

**HUMBL, INC.**  
**(FORMERLY TESORO ENTERPRISES, INC.)**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2021 AND 2020**

ASSETS	<u>2021</u>	<u>2020</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 3,493,213	\$ 1,720,979
Accounts receivable, net	325,267	-
Intangible assets – digital currency	2,695	-
Due from related parties, net	-	77,146
Prepaid expenses and other current assets	57,693	7,445
<b>Total current assets</b>	<b><u>3,878,868</u></b>	<b><u>1,805,570</u></b>
<b>NON-CURRENT ASSETS</b>		
Fixed assets, net of depreciation	356,447	-
Goodwill	6,531,346	-
<b>Total non-current assets</b>	<b><u>6,887,793</u></b>	<b><u>-</u></b>
<b>TOTAL ASSETS</b>	<b><u>\$ 10,766,661</u></b>	<b><u>\$ 1,805,570</u></b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 1,460,266	\$ 20,392
Deferred revenue	-	43,243
Obligation to issue common shares	676,408	-
Due to seller	327,412	-
Current portion of notes payable	501,828	40,000
Notes payable – related parties	10,986,250	-
Convertible notes payable – related parties	7,500,000	-
Current portion of convertible notes payable, net of discount	3,392,123	141,103
<b>Total current liabilities</b>	<b><u>24,844,287</u></b>	<b><u>244,738</u></b>
<b>LONG-TERM LIABILITIES</b>		
Notes payable, net of current portion	148,172	-
Convertible notes payable, net of discount and net of current portion	2,232,702	-
<b>Total non-current liabilities</b>	<b><u>2,380,874</u></b>	<b><u>-</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>27,225,161</u></b>	<b><u>244,738</u></b>
Commitments and contingency	-	-
<b>STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Preferred stock, 7,000,000 shares Series A Preferred stock authorized, 570,000 and 900,000 Series B Preferred stock authorized, and 150,000 Series C Preferred stock authorized (through October 29, 2021 when cancelled)		
Series A Preferred stock, par value \$0.00001; 7,000,000 issued and outstanding as of December 31, 2021 and 2020, respectively	70	70
Series B Preferred stock, par value \$0.00001; 544,759 and 0 issued and outstanding as of December 31, 2021 and 2020, respectively	5	-
Series C Preferred stock, par value \$0.00001; 0 issued and outstanding as of December 31, 2020, respectively	-	-
Common stock, par value \$0.00001; 7,450,000,000 and 5,000,000,000 shares authorized, 1,023,039,433 and 974,177,443 shares issued and outstanding as of December 31, 2021 and 2020, respectively	10,230	9,742

Additional paid in capital	34,182,004	2,545,825
Accumulated deficit	(50,650,809)	(994,805)
Total stockholders' equity (deficit)	(16,458,500)	1,560,832
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 10,766,661	\$ 1,805,570

See notes to consolidated financial statements.

**HUMBL, INC.**  
**(FORMERLY TESORO ENTERPRISES, INC.)**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
REVENUES	\$ 2,503,388	\$ -
COST OF REVENUES	<u>1,104,959</u>	<u>-</u>
GROSS PROFIT	1,398,429	-
OPERATING EXPENSES:		
Development costs	2,117,683	96,567
Professional fees	3,905,699	539,568
Settlement	1,870,000	-
Stock-based compensation	10,734,833	-
Impairment - goodwill	22,203,422	-
Impairment – digital assets	34,570	-
General and administrative expenses	<u>5,247,118</u>	<u>69,589</u>
Total operating expenses	<u>46,113,325</u>	<u>705,724</u>
LOSS FROM OPERATIONS BEFORE OTHER INCOME (EXPENSES)	(44,714,896)	(705,724)
OTHER INCOME (EXPENSE):		
Interest expense	(943,559)	(6,739)
Beneficial conversion feature	(3,300,000)	-
Amortization of debt discounts	(838,941)	-
Gain on sale of digital assets	47,875	-
Forgiveness of PPP loan	66,117	-
Other income	<u>28,200</u>	<u>-</u>
Total other income (expense)	<u>(4,940,308)</u>	<u>(6,739)</u>
LOSS FROM OPERATIONS BEFORE PROVISION FOR INCOME TAXES	<u>(49,655,204)</u>	<u>(712,463)</u>
PROVISION FOR INCOME TAXES	<u>(800)</u>	<u>(800)</u>
NET LOSS	<u>\$ (49,656,004)</u>	<u>\$ (713,263)</u>
NET LOSS PER SHARE		
Basic and diluted	\$ (0.05)	\$ (0.00)
SHARES USED IN CALCULATION OF NET LOSS PER SHARE		
Basic and diluted	942,331,830	982,108,478

See notes to consolidated financial statements.

