THE SUSTAINABLE GREEN TEAM, LTD. AND SUBSIDIARIES

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FISCAL QUARTER ENDED JULY 2, 2022

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THE SUSTAINABLE GREEN TEAM AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	July 2, 2022	January 1, 2022
ASSETS		
Current Assets		
Cash	$ 55,544	$ 788,242
Short-term investments	52	52
Accounts receivable, net of allowance for doubtful accounts	516,170	2,538,626
Due from Factor	997,558	-
Inventories	6,872,474	7,588,085
Prepaid expenses and other current assets	1,985,014	1,503,504
Total Current Assets	10,426,812	12,418,509
Property and equipment, net	59,298,068	52,049,146
Other Assets		
Long-term investments	1,075,426	1,051,702
Goodwill	324,000	324,000
Intangibles, net	79,160	84,440
ROU asset	847,037	977,355
Total Other Assets	2,325,623	2,437,497
Total Assets	$ 72,050,503	$ 66,905,152
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	$ 4,559,059	$ 2,671,776
Current portion of lease liability	211,950	249,186
Notes payable	8,074,043	4,486,461
Total Current Liabilities	12,845,052	7,407,423
Long-term Liabilities		
Lease liabilities, net of current portion	654,149	751,606
Notes payable, net of current portion	18,663,621	17,480,621
Total Long-term Liabilities	19,317,770	18,232,227
Total Liabilities	32,162,822	25,639,650
Commitments and contingencies		
Stockholders' Equity		
Preferred Series A stock, $0.0001 par value, 5,000,000 shares authorized, 90 shares outstanding	-	-
Common stock, $0.0001 par value; 245,000,000 shares authorized; 88,026,816 and 90,460,425 shares issued and outstanding, respectively	8,569	9,046
Additional paid-in capital	34,961,858	34,636,450
Retained earnings	4,917,254	6,620,006
Total Stockholders' Equity	39,887,681	41,265,502
Total Liabilities and Stockholders' Equity	$ 72,050,503	$ 66,905,152

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

THE SUSTAINABLE GREEN TEAM AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended		Six Months Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Net Revenue	$ 12,224,356	$ 11,697,421	$ 22,553,804	$ 20,989,352
Cost of revenue	12,034,443	10,998,669	21,241,500	18,889,880
Total gross profit	189,913	698,752	1,312,304	2,099,472
Operating expenses				
Selling, general and administrative	1,296,221	1,058,349	2,571,627	2,223,303
Depreciation and amortization	5,640	7,740	11,280	14,600
Total operating expenses	1,301,861	1,066,089	2,582,907	2,237,903
Income (loss) from operations	(1,111,948)	(367,337)	(1,270,603)	(138,431)
Other income (expense)				
Interest expense, net	(498,278)	(235,797)	(923,322)	(485,585)
Bargain purchase gain	-	-	598,300	-
Debt forgiveness	1,236,080	1,458,200	1,236,080	1,458,200
Gain on sales of fixed assets	-	-	16,923	-
Other income, net	57,664	3,534	124,269	(47)
Total other expense	795,466	1,225,937	1,052,250	972,568
Income (loss) before provision for income taxes	(316,482)	858,600	(218,353)	834,137
Provision for income taxes	-	(58,315)	21,968	38,656
Net Income (loss)	$ (316,482)	$ 916,915	$ (240,321)	$ 795,481
Net Income (loss) per common share - basic	$ (0.00)	$ 0.01	$ (0.00)	$ 0.01
Net Income (loss) per common share - diluted	$ (0.00)	$ 0.01	$ (0.00)	$ 0.01
Weighted average shares outstanding - basic	85,723,155	89,493,405	87,410,242	89,466,757
Weighted average shares outstanding - diluted	91,363,159	89,493,405	93,050,246	89,466,757

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

THE SUSTAINABLE GREEN TEAM AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)

Six Months Ended July 2, 2022:	Preferred Stock		Common Stock		Additional Paid-in	Retained	
	Shares	Amount	Shares	Amount	Capital	Earnings	Total
Balance at January 1, 2022	90	$ -	90,460,425	$ 9,046	$34,636,450	$ 6,620,006	$41,265,502
Stock subscriptions			1,466,667	147	1,099,853		1,100,000
Stock redemptions			(3,900,275)	(390)	(584,651)	(877,459)	(1,462,500)
Net income						76,161	76,161
Balance at April 2, 2022	90	$ -	88,026,817	$ 8,803	$35,151,652	$ 5,818,710	$40,979,163
Stock subscriptions			266,667	26.67	199,973		200,000
Stock redemptions			(2,600,183)	(260)	(389,767)	(584,972)	(975,000)
Net loss						(316,482)	(316,482)
Balance at July 2, 2022	90	$ -	85,693,300	$ 8,569	$34,961,858	$ 4,917,256	$39,887,681

Six Months Ended July 3, 2021:	Preferred Stock		Common Stock		Additional Paid-in	Retained	
	Shares	Amount	Shares	Amount	Capital	Earnings	Total
Balance at January 2, 2021	90	$ -	89,168,405	$ 8,917	$ 6,825,996	$ 3,957,946	$10,792,859
Stock issued for 2020 debt inducement			300,000	30	62,970		63,000
Stock issued for compensation			25,000	3	28,797		28,800
Net loss						(121,435)	(121,435)
Balance at April 3, 2021	90	$ -	89,493,405	$ 8,950	$ 6,917,763	$ 3,836,511	$10,763,224
Net income						916,915	916,915
Balance at July 3, 2021	90	$ -	89,493,405	$ 8,950	$ 6,917,763	$ 4,753,426	$11,680,139

