal and accrued interest of note payable, salary and fees, accrued during the 5 years of his employment. In addition, the Corporation further acknowledged that it will pay Mr Throgmartin fifty (50%) percent of his compensation due under the remaining Employment Agreement, or $614,583.33 under certain condition, which the Company accrued in full as of the date of Mr Throgmartin's separation. This agreement provides that the Registrant will pay him $5,000 monthly against his accrued salary/fees and 50% of future compensation due under his terminated Employment Agreement, with certain accelerated payments in the event Registrant's financial results attain certain EBITA benchmarks. Registrant shall have the right to require Mr. Throgmartin to provide consulting services to Registrant for a per diem fee of $500. As of September 30, 2020 and December 31, 2019, the outstanding balance was $895,597 and $940,597, respectively.

Note 13 – Subsequent Events

The Company evaluated subsequent events and transactions that occur after the balance sheet date up to the date that the consolidated financial statements are available to be issued. Any material events that occur between the balance sheet date and the date that the consolidated financial statements were available for issuance are disclosed as subsequent events, while the consolidated financial statements are adjusted to reflect any conditions that existed at the balance sheet date. Based upon this review, except as disclosed within the footnotes or as discussed below, the Company did not identify any recognized or non-recognized subsequent events that would have required adjustment or disclosure in the consolidated financial statements.

On October 1, 2020, the company issued 5,769,230 shares of common stock for the stock payable due to JSJ as of September 30, 2020.

On October 12, 2020, the company converted $30,921.59 of the JSJ Convertible Note into 8,345,908 shares of common stock.

On October 14, 2020, the company converted 15,000 shares of series C preferred stock into 3,841,463 shares of common stock.

On October 21, 2020, the company converted 17,000 shares of series C preferred stock into 4,697,368 shares of common stock.

On October 22, 2020, the company converted 23,800 shares of series C preferred stock into 6,754,054 shares of common stock.

On October 29, 2020, the company converted $10,000 of principal and $2,072 of interest of the GS Capital Convertible Note into 4,432,759 shares of common stock.

On October 21, 2020, both the Master Lease and Sublease agreements at Elizabeth St were terminated. The termination of the Lease, and the obligations of Lessee thereunder, is subject to, and conditioned upon, Westward Summit, LLC, a Colorado limited liability company, whose address is 4242 Elizabeth Street, Denver, Colorado 80216 (as "Tenant"), Royal Asset Management, LLC, a Colorado limited liability company (as "Guarantor"), and Venture Product Consulting, LLC, a Colorado limited liability company (as "Guarantor"), entering into a present, valid, unconditional and fully enforceable Lease and Guaranty Agreement with Lessor for the Premises. The date of said Lease and Guaranty Agreement shall be the "Lease Termination Date" of the Lease which is the subject of this Agreement. Upon the Lease Termination Date, and in consideration of the Recitals, covenants, agreements, representations and warranties contained herein, the Lease shall be terminated and canceled and the term thereof is brought to an end as of said Lease Termination Date, with the same force and effect as if the term of said Lease was, by the terms and provisions thereof, fixed to expire on said Lease Termination Date, except as otherwise provided herein. Until said Lease Termination Date Lessee shall remain fully obligated and liable to Lessor for all obligations, covenants, warranties and conditions under the Lease. Per the termination agreement dated October 21, 2020 the Lessor was to return the $120,000.00 security deposit and prepaid rent to Lessee, plus a $55,000 commission for the releasing of the facility to Westward Summit, LLC, less $38,558 of deferred rents owed by the Lessee to Lessor from June 2017 through August 2017, for a total of $136,442. As of the date of this report, no such transactions have occurred. No settlement payments were exchanged in the termination of the master and sublease agreements.

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency in response to a new strain of a coronavirus (the "COVID-19 outbreak"). In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Management is actively monitoring the global situation and its effects on the Company's industry, financial condition, liquidity, and operations. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020. However, if the pandemic continues, it may have a material adverse effect on the Company's results of future operations, financial position, and liquidity in fiscal year 2020.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

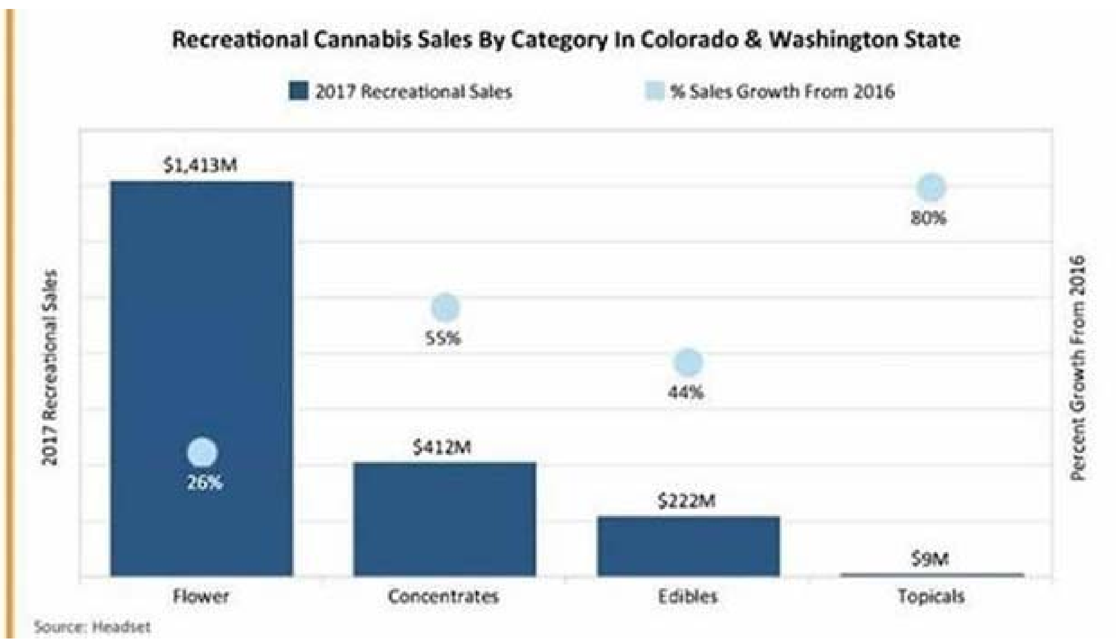
The following discussion and analysis of the results of operations and financial condition of Diego Pellicer Worldwide, Inc. (the "Company", "we", "us" or "our") should be read in conjunction with the financial statements of Diego Pellicer Worldwide, Inc. and the notes to those financial statements that are included elsewhere in this Form 10-Q. This discussion includes forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations and intentions. Actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including those set forth under the Risk Factors and Business sections in the financial statements and footnotes included in the Company's Form 10-K filed on June 2, 2020 for the year ended December 31, 2019. Words such as "anticipate," "estimate," "plan," "project," "continuing," "ongoing," "expect," "believe," "intend," "may," "will," "should," "could," and similar expressions are used to identify forward-looking statements.