**HUMBL, INC.**  
**(FORMERLY TESORO ENTERPRISES, INC.)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Net loss	\$ (49,656,004)	\$ (713,263)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	11,129	-
Impairment expense - goodwill	22,203,422	-
Impairment expense – digital assets	34,570	-
(Gain) on sale of digital assets	(47,875)	-
Advertising expense paid for by digital assets	133,660	-
Sales commission received in digital assets	(8,400)	-
Amortization of debt discounts	838,941	2,042
Warrants granted for services	3,789,864	-
Stock-based compensation – common and preferred stock grants	6,268,562	-
Obligation to issues common shares for services rendered	676,408	-
Forgiveness of PPP loan	(66,117)	-
Bad debt	88,693	-
Settlement	1,870,000	-
Beneficial conversion feature on convertible note payable	3,300,000	-
Changes in assets and liabilities		
Accounts receivable	77,332	-
Intangible assets – digital currency	(114,650)	-
Prepaid expenses and other current assets	(50,248)	(5,050)
Increase (decrease) in amounts due related parties	(11,547)	(157,357)
Accounts payable and accrued expenses	1,054,048	17,311
Net cash used in operating activities	<u>(9,608,212)</u>	<u>(856,317)</u>
Cash flows from investing activities:		
Purchase of fixed assets	(367,576)	-
Cash received in purchase of Tickeri	127,377	-
Cash received in purchase of Monster Creative	3,017	-
Net cash used in investing activities	<u>(237,182)</u>	<u>-</u>
Cash flows from financing activities:		
Proceeds from sales of membership interests of HUMBL, LLC	10,000	1,307,441
Proceeds from sales of warrants and country rights option	-	1,000,000
Redemption of Series B Preferred Stock	(215)	-
Proceeds from the exercise of warrants	4,000,000	-
Proceeds from note payable	-	40,000
Payments of notes payable	(40,557)	-
Repayment of amount due to seller	(51,600)	-
Proceeds from convertible notes payable	6,700,000	225,000
Proceeds from issuance of common stock for cash	1,000,000	-
Net cash provided by financing activities	<u>11,617,628</u>	<u>2,572,441</u>
NET INCREASE IN CASH	<u>1,772,234</u>	<u>1,716,124</u>
Cash - beginning of year	1,720,979	4,855
Cash - end of year	<u>\$ 3,493,213</u>	<u>\$ 1,720,979</u>

**SUPPLEMENTAL DISCLOSURES:**

Cash paid for interest	\$	3,760	\$	3,750
Cash paid for income taxes	\$	800	\$	800

**SUMMARY OF NONCASH ACTIVITIES:**

Effect of reverse merger	\$	-	\$	10,062
Cancellation of common stock	\$	-	\$	250
Reclassification of deferred revenue related to warrant purchase	\$	43,243	\$	-
Conversion of common stock into preferred stock	\$	796	\$	-
Conversion of preferred stock into common stock	\$	794	\$	-
Recognition of discounts at inception of convertible notes payable	\$	2,055,219	\$	85,939

**SUMMARY OF TICKERI ACQUISITION:**

Accounts receivable	\$	23,587	\$	-
Goodwill		20,086,664		-
Accounts payable and accrued expenses		(87,071)		-
EIDL loan		(150,000)		-
PPP loan		(557)		-
Notes payable issued		(10,000,000)		-
Common shares issued		(10,000,000)		-
Net cash received in acquisition of Tickeri	\$	(127,377)	\$	-

**SUMMARY OF MONSTER CREATIVE ACQUISITION:**

Accounts receivable	\$	379,012	\$	-
Goodwill		8,648,104		-
Accounts payable and accrued expenses		(98,754)		-
Due to seller		(379,012)		-
Notes payable - officers		(486,250)		-
PPP loan		(66,117)		-
Notes payable issued		(500,000)		-
Convertible notes issued		(7,500,000)		-
Net cash received in acquisition of Monster Creative	\$	(3,017)	\$	-

See notes to consolidated financial statements.

**HUMBL, INC.**  
**(FORMERLY TESORO ENTERPRISES, INC.)**  
**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	Series A Preferred		Series B Preferred		Common		Additional Paid-In Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount			
Balances at January 1, 2020	-	\$ -	-	\$ -	-	\$ -	\$ 205,500	\$ (281,542)	\$ (76,042)
Members interest purchased for cash	-	-	-	-	-	-	1,307,441	-	1,307,441
Shares issued in reverse merger	7,000,000	70	-	-	999,177,443	9,992	(10,062)	-	-
Share cancellation	-	-	-	-	(25,000,000)	(250)	250	-	-
Discount on convertible notes	-	-	-	-	-	-	85,939	-	85,939
Warrant purchases	-	-	-	-	-	-	956,757	-	956,757
Net loss for the year	-	-	-	-	-	-	-	(713,263)	(713,263)
Balances December 31, 2020	7,000,000	\$ 70	-	\$ -	974,177,443	\$ 9,742	\$ 2,545,825	\$ (994,805)	\$ 1,560,832
Balances at January 1, 2021	7,000,000	\$ 70	-	\$ -	974,177,443	\$ 9,742	\$ 2,545,825	\$ (994,805)	\$ 1,560,832
Share adjustment	-	-	-	-	41,156	-	-	-	-
Shares issued in reverse merger with HUMBL	-	-	552,029	6	-	-	39,961	-	39,967
Shares issued for cash	-	-	-	-	437,500	4	999,996	-	1,000,000
Shares issued for services	-	-	2,272	-	18,272,540	183	6,228,411	-	6,228,594
Shares issued for acquisition of Tickeri	-	-	-	-	9,345,794	93	9,999,907	-	10,000,000
Shares issued in settlement	-	-	-	-	1,000,000	10	1,169,990	-	1,170,000
Shares issued in exercise of warrants	-	-	-	-	20,000,000	200	3,999,800	-	4,000,000
Conversion of common shares to Preferred B shares	-	-	7,962	-	(79,625,000)	(796)	796	-	-
Conversion of Preferred B shares for common shares	-	-	(7,939)	(1)	79,390,000	794	(793)	-	-
Shares cancelled for no consideration	-	-	(9,350)	-	-	-	-	-	-
Preferred B shares redeemed for cash	-	-	(215)	-	-	-	(215)	-	(215)

