# 2016

## Third Quarter for the Fiscal Year Ended June 30, 2016

Financial Statements and Footnotes for the Quarter Ended March 31, 2016
As prescribed by OTC Pink® Basic Disclosure Guidelines

**Rocky Mountain High Brands, Incorporated (RMHB)**

**A Nevada Corporation Listed on the Pink OTC Market**

## Rocky Mountain High Brands, Inc.
## Balance Sheets
## (Unaudited)

| | March 31, 2016 | June 30, 2015 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash | $ 155,346 | $ 95,726 |
| Accounts Receivable | 95,406 | 132,201 |
| Inventory | 632,795 | 755,471 |
| Prepaid Expense | 1,755,505 | 988,026 |
| Investments | 185,400 | - |
| **Total Current Assets** | 2,824,452 | 1,971,424 |
| Property and Equipment, net | 51,607 | 14,687 |
| **Total Assets** | **$ 2,876,059** | **$ 1,986,111** |
| **LIABILITIES AND STOCKHOLDERS' DEFICIT** | | |
| **Current Liabilities** | | |
| Accounts Payable and Accrued Liabilities | 684,428 | $ 193,013 |
| Loans from Shareholders | 45,319 | 11,000 |
| Convertible Notes Payable, net of debt discount | 642,500 | 1,303,989 |
| Accrued Interest | 45,363 | 121,457 |
| Deferred Revenue | 500,000 | 29,952 |
| Derivative Liability | 1,918,124 | 11,504,057 |
| **Total Current Liabilities** | **3,835,734** | **13,163,468** |
| **Stockholders' Equity** | | |
| Preferred Stock - Series A - Par Value of $.001 | 1,000 | 1,000 |
| 1,000,000 shares authorized | | |
| 1,000,000 shares issued and outstanding as of March 31, 2016 and June 30, 2015 | | |
| Preferred Stock - Series B - Par Value of $.001 | - | - |
| 5,000,000 shares authorized | | |
| No shares outstanding as of December 31, 2015 and June 30, 2015 | - | - |
| Preferred Stock - Series C - Par Value of $.001 | 1,107 | - |
| 2,000,000 shares authorized | | |
| 1,107,607 and zero shares issued and outstanding as of March 31, 2016 and June 30, 2015 respectively | | |
| Preferred Stock - Series D - Par Value of $.001 | - | - |
| 2,000,000 shares authorized | | |
| No shares outstanding as of March 31, 2016 and June 30, 2015 | | |
| Common Stock - Par Value of $.001 | | |
| 800,000,000 shares authorized | | |
| 501,851,504 and 400,356,154 shares issued and outstanding as of March 31, 2016 and June 30, 2015 respectively | 501,852 | 400,356 |
| Additional Paid In Capital | 13,438,864 | 7,625,395 |
| Accumulated Deficit | (14,902,498) | (19,204,108) |
| **Total Stockholders' Deficit** | **(959,675)** | **(11,177,357)** |
| **TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT** | **$ 2,876,059** | **$ 1,986,111** |

**The Accompanying Notes are an Integral Part of the Financial Statement.**

# Rocky Mountain High Brands, Inc.
## Statements of Operations
## (Unaudited)

| | Three Months Ended March 31, 2016 | Nine Months Ended March 31, 2016 |
|---|---|---|
| **Sales** | $ 157,138 | $ 746,825 |
| **Cost of Sales** | 77,031 | 397,954 |
| **Gross Profit** | **80,107** | **348,871** |
| **Operating Expenses** | | |
| General and Administrative | 832,027 | 1,579,251 |
| Advertising and Marketing | 505,288 | 838,940 |
| **Total Operating Expenses** | 1,337,315 | 2,418,191 |
| **Loss from Operations** | **(1,257,208)** | **(2,069,320)** |
| **Other (Income)/Expenses** | | |
| Interest Expense | 14,902 | 166,486 |
| Debt Inducement Expense | - | 3,887,618 |
| (Gain)/Loss on extinguishment of debt | 945,838 | 945,838 |
| (Gain)/Loss on change in fair value of derivative liability | (414,273) | (11,370,870) |
| **Total Other (Income)/Expenses:** | 546,467 | (6,370,928) |
| **Income (Loss) before provision for income taxes** | **(1,803,675)** | **4,301,607** |
| Income tax provision | - | - |
| **Net Income (Loss)** | **$ (1,803,675)** | **$ 4,301,607** |
| **Income per share - Basic and diluted** | | |
| Income per common share | $ (0.00) | $ 0.01 |
| **Weighted average common shares outstanding** | 481,293,930 | 468,300,510 |