Overview

Diego Pellicer Worldwide, Inc. was established on August 26, 2013 to take advantage of growing market for legalized cannabis being made possible by the escalating legislation allowing for the legalization of cannabis operations in the majority of states:

The industry is operating under stringent regulations within the various state jurisdictions. The Company's primary business plan is twofold: First to lease various properties to licensed operators in these jurisdictions to grow, process and sell cannabis and related products, and the second the Diego Pellicer Management Company, will license the upscale Diego Pellicer brand to qualified operators and receive royalty payments, while providing expertise in retail, product and manufacturing from Diego's accomplished management team with extensive industry experience, The Company will also provide educational training, compliance consultation, branding, and related accessories to their tenants. These leases and management agreements are expected to provide substantial streams of income. We believe that as laws evolve, it is possible that we will have the opportunity to participate directly in these operations. Accordingly, the Company will selectively negotiate an option on our tenants' operating company.

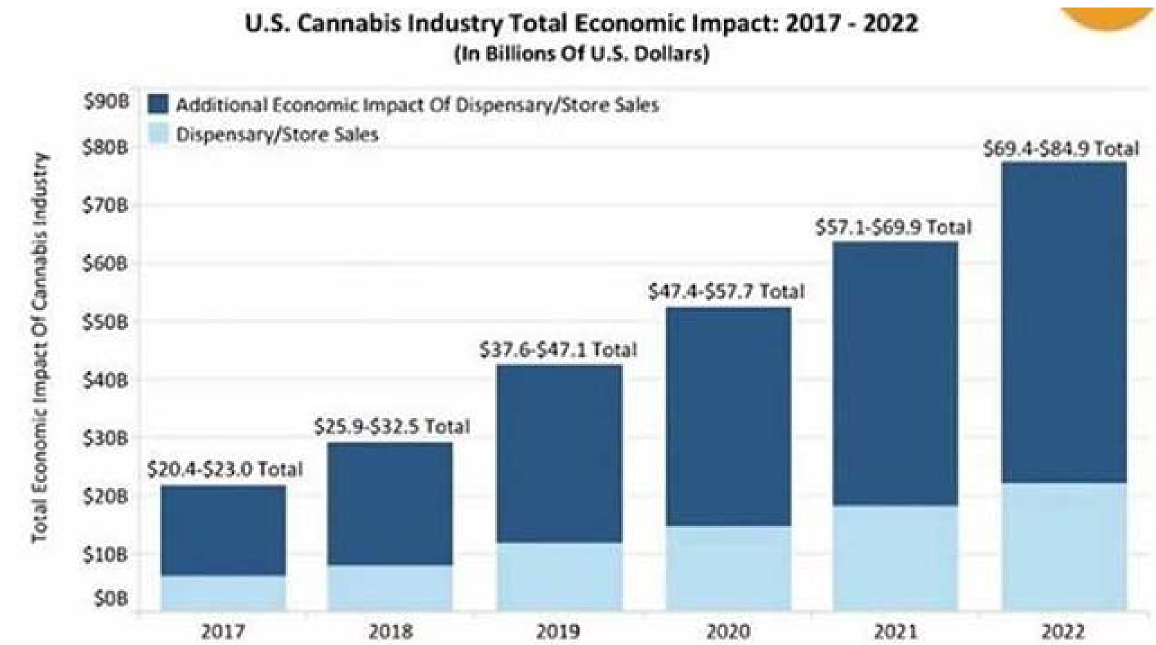
The Company has already established four facilities in markets that have experienced high growth, Washington and Colorado. This growth is illustrated in the tables below:



Source: Headset & 2018 Marijuana Business Daily, a division of Anne Holland Ventures Inc.

The legalization taking place in other states such as California and Florida present opportunities many times that of Washington and Colorado. The Company is exploring opportunities in Oregon, California and Florida and is getting inquiries from other potential operators in other jurisdictions.

This market is projected to grow rapidly in the future as this chart below illustrates:



Source: Marijuana Business Daily

Summary

The Company's primary business objective is to lease various properties to licensed operators to grow, process and retail cannabis and related products. By developing a premium brand name, building upscale facilities, and providing quality accessories to a market where financing is difficult to obtain, these subleases are designed to provide a substantial stream of income. We believe that as laws evolve, it is possible that we will have the opportunity to participate directly in these operations as well.

2018 was a year of growth for Diego Pellicer Worldwide. All tenants were open and generating lease revenue. The tenants were showing steady revenue increases and operating improvements. The business model was being proven. The brand name was getting national recognition and garnered the "Most Valuable Brand of the Year" at the 2018 National Cannabis Business Awards beating out tough national competition including MedMen™, The Clinic, Lightshade and Olio. Diego was also honored as the "Best Retail Center" for the second year in a row, defeating other highly regarded names including LiveWell, The Clinic, The Green Solutions, Euflora and Kind Love.

2019 was a time of continued growth and a change of focus for the Company. An effective and experienced team was assembled from within our operators to develop our newly formed management company, and to complement the current executives with knowledge and experience in real estate operations, banking, site selection, branding, facility design, corporate finance, investor relations, store management, and grow expertise, Additional capital needed to be raised in order to have sufficient capital to help support our operators expand within their markets, and to begin the expansion into different markets in the US. Much of the Company's debt was renegotiated, and additional commitments were formalized for the expansion in the Colorado market. New markets had to be explored, new alliances forged, and opportunities prioritized.

Diego is exploring opportunities in California, Colorado, Nevada, Washington and other states. The Company will continue to raise capital to finance that expansion. This should result in increased revenues for the future and increased opportunities into new markets.