Members interest purchased for cash (timing difference from 2020)	-	-	-	-	-	-	10,000	-	10,000
Reclassification from deferred revenue on warrant purchase	-	-	-	-	-	-	43,243	-	43,243
Beneficial conversion feature on convertible note payable	-	-	-	-	-	-	3,300,000	-	3,300,000
Discount on convertible notes	-	-	-	-	-	-	2,055,219	-	2,055,219
Warrants granted to consultants	-	-	-	-	-	-	3,789,864	-	3,789,864
Net loss for the year	-	-	-	-	-	-	-	(49,656,004)	(49,656,004)
Balances at December 31, 2021	7,000,000	\$ 70	544,759	\$ 5	1,023,039,433	\$ 10,230	\$34,182,004	\$(50,650,809)	\$(16,458,500)

\*There was no Series C Preferred Stock activity during these periods through cancellation of the Series C Preferred Stock on October 29, 2021. Additionally on October 29, 2021, the Series B Preferred Stock had their authorized shares reduced from 900,000 shares to 570,000 shares.

See notes to consolidated financial statements.

**HUMBL, INC.**  
**(FORMERLY TESORO ENTERPRISES, INC.)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 1: NATURE OF OPERATIONS**

HUMBL, Inc. (formerly Tesoro Enterprises, Inc.), an Oklahoma corporation (“Company” or “HUMBL”) was incorporated November 12, 2009. The Company was redomiciled on November 30, 2020 to the State of Delaware.

Simultaneously with the November 12, 2009 incorporation, the Company entered into a share exchange agreement with Fashion Floor Covering and Tile, Inc. (“FFC&T”), whereby the sole stockholder of FFC&T received 125,000 shares of the Company’s restricted shares of common stock in exchange for all the outstanding shares of FFC&T. FFC&T is a full line (wood, carpet and tile) retail dealer and installer of floor and hard wall covering materials. FFC&T has been in business for over twenty-five years under the same ownership and management.

On December 3, 2020, HUMBL, LLC (“HUMBL LLC”) merged into the Company in what is accounted for as a reverse merger. Under the terms of the Merger Agreement, HUMBL LLC exchanged 100% of their membership interests for 552,029 shares of newly created Series B Preferred Stock. The Series B Preferred shares were issued to the respective members of HUMBL LLC following the approval by FINRA of a one-for-four reverse stock split of the common shares and the increase in the authorized common shares to 7,450,000,000 shares, and 10,000,000 preferred shares.

The FINRA approval for both the increase in the authorized common shares and reverse stock split occurred on February 26, 2021. To assume control of the Company, the former CEO, Henry Boucher assigned his 7,000,000 shares of Series A Preferred Stock as well as 550,000,000 shares of common stock to Brian Foote, the President and CEO of HUMBL LLC for a \$40,000 note payable. The Series A Preferred Stock is not convertible into common stock; however, it has voting rights of 10,000 votes per 1 share of stock. After the reverse merger was completed, HUMBL LLC ceased doing business, and all operations were conducted under Tesoro Enterprises, Inc. which later changed their name to HUMBL, Inc. (“HUMBL” or the “Company”).

All share figures and per share amounts have been stated retroactively for the reverse stock split.

On June 3, 2021 we acquired Tickeri, Inc. (“Tickeri”) in a debt and stock transaction totaling \$20,000,000 following which Tickeri became a subsidiary of HUMBL. Tickeri is a leading ticketing, live events and box office SaaS platform featuring Latin events and artists throughout the United States, Latin America, and the Caribbean corridor. The purchase price for the stock purchase was \$20,000,000 of which we must pay \$10,000,000 in our common stock and \$10,000,000 was paid through two promissory notes. The shares had a deemed value equal to the volume weighted average price per share of HUMBL common stock on the OTC Markets for the ten consecutive trading days ending with the complete trading day ending two trading days prior to the closing. We issued the two shareholders of Tickeri, Juan Gonzalez and Javier Gonzalez, 4,672,897 shares of our common stock each. We also issued to each of Juan and Javier Gonzalez a secured promissory note in the face amount of \$5,000,000. The promissory notes are due and payable on or before December 31, 2022, bear interest at the rate of 5% per annum and are secured by the equity interests of Tickeri. In the event of an uncured default by HUMBL under the promissory note, Juan and Javier Gonzalez have the right to recover the ownership of Tickeri and re-commence the business and operations of Tickeri free and clear of any claims or encumbrances by HUMBL. We intend to limit the integration of Tickeri’s assets with our assets until the promissory notes are paid in full. We agreed to register on Form S-1 within three months from the closing the shares issued to Juan and Javier Gonzalez and have the registration statement declared effective within six months of the closing date. Following the closing, Juan Gonzalez and Javier Gonzalez, entered into employment agreements having a term of 18 months, appointing them CEO of Tickeri and CTO of HUMBL, respectively.