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

THE SUSTAINABLE GREEN TEAM AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended	
	July 2, 2022	**July 3, 2021**
Cash flows from operating activities:		
Net Income (Loss)	$ (240,321)	$ 795,481
Adjustments to reconcile net loss to net cash used in operating activities:		
Provision for doubtful accounts	-	(350)
Depreciation and amortization	1,819,666	1,692,744
Common stock issued as compensation	-	28,800
Equity investment in long term investment	(50,667)	-
Bargain purchase gain	(598,300)	-
Gain on sale of fixed assets	(16,923)	-
Gain on Paycheck Protection Program debt forgiveness	(1,236,080)	(1,458,200)
Changes in operating assets and liabilities:		
Accounts receivable, net	1,469,366	(2,206,528)
Due from Factor	(997,558)	-
Inventory	715,611	1,470,093
Prepaid expenses and other current assets	(481,510)	5,372
Accounts payable and accrued expenses	1,887,283	1,049,101
Net cash from (used in) operating activities	2,270,567	1,376,513
Cash flows from investing activities:		
Purchases of property, and equipment & ROU assets	(3,450,109)	(323,864)
Net short-term investment redemptions (purchases)	-	(600,411)
Proceeds from long-term investments	26,943	34,580
Net cash from (used in) investing activities	(3,423,166)	(889,695)
Cash flows from financing activities:		
Borrowings under factoring	10,585,975	-
Repayments under factoring	(10,032,885)	-
Principal payments on leases	(134,694)	(87,699)
Proceeds from notes payable	4,507,500	1,236,080
Payment on notes payable	(3,368,495)	(701,130)
Payment on notes payable, related parties	-	(698,194)
Stock Subscriptions	1,300,000	-
Stock redemptions	(2,437,500)	-
Net cash provided by (used in) financing activities	419,901	(250,943)
Net increase (decrease) in cash	(732,698)	235,875
Cash - beginning of period	788,242	506,287
Cash - end of period	$ 55,544	$ 742,162

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

THE SUSTAINABLE GREEN TEAM AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS continued
(Unaudited)

	Six Months Ended	
	July 2, 2022	July 3, 2021
Supplemental cash flow information:		
Cash paid for:		
Interest	$ 954,687	$ 186,003
Income taxes	$ -	$ -
Non-cash investing and financing activities:		
Forgiveness on note payable	$ 1,236,080	$ 1,458,200
Purchase of property and equipment for notes payable	$ 4,867,658	$ 197,515
Acquisition of right of use assets for lease obligations	$ -	$ 684,142
Property and equipment bargain purchase recognition	$ 598,300	
Stock issued for accrued debt inducement	$ -	$ 63,000

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

NOTE 1 – ORGANIZATION AND BUSINESS OPERATIONS

Corporate History

The Sustainable Green Team, Ltd., (f/k/a Sierra Gold Corp.) (the "Parent" or "SGTM"), a Delaware corporation, conducts business activities principally through its three wholly-owned subsidiaries: National Storm Recovery LLC ("NSR LLC"), a Delaware limited liability company, Mulch Manufacturing, Inc., an Ohio corporation ("MM") and Sierra Gold Merger Corp. ("SGMC"), a Delaware corporation (collectively, the "Company").

The Company was initially formed, under the name Alpha Diamond Corporation in the State of Nevada on January 22, 1997. It's undergone multiple name changes over the years and a domicile change to Wyoming on February 15, 2011.

Effective April 18, 2019, Sierra Gold Corp., ("SGCP"), entered into an equity exchange agreement (the "Merger"), as amended on December 31, 2019 with NSR LLC, pursuant to which SGCP acquired all of the membership units of NSR LLC. Upon closing, NSR LLC became a wholly-owned subsidiary of SGCP.

On July 22, 2019, a Certificate of Amendment was filed with the State of Wyoming to change the name of the Company from "Sierra Gold Corporation" to "National Storm Recovery, Inc." and to affect a 1 for 10,000 reverse stock split. At September 11, 2019, the Company's trading symbol changed from "SGCP" to "NSRI".

The stock split decreased the issued and outstanding shares of its common stock from 3,406,865,285 to 602,636 (after rounding up to a 100 share minimum) before SGCP issued 40,000,000 shares of its common stock to the members of NSR LLC as consideration for the equity interest's exchange. As a result of the Merger, NSR LLC members acquired 99% of SGCP's issued and outstanding shares of common stock and SGCP changed its principal focus to providing tree services, debris hauling and removal, biomass recycling, mulch manufacturing, packaging and sales.

The Merger was treated as a reverse recapitalization effected by an equity exchange for financial and reporting purposes since SGCP was deemed to be a shell corporation with nominal operations and no assets at the time of the merger. NSR LLC is considered the acquirer for accounting purposes, and the SGCP's historical financial statements before the Merger have been replaced with the historical financial statements of NSR LLC before the Merger in future filings.

On December 31, 2019, the Company entered into a restructuring as a holding company pursuant to Delaware General Corporation Law ("DGCL") §251(g) known as "the Delaware Holding Company Statute." In order to affect this restructuring NSRI and NSR LLC company each changed domiciles to the State of Delaware by filing Certificates of Conversion. Immediately thereafter, NSRI incorporated SGTM as its wholly-owned subsidiary and SGTM formed Sierra Gold Merger Corp., a Delaware corporation ("SGMC") as its wholly-owned subsidiary. Similarly, NSR LLC issued SGTM, 1,000 limited liability company Common Membership Units. Each of the four parties next executed an Agreement and Plan of Merger (the "Merger Agreement") as well as a Certificate of Merger, the latter of which was filed with the Delaware Secretary of State Division of Corporations on December 31, 2019 (collectively, the "Reorganization"). Pursuant to the terms of the Reorganization, NSRI merged down into SGMC with SGMC surviving as the successor to the reorganization, with all of the assets and liabilities of NSRI merging into SGMC and the separate existence of NSRI ceasing. The shares of SGTM and Membership Interests of NSR LLC, held by NSRI were canceled in the reorganization as part of the restructuring and the shares of NSRI became exchangeable for shares of SGTM on a one for one basis making SGTM the parent to both SGMC and NSR LLC as well as making SGTM the publicly-traded successor to NSRI. After obtaining FINRA approval on July 21, 2020, the Company changed its trading symbol to SGTM.

Effective January 31, 2020, the Company entered into a Business Combination Agreement (the "Mulch Acquisition") pursuant to which MM has become its wholly-owned subsidiary. Under the Mulch Acquisition, all issued and outstanding common stock in MM were converted into an aggregate of 40,000,000 shares of the Company's common stock (See Note 5).

The Company closed on the acquisition of 100% of the membership interests in Day Dreamer Productions LLC (DDP) on December 30, 2021. DDP is in the business of producing informational and promotional videography (See Note 5).

The Company closed on the acquisition of the Beaver, Washington real estate property on March 18, 2022. The Beaver mill is expected to come online in 2024 (See Note 5).