During the first half of 2020, the company has embarked on a more inclusive approach to the industry and has explored the possibility of acquiring all the operations of its tenants in Colorado. The Colorado state laws now allow publicly traded companies to have a more direct role in ownership and management of cannabis companies which opens the door for the Company to acquire positive cashflow companies that would be additive to the consolidated balance sheet. The goal of the company was to act as the incubator of successful branded cannabis businesses, and then ultimately participate in their success by taking advantage of the cashflow and profitability of retail and grow facilities by acquiring them as the laws might permit.

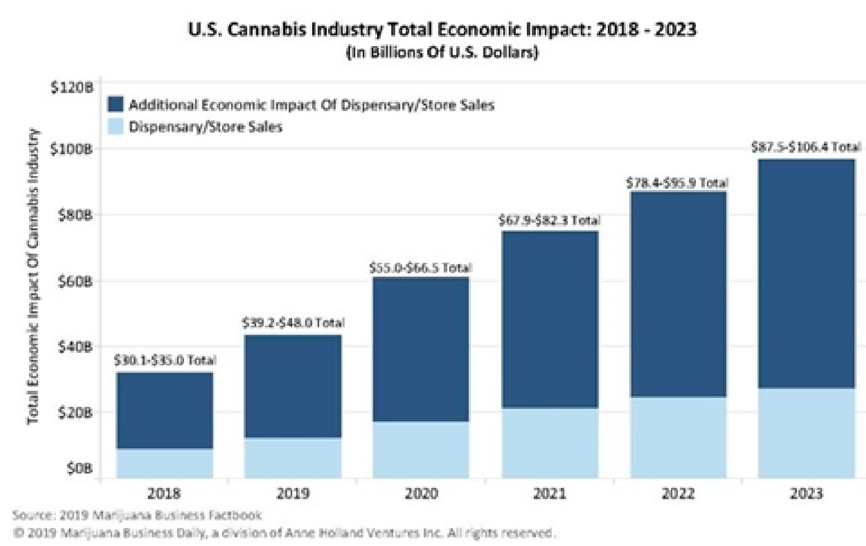
Opportunity in an untapped industry with multi-billion-dollar potential

The demand for marijuana products is a multi-billion-dollar market that has only recently begun to become mainstream. Many challenges face the marijuana entrepreneur. Therein lies the opportunity.

Regulation and the Economy

The marijuana industry will deliver an estimated $39 billion - $48 billion economic impact on the United States in 2019. By 2023, we anticipate the potential for the industry to surpass $100 billion in annual economic benefits. That becomes a very conservative estimate of the size of the market in the United States when the black market in included in the equation. Distribution was driven underground for years by the Controlled Substance Act passed by Congress nearly 50 years ago. The favorable public opinion towards the legalization is rapidly changing the political attitude toward marijuana not only on the state level but on the federal level. If the Federal Government legalized marijuana nationwide, sales might start out around that level, but would likely rise as cannabis gained mainstream acceptance and the market evolved. Eventually, marijuana could surpass cigarette sales with the potential to rival beer in terms of overall sales.

CHART: U.S. Cannabis Industry Total Economic Impact 2018-2023



Financing and banking

As doubts remain, financing is still a challenge for this industry with banks in many states not only avoiding lending to these businesses but also refusing deposits because of complicated FDIC requirements. Financing has been largely equity raises, vendor financing, and expensive convertible debt. However, with the legalization and subsequent public capital raises in Canada and the change in the political attitude, there has been an indication of more interest by institutional investors in providing capital to this industry and more banks are accepting deposits.

A fragmented industry

Most industries evolve through the same business cycle. Many small independent companies initially operate in fragmented markets in the early stages. Then there is a consolidation of the industry, with the consolidators thriving and the independent companies dwindling. The larger companies have access to less expensive capital, lower costs, better merchandising, brand name recognition, and more efficient operations. This what we offer our tenants when negotiating the lease: an agreement to acquire them when marijuana is federally legalized. This gives the tenant the ultimate opportunity to participate in the rapid consolidation that we believe will happen when marijuana is federally legalized. This consolidation will result in companies that have heretofore been unable to participate in the rapidly growing industry to be scrambling to enter the space. Diego and its tenants will already be established and consolidated. As an exit strategy, we want to position Diego to be a likely candidate for acquisition or a major player in the marketplace.

The opportunity

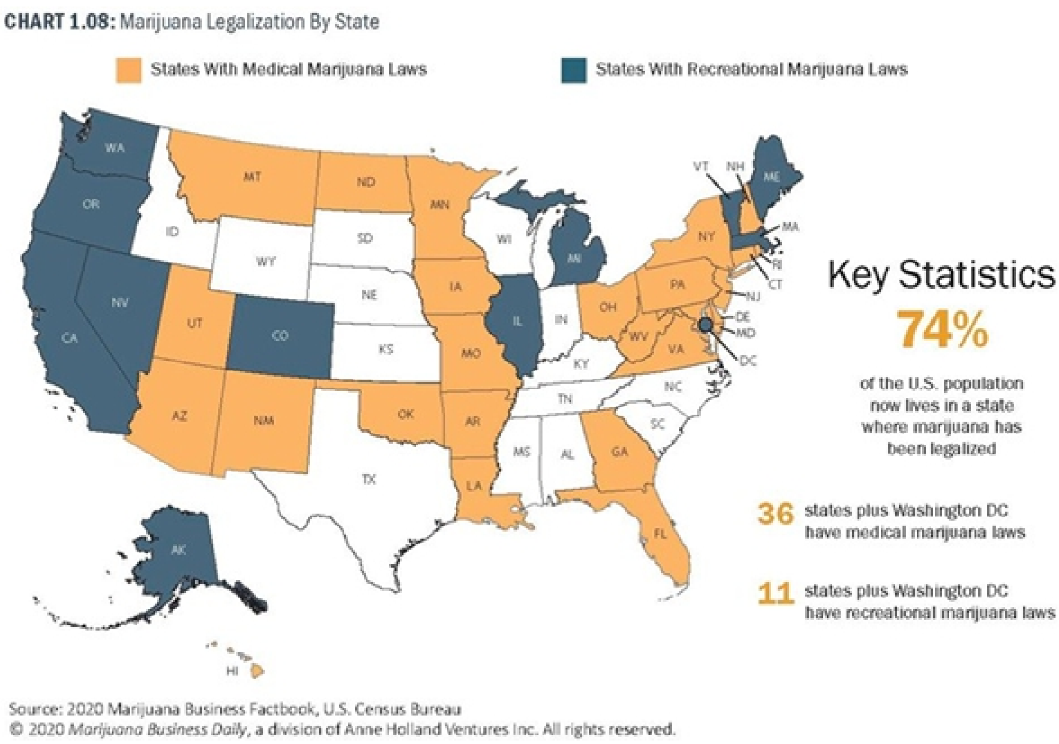
The first mover advantage will continue to be possible for those willing to deal with the regulatory, banking, and financial challenges in today’s market. The fragmented market, the shortage of executives skilled in challenges of the industry, scarcity of brand names, provides a company like Diego, who has proven their business model, to be a consolidator in this industry.