**The Accompanying Notes are an Integral Part of the Financial Statement.**

**Rocky Mountain High Brands, Inc.**
**Statement of Cash Flows**
**(Unaudited)**

| | | Nine Months Ended March 31, 2016 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net Income (Loss) | $ | 4,301,607 |
| **Adjustments to reconcile Net Income to Net Cash provided by operations:** | | |
| Non-cash interest expense | | 126,127 |
| Stock-based Compensation | | 496,866 |
| (Gain)/Loss on change in fair value of derivative liability | | (11,370,870) |
| (Gain)/Loss on extinguishment of debt | | 945,838 |
| Warrants issued for debt inducement | | 3,887,618 |
| Depreciation expense | | 8,199 |
| Changes in operating assets and liabilities: | | |
| Accounts Receivable | | 36,795 |
| Inventory | | 122,676 |
| Accounts Payable | | 491,414 |
| Deferred Revenue | | 470,048 |
| **NET CASH USED IN OPERATING ACTIVITIES** | | (483,682) |
| Investing Activities: | | |
| Investment in product development | | (19,400) |
| Acquisition of equipment | | (45,119) |
| **NET CASH USED IN INVESTING ACTIVITIES** | | (64,518) |
| Financing Activities: | | |
| Repayment of convertible notes | | (165,000) |
| Proceeds from issuance of notes payable | | 500,000 |
| Repayment of loan from shareholder | | 34,319 |
| Proceeds from issuance of common stock | | 238,500 |
| **NET CASH PROVIDED BY FINANCING ACTIVITIES** | | 607,819 |
| **INCREASE IN CASH** | | 59,619 |
| **CASH - BEGINNING OF PERIOD** | | 95,726 |
| **CASH - END OF PERIOD** | $ | 155,345 |
| ***Supplemental cash flow information:*** | | |
| **Cash paid during the period for:** | | |
| Interest | | 0 |
| Income taxes | | 0 |
| **Supplemental disclosure of non-cash financing and investing activities:** | | |
| Derivative liability incurred for debt discount | $ | 3,887,618 |
| Common stock issued for acquisition | $ | 2,000 |
| Common stock issued for conversion of debt | $ | 141,440 |
| Derivative liability relieved upon conversion of related debt | $ | 3,691,042 |

**The Accompanying Notes are an Integral Part of the Financial Statement.**

**Rocky Mountain High Brands, Inc.**
**Notes to Unaudited Financial Statements**
**March 31, 2016**
**(Unaudited)**

## 1. Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial statements. Accordingly, they do not contain all information and footnotes required by accounting principles generally accepted in the United States of America for annual financial statements. In the opinion of the Company's management, the accompanying unaudited financial statements contain all the adjustments necessary (consisting only of normal recurring accruals) to present the financial position of the Company as of March 31, 2016 and the results of operations and cash flows for the nine months ended March 31, 2016. The results of operations for nine and three months ended March 31, 2016 are not necessarily indicative of the operating results for the full fiscal year or any future period. These unaudited consolidated financial statements should be read in conjunction with the financial statements and related notes thereto for the year ended June 30, 2015.

## 2. General

Rocky Mountain High Brands, Inc. (RMHB or the Company) is a publicly-traded company that has developed a lineup of "hemp-infused" beverages, wine-based products, and beer and liquor products (the wine, beer and liquor products have been formulated, but are not ready for market.) RMHB is also developing a lineup of products containing Cannabinoids (CBD).

On October 23, 2015, the Company changed its name from Totally Hemp Crazy, Inc. to Rocky Mountain High Brands, Inc. Rocky Mountain High common stock trades on OTC Markets Pink Sheets under the ticker: RMHB.

## 3. Summary of Significant Accounting Policies

***Use of Estimates***

The preparation of the financial statements in conformity with Generally Accepted Accounting Principles ("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. Certain Company estimates could be affected by external conditions, including those unique to its industry, and general economic conditions. It is possible that these external factors could have an effect on the Company's estimates that could cause actual results to differ from its estimates. The Company re-evaluates all of its accounting estimates at least quarterly based on these conditions and record adjustments when necessary.