Business Overview

The Company provides tree services, debris hauling and removal, biomass recycling, mulch manufacturing, packaging and sales. The Company's objective is to provide a solution for the treatment and handling of tree debris that has historically been disposed of in landfills, creating an environmental burden and pressure on disposal sites around the nation. This objective is founded in sustainability, based on vertically integrated operations that begin with collecting of tree debris through its tree services and collection sites, through its processing services, and then recycling and using that tree debris as a feedstock that is manufactured into a variety of organic, attractive, next-generation mulch products that are packaged and sold to landscapers, installers, and garden centers. The Company plans to expand its operations through a combination of organic growth and strategic acquisitions of synergistic companies that are both accretive to earnings and enable the Company to be positioned for rapid growth. The Company operates in a highly seasonal industry generating most of its sales and profits in the first six months of the year.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements as of July 2, 2022 and January 1, 2022 and for the three months and six months ended July 2, 2022 and July 3, 2021 have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). In the opinion of management, such financial information includes all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation of the Company's financial position at such date and the operating results and cash flows for such periods. Operating results for the three months and six months ended July 2, 2022 are not necessarily indicative of the results that may be expected for the entire year or for any subsequent interim period.

The Company has adopted the period end dates conforming to the industry standards used by MM, the Company's largest operating subsidiary. These period end dates follow a 52/53 week fiscal year which ends on the Saturday nearest to December 31.

These unaudited condensed consolidated financial statements and related notes should be read in conjunction with the audited financial statements included in the Company's Independent Audit for Years Ended January 1, 2022 and January 2, 2021 filed with the OTC Markets on March 31, 2022.

Principles of Consolidation

The unaudited condensed consolidated financial statements are presented on a comparative basis. The unaudited condensed consolidated balance sheets at July 2, 2022 and January 2, 2022 includes the accounts of SGTM, NRS LLC, MM, DDP LLC, Rose, and SGMC.

The unaudited condensed consolidated statement of operations for the three and six months periods ended July 2, 2022 includes the accounts of SGTM, NRS LLC, MM, DDP LLC, Rose, and SGMC. For the three and six months periods ended July 3, 2021 includes the accounts of SGTM, NRS LLC, MM, Rose, and SGMC.

The unaudited condensed consolidated statement of changes in stockholders' equity for the three and six months ended July 2, 2022, includes the account balances of SGTM, NRS LLC, MM, DDP LLC, Rose, and SGMC. The three and six months ended July 3, 2021, includes the account balances of SGTM, NRS LLC, MM, Rose, and SGMC.

The unaudited condensed consolidated statement of cash flows for the period ended July 2, 2022 includes the accounts of SGTM, NRS LLC, MM DDP LLC, and Rose. The six months ended July 3, 2021, includes the accounts of SGTM, NRS LLC, MM and Rose.

Use of Estimates

The preparation of the unaudited condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, equity-based transactions, revenue and expenses and disclosure of contingent liabilities at the date of the consolidated financial statements. The Company bases its estimates and assumptions on historical experience, known or expected trends and various other assumptions that it believes to be reasonable. As future events and their effects cannot be determined with precision, actual results could differ from these estimates which may cause the Company's future results to be affected.

Revenue

The Company's revenues are derived from two major types of services to clients: landscape recovery services and the manufacturing and sale of landscape mulch. With respect to landscape recovery services, the Company provides tree services, debris hauling and removal and biomass recycling.

The Company recognizes revenue when its performance obligations are satisfied. With respect to landscape recovery services, its performance obligation is satisfied upon the completion of the landscape services for its customers. With respect to the manufacturing and selling of landscape mulch, its performance obligation is satisfied upon delivery to its customers. Services are provided for cash or on credit terms. These credit terms, which are established in accordance with local and industry practices, require payment generally within 30 days of performance or end of season for qualifying orders. The Company estimates and reserves for its bad debt exposure based on its experience with past due accounts and collectability, the aging of accounts receivable and its analysis of customer data.

Disaggregated Revenues

Revenue consists of the following by service and product offering for the three months ended July 2, 2022 and July 3, 2021:

	Three Months Ended		Six Months Ended	
	July 2, 2022	**July 3, 2021**	**July 2, 2022**	**July 3, 2021**
Landscaping Recovery Services	$ 1,166,555	$ 876,233	$ 2,103,030	$ 1,576,547
Manufacturing and Sales of Mulch	$ 11,057,801	$ 10,821,188	$ 20,450,774	$ 19,412,805
Total	$ 12,224,356	$ 11,697,421	$ 22,553,804	$ 20,989,352

Cash

The Company considers all highly liquid short-term instruments that are purchased with an original maturity of three months or less to be cash equivalents. The Company did not have any cash equivalents as of July 2, 2022 and January 1, 2022.

Account Receivable

The Company periodically assesses its accounts receivable for collectability on a specific identification basis. If collectability of an account becomes unlikely, an allowance is recorded for that doubtful account. As of July 2, 2022 and January 1, 2022, the Company's allowance for doubtful accounts was $60,000.

Due from Factor

The Company has entered into an accounts receivable factoring arrangement with a financial institution (the "Factor") on March 2, 2022. Pursuant to the terms of the arrangement, the Company may transfer a portion of its receivables to the Factor, on a recourse basis. The eligible accounts receivable consists of accounts receivable generated by sales to certain customers. The eligible amount of customer accounts receivables which may be transferred under the Receivables Facility is $5,000,000. The Receivables Facility expires on July 2, 2023.

As of July 2, 2022, there are $997,558 receivables Due from factor on the Company's condensed consolidated balance sheet.

Inventories

Inventories are stated at the lower of cost or net realizable value, with cost determined by the weighted-average cost method using full absorption costing for manufactured goods.

Property and Equipment

Property and equipment are recorded at cost. Expenditures that enhance the useful lives of the assets are capitalized and depreciated.

Depreciation is computed using the straight-line method over the estimated useful lives of the related capitalized assets. Machinery and equipment is generally depreciated over 7 years. Vehicles are generally depreciated over 5 years.

Maintenance and repairs are charged to expense as incurred. At the time of retirement or other disposition of property and equipment, its cost and accumulated depreciation is removed from the accounts and the resulting gain or loss, if any, is reflected in operations.

Impairment of Long-Lived Assets and Right of Use Asset

The Company reviews long-lived assets, including finite-lived intangible assets and right of use ("ROU") lease assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows of the operation to which the assets relate to the carrying amount. If the operation is determined to be unable to recover the carrying amount of its assets, then these assets are written down first, followed by other long-lived assets of the operation to fair value. Fair value is determined based on discounted cash flows or appraised values, depending on the nature of the assets.

Intangible Assets

The Company records its intangible assets at cost in accordance with Accounting Standards Codification ("ASC") 350, *Intangibles – Goodwill and Other*. Finite lived intangible assets are amortized over their estimated useful life using the straight-line method, which is determined by identifying the period over which the cash flows from the asset are expected to be generated. During the three and six months ended July 2, 2022 and July 3, 2021, the Company did not record a loss on impairment.