States with legalized marijuana

Thirty five states and the District of Columbia have laws broadly legalizing marijuana in some form. Fifteen states and the District of Columbia have legalized marijuana for recreational use with the largest market by far, California, becoming legal.

The majority of all states allow for use of medical marijuana under certain circumstances. Some states have also decriminalized the possession of small amounts of marijuana. The industry is operating under stringent regulations within the various state jurisdictions.

This map shows current state laws and recently approved ballot measures legalizing marijuana for medical or recreational purposes.[2]



There are estimated to be 25,000 – 30,000 marijuana businesses in the U.S., which derive most of their income from the cannabis market. This includes cultivators, manufacturers, retailers, dispensaries, distributors, deliverers and test labs. Now over 300 million Americans live in a jurisdiction that has legalized some form of cannabis use.

Estimated Number Of Cannabis Businesses In The United States: 2020

Medical Dispensaries/Adult-Use Retailers	1,300 - 1,600
Wholesale Cultivators	3,500 - 4,200
Cannabis Product Manufacturers	1,200 - 1,400
Producers/Processors	1,500 - 1,900
Vertically Integrated Businesses	2,100 - 2,600
Testing Labs	200 - 250
Ancillary Services, Technology & Products Companies	15,000 - 18,000

Plant-Touching Total: 9,800 - 11,950

Industry Total: 24,800 - 29,950

Source: Marijuana Business Factbook

The recent legalization in states such as California and legalization in Florida present opportunities many times that of Washington and Colorado. The Company is exploring opportunities in Oregon, California and Florida and is getting inquiries from other potential operators in other jurisdictions such as Michigan, Nevada, Massachusetts, and New Jersey.

States introducing and expanding legalized marijuana laws

The legalized cannabis market has grown considerably bigger, with Canada federally legalizing recreational marijuana in 2018 and Eastern states in the U.S. rushing towards legalization.

In May 2019, Colorado Governor Polis signed into law House Bill 19-1090. It is generally referred to as the "Public Company" bill because it allows public companies to own Colorado marijuana licenses for the first time. This law went into effect on November 1, 2019 and the Company was instrumental in guiding the language in the final regulations, that favor companies like Diego Pellicer Worldwide.

Recent developments at the federal level

Pressures from the states with legalized cannabis industries have been exerted by those state's Senators and Congressmen. Both informal and formal efforts have been increased by these states. The following are the most recent:

In an April 2018 conversation with Republican U.S. Sen. Cory Gardner, President Donald Trump pledged to keep the Department of Justice from interfering with state cannabis laws and, perhaps more significantly, support legislation protecting state-legal marijuana businesses. White House officials later confirmed the president's policy stance.

Several bills have been introduced to Congress seeking to reform federal marijuana laws in different ways, including the removal of cannabis from the list of controlled substances, allowing MJ companies to access traditional banking services and amending the IRS code to more fairly tax cannabis businesses.

Similar bills have been introduced in previous sessions of Congress, but none have gained significant traction. This time, however, may be different, as marijuana reform has become a bipartisan issue that has the support of many prominent Republicans.

Senate Majority Leader Mitch McConnell, for example, introduced a bill in April to remove federal barriers on hemp, while former Republican House Speaker John Boehner recently disclosed his involvement with a large, multistate cannabis company.

Whether any significant reform of federal marijuana policy happens in 2020 and what shape it could take remains an open question, but it's clear that attitudes toward cannabis on Capitol Hill are shifting.

The passing of the 2018 Farm bill and signed into law by President Trump, opened up the opportunoity for the hemp and CBD industry to belegally produced and marketed throughout the USA

The SAFE Act has garnered the most bipartisan support to date, passing the full U.S. House in 2019 with a vote of 321-103. Cannabis banking reform was being considered in the Senate Banking Committee before the coronavirus crisis, but any Senate bill probably would take a different form than the House bill, pushing the issue to a joint committee.

New York Democratic Senator Chuck Schumer introducing legislation to remove cannabis from the DEA's list of controlled substances, to decriminalize pot at a federal level and effectively allow states to decide how to regulate the use of medical or recreational marijuana without concern for federal law.

President Trump cut a deal with Colorado Senator Corey Gardner, R-Colo. to allow states to decide what to do about cannabis.

Former Speaker of the House John Boehner became a director with cannabis company Acreage Holdings.

The Food and Drug Administration setting up for an approval of the first cannabis-based drug from GW Pharmaceuticals Plc (" GWPH")

The Veteran's Administration now wants to study the effectiveness of cannabis for chronic pain and PTSD. (The Street, "Cannabis Industry Sits on Precipice of Major Expansion, March 28, 2018, by Bill Meagher)

Overview Of Major Federal Marijuana Reform Bills In Congress

Bill Name	What It Does	Timeline of Significant Events
Secure and Fair Enforcement Banking Act (SAFE Banking Act)	Provide federal protection for financial institutions that serve state-authorized marijuana and ancillary businesses.	**03/07/19:** Introduced in House **04/11/19:** Introduced in Senate **09/25/19:** Bill passes full House 321-103 **05/12/20:** Bill included in House Democrats' coronavirus stimulus bill
Strengthening the Tenth Amendment Through Entrusting States Act (STATES Act)	Would create an exemption in the Controlled Substances Act to allow states to determine their own cannabis policies without fear of federal reprisal.	**06/07/18:** Introduced in House and Senate
Marijuana Opportunity Reinvest and Expungement Act (MORE Act)	Would remove marijuana from the list of federally controlled substances, expunge prior cannabis convictions, tax cannabis products at 5% to reinvestment in certain persons or groups adversely impacted by the war on drugs.	**07/23/19:** Introduced in House and Senate **11/20/19:** Passes House Judiciary Committee 24-10 **01/15/20:** Hearing by House Energy and Commerce Subcommittee on Health includes MORE Act