On June 30, 2021, we acquired Monster Creative, LLC (“Monster”). Monster is a Hollywood production studio that specializes in producing movie trailers and other related content. Monster was founded by Doug Brandt and Kevin Childress. Monster will collaborate with HUMBL in the production of NFTs and other digital content. The purchase price for all of the membership interests in Monster was paid through the issuance of one convertible note and one non-convertible note to each of Doug Brandt and Kevin Childress in the aggregate principal amount of \$8,000,000. The convertible notes were issued to Doug Brandt (through an entity owned by him) and Kevin Childress in the aggregate principal amount of \$7,500,000. The notes convert at the holder’s election at \$1.20 per share, bear interest at 5% per annum and are due in 18 months from issuance. We also issued non-convertible notes to Doug Brandt and Kevin Childress in the aggregate amount of \$500,000. These notes bear interest at the rate of 5% per annum and are due on April 1, 2022.

Doug Brandt and Kevin Childress each entered into employment agreements with Monster having a term of three years. Doug Brandt was appointed as the CEO of Monster and Kevin Childress was appointed as its President and Creative Director.

HUMBL is a Web 3, digital commerce platform that was built to connect consumers, freelancers and merchants in the digital economy. HUMBL provides simple tools and packaging for complex new technologies such as blockchain, in the same way that previous cycles of e-commerce and the cloud were more simply packaged by companies such as Facebook, Apple, Amazon and Netflix over the past several decades.

The goal of HUMBL is to provide ready built tools, and platforms for consumers and merchants to seamlessly participate in the digital economy. HUMBL is built on a patent-pending decentralized technology stack that utilizes both core and partner technologies, to provide faster connections to the digital economy and each other.

HUMBL has three interconnected product verticals:

- *HUMBL Pay* – A mobile app that allows peers, consumers and merchants to connect in the digital economy;
- *HUMBL Marketplace* – A mobile marketplace that allows consumers and merchants to connect more seamlessly in the digital economy; and
- *HUMBL Financial* – Financial products and services, targeted for simplified investing on the blockchain.

### ***HUMBL Pay***

HUMBL is developing a mobile application that allows customers to migrate to digital forms of payment, along with services such as maps, ratings, and reviews. The Company is also working rapidly to integrate the use of search, discovery, peer-to-peer cash and ticketing around the world, as these services migrate into digital and blockchain-based modalities. The mobile application is designed to provide functionality to the following groups:

- **Individuals** - Consumers who want to discover, pay, rate and review experiences digitally vs. paper bills and hardware point-of-sale (“POS”)
- **Freelancers** - Service providers and gig workers that want to get paid from anywhere they work vs. paper bills and hardware POS; and
- **Merchants** – Primarily brick and mortar vendors that want to get paid digitally vs. paper bills and hardware POS.

### ***HUMBL Marketplace***

Through its online marketplace, HUMBL is developing the capability for merchants to list a wide range of soft goods and digital assets to mid-market audiences, that, where appropriate, incorporate the benefits of blockchain. HUMBL provides merchants with the ability to list and sell goods with greater levels of authentication, by using technologies such as the HUMBL Token Engine and HUMBL Origin Assurance, to improve the merchant’s ability to trade, track and pay for assets.

Through our online marketplace we also allow for the listing of non-fungible tokens (NFTs). NFTs allow entities and individuals such as athletes, celebrities, agencies, artists and companies to monetize their digital images, multimedia content and catalogues on the blockchain. HUMBL provides a marketplace for artists and athletes to connect online in the sale of digital collectibles to fans and collectors and provides a rigorous set of terms and conditions that govern what can and cannot be listed on the marketplace. We currently review all listings to screen for graphic content, potential intellectual property rights violations, and potential securities law violations. The NFT marketplace is operated through a third-party marketplace plug-in (OpenSea), electronic wallet extensions (such as MetaMask), and the Ethereum blockchain. Users participate in the NFT marketplace by linking their digital wallets to our platform and engaging (e.g., buying, selling, bidding) with the NFTs listed on our platform. The services provided by HUMBL are administrative. HUMBL is a platform and does not act as a broker, financial institution, or creditor. We facilitate transactions between the buyer and seller in the auction/sale process but we are not a party to any agreement between the buyer and seller or between any users.

We receive revenue from the NFT marketplace in two ways. First, for some clients HUMBL provides design services to help artists, athletes and entertainers create NFTs to be sold to their fans. In these circumstances HUMBL typically receives a flat fee for providing such services that is paid out of the sales price of the NFT. The size of the fee depends on the scope and complexity of the design services provided. Second, HUMBL receives a transaction fee each time an NFT sells on the NFT marketplace.

The NFT marketplace allows creators to mint NFTs using their own intellectual property and list those NFTs for sale (primary sales) on the marketplace. The NFT marketplace also allows for NFTs to be resold (secondary sales) on the platform, but currently only NFTs that were originally minted on the Company's NFT Marketplace or are otherwise approved by the Company may be listed for secondary sales on the Marketplace. The Company does not otherwise support or influence the market for the resale of NFTs sold on its platform. Other than requiring creators to attest they own the IP used to create their NFTs and monitoring for obvious copyright violations, the Company does not enforce any rights related to the primary or secondary sales of NFTs. Payment transactions for the purchase and sale of NFTs are made through the use of smart contracts on the Ethereum blockchain. The Company does not handle separate, off-chain payments for NFTs. Tracking and payment of resale royalty fees are accomplished automatically through the use of smart contracts. The Company is not responsible for distributing or managing resale royalty fees.