Goodwill

Goodwill represents the excess of the purchase price of the acquired business over the estimated fair value of the identifiable net assets acquired. Goodwill is not amortized but is tested for impairment at least annually at year end, at the reporting unit level or more frequently if events or changes in circumstances indicate that the asset might be impaired. Goodwill is tested for impairment at the reporting level by first performing a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying value. If the reporting unit does not pass the qualitative assessment, then the reporting unit's carrying value is compared to its fair value. The fair values of the reporting units are estimated using market and discounted cash flow approaches. Goodwill is considered impaired if the carrying value of the reporting unit exceeds its fair value. The discounted cash flow approach uses expected future operating results. Failure to achieve these expected results may cause a future impairment of goodwill at the reporting unit. No impairment of goodwill was recorded by the Company for the three and six months ended July 2, 2022 and July 3, 2021.

Advertising and Marketing Costs

The Company expenses advertising and marketing costs as they are incurred. Advertising and marketing expenses were $40,932 and $113,924 for the three and six months ended July 2, 2022, respectively, and $38,003 and $110,326 for the three and six months ended July 3, 2021, respectively, and are recorded in selling, general and administrative expenses on the statement of operations.

Fair Value Measurements

ASC 820 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). This fair value measurement framework applies at both initial and subsequent measurement.

The Company's financial assets and liabilities carried at fair value measured on a recurring basis as of July 2, 2022 and January 1, 2022, consisted of the following:

	Total fair value at July 2, 2022	**Quoted prices in active markets for identical Assets (Level 1)**	**Significant other Observable inputs (Level 2)**	**Significant other Unobservable inputs (Level 3)**
Investment in mutual funds	$ 52	$ 52	$ -	$ -

	Total fair value at January 1, 2022	Quoted prices in active markets for identical Assets (Level 1)	Significant other Observable inputs (Level 2)	Significant other Unobservable inputs (Level 3)
Investment in mutual funds	$ 52	$ 52	$ -	$ -

Net Income (Loss) per Common Share

Basic net income (loss) per common share is computed by dividing the net income by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share includes the effect of Common Stock equivalents (stock options, unvested restricted stock, and warrants) when, under either the treasury or if-converted method, such inclusion in the computation would be dilutive.

	Three Months Ended		Six months Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Numerator for basic and diluted earnings (loss) per share:				
Net income (loss)	$ (316,482)	$ 916,915	$ (240,321)	$ 795,481
Denominator for basic earnings (loss) per share – weighted average shares outstanding	85,723,155	89,493,405	87,410,242	89,466,757
Convertible notes	-	-	-	-
Denominator for diluted earnings (loss) per share – weighted average and assumed conversion	91,363,159	89,493,405	93,050,246	89,466,757
Net income (loss) per share:				
Basic net income (loss) per share	$ (0.00)	$0.01	$ (0.00)	$0.01
Diluted net income (loss) per share	$ (0.00)	$0.01	$ (0.00)	$0.01

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets, including tax loss and credit carry forwards, 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 income in the period that includes the enactment date.

The Company utilizes ASC Topic 740, "Income Taxes," which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. The Company accounts for income taxes using the asset and liability method to compute the differences between the tax basis of assets and liabilities and the related financial amounts, using currently enacted tax rates. A valuation allowance is recorded when it is "more likely-than-not" that a deferred tax asset will not be realized. For tax positions that meet a "more likely than not" threshold, the Company recognizes the benefit in the consolidated financial statements.

For the three months ended July 2, 2022 and July 3, 2021, the Company recognized approximately $0 tax expense and a $58,000 tax benefit, respectively, and $22,000 and $39,000 tax expense for the six months ended July 2, 2022 and July 3, respectively. These tax provisions were based on a 27% effective rate for federal and state income taxes after accounting for permanent differences between book and taxable income.

The Company's practice is to recognize interest and penalties, if any, related to uncertain tax positions in income tax expense in the consolidated statements of operations.

Recent Accounting Pronouncements

In December 2019, the FASB issued ASU 2019-12, simplifying the Accounting for Income Taxes (Topic 740) as part of its simplification initiative to reduce the cost and complexity in accounting for income taxes. This guidance is effective for interim and annual reporting periods beginning within 2021.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The standard requires all leases that have a term of over 12 months to be recognized on the balance sheet with the liability for lease payments and the corresponding right-of-use asset initially measured at the present value of amounts expected to be paid over the term. Recognition of the costs of these leases on the income statement will be dependent upon their classification as either an operating or a financing lease. Costs of an operating lease will continue to be recognized as a single operating expense on a straight-line basis over the lease term. Costs for a financing lease will be disaggregated and recognized as both an operating expense (for the amortization of the right-of-use asset) and interest expense (for interest on the lease liability). This standard was effective for the Company's interim and annual periods beginning January 1, 2019 and was applied on a modified retrospective basis to leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The adoption of ASU 2016 - 02 had a material impact on the Company's consolidated financial statements and related disclosures.

NOTE 3 – INVENTORIES

Inventories are stated at the lower of cost or net realizable value, with cost determined by the weighted-average cost method. The Company's inventories are comprised of the following for the periods ended July 2, 2022 and January 1, 2022:

	July 2, 2022		January 1, 2022	
Raw Materials	$	3,129,444	$	4,453,785
Work in process		1,426,494		1,155,439
Finished goods		2,316,536		1,978,861
	$	6,872,474	$	7,588,085

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	July 2, 2022		**January 1, 2022**	
Machinery and equipment	$	25,228,562	$	20,777,465
Vehicles		4,405,512		4,383,043
Land		6,807,573		6,807,573
Buildings		6,246,418		6,234,718
Leasehold improvements		329,318		283,268
Construction in process		24,000,780		19,599,106
		67,018,163		58,085,173
Less: accumulated depreciation		(7,720,095)		(6,036,027)
Property and equipment, net	$	59,298,068	$	52,049,146

Total depreciation expense between cost of revenue and operating expenses for the three months and six months ended July 2, 2022 was $836,616 and $1,684,068, respectively. For the three months and six months ended July 3, 2021, the total depreciation expense between cost of revenue and operating expenses was $800,616 and $1,601,232, respectively.

NOTE 5 – ACQUISITIONS

Mulch Manufacturing, Inc. Acquisition

On January 31, 2020, the Company entered into a Business Combination Agreement (the "Mulch Acquisition") with MM and its sole shareholder, Ralph Spencer ("Spencer") (collectively the "MM Parties"), pursuant to which the Company acquired all of the shares of MM. Upon closing, MM became a wholly-owned subsidiary of SGTM.