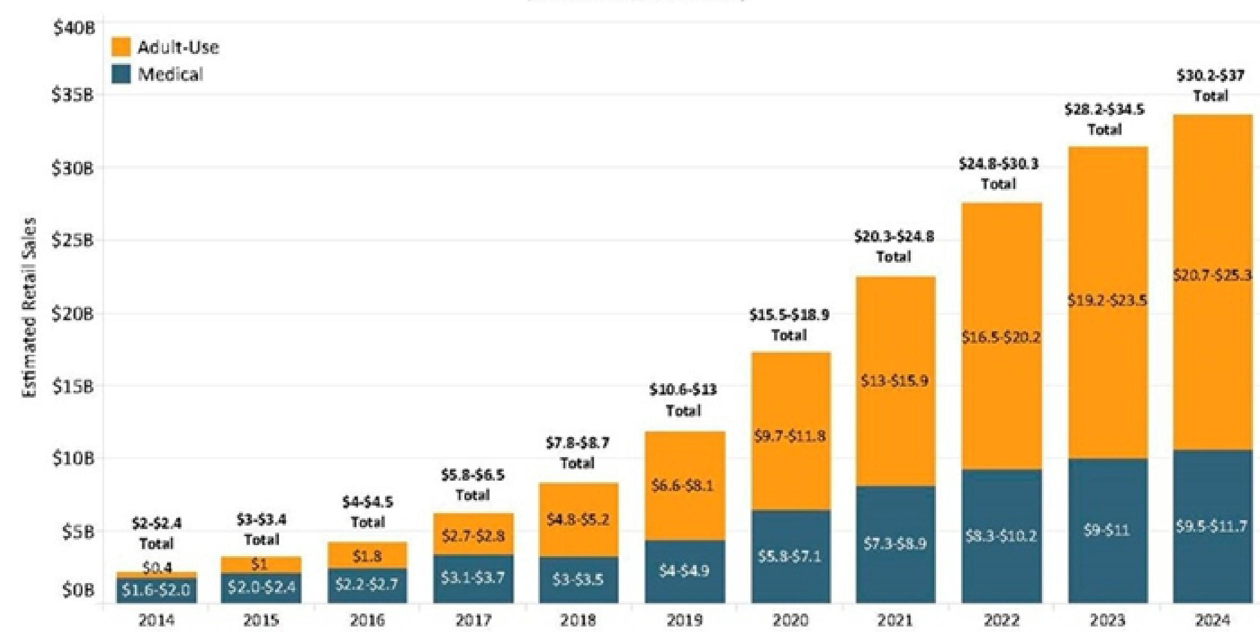
Source: Marijuana Business Daily, Congress.gov

Source: 2020 Marijuana Business Daily, a division of Anne Holland Ventures Inc.

The projected U.S. cannabis retail sales growth

The Cannabis Industry retail sales estimates project a robust growth of legal marijuana sales:

U.S. Cannabis Retail Sales Estimates: 2014 - 2024
(In Billions Of U.S. Dollars)



Source: Marijuana Business Factbook

What is Diego's Strategy, Phases One and Two?

Diego is a real estate and a consumer retail development company that is focused on high quality recurring revenues resulting from leasing real estate to licensed cannabis operators, and the management of operations for these and other third party cannabis operators deriving income from management and royalty fees. Diego provides a competitive advantage to these operators by developing "Diego Pellicer" as the world's first premium marijuana brand and by establishing the highest quality standards for its facilities and products.

The Company's first phase strategy is to acquire or lease and develop the most prominent and convenient real estate locations for the purposes of leasing them to state licensed operators in the cannabis industry. Diego's first phase revenues result from leasing real estate and selling non-cannabis related accessories to our tenants. The Company has developed a brand name strategy, providing training, design services, branded accessories, systems and systems training, locational selection, and other advisory services to their tenants. We enter into branding agreements with our tenants. In addition, part of the vetting process in finding the proper tenant is selecting a tenant that shares the Company's values and strictly complies with state laws, follows strict safety and testing requirements and provides consistent, high-quality products. If the tenants do not comply, they will not be allowed to use the brand.

The second phase of our strategy is to secure options to purchase the tenant's operations. When mutually advantageous for Diego and the tenant, Diego will negotiate acquisition contracts with selected Diego operators/tenants. At the appropriate time Diego will execute the acquisition contracts, consolidate our selected tenants and become a nationally branded marijuana retailer and producer concurrent with the change of federal law.

Diego Pellicer Management Company, will license the upscale Diego Pellicer brand to qualified operators and receive royalty payments, while providing expertise in retail, product and manufacturing from Diego's accomplished management team with extensive industry experience

Value Proposition

Value proposition 1: By providing branding, management experience, training, unique accessories, purchasing services, locational experience, standardized design, and experienced construction supervision, the tenant reduces his startup time, reduces cash drain, increases his efficiency, and builds his gross margin. Diego provides the capital for preopening lease costs and tenant improvements. This results in a turnkey retail location for the tenant. Thus, Diego's real estate, management, consulting and accessory sales are positioned to deliver a premium return on our investment.

Value proposition 2: With each lease, Diego negotiates an acquisition contract with selected licensed tenants to acquire their operations. This contract will be executed at Diego's option, and At the appropriate time introduces our second value proposition-ownership of operations in an industry that is projected to exceed $30 billion by 2022.

What does our premium branding accomplish?

A very important aspect of our marketing plan is to build Diego Pellicer as a luxury brand. This not only enables us to establish a premium brand, but also to generate significant revenues from non- cannabis products.

The Company is establishing several levels of branding and will use these to appeal to the various segments of the marketplace depending upon the location, competition, legal constraints, and budget. Standard store templates are being developed, complimentary accessories selectively designed, and customer preferences and segments analyzed.

Denver stores have been met with enthusiastic demand growing revenues quickly. This is proving the initial Diego concept.

We have proven this to be a winning strategy

Diego is positioning itself to be a dominate player in the marijuana marketplace. Diego has proven this by being a fully integrated marijuana retail operation and premium brand, capitalizing on beautifully designed retail stores offering the finest quality products at competitive prices.