***Fair Value Measurements***

The Company adopted the provisions of ASC Topic 820, "Fair Value Measurements and Disclosures", which defines fair value as used in numerous accounting pronouncements, establishes a framework for measuring fair value, and expands disclosure of fair value measurements.

The estimated fair value of certain financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses are carried at historical cost basis, which approximates their fair values because of the short-term nature of these instruments. The carrying amounts of our short and long term credit obligations approximate fair value because the effective yields on these obligations, which include contractual interest rates taken together with other features such as concurrent issuances of warrants and/or embedded conversion options, are comparable to rates of returns for instruments of similar credit risk.

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 describes three levels of inputs that may be used to measure fair value:

- Level 1 — quoted prices in active markets for identical assets or liabilities.
- Level 2 — quoted prices for similar assets and liabilities in active markets or inputs that are observable.
- Level 3 — inputs that are unobservable (for example cash flow modeling inputs based on assumptions).

The derivative liability in connection with the conversion feature of the convertible debt, classified as a Level 3 liability, is the only financial liability measured at fair value on a recurring basis.

The change in the Level 3 financial instrument is as follows:

| | |
|---|---|
| Balance, July 1, 2015 | $11,504,057 |
| Issued during the Period | 3,887,618 |
| Converted during the nine months ended March 31, 2016 | (2,102,681) |
| Change in fair value recognized in operations | (11,370,871) |
| | |
| Balance, March 31, 2016 | $1,918,124 |

The estimated fair value of the derivative instruments was valued using the Black-Scholes option pricing model, using the following assumptions as of March 31, 2016:

| | |
|---|---|
| Estimated Dividends | None |
| Expected Volatility | 223% |
| Risk Free Interest Rate | 0.12% |
| Expected Term | .01 to 1 years |

***Income Taxes***

The Company use the asset and liability method of accounting for income taxes in accordance with ASC Topic 740, "Income Taxes." Under this method, income tax expense is recognized for the amount of: (i) taxes payable or refundable for the current year and (ii) deferred tax consequences of temporary differences resulting from matters that have been recognized in an entity's financial statements or tax returns. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date. A valuation allowance is provided to reduce the deferred tax assets reported if based on the weight of the available positive and negative evidence. It is more likely than not some portion or all of the deferred tax assets will not be realized.

ASC Topic 740.10.30 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Topic 740.10.40 provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company has no material uncertain tax positions.

## 4. Going Concern

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has an accumulated deficit of $14,902,498 at March 31, 2016 and has generated operating losses since inception. These factors, among others, raise substantial doubt about the ability of the Company to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to generate revenues and its ability to continue raising capital from third parties.

## 5. Investments

On September 18, 2015, the Company, through a series of transactions acquired 5,000,000 shares of Dollar Shots Club, Inc. ("DSC") in exchange for 2,000,000 shares of common stock. The shares of DSC are being carried on the accompanying balance sheet based on the shares of stock given in exchange for the investment. The Company is accounting for the investment on the cost basis of accounting being that the shares represent approximately 5 of the total outstanding shares of DSC and the Company does not have any significant influence in DSC.

## 6. Convertible Notes Payable

During 2011 and 2012, the Company entered into a series of convertible notes with six lenders aggregating $110,000. These were one-year term notes at 12% interest and convertible to common stock at a conversion price of $.05 per share. As a part of the Bankruptcy Reorganization Plan confirmed in July 2014, the accrued interest on these notes was forgiven and the notes became zero interest bearing notes. During the nine months ended March 31, 2016 $40,000 of these notes were converted into 24,000,000 shares of common stock. As of March 31, 2016, the principal balance on these notes was $70,000.

In 2012, the Company entered into a $40,000 convertible note payable with an individual. The notes matured one-year from the date of issuance, bear interest at 12% per annum, and is convertible into shares of common stock at $.001. In 2015, the lender sold and re-assigned $17,500 of this note. The new note holders converted the $17,500 of principal into 17,500,000 shares of common stock. As of March 31, 2016 the principal balance on these notes was $22,500.