Pursuant to the Mulch Acquisition, at the effective time of the acquisition:

- All of MM’s outstanding common stock was exchanged for an aggregate of 40,000,000 shares of SGTM’s common stock.
- One million shares previously issued to the MM shareholder in connection with the sale of equipment by MM to NSR LLC in November 2019 were cancelled.
- There were specific excluded assets that were retained by Spencer and treated as transferred to Spencer prior to the acquisition consisting of cash, real estate, and certain vehicles and equipment. Spencer agreed to allow the Company to use some of the real estate rent-free until January 31, 2022, at which time the Company has the option of either leasing or purchasing it at the fair market value (see Note 11).
- All of the existing MM notes, notes, accounts receivable, and inventory at the date of the Mulch Acquisition are included in the acquisition and the Company has immediate possession of them by its ownership of MM. However, the 40 million shares of the Company’s common stock that was issued as consideration was based on these assets being removed from MM prior to the acquisition. The value of these assets are valued separately from the share exchange and that certain demand promissory note payable to Spencer in the amount of approximately $14 million was adjusted to reflect the value of the inventory, accounts receivable, and any other sums lent by Spencer to MM.

The Company accounted for these transactions in accordance with the acquisition method of accounting for business combinations. An independent appraisal, made in February 2020, determined the fair market value of MM’s property and equipment to be $17,228,295. Assets and liabilities of the acquired business were included in the unaudited condensed consolidated balance sheets as of July 2, 2022 and January 1, 2022, based on their respective estimated fair values on the date of acquisition. Based on a closing market price of $0.15 per share on the January 31, 2020, business combination date, the assumption of net liabilities plus a bargain purchase recognition and asset write-up, the Company is recognizing the allocation to the accounts of MM as follows:

Appraised fair market value of property and equipment			$ 17,228,295
Less: Net book value of just MM's property and equipment on January 31, 2020			1,883,657
Excess of fair market over net book value of MM property and equipment			15,344,638
Value of common stock issued for MM		$ 6,000,000	
Net book value of MM on January 31, 2020:			
Property and equipment	$ 1,883,657		
Investments	830,000		
Prepaid expenses and other assets	192,361		
Supply agreement	453,750		
Accounts payable and accrued expenses	(1,215,820)		
Notes payable	(4,000,000)		
Net book value (assumed) of MM on January 31, 2020		(1,856,052)	
Total purchase price, including assumed net liabilities, of MM			7,856,052
Excess of fair value over net book value plus purchase price of MM property and equipment (bargain purchase gain)			$ 7,488,586

Purchase price of MM	$ 7,856,052
Bargain purchase gain and property and equipment write-up	7,488,586
Net book value of MM on January 31, 2020	(1,856,052)
Total to be allocated	$ 13,488,586

Allocation of MM purchase price and bargain purchase gain:

Property and equipment	$	17,228,295
Investments		830,000
Prepaid expenses and other assets		192,361
Supply agreement		453,750
Accounts payable and accrued expenses		(1,215,820)
Notes payable		(4,000,000)
	$	13,488,586

Day Dreamer Productions LLC Acquisition

The Company entered into an agreement to acquire 100% of the membership interest of Day Dreamer Productions, LLC around January 18, 2021, in exchange for 200,000 shares of the Company's stock. This transaction was closed on December 30, 2021, when the Company issued the shares to its sole member. This member was also retained as an employee with responsibility for managing the activities of Day Dreamer Productions, LLC.

Beaver, Washington Real Estate Acquisition

On March 18, 2022, the Company acquired the Beaver, Washington real estate property for $1,025,475, of which, $200,000 was previously put down as deposits, and $825,475 was paid at closing. The acquisition of the Beaver, Washington sawmill was closed in December 2021. We expect to begin producing pine bark and marketable lumber at the Beaver mill in 2024.

NOTE 6 – INTANGIBLE ASSETS

The below table summarizes the identifiable intangible assets as of July 2, 2022 and January 1, 2022:

		Useful life		July 2, 2022		January 1, 2022
Supply contract (1)		10	$	453,750	$	453,750
Less:	Accumulated amortization		$	(57,090)	$	(51,810)
	Impairment		$	(317,500)	$	(317,500)
Total			$	79,160	$	84,440

(1) These intangible assets were acquired in the acquisition of MM on January 31, 2020.

The weighted average useful life remaining on identifiable intangible assets is 7.50 years.

Amortization of identifiable intangible assets for the three months ended July 2, 2022 and July 3, 2021 was $5,280 and $4,400, respectively.

The below table summarizes the future amortization expense for the next five years:

2022	$	5,280
2023	$	10,560
2024	$	10,560
2025	$	10,560
2026	$	10,560
Thereafter	$	31,640
	$	79,160

NOTE 7 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following amounts:

	July 2, 2022	January 1, 2022
Accounts payable	$ 4,137,152	$ 2,350,056
Accrued interest	25,140	8,076
Accrued expenses	396,767	313,644
	$ 4,559,059	$ 2,671,776

NOTE 8 –NOTES PAYABLE

	Jul 2, 2022	Jan 1, 2022
Seller note payable bearing interest at 6.0%, monthly payments of principal and interest of $76,300 beginning October 2021 with a $9,819,606 balloon due September 2024, secured by mortgaged real estate	$ 10,438,353	$ 10,580,504
Various third-party obligations secured by assets the Company acquired subject to this indebtedness to various third-party creditors, bearing interest at a 5% average rate. Monthly payments of $122,881 principal and interest beginning January 2022 through December 2024	3,730,562	4,100,000
Unsecured note payable to seller on bulk equipment purchase, bearing 4.0% interest. First $300,000 payment of principal and interest due March 2022, $200,000 payments of principal and interest due quarterly thereafter until paid in full	1,125,140	1,400,000
Note payable to a bank, secured by equipment, bearing interest at 2.95%. Monthly payments of principal and interest in the amount of $28,698 beginning January 2021 and due through December 2025	1,143,831	1,297,817
Unsecured note payable to a financial institution under the SBA Paycheck Protection Program for MM bearing interest at 1.0%. Monthly payments of principal and interest in the amount of $82,061 beginning August 2022 are due through April 2023.	-0-	1,236,080
Note payable to an equipment financing company bearing interest at 3.95%. Monthly payments of principal and interest of $8,750 due August 2020 through July 2025.	296,573	342,680
Note payable to an equipment financing company bearing interest at 3.95%. Monthly payments of principal and interest of $8,316 due August 2020 through July 2025.	281,894	325,718
Note payable to an equipment financing company bearing interest at 3.95%. Monthly payments of principal and interest of $7,034 due August 2020 through July 2025.	311,820	347,452
Note payable to an equipment financing company bearing interest at 3.95%. Monthly payments of principal and interest of $7,392 due February 2021 through January 2026.	295,935	334,000
Note payable to an equipment financing company bearing interest at 3.95%. Monthly payments of principal and interest of $5,230 due December 2020 through November 2025.	195,685	222,887
Note payable to an equipment financing company bearing interest at 3.95%. Monthly payments of principal and interest of $5,201 due November 2020 through October 2025.	190,073	217,213