What we accomplished in 2020

Building on the strategies incorporated in 2019 and a strong management team, the Company continued its growth in the Colorado market focusing on protocols, branding and market share for our tenant. In the first half of 2020 considerable challenges were encountered with the COVID-19 pandemic. Many businesses were shuttered and significant shrinking of the economy was felt by all industries. The economic injuries caused by the pandemic may have instigated the termination of master and subleases in October 2020 at the cultivation warehouse on Elizabeth St in Denver, CO. The Company focused on core principals of expanding our market and elevating our premium brand. This helped lead our branded tenant in Denver Colorado to experience significant growth in year on year revenues, including record breaking months in April and May. Most of the growth came from exotic and premium products which the Company has continually stated as the key to success in this industry. The Company moved forward with acquisition negotiations in Colorado and will continue to expand our market share.

What we accomplished in 2019

2019 was a time of continued growth and a change of focus for the Company. An effective and experienced team was assembled from within our operators to develop our newly formed management company, and to complement the current executives with knowledge and experience in real estate operations, banking, site selection, branding, facility design, corporate finance, investor relations, store management, and grow expertise, Additional capital needed to be raised in order to have sufficient capital to help support our operators expand within their markets, and to begin the expansion into different markets in the US. Much of the Company’s debt was renegotiated, and additional commitments were formalized for the expansion in the Colorado market. New markets had to be explored, new alliances forged, and opportunities prioritized.

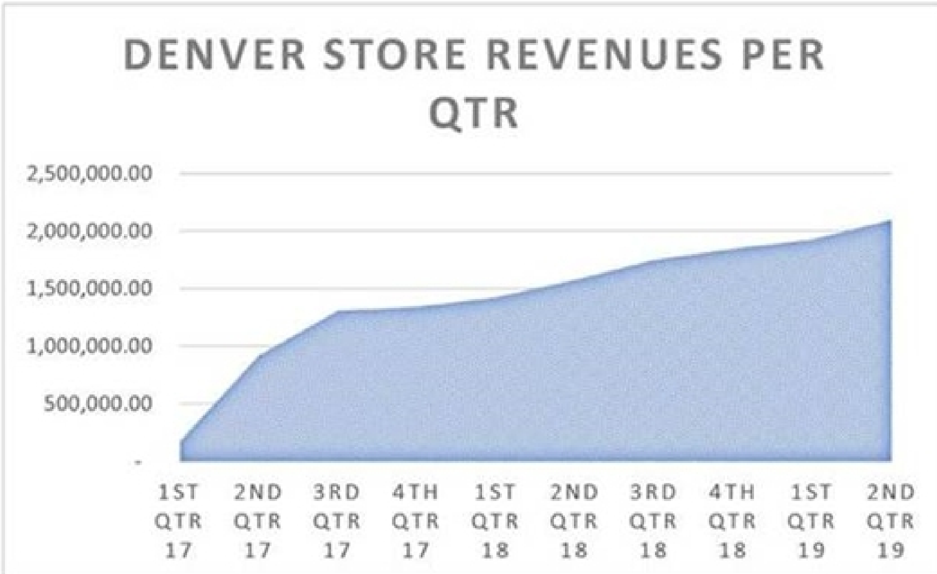
New markets were explored. Three facilities continued to see year upon year increases in revenues, which lead to increased rental revenue cash-flow to the Company. In 2019, Diego focused on our Colorado operations, and divested itself from the Washington Tenant, citing restrictive rules and regulations for public company involvement in any part of the Washington State marijuana industry. Diego received revenues from three Colorado facilities, and the first quarter for our Washington store. Diego now had four facilities generating rent in 2019 for the year and we have actively been expanding in the Colorado markets with potential acquisitions for our tenants, and our management company. The tenants growing their sales and improving operational efficiency. The properties generating rents in 2019 are as follows:

Table 1: Property Portfolio

Purpose	Size	City	State
Retail store (recreational and medical)	3,300 sq.	Denver	CO
Cultivation warehouse	18,600 sq.	Denver	CO
Cultivation warehouse	14,800 sq.	Denver	CO
Retail store (recreational and medical) - Sold	4,500 sq.	Seattle	WA

Diego’s Washington tenant opened our first flagship store in Seattle in October 2016. On May 6, 2019, the Company entered into an agreement with a third party, which the Company sold the Seattle leased location provided $550,000 in capital and executive resources for expansion which the company allocated to its efforts in a new location and cannabis grow facilities in Colorado. The Colorado tenant opened the Diego Denver branded flagship store in February 2017. In addition, Diego’s two cultivation facilities in Denver, CO began production in late 2016. The retail facilities have shown steady growth in sales since their opening. The three Colorado properties were subleased to a single entity. The Company is currently exploring the acquisition of this entity. In October 2020, the master and sublease associated with the 18,600 sq. Cultivation warehouse in Denver were terminated.

Diego Pellicer Denver



Diego will continue this strategy in states where recreational or medical marijuana sales and cultivation is legal under state law. Our business model is recurring lease revenue, royalties, management fees, and is entirely scalable. Our success will dependent upon continuing to raise capital for expansion, continual improvement of our business model, standardizing store design, controlling costs, new store management opportunities, and continuing to develop the brand.

RESULTS OF OPERATIONS

Three months ended September 30, 2020 compared to three months ended September 30, 2019

After rental expense the gross margins on the lease were as follows:

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Increase (Decrease) $	Increase (Decrease) %
Revenues				
Net rental revenue	$ 351,502	$ 388,218	$ (36,716)	(9)%
Rental expense	(283,916)	(280,613)	(3,303)	1%
Gross profit	67,586	107,605	(40,019)	(37)%
General and administrative expenses	356,305	349,608	6,697	2%
Selling expense	9,552	12,269	2,717	22%
Depreciation expense	-	-	-	-%
Income/(Loss) from operations	$ (298,271)	$ (254,272)	$ 43,999	17%

Revenues. For the three months ended September 30, 2020 and 2019, the Company leased three facilities to licensees in Colorado. Total revenue for the three months ended September 30, 2020 was $351,502, as compared to $388,218 for the three months ended September 30, 2019, a decrease of $36,716. The decrease is due to a reduction of the base rent at the W. Alameda Property from March 2020 on.

Gross profit. Rental revenue for the periods ended September 30, 2020 decreased over the prior three months ended September 30, 2019, resulting in a gross profit of $67,586.

General and administrative expenses. Our general and administrative expenses for the three months ended September 30, 2020 were $356,305, compared to $349,608 for the three months ended September 30, 2019. The decline of $6,697 was largely attributable a reduction in executive stock compensation and consulting fees during three months ended September 30, 2020.