In September of 2021, HUMBL launched HUMBL Tickets, initially focused on the offering of secondary (resale) tickets to thousands of live events across North America. The inventory listings and ticket fulfillment are provided by Ticket Evolution and HUMBL earns a commission for each sale. In addition to its subsidiary Tickeri, the Company will continue to work with clients to merge the realms of NFTs, event tickets and blockchain authentication.

### ***HUMBL Financial***

HUMBL Financial has developed to package step-function technologies such as blockchain into "several clicks" for the customer.

In 2021, HUMBL Financial created BLOCK ETX products to simplify digital asset investing for customers and institutions seeking exposure to a new, 24/7 digital asset class. We have launched this product in 100 countries outside the United States. HUMBL Financial has developed proprietary, multi-factor blockchain indexes, trading algorithms and financial services for the new digital asset trading markets to accommodate index, active and thematic investment strategies. BLOCK ETXs are completely non-custodial, algorithmically driven software services that allow customers to purchase and hold digital assets in pre-set allocations through their own digital asset exchange accounts. BLOCK ETXs are compatible for United States customers who have accounts with Coinbase Pro, Bittrex US or Binance US and for non-US customers who have accounts with Bittrex Global. BLOCK ETXs were served first on the desktop and web version of the HUMBL platform, with the goal of future applications inside the HUMBL mobile application. HUMBL Financial is open to the licensing of the BLOCK ETXs to institutions and exchanges. HUMBL Financial also plans to offer trusted, third-party financial services in areas such as payments, investments, credit card services and lending across the HUMBL platform over time.

In February 2022, the Company elected to suspend offering the BLOCK ETX products pending further legal analysis regarding how to offer the BLOCK ETXs in a fully compliant manner with the evolving laws and regulatory treatment of such novel products. The Company will continue to monitor the regulatory environment with respect to these products. Per ASC 205-20-50-1(a), the timing of the disposal was February 28, 2022. The Company met the criteria for the BLOCK ETX operations to be classified as held for sale at that time.

### ***Going Concern***

Liquidity is the ability of a company to generate funds to support its current and future operations, satisfy its obligations, and otherwise operate on an ongoing basis. Significant factors in the management of liquidity are funds generated by operations, levels of accounts receivable and accounts payable and capital expenditures.

We incurred an increasing working capital deficit and accumulated deficit as of December 31, 2021 as we ramped up operations significantly in this period and incurred debt to assist in supporting our operations. As of December 31, 2021, we had \$3,493,213 in cash. Between the growth in revenues by fees generated by HUMBL Financial and through sales of merchandise and NFTs in the HUMBL Marketplace, as well as revenue generated through our subsidiaries Tickeri, Inc. and Monster Creative LLC, along with the successful launches of the HUMBL Pay application, HUMBL Financial and HUMBL Tickets in 2021 as well as proceeds received from the exercise of warrants in October 2021, we have sufficient operating cash to continue the development of our core products and services.

We had a working capital deficit of \$20,965,419 as of December 31, 2021 as compared to a working capital surplus of \$1,560,832 as December 31, 2020, respectively. The decrease in working capital is the result of the incurrence of expenditures related to the commencement of the various segments and the current portion of debt that is due in the next 12 months. The Company believes it has adequate capital resources to meet its cash requirements during the next 12 months as they continue to grow and develop suitable sources of capital. A majority of the Company's operating expenses (over 70%) are the result of non-cash charges such as impairment of goodwill and stock-based compensation. The actual monthly cash burn of the Company is approximately \$1,000,000 per month at this time and as our core products come online, this is likely to decrease as much of this is directly related to our in house and outsourced technology team. The Company has received \$2,000,000 in additional warrant exercises and \$3,000,000 in related party debt proceeds in the first quarter to date of 2022, however, as a result of the operating losses and working capital deficit, management has determined that there is substantial doubt about the Company's ability to continue as a going concern.

We expect that the revenue generating operations of the Company will continue to improve the liquidity of the Company moving forward. However, going forward, the effect of the pandemic on the capital markets may limit our ability to raise additional capital on the terms acceptable to us at the time we need it, if at all. The challenges related to remote work and travel restrictions that we as a smaller company have faced in striving to meet our disclosure obligations in a timely manner while taking the steps to protect the health and safety of our employees have impacted, and may continue to further impact, our ability to raise additional capital.

The consolidated financial statements of the Company have been prepared assuming that the Company will continue as a going concern, which contemplates, among other things, the realization of assets and the satisfaction of liabilities in the normal course of business over a reasonable period. The consolidated financial statements of the Company do not include any adjustments that may result from the outcome of the uncertainties.

The Company has made strategic acquisitions in the first few months of 2022 to enhance their core products and their intellectual property. Management believes these acquisitions will result in increased profitability.

The Company plans to raise additional capital through the exercising of their warrants as well as through future debt and equity financings to carry out its business plan. Obtaining additional financing and the successful development of the Company's segments including their new Blockchain Services group, ultimately, to profitable operations, are necessary for the Company to continue operations.