On March 25, 2015, the Company entered into an amended and restated convertible promissory note with Roy Meadows, which amended two previously issued notes dated February 5, 2013 and July 17, 2014. According to the terms of the note, the Company may borrow up to an aggregate of $1,500,000. The note bears interest at 12% per annum, and the holder may demand repayment of any portion of the note after one year from the effective date of the note. The note is convertible in whole or in part at a conversion price per share equal to the lesser of $.001 per share, or at an 80% discount to the average of the five lowest bid prices during the thirty trading days prior to the date of the conversion notice. Mr. Meadows is limited in his conversions whereby he may not at any time own more than 9.99% of the Company's outstanding common stock. Mr. Meadows may, at his option, file a UCC-1 financing statement against all assets of the Company and have a guarantee and security agreement with the principal controlling for majority shareholders of the Company. On November 16, 2015, the debtholder converted $1,107,606 of principal and accrued interest into 1,107,607 shares of preferred C shares of the Company. Each Series C preferred share can be converted to 50 shares of common stock.

In connection with the conversion, and as an inducement for the debtholder to convert, the Company issued him warrants to purchase 41,454,851 shares of the Company's common stock at an exercise price per share of the lesser of $.005 or an eighty percent discount to the average of the five lowest bid prices during the 30 trading days prior to the date of exercise. The warrant may be exercised, in whole or in part, beginning on the date which is the earlier of six months from the Company becoming a Reporting Company (as defined in the warrant) or one year from the date of issuance. The warrant is for a period of 3 years, and contains customary anti-dilution provisions.

On October 5, 2014, the Company entered into a convertible note with an individual for $12,500. The note matured on October 5, 2016, bears interest at 8% per annum, and contains a conversion feature at a conversion price of $0.001 per share. On February 2, 2106, the noteholder sold $8,000 of the convertible note to two separate third parties who converted the notes for a total of 8,000,000 shares of common stock. The noteholder converted the remainder of the note for 4,500,000 shares of the Company's common stock.

On February 2, 2015, the Company entered into a convertible note with an individual for $165,000 (with a $5,000 original issue discount). The note matured on May 2, 2015, which was extended to August 2, 2015, bears interest at 12% per annum, and is convertible in whole or in part at a conversion price per share equal to the lesser of $.001 per share, or at an 80% discount to the average of the five lowest bid prices during the thirty trading days prior to the date of the conversion notice. The holder is limited in his conversions, whereby, he may not at any time own more than 9.99% of the Company's outstanding common stock. In August 2015, the Company repaid the note plus accrued interest.

On March 20 and March 23, 2015, the Company entered into separate convertible notes with an individual for $25,000 each. The notes mature one-year from the date of issuance, bear interest at a rate of 7% per annum, and contained a conversion feature at $.50 of the average bid price for common stock over a trailing 10-day period. The holders are limited in their conversions whereby they may not at any time own more than 4.9% of the Company's outstanding common stock. As of March 31, 2016, the principal balance on the note was $50,000. The notes were past due on March 31, 2016. On April 28, 2016, the individual converted the note to 2,160,105 of common shares. See Note 11.

On March 23, 2015, the Company entered into a convertible note with an individual for $12,500. The note matured one-year from the date of issuance, bears interest at a rate of 18% per annum, and is convertible into shares of the Company's common stock at a conversion price of $.04 per share. The note was repaid to the individual on March 22, 2016.

In October 2015, the Company entered into a $500,000 note payable at 12% simple interest for a one year period with Roy Meadows. The note is convertible upon maturity if not paid by the company prior thereto at $0.02 per share and a 25,000,000 share maximum. There is an option to renew with a fee of 10% principle and accrued interest.

The Company has determined that the conversion feature embedded in the notes referred to above, that contain a potential variable conversion amount, constitutes a derivative which has been bifurcated from the note and recorded as a derivative liability, with a corresponding discount recorded to the associated debt. The excess of the derivative value over the face amount of the note is recorded immediately to interest expense at inception. The above notes are presented net of a discount of none and $53,013 on March 31, 2016 and June 30, 2015, respectively, on the accompanying balance sheet.