Selling expenses. Our selling expenses for the three months ended September 30, 2020 were $9,552, compared to $12,269 for the three months ended September 30, 2019. The decline of $2,717 was due to reduction of services used related to selling and marketing.

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Increase (Decrease) $	Increase (Decrease) %
Other income (expense)				
Other income (expense)	$ 44,118	$ 145	$ 43,973	303%
Interest expense	(207,427)	(856,017)	648,590	(75)%
Extinguishment of debt	(677)	88,063	88,740	1,000%
Change in derivative liabilities	(372,217)	2,467,245	2,839,462	1,151%
Change in value of warrants	362	1,038	676	65%
Total other income (loss)	$ (535,841)	$ 1,700,474	$ (2,236,315)	(1,315)%

The Net Other Income was the effect that the decline in market value of the Company's stock had on the derivative liability of $3,588,134 offset by recording the cost of triggering technical default penalties on certain convertible notes and the financing costs of new debt incurred by the Company. Our other income for the three months ended September 30, 2020 were $32,890, compared to $30 for the three months ended September 30, 2019. The increase of $32,860 was due to income from the receivables owed by the our sublease tenant of the Company's Colorado properties and affiliates of the tenant.

Nine months ended September 30, 2020 compared to nine months ended September 30, 2019

After rental expense the gross margins on the lease were as follows:

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019	Increase (Decrease) $	Increase (Decrease) %
Revenues				
Net rental revenue	$ 1,080,382	$ 1,257,255	$ (176,873)	(14)%
Rental expense	(857,535)	(858,136)	(601)	0%
Gross profit	222,847	399,119	(176,272)	(44)%
General and administrative expenses	883,449	1,272,086	(388,637)	(30)%
Selling expense	24,593	42,406	(17,813)	(42)%
Depreciation expense	-	139,595	(139,595)	100%
Income/(Loss) from operations	$ (685,195)	$ (1,054,968)	$ (369,773)	(128)%

Revenues. For the nine months ended September 30, 2020 and 2019, the Company leased three facilities to licensees in Colorado. Total revenue for the nine months ended September 30, 2020 was $1,080,382, as compared to $1,257,255 for the nine months ended September 30, 2019, a decrease of $176,873, because we sold the Seattle leased location on May 6, 2019.

Gross profit. Rental revenue for the periods ended September 30, 2020 decreased over the prior nine months ended September 30, 2019, resulting in a gross profit of $222,847. This was due to the sale of the Seattle leased location on May 6, 2019.

General and administrative expenses. Our general and administrative expenses for the nine months ended September 30, 2020 were $883,449, compared to $1,272,086 for the nine months ended September 30, 2019. The decrease of $388,637 was largely attributable a reduction in executive stock compensation and consulting fees during nine months ended September 30, 2020.

Selling expenses. Our selling expenses for the nine months ended September 30, 2020 were $24,593, compared to $42,406 for the nine months ended September 30, 2019. The decline of $17,813 was due to reduction of services used related to selling and marketing.

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019	Increase (Decrease) $	Increase (Decrease) %
Other income (expense)				
Other income (expense)	$ 109,897	$ 217	$ 109,680	505%
Interest expense	(1,502,078)	(2,468,228)	966,150	(39)%
Gain on sale of lease	-	534,649	(534,649)	-%
Extinguishment of debt	(1,255)	218,196	(219,451)	(1005)%
Change in derivative liabilities	1,095,821	1,873,119	(777,298)	(41)%
Change in value of warrants	334	15,114	14,780	97%
Total other income (loss)	$ (297,281)	$ 173,067	$ (470,348)	(271)%

The Net Other Income (Loss) was the effect that the decline in market value of the Company's stock had on the derivative liability of $3,588,134 offset by recording the cost of triggering technical default penalties on certain convertible notes and the financing costs of new debt incurred by the Company. Our other income for the nine months ended September 30, 2020 was $109,897, compared to $217 for the nine months ended September 30, 2019. The increase of $109,680 was due to interest income, late payment fee income, and income from the receivables owed by the our sublease tenant of the Company's Colorado properties and affiliates of the tenant.

LIQUIDITY AND CAPITAL RESOURCES

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019	Increase (Decrease) $	Increase (Decrease) %
Net Cash used in operating activities	$ (326,196)	$ (424,519)	$ 97,647	(23)%
Net Cash provided by financing activities	398,944	726,000	327,056	45%
Net Increase/(Decrease) in Cash	72,749	301,481	229,409	76%
Cash - beginning of period	317,446	60,437	257,009	425%
Cash - end of period	$ 390,195	$ 361,918	$ 27,600	7.6%

Operating Activities. For the nine months ended September 30, 2020, the net cash used of $326,196 was a decrease over the same period of the prior year of net cash used of $424,519. The loss from operations after non-cash adjustments from prior year reflected a decrease of $2,179,736 under the prior year, and a decrease in net assets and liabilities of $234,191.

Financing Activities. During the nine months ended September 30, 2020, $100,000 in proceeds were from convertible notes payable and $100,000 from the sale of preferred stock. Payments of convertible notes payable was $7,500. For the nine months ended September 30, 2019, $100,000 in proceeds were from convertible notes payable. Payment of debt cost was $8,225.

COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency in response to a new strain of a coronavirus (the "COVID-19 outbreak"). In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Management is actively monitoring the global situation and its effects on the Company's industry, financial condition, liquidity, and operations. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020. However, if the pandemic continues, it may have a material adverse effect on the Company's results of future operations, financial position, and liquidity in fiscal year 2020.

Critical Accounting Policies

For the nine month period ending September 30, 2020, there were no other material changes to the "Critical Accounting Policies" discussed in Part II, Item 7 (Management's Discussion and Analysis of Financial Condition and Results of Operations) of our Annual Report on Form 10-K for the year ended December 31, 2019.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

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

ITEM 4. CONTROLS AND PROCEDURES.

We carried out an evaluation required by Rule 13a-15 of the Exchange Act under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of the Company's "disclosure controls and procedures" and "internal control over financial reporting" as of the end of the period covered by this Report.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act that are designed to ensure that information required to be disclosed in our reports filed or submitted to the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms, and that information is accumulated and communicated to management, including the principal executive and financial officer as appropriate, to allow timely decisions regarding required disclosures. Our principal executive officer and principal financial officer evaluated the effectiveness of disclosure controls and procedures as of the end of the period covered by this Annual Report (the "Evaluation Date"), pursuant to Rule 13a-15(b) under the Exchange Act.