Note payable to an equipment financing company bearing interest at 3.95%. Monthly payments of principal and interest of $5,201 due October 2020 through September 2025.	180,906	212,727
Note payable to an equipment financing company bearing interest at 3.95%. Monthly payments of principal and interest of $5,341 due August 2020 through July 2025.	181,053	209,200
Note payable to an equipment financing company bearing interest at 3.95%. Monthly payments of principal and interest of $5,201 due August 2020 through July 2025.	185,497	208,226
Note payable to the individual seller of the landscaping and recovery services business to NSR LLC bearing interest at 5%. Monthly payments of $5,000 are due through October 2023 with a $100,000 balloon due November 2023	170,410	195,779
Non-interest bearing note payable to an equipment financing company with monthly principal payments of $5,842 due December 2021 through November 2023	110,988	134,353
Non-interest bearing note payable to an equipment financing company with monthly principal payments of $16,460 due May 2021 through April 2022.	-0-	65,838
Note payable to an equipment financing company bearing interest at 0.00%. Monthly payments of principal of $6,993 beginning November 2020 are due through October 2022	27,971	69,928
Note payable to an equipment financing company bearing interest at 9%. Due to three month COVID-19 payment suspension, monthly payments of principal and interest increased from $3,933 to $3,993 and extended three months through December 2023	67,121	87,611
Note payable to an equipment financing company bearing interest at 5.94%. Monthly payments of principal and interest of $1,174 beginning January 2022 through March 2028	67,626	73,217
Note payable to an equipment financing company bearing interest at 8%. Due to three month COVID-19 payment suspension, monthly payments of principal and interest increased from $2,410 to $2,452 and extended three months through December 2023	41,568	54,397
Note payable to an equipment financing company bearing interest at 9%. Due to three month COVID-19 payment suspension, monthly payments of principal and interest increased from $1,861 to $1,890 and extended three months through December 2023	31,770	41,466
Note payable to an equipment financing company bearing interest at 8%. Due to three month COVID-19 payment suspension, monthly payments of principal and interest increased from $1,808 to $1,840 and extended three months through December 2023	31,158	40,764
Note payable to an equipment financing company bearing interest at 11%. Due to five month COVID-19 payment suspension, monthly payments of principal and interest of $1,692 due from August through July 2023 with a $10,152 balloon payment in August 2023	28,132	36,446
Note payable to an equipment financing company bearing interest at 12%. Due to five month COVID-19 payment suspension, monthly payments of principal and interest of $1,749 due from August 2020 through June 2023 with a $10,496 balloon payment in July 2023	28,821	37,220

Note payable to an equipment financing company bearing interest at 8%. Monthly payments of principal and interest of $977 due through August 2024	23,251	28,071
Note payable to an equipment financing company bearing interest at 8%. Monthly payments of principal and interest of $932 due through September 2024	22,219	27,581
Note payable to an equipment financing company bearing interest at 8%. Monthly payments of principal and interest of $766 due through August 2024	18,523	22,395
Note payable to an equipment financing company bearing interest at 8%. Due to three month COVID-19 payment suspension, monthly payments of principal and interest increased from $751 to $765 and extended three months through January 2024	13,579	17,512
Note payable to an equipment financing company bearing interest at 10.64%. Monthly payments of principal and interest of $1,060 due through February 2027	45,975	-0-
Note payable to an individual bearing interest at 12%. Monthly payments of interest of $5,000 starting on March 17, 2022 and due through February 2023. The principal is due no later than February 17, 2023, with no penalty for prepayment	500,000	-0-
Note payable to a financing company bearing interest at 25.0%. Weekly payments of principal and interest of $54,348 due through March 2023	1,652,174	-0-
Note payable to an equipment financing company bearing interest at 11.45%. Monthly payments of principal and interest of $18,121 due through March 2027	793,947	-0-
Note payable to an equipment financing company bearing interest at 11.45%. Monthly payments of principal and interest of $11,312 due through March 2027	495,616	-0-
Note payable to an equipment financing company bearing interest at 12.45%. Monthly payments of principal and interest of $7,762 due through April 2027	336,981	-0-
Note payable to an equipment financing company bearing interest at 12.13%. Monthly payments of principal and interest of $2,610 due through April 2027	117,000	-0-
Note payable to an equipment financing company bearing interest at 12.00%. Monthly payments of principal and interest of $812 due through June 2028	41,550	-0-
Note payable to an equipment financing company bearing interest at 10.59%. Monthly payments of principal and interest of $7,067 due through June 2028	375,422	-0-
Note payable to an equipment financing company bearing interest at 10.20%. Monthly payments of principal and interest of $4,359 due through April 2027	201,382	-0-
Note payable to an insurance financing company bearing interest at 5.5%. Monthly payments of principal and interest of $21,774 due through February 2023	149,664	-0-

Note payable to an equipment financing company bearing interest at 11.86%. Monthly payments of principal and interest of $2,588 due through May 2025	76,273	-0-
Note payable to an equipment financing company bearing interest at 3.61%. Monthly payments of principal and interest of $7,907 due through April 2027	413,642	-0-
Note payable to an equipment financing company bearing interest at 3.61%. Monthly payments of principal and interest of $6,937 due through April 2027	362,888	-0-
Note payable to an equipment financing company bearing interest at 3.49%. Monthly payments of principal and interest of $7,118 due through April 2027	385,380	-0-
Note payable to an equipment financing company bearing interest at 7.70%. Monthly payments of principal and interest of $2,416 due through May 2027	116,698	-0-
Note payable to an equipment financing company bearing interest at 6.99%. Monthly payments of principal and interest of $14,056 due through June 2027	709,989	-0-
Note payable to an equipment financing company bearing interest at 6.99%. Monthly payments of principal and interest of $2,307 due through June 2027	116,519	-0-
Note payable to an equipment financing company bearing interest at 6.99%. Monthly payments of principal and interest of $1,468 due through June 2027	74,119	-0-
Note payable to an equipment financing company bearing interest at 6.99%. Monthly payments of principal and interest of $2,780 due through June 2027	140,394	-0-
Note payable to a financing company bearing interest at 10%. Weekly payments of principal and interest of $8,719 due through June 2023	262,130	-0-
Note payable to a financing company bearing interest at 12%. Weekly payments of principal and interest of $5,346 due through March 2023	129,462	-0-
Total notes payable to unrelated parties	26,737,664	21,967,082
Short-term portion of notes payable	8,074,043	4,486,461
Long-term portion of notes payable	$ 18,663,621	$ 17,480,621

The schedule of future maturities on the above notes are as follows:

Year	Amount
2022	$ 4,118,605
2023	5,467,326
2024	13,655,864
2025	1,832,939
2026	1,144,131
2027 & after	518,799
	$ 26,737,664

The above notes include one Paycheck Protection Program (PPP) loan by MM in the amount of $1,236,080 which was forgiven during the period ended July 2, 2022. The Company has recorded the gain on forgiveness of this indebtedness for the period ended July 2, 2022.