### ***Impact of COVID-19***

The COVID-19 pandemic previously had a profound effect on the U.S. and global economy and may continue to affect the economy and the industries in which we operate, depending on the vaccine rollouts and the emergence of virus mutations.

COVID-19 did not have a material effect on the Consolidated Statements of Operations or the Consolidated Balance Sheets.

Our ability to access the capital markets and maintain existing operations is unknown during the COVID-19 pandemic. Any such limitation on available financing and how we conduct business with our customers and vendors would adversely affect our business.

Because the federal government and some state and local authorities are reacting to the many variants of COVID-19, it is creating uncertainty on whether these actions could disrupt the operation of the Company's business and have an adverse effect on the Company. The extent to which the COVID-19 outbreak may impact the Company's results will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of the virus and the actions to contain its impact.

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") includes, among other things, provisions relating to payroll tax credits and deferrals, net operating loss carryback periods, alternative minimum tax credits and technical corrections to tax depreciation methods for qualified improvement property. The CARES Act also established a Paycheck Protection Program ("PPP"), whereby certain small businesses were eligible for a loan to fund payroll expenses, rent and related costs. The Company received forgiveness of their PPP loans during 2021.

## **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### ***Basis of Presentation***

The accompanying consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (“GAAP”) and the rules and regulations of the United States Securities and Exchange Commission (the “Commission” or the “SEC”). It is management’s opinion that all material adjustments (consisting of normal recurring adjustments) have been made which are necessary for a fair financial statement presentation.

As the acquisition of HUMBL resulted in the owners of HUMBL gaining control over the combined entity after the transaction, and the shareholders of Tesoro Enterprises, Inc. continuing only as passive investors, the transaction was not considered a business combination under the ASC. Instead, this transaction was considered to be a capital transaction of the legal acquiree (HUMBL) and was equivalent to the issuance of shares by HUMBL for the net monetary assets of Tesoro Enterprises, Inc. accompanied by a recapitalization. As a result, all historical balances are those of HUMBL as they are the accounting acquirer.

Under generally accepted accounting principles of the United States, any excess of the fair value of the shares issued by HUMBL over the value of the net monetary assets of Tesoro Enterprises, Inc. is recognized as a reduction of equity. There was no excess of fair value in this transaction.

### ***Principles of Consolidation***

The consolidated financial statements include the accounts of HUMBL, Inc. and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. HUMBL, Inc. holds 100% of Tickeri and Monster. The Company formed two additional subsidiaries in Singapore and Australia that are inactive and have no activity.

The Company applies the guidance of Topic 805 *Business Combinations* of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”).

For Tickeri and Monster, the Company accounted for these acquisitions as business combinations and the difference between the consideration paid and the net assets was applied to goodwill as there were no identifiable intangible assets acquired.

### ***Reclassification***

The Company has reclassified certain amounts in the 2020 financial statements to comply with the 2021 presentation. These principally relate to classification of certain expenses and liabilities. The reclassifications had no impact on total net loss or net cash flows for the year ended December 31, 2020.

### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. These estimates include, but are not limited to, management’s estimate of provisions required for permanent and temporary differences related to income taxes, liabilities to accrue, estimates of the fair value of goodwill and determination of the fair value of stock awards. Actual results could differ from those estimates.

### ***Cash***

Cash consists of cash and demand deposits with an original maturity of three months or less. The Company holds no cash equivalents as of December 31, 2021 and 2020, respectively. The Company maintains cash balances in excess of the FDIC insured limit at a single bank.

### ***Fixed Assets and Long-Lived Assets***

ASC 360 requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company has adopted Accounting Standard Update (“ASU”) 2017-04 Intangibles – Goodwill and Other (Topic 350), Simplifying the Test for Goodwill Impairment.

The Company reviews recoverability of long-lived assets on a periodic basis whenever events and changes in circumstances have occurred which may indicate a possible impairment. The assessment for potential impairment is based primarily on the Company’s ability to recover the carrying value of its long-lived assets from expected future cash flows from its operations on an undiscounted basis. If such assets are determined to be impaired, the impairment recognized is the amount by which the carrying value of the assets exceeds the fair value of the assets.

Fixed assets and intangible assets with finite useful lives are stated at cost less accumulated amortization and impairment. Intangible assets with infinite lives, such as digital currency are valued at costs and reviewed for indicators of impairment at least annually, or more depending on circumstances.

The Company assesses the impairment of identifiable intangibles whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors the Company considers to be important which could trigger an impairment review include the following:

1. Significant underperformance relative to expected historical or projected future operating results;
2. Significant changes in the manner of use of the acquired assets or the strategy for the overall business; and
3. Significant negative industry or economic trends.

When the Company determines that the carrying value of intangibles may not be recoverable based upon the existence of one or more of the above indicators of impairment and the carrying value of the asset cannot be recovered from projected undiscounted cash flows, the Company records an impairment charge. The Company measures any impairment based on a projected discounted cash flow method using a discount rate determined by management to be commensurate with the risk inherent in the current business model. Significant management judgment is required in determining whether an indicator of impairment exists and in projecting cash flows.

### ***Revenue Recognition***

The Company accounts for a contract with a customer that is within the scope of this Topic only when the five steps of revenue recognition under ASC 606 are met.