## 7. Deferred Revenue

In June 2015, the Company entered into an exclusive manufacture and supply agreement with Rodney Peterson or his designee, Rocky Mountain High Canada (RMHC) for distribution rights to Rocky Mountain High Canada, Inc. Under the agreement, RMHC was required to pay the Company $500,000 before June 30, 2015 and submit an additional $150,000 prior to the production run for the 1,000,000 cans of product covered under the agreement. At this time the Company does not expect Rodney Peterson nor Rocky Mountain High Canada, Inc. to fulfill its contractual obligation. Rocky Mountain High Brands, Inc. has filed a breach of contract law suit with the objective of recovering outstanding obligations. The Company received $200,000 on July 29, 2015 and $300,000 on August 28, 2015, which has been recorded as deferred revenue in the accompanying balance sheet at March 31, 2016.

## 8. Stockholder's Equity

### *Series C Preferred stock*

The Company amended its Articles of Incorporation as of November 13, 2015 to create a Series C preferred shares, which are 12% interest bearing, cumulative, exchangeable, non-voting, convertible preferred stock of the Company. Each Series C preferred share can be converted to 50 shares of common stock.

As of November 16, 2015, the holder of a convertible note aggregating $1,107,607 of principal and accrued interest, agreed to a dollar for dollar exchange for same number of preferred C shares.

***Series D Preferred Stock***

The Company amended its Articles of Incorporation as of March 21, 2016 to create a Series D preferred shares, which are non-voting, none-interest bearing convertible preferred stock of the Company. Each Series C preferred share can be converted to 100 shares of common stock.

As of March 31, 2016, there are 2,000,000 shares of Series D preferred shares authorized and zero outstanding.

***Common Stock***

During the nine months ended March 31, 2016, the Company issued 6,125,000 shares of common stock for proceeds of $233,500.

During the nine months ended March 31, 2016, the company issued 3,650,000 shares of common stock for services rendered valued at $197,125. 1,000,000 shares were returned with a value of $140,000 under a settlement agreement for services that were never rendered.

During the nine months ended March 31, 2016, the Company issued 64,220,350 shares of common stock for the conversion of $64,220 of convertible debt to Roy Meadows prior to executing the exchange agreement to Series C preferred stock.

During the nine months ended March 31, 2016, the Company issued 36,500,000 shares of common stock for the conversion of $36,500 of convertible debt to convertible note holders referred to in Note 6.

On July, 17 2015, the Company issued 2,000,000 shares of common stock to acquire all of the assets of Dollar Shots Club, LLC.

On March 23, 2016 Thomas Shuman returned 10,000,000 shares under a settlement agreement in connection with the termination of his employment contract.

***Warrants***

On January 4, 2016 and in connection with the employment terms of three (3) executive officers, the Company issued warrants in aggregate to purchase 20,000,000 shares of the Company's common stock at an exercise price per share of $.001. The warrant may be exercised, in whole or in part, beginning on the date of issuance and becomes fully vested in six months. The warrants are for a period of 5 years, and contains customary anti-dilution provisions.

On February 28, 2016 and in connection with the commitment terms of two (2) Board of Directors, the Company issued warrants in aggregate to purchase 14,000,000 shares of the Company's common stock at an exercise price per share of $.001. The warrant may be exercised, in whole or in part, beginning on the date of issuance and becomes fully vested in six months. The warrants are for a period of 5 years, and contains customary anti-dilution provisions.

**Item 9. Legal Proceedings**

193rd Judicial District Court of Dallas County Texas. Rocky Mountain High Brands, Inc. (RMHB) FKA Totally Hemp Crazy, Inc. V Rodney Peterson (Peterson) and Rocky Mountain High Canada, Inc. (RMHC), Case #DC-16-01416; Date Filed: February 4, 2016.

Parties entered into a written agreement for the manufacture and supply of products produced under the Rocky Mountain High Brands, Inc. brand. The terms of the agreement are RMHB would manufacture and supply one million cans of our product FOB Memphis, Tennessee to Peterson, upon receipt of $650,000 from Peterson to RMHB to pay for the manufacture of the cans. Peterson paid $500,000 toward the $650,000 manufacture. Peterson defaulted under the terms of the agreement by failing to pay the remaining $150,000. RMHB tendered default notice, but Peterson failed to cure the default. RMHB terminated the agreement in accordance with its terms. RMHB seeks declaratory judgment that it is entitled to its profits as damages in the amount in excess of $500,000.