NOTE 9 - STOCKHOLDERS' EQUITY

Preferred Stock

On December 31, 2019, the Company's Board of Directors adopted articles of incorporation in the state of Delaware authorizing, without further vote or action by the stockholders, to create out of the unissued shares of the Company's common stock, $0.0001 par value Preferred Stock. The Board of Directors is authorized to establish, from the authorized and unissued shares of Preferred Stock, one or more classes or series of shares, to designate each such class and series, and fix the rights and preferences of each such class of Preferred Stock; which class or series shall have such voting powers, such preferences, relative, participating, optional or other special rights, and such qualifications, limitations or restrictions as shall be stated and expressed in the resolution or resolutions providing for the issuance of such class or series of Preferred Stock as may be adopted from time to time by the Board of Directors prior to the issuance of any shares thereof. The articles of incorporation and designation authorizes the issuance of 5,000,000 shares of Preferred Stock, of which 100 shares have been designated as Series A Preferred Stock, of which 90 of Series A are issued and outstanding as of October 2, 2021. Each holder of outstanding shares of Series A Preferred Stock shall be entitled to cast the number of votes equal to the number of whole shares of Series A Preferred Stock held by such holder as of the record date for determining stockholders entitled to vote on such matter, with each share casting a vote equal to: the quotient of the sum of all outstanding shares of common stock together with any and all other securities of the Company that provide for voting on an "as converted" basis divided by 0.99.

Equity Transactions During the Period

The following issuances of common stock affected the Company's Stockholders' Equity:

On January 13, 2021, the Company issued 300,000 shares in satisfaction of a 2020 accrual for debt financing cost.

On March 5, 2021, the Company issued 25,000 shares to an employee as compensation.

On August 16, 2021, the Company recognized a $17,484,728 capital contribution from the extinguishment of debt.

On August 25, 2021, the Company issued 6,000,000 shares in exchange for a $3,400,000 note.

On October 4, 2021, the Company issued 125,000 shares for consulting service compensation.

Between October 15, and December 15, 2021, the Company redeemed 11,397,984 shares pursuant to a stock repurchase agreement (see Note 11).

Between October and December 15, 2021, the Company issued 5,640,004 shares pursuant to subscription agreements at a price of $0.75 per share. These agreements provided for piggyback registration rights on a potential future registration of Company stock. The agreements also provided stock warrants equal to the number of subscribed shares. These warrants can be exercised at a price of $1.50 per share and expire after one year. No allocation of proceeds was made to the warrants since the subscribed shares of common stock were issued at a price below that of the publicly traded shares.

On December 30, 2021, the Company issued 200,000 shares pursuant to an agreement to acquire 100% of the membership interest in Day Dreamer Production, LLC.

On December 31, 2021, the Company issued 400,000 shares to acquire equipment in Beaver, WA.

On January 16, 2022, we issued 266,667 shares of Common Stock based on a subscription price of $0.75 per share with an aggregate value of $200,000. These shares were issued in reliance on Section 4(a)(2) of the Securities Act.

On January 20, 2022, we issued 200,000 shares of Common Stock based on a subscription price of $0.75 per share with an aggregate value of $150,000. These shares were issued in reliance on Section 4(a)(2) of the Securities Act

On March 23, 2022, we issued 1,000,000 shares of Common Stock based on a subscription price of $0.75 per share with an aggregate value of $750,000. These shares were issued in reliance on Section 4(a)(2) of the Securities Act.

On April 18, 2022, we issued 266,667 shares of Common Stock based on a subscription price of $0.75 per share with an aggregate value of $200,000. These shares were issued in reliance on Section 4(a)(2) of the Securities Act.

NOTE 10 – LEASES

A lease is defined as a contract that conveys the right to control the use of identified tangible property for a period of time in exchange for consideration. On January 1, 2019, the Company adopted ASC Topic 842 which primarily affected the accounting treatment for operating and finance lease agreements in which the Company is the lessee including Company leases of vehicles and equipment for use in the storm and disaster recovery work. The Company elected to not recognize ROU assets and lease liabilities arising from short-term leases with initial lease terms of twelve months or less (deemed immaterial) on the accompanying consolidated balance sheets.

ROU assets include any prepaid lease payments and exclude any lease incentives and initial direct costs incurred. Lease expense for minimum lease payments is recognized on the effective interest plus: for finance type leases, straight-line amortization of the asset's original ROU over its lease term; or, for operating leases, the effective amortization on the lease liability. The lease terms may include options to extend or terminate the lease if it is reasonably certain that the Company will exercise that option.

When measuring lease liabilities for leases that were classified as operating and financing leases as of January 1, 2019, NSR LLC discounted lease payments using its estimated incremental borrowing rate of 10% at January 1, 2019. Since April 1, 2020, MM has entered into operating leases using its incremental borrowing rate of 4% to discount lease payments.