The five core principles will be evaluated for each service provided by the Company and is further supported by applicable guidance in ASC 606 to support the Company’s recognition of revenue.

The Company accounts for revenues based on the verticals in which they were earned. The three principal verticals in which the Company operates today are HUMBL Pay, HUMBL Marketplace, and HUMBL Financial.

#### **HUMBL Pay**

The Company is anticipated to earn transaction revenues primarily from fees charged to merchants and consumers on a transaction basis through the Company’s mobile application. These fees may have a fixed and/or variable component. The variable component is generally a percentage of the value of the payment amount and is known at the time the transaction is processed. For a portion of our transactions, the variable component of the fee is eligible for reimbursement when the underlying transaction is approved for a refund. The Company may estimate the amount of fee refunds that will be processed each quarter and record a provision against the net revenues. The volume of activity processed on the platform, which results in transaction revenue, is referred to as Total Payment Volume (“TPV”).

The Company will earn additional fees on transactions where currency conversion is performed, when cross-border transactions are enabled (i.e., transactions where the merchant and consumer are in different countries), to facilitate the instant transfer of funds for

customers from their HUMBL account to their debit card or bank account, and other miscellaneous fees. The Company will rely on third party partners to perform all money transmission services.

The Company may earn revenues from other value-added services, which are comprised primarily of revenue earned through partnerships, referral fees, subscription fees, gateway fees, ticketing, peer-to-peer payments and other services that will be provided to merchants and consumers. These contracts typically have one performance obligation which is provided and recognized over the term of the contract.

The transaction price is generally fixed and known at the end of each reporting period; however, for some agreements, it may be necessary to estimate the transaction price using the expected value method. The Company is expected to record revenue earned in revenues from other value-added services on a net basis when they are considered the agent with respect to processing transactions.

### **HUMBL Marketplace**

The Company recognizes revenue when they transfer control of promised goods or services to customers in an amount that reflects the consideration to which is expected to be entitled in exchange for those goods or services. Revenue is recognized net of any taxes collected, which are subsequently remitted to governmental authorities.

#### *Net transaction revenues*

The net transaction revenues will primarily include final value fees, feature fees, including fees to promote listings, and listing fees from sellers in our Marketplace. The net transaction revenues will also include store subscription and other fees often from large enterprise sellers. The net transaction revenues are reduced by incentives provided to customers.

The Company has identified one performance obligation to sellers on the Marketplace platform, which is to connect buyers and sellers on the secure and trusted Marketplace platforms. Final value fees are recognized when an item is sold on a Marketplace platform, satisfying this performance obligation. There may be additional services available to Marketplace sellers, mainly to promote or feature listings, that are not distinct within the context of the contract.

Accordingly, fees for these additional services are recognized when the single performance obligation is satisfied. Promoted listing fees are recognized when the item is sold and feature and listing fees are recognized when an item is sold, or when the contract expires.

Further, to drive traffic to the platform, the Company will provide incentives to buyers and sellers in various forms including discounts on fees, discounts on items sold, coupons and rewards. Evaluating whether a promotion or incentive is a payment to a customer may require significant judgment. Promotions and incentives which are consideration payable to a customer are recognized as a reduction of revenue at the later of when revenue is recognized or when the incentive is paid or promise to be paid. Promotions and incentives to most buyers on our Marketplace platforms, to whom there is no performance obligation, are recognized as sales and marketing expense. In addition, there may be credits provided to customers when certain fees are refunded. Credits are accounted for as variable consideration at contract inception when estimating the amount of revenue to be recognized when a performance obligation is satisfied to the extent that it is probable that a significant reversal of revenue will not occur and updated as additional information becomes available.

#### *Ticketing Revenues*

The Company with the acquisition of Tickeri and launch of HUMBL Tickets recognizes revenues from their ticketing services primarily from service fees, commissions and payment processing fees charged at the time a ticket for an event is sold. We also derive revenues from providing certain creators with account management services and customer support. Our customers are primarily event creators who use our platform to sell tickets to attendees. Revenue is recognized when control of the promised goods or services is transferred to customers, in an amount that reflects the consideration we receive in exchange for those goods or services. We allocate the transaction price by estimating a standalone selling price for each performance obligation using a cost plus a margin approach. For service fees and payment processing fees, revenue is recognized when the ticket is sold. For account management services and customer support, revenue is recognized over the period from the date of the sale of the ticket to the date of the event.

We evaluate whether it is appropriate to recognize revenue on a gross or net basis based upon our evaluation of whether we obtain control of the specified goods or services by considering if we are primarily responsible for fulfillment of the promise, have inventory risk, and have the latitude in establishing pricing and selecting suppliers, among other factors.

We determined the event creator is the party responsible for fulfilling the promise to the attendee, as the creator is responsible for providing the event for which a ticket is sold, determines the price of the ticket and is responsible for providing a refund if the event is canceled. Our service is to provide a platform for the creator and event attendee to transact and our performance obligation is to facilitate and process that transaction and issue the ticket. The amount that we earn for our services is fixed. For the payment processing service, we determined that we are the principal in providing the service as we responsible for fulfilling the promise to process the payment and we have discretion and latitude in establishing the price of our service. Based on our assessment, we record revenue on a net basis related to our ticketing service and on a gross basis related to our payment processing service. As a result, costs incurred for processing the transactions are included in cost of net revenues in the consolidated statements of operations.