Based on that evaluation, our principal executive officer and principal financial officer concluded that, as of the Evaluation Date, our disclosure controls and procedures were not effective to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure, due to material weaknesses in our control environment and financial reporting process.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). In evaluating the effectiveness of our internal control over financial reporting, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework (2013). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (b) provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the Company are being made only in accordance with authorizations of the our management and directors; and (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Based on our evaluation under the framework described above, our management concluded that we had "material weaknesses" (as such term is defined below) in our control environment and financial reporting process consisting of the following as of the Evaluation Date:

1) lack of a functioning audit committee due to a lack of a majority of independent members and a lack of a majority of outside directors on our Board of Directors, resulting in ineffective oversight in the establishment and monitoring of required internal control and procedures;

2) inadequate segregation of duties consistent with control objectives;

3) ineffective controls over period end financial disclosure and reporting processes; and

4) lack of accounting personnel with adequate experience and training.

A "material weakness" is defined under SEC rules as a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis by the company's internal controls.

As of the date of this Annual Report, the Company does not intend to remedy the foregoing and therefore such material weaknesses in our control environment and financial reporting process will continue due to lack of available capital. A system of controls, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the system of controls are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

Limitations on the Effectiveness of Controls

Our management, including our principal executive officer and principal financial officer, does not expect that our Disclosure Controls and internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision- making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management or board override of the control.

The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended September 30, 2020 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are currently not involved in any litigation that we believe could have a material adverse effect on our financial condition or results of operations. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of our company or any of our subsidiaries, threatened against or affecting our company, our common stock, any of our subsidiaries or of our companies or our subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect.

ITEM 1A. RISK FACTORS

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

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

During the three months ended September 30, 2020, $119,000 of notes, $8,166 of accrued interest and $210 additional fee was converted into 19,501,028 shares of common stock.

On July 3, 2020, Diego Pellicer Worldwide issued 2,000,000 shares of Common Stock in return for services rendered during fiscal year 2020. The Company will be issuing an additional 2,000,000 shares of Common Stock on December 31, 2020.

On July 20, 2020, Diego Pellicer Worldwide issued 1,800,000 shares of Common Stock in exchange for 12,000 shares of Series C Convertible Preferred Shares to Geneva.

On July 29, 2020, Diego Pellicer Worldwide issued 3,181,818 shares of Common Stock in exchange for 20,000 shares of Series C Convertible Preferred Shares to Geneva.

On August 4, 2020, Diego Pellicer Worldwide issued 2,423,077 shares of Common Stock in exchange for 15,000 shares of Series C Convertible Preferred Shares to Geneva.

On August 10, 2020, Diego Pellicer Worldwide issued 3,387,097 shares of Common Stock in exchange for 20,000 shares of Series C Convertible Preferred Shares to Geneva.

On August 14, 2020, Diego Pellicer Worldwide issued 3,442,623 shares of Common Stock in exchange for 20,000 shares of Series C Convertible Preferred Shares to Geneva.

On August 24, 2020, Diego Pellicer Worldwide issued 2,570,105 shares of Common Stock in exchange for 13,952 shares of Series C Convertible Preferred Shares to Geneva.

On September 3, 2020, Diego Pellicer Worldwide issued 3,818,182 shares of Common Stock in exchange for 20,000 shares of Series C Convertible Preferred Shares to Geneva.

On September 9, 2020, Diego Pellicer Worldwide issued 3,818,182 shares of Common Stock in exchange for 20,000 shares of Series C Convertible Preferred Shares to Geneva.

On September 11, 2020, Diego Pellicer Worldwide issued 2,962,500 shares of Common Stock in exchange for 15,800 shares of Series C Convertible Preferred Shares to Geneva.

On September 28, 2020, Diego Pellicer Worldwide issued 5,733,397 shares of Common Stock in exchange for $30,000 on convertible note held by JSJ Investments.

All of the foregoing sales of notes, securities and common stock conversions were made in reliance upon the exemption from the registration requirements of the Securities Act of 1933, as amended, provided by Section 4(a)(2) thereof, since these issuances represented transactions by an issuer not involving any public offering.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Example disclosures are not presented. For any indebtedness of the registrant exceeding 5% of the total consolidated assets of the registrant, if there has been material default in the payment of principal, interest, a sinking or purchase fund installment or any other material default. For material defaults in the payment of principal, interest, or a sinking or purchase fund installment, the registrant must state the amount of the default and the total amount in arrears as of the filing date.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibits

31.1	Certification of Principal Executive Officer of the Registrant pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer of the Registrant pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Principal Executive Officer pursuant to 18U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Principal Financial Officer of the Registrant pursuant to 18U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Schema
101.CAL	XBRL Taxonomy Calculation Linkbase
101.DEF	XBRL Taxonomy Definition Linkbase
101.LAB	XBRL Taxonomy Label Linkbase
101.PRE	XBRL Taxonomy Presentation Linkbase

* In accordance with SEC Release 33-8238, Exhibit 32.1 and 32.2 are being furnished and not filed.

SIGNATURES

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

DIEGO PELLICER WORLDWIDE, INC.

Date: November 20, 2020

By: */s/ Nello Gonfiatini III*
Nello Gonfiatini III, Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Nello Gonfiatini III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Diego Pellicer Worldwide, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal controls over financial reporting.

Date: November 20, 2020

By: */s/ Nello Gonfiatini III*
Nello Gonfiatini III, President
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Christopher Strachan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Diego Pellicer Worldwide, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

   a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are required to process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal controls

Date: November 20, 2020

By: */s/ Christopher Strachan*
Christopher Strachan, Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

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

In connection with the Quarterly Report of Diego Pellicer Worldwide, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Nello Gonfiatini III, Chief Executive Officer of the Company, certifies, pursuant to 18 U.S.C. section 1350 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: November 20, 2020

By: */s/ Nello Gonfiatini III*
Nello Gonfiatini III, Chief Executive Officer
(Principal Executive Officer)

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

EXHIBIT 32.2

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

In connection with the Quarterly Report of Diego Pellicer Worldwide, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Christopher Strachan, Chief Financial Officer of the Company, certifies, pursuant to 18 U.S.C. section 1350 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: November 20, 2020

By: */s/ Christopher Strachan*
Christopher Strachan, Chief Financial Officer
(Principal Financial Officer)

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