The following table presents supplemental lease information:

	Three Months Ended		Six Months Ended	
Lease cost	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Finance lease cost				
Amortization on ROU assets	$ 17,792	$ 17,792	$ 35,585	$ 35,585
Interest on lease liabilities	3,138	5,055	6,773	10,561
Operating lease cost	69,598	26,712	139,195	65,005
Short-term lease cost	119,251	114,631	163,471	226,432
Total lease cost	$209,779	$164,190	$345,204	$337,583
Cash paid for amounts included in the measurement of lease liabilities for:				
Finance leases:				
Financing cash flows	$ 23,366	$ 23,366	$46,733	$46,733
Operating leases:				
Operating cash flows	$ 69,598	$ 26,712	$ 139,195	$ 65,005
Weighted-average remaining lease term:				
Finance leases			1.3 years	2.3 years
Operating leases			3.8 years	6.0 years
Weighted-average discount rate:				
Finance leases			10.0%	10.0%
Operating leases			4.3%	4.1%

Supplemental balance sheet information related to leases is as follows:

	Financial Statement Line Item	**July 2, 2022**	**Jan 1, 2022**
Assets:			
Operating lease assets		$ 754,107	$ 848,840
Finance lease assets		92,930	128,515
Total leased assets	ROU asset	$ 847,037	$ 977,355

Liabilities:			
Current:			
Operating lease assets		$ 163,364	$ 183,874
Finance lease assets		48,586	65,312
	Current portion of lease liability	211,950	249,186
Non-current			
Operating lease assets		590,742	664,966
Finance lease assets		63,406	86,639
	Lease liabilities, net of current portion	654,149	751,605
Total lease liabilities		$ 866,099	$ 1,000,791

As of July 2, 2022, remaining maturities of lease liabilities were as follows:

	Finance	Operating
2022	$ 30,361	$ 104,404
2023	54,172	168,570
2024	40,629	139,469
2025	-	107,969
2026	-	106,553
2027 and thereafter	-	220,235
Total	$ 125,163	$ 847,200
Amount representing interest	(13,170)	(93,094)
Lease liability	$ 111,993	$ 754,106

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Legal Claims

The Sustainable Green Team, LTD is currently involved in arbitration with Emerging Markets Consulting, LLC ("EMC"), a former service provider of the Company. On October 21, 2020, EMC initiated arbitration against the Company, alleging, among other things, breach of contract related to an agreement entered into between the Company (via NSR LLC) and EMC, in which the Company engaged EMC to provide it with consulting services related to the Company's capital structure, investor relations strategies, and fundraising plans, including the filing of an S-1 registration statement at some point in the future, in exchange for equity compensation in the Company. EMC seeks relief against the Company in the form of the equity compensation pursuant to the agreement (2,000,000 shares of the Company's Common Stock) and damages. The Company denies EMC's allegations, and has also initiated counterclaims against EMC for breach of the agreement by EMC, in which it is seeking damages resulting from EMC's breach of its duties under the agreement.

In addition, the Company named in its counterclaim to EMC's claim another similar service provider, Rainmaker Group Consulting, LLC ("Rainmaker"), as a pre-emptive defense against any actions brought by Rainmaker against the Company. Rainmaker engaged by the Company in 2019 to provide similar consulting services as EMC was engaged to provide in exchange for the same compensation (2,000,000 shares of the Company's Common Stock). The Company alleges that Rainmaker breached its agreement with the Company by not providing the services provided in the agreement between the Company and Rainmaker, and therefore Rainmaker is not entitled to any equity compensation by the Company. The Company has taken this action as a defensive measure against potential (in the Company's opinion) frivolous lawsuits brought by Rainmaker against the Company.

The Company is confident it will prevail in the ongoing arbitration described above being overseen by the American Arbitration Association.

On March 25, 2021, the Company filed a civil complaint in the Ninth Judicial Circuit Court in Orange County, Florida against Ralph Spencer, the former owner and CEO of Mulch Manufacturing, Inc., alleging certain tortious interference with the Company's business operations and dealings. On April 1, 2021, the Company was granted an Emergency Temporary Injunction by the Ninth Judicial Circuit Court in Orange County, Florida enjoining Mr. Spencer from, among other things, further attempts to interfere with the Company's business operations. On August 16, 2021, the Company settled this dispute and has released Ralph Spencer from the Emergency Temporary Injunction.

The Company agreed to pay Spencer $25,650,000 plus interest as follows:

(a) issuing Spencer a promissory note in the amount of $10,650,000 accruing interest at 6% per annum secured by four properties located in Florida and another in Georgia (the "Settlement Note"). The Settlement Note is amortized monthly over 20 years with a balloon payment of any outstanding balance on its third anniversary. The Company is current on all Settlement Note obligations as of the date of this Prospectus.

(b) paying Spencer a total of $15,000,000 in exchange for the redemption of Spencer's 40,000,000 shares of common stock and any and all ownership interests in which he may have or claim (the "Redemption Payment"). The Redemption Payment is to be paid to Spencer according to the following schedule: (i) $3,300,000 on October 15, 2021 in exchange for 8,797,800 common stock shares; and (ii) twenty-four (24) payments of $487,500 on the 15th of each month, commencing November 15, 2021, each for 1,300,091.67 common stock shares. Spencer executed a letter of instruction to the Company's transfer agent, Pacific Stock Transfer, and provided all shares to the transfer agent to allow for the immediate redemption upon each payment. The Company and Spencer are current on all Redemption Payment obligations as of the date of this Prospectus.

On April 18, 2022, the Company filed a second civil complaint in the Ninth Judicial Circuit Court in Orange County, Florida against Ralph Spencer, the former owner and CEO of Mulch Manufacturing, Inc., alleging certain tortious interference with the Company's business operations and dealings. On June 23, 2022, the Company was granted an Emergency Temporary Injunction by the Ninth Judicial Circuit Court in Orange County, Florida enjoining Mr. Spencer from, among other things, further attempts to interfere with the Company's business operations. The Company is currently attempting mediation regarding this matter and the obligations owed Mr. Spencer (see Note 8 Notes Payable and above in Note 11 relating to promissory note and stock redemptions). Should this mediation fail, the Company is confident it will receive a favorable judgment in the civil complaint filed against Mr. Spencer related to these matters.

Stock Redemptions

The Company is committed to buying back 40,000,000 shares of its common stock over 24 months beginning in October, 2021, at a price of $0.375 per share.

NOTE 12 – CONCENTRATION OF CREDIT RISK

Cash Deposits

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. As of July 2, 2022, the Company did not have any deposit amounts in excess of the FDIC insured limit.

Revenues

For the three and six months ended July 2, 2022, one customer accounted for 22% and 22% of revenue, respectively. For the three and six months ended July 3, 2021, one customer accounted for 21% and 22% of revenue, respectively.

Accounts Receivable

As of July 2, 2022, one customer accounted for 32% of the Company's accounts receivable. As of January 1, 2022, one customer accounted for 24% of the accounts receivable.

NOTE 13 – SUBSEQUENT EVENTS

The Company entered into a restricted sub-license agreement on August 9, 2022 with an innovative soil technology company ('Licensor), whereby the Company will receive Inputs from the Licensor. The Inputs provided will allow the Company to manufacture soil products from its existing and future fiber products. The sub-license agreement called for the Company to issue 500,000 shares of its common stock to the Licensor upon the signing of the agreement and two subsequent payments of $500,000 each, with the first payment due within the calendar year 2022 and the second payment within the calendar year 2023.