44th Judicial District Court of Dallas County Texas. Rocky Mountain High Brands, Inc. (RMHB) FKA Totally Hemp Crazy, Inc. V Donna Rayburn (Rayburn), Case #DC-16-02131; Date Filed: February 23, 2016.

RMHB and Rayburn entered into a convertible promissory note dated February 2, 2015 for the original principal amount of $165,000 (with a $5,000 original issue discount). On August 29, 2015, RMHB paid to Rayburn $197,773.95, representing return of principal and interest earned during the life of the loan. On February 19, 2016, Rayburn issued an additional demand of interest and penalties totaling $99,487.92. Rayburn has charged $137,261.87 in interest and penalties on a $160,000 loan for one year and 17 days for an effective annual interest rate of 85.77%. As additional consideration for the note, RMHB was required to issue a warrant to Rayburn for 10,000,000 of common stock. RMHB seeks a cancellation of the note and additional monetary recovery in the total amount paid to Rayburn, plus additional recovery for all usurious interest charged. RMHB also seeks to void the warrant for 10,000,000 shares of common stock, which was issued under a voidable note. The amount which RMHB seeks from Rayburn is in excess of $300,000.

On March 14, 2016, RMHB amended the Rayburn suit to add Meadows as a party Defendant. RMHB has asserted usury claims in connection with $1,500,000 demand convertible note referenced below in the section pertaining to the Meadows Arbitration Claim. RMHB seeks unspecified monetary damages in connection with the Meadows Note, and further seeks cancellation of a warrant for 41,454,851 shares of common stock issued to Meadows in connection with the Meadows Note and cancellation of the Meadows Note.

Arbitration Claim of Roy J. Meadows (Meadows) Against Rocky Mountain High Brands, Inc. (RMHB) dated February 24, 2016.

Meadows claims a breach of an exchange agreement dated November 3, 2015. RMHB has denied the breach. Meadows has invoked arbitration.

Eighteenth Judicial Circuit Court of Seminole County, Florida, Rocky Mountain High Brands, Inc. v. Roy Meadows, David Meadows et al, Case No. 2016-CA-000958-15-W.

The Company filed suit for an injunction against continuation of the Meadows Arbitration. A hearing on that injunction is being set. The Meadows Arbitration hearing currently has no date for commencement of the Arbitration hearing. Shortly after the suspension of the Arbitration hearing, on April 20, 2016, false, malicious, and defamatory allegations were asserted by the Shareholder Alert inappropriately released by the Law Office of A.A. McClanahan, Meadow's attorney.

The Company has filed in the Seminole Suit a Motion for Leave To Amend its current suit to add claims against Meadows for usury, cancellation of warrants and defamation as a result of the Shareholder Alert press release.

The Company is investigating facts surrounding Meadows and others and may amend its Florida lawsuit to seek more than $20 Million in damages and disgorgement of Meadows and Rayburn profits on questionable trading activities.

Douglas County District Court, Colorado, Case No. 2015CV030672, Totally Hemp Crazy, Inc. et al v. Cannalife USA, Ltd et al.

Suit filed by the Company and Jerry Grisaffi against Defendants for Defamation, Conspiracy, and Intentional Interference with Prospective Business Relations.

101st Judicial District Court of Dallas County, Texas, Case No DC-16-01220. Fanco Global Acquisitions, LLC v Rocky Mountain High Brands, Inc.

Suit filed against the Company for alleged finders' fee commissions. The Company contests and opposes the claim.

## 10. Income taxes

As of March 31, 2016, the Company had approximately $7,500,000 of federal and state net operating loss carryovers ("NOLs") which begin to expire in *2027*. Utilization of the NOLs may be subject to limitation under the Internal Revenue Code Section 382 should there be a greater than 50% ownership change as determined under regulations.

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based on the assessment, management has established a full valuation allowance against all the deferred tax asset relating to NOLs for every period because it is more likely than not that all of the deferred tax asset will not be realized.

## 11. Subsequent Events

During April 2016, the Company sold 25,000,000 at $.02 per share for proceeds of $500,000 to fund its operations and produce inventory in May.

As of March 31, 2016, the principal balance of the individual's note outstanding was $50,000 and past due. On April 28, 2016, the individual converted the note to 2,160,105 shares of common stock.