Revenue is presented net of indirect taxes, value-added taxes, creator royalties and reserves for customer refunds, payment chargebacks and estimated uncollectible amounts. If an event is cancelled by a creator, then any obligations to provide refunds to event attendees are the responsibility of that creator.

If a creator is unwilling or unable to fulfill their refund obligations, we may, at our discretion, provide attendee refunds. Revenue is also presented net of the amortization of creator signing fees when applicable. The benefit we receive by securing exclusive ticketing and payment processing rights with certain creators from creator signing fees is inseparable from the customer relationship with the creator and accordingly these fees are recorded as a reduction of revenue in the consolidated statements of operations.

In June 2021, the Company purchased some equipment and furniture as well as a commercial property in the form of a suite at a luxury hotel. The Company is the owner of this suite and entered into a long-term rental agreement with the hotel to manage the property. The Company has use of the suite for 28 calendar days a year and will receive their proportionate income for the other days the suite is being used. The Company recognizes rental revenue for the days in the month the suite is being rented in that month.

#### *Marketing services and other revenues*

Marketing services and other revenues are derived principally from the sale of advertisements, classifieds fees, and revenue sharing arrangements. Advertising revenue is derived principally from the sale of online advertisements which are based on “impressions” (i.e., the number of times that an advertisement appears in pages viewed by users of our platforms) or “clicks” (which are generated each time users on our platforms click through our advertisements to an advertiser’s designated website) delivered to advertisers.

The Company uses the output method and apply the practical expedient to recognize advertising revenue in the amount to which they have a right to invoice. For contracts with target advertising commitments with rebates, estimated payout is accounted for as a variable consideration to the extent it is probable that a significant reversal of revenue will not occur.

#### **HUMBL Financial**

Revenue is recognized upon transfer of control of services to customers in an amount to which the Company expects to be entitled in exchange for those services. Service subscription revenue is recognized for the month in which services are provided. If a customer pays for an annual subscription, revenue is allocated over the months in the subscription and recognized for each month of the service provided.

#### *Accounts Receivable and Concentration of Credit Risk*

An allowance is based on management’s estimate of the overall collectability of accounts receivable, considering historical losses. Based on these same factors, individual accounts are charged off against the allowance when management determines those individual accounts are uncollectible. Credit extended to customers is generally uncollateralized. Past-due status is based on contractual terms. The Company does not charge interest on accounts receivable. As of December 31, 2021 and 2020, there was no allowance necessary.

#### *Income Taxes*

Income taxes are accounted under the asset and liability method. The current charge for income tax expense is calculated in accordance with the relevant tax regulations applicable to the entities. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for operating loss and tax credit carryforwards. 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 income in the period that includes the enactment date. Differences between statutory tax rates and effective tax rates relate to permanent tax differences.

Prior to the merger with the Company, HUMBL LLC was a partnership. All losses generated were passed through to the individual members, and there was no provision for income taxes.

### ***Uncertain Tax Positions***

The Company follows ASC 740-10 Accounting for Uncertainty in Income Taxes. This requires recognition and measurement of uncertain income tax positions using a “more-likely-than-not” approach. Management evaluates their tax positions on an annual basis.

The Company files income tax returns in the U.S. federal tax jurisdiction and various state tax jurisdictions. The federal and state income tax returns of the Company are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed.

### ***Share-Based Compensation***

The Company follows ASC 718 Compensation – Stock Compensation and has adopted ASU 2017-09 Compensation – Stock Compensation (Topic 718) Scope of Modification Accounting. The Company calculates compensation expense for all awards granted, but not yet vested, based on the grant-date fair values. Share-based compensation expense for all awards granted is based on the grant-date fair values. The Company policy is to recognize these compensation costs, on a pro rata basis over the requisite service period of each vesting tranche of each award for service-based grants, and as the criteria is achieved for performance-based grants, when such grants are made. For stock options and warrants, the Company uses the Black-Scholes model to estimate the value of those grants. The Company has not had any forfeitures of these grants, and these estimates of value will include a percentage of forfeitures when that percentage is able to be estimated.

The Company adopted ASU 2016-09 Improvements to Employee Share-Based Payment Accounting. Cash paid when shares are directly withheld for tax withholding purposes will be classified as a financing activity in the statement of cash flows.

### ***Fair Value of Financial Instruments***

ASC 825 Financial Instruments requires the Company to disclose estimated fair values for its financial instruments. Fair value estimates, methods, and assumptions are set forth below for the Company’s financial instruments: The carrying amount of cash, accounts receivable, prepaid and other current assets, accounts payable and accrued liabilities, and amounts payable to related parties, approximate fair value because of the short-term maturity of those instruments. The Company does not utilize derivative instruments.

### ***Leases***

The Company follows ASC 842 Leases in accounting for leased properties, when they exceed a one-year term. When the Company enters into leases with a term in excess of one year, they will recognize a lease liability and right of use asset in accordance with the provisions of ASC 842.

### ***Earnings (Loss) Per Share of Common Stock***

Basic net income (loss) per common share is computed using the weighted average number of common shares outstanding. Diluted earnings per share (“EPS”) include additional dilution from common stock equivalents, such as convertible notes, preferred stock, stock issuable pursuant to the exercise of stock options and warrants.

Common stock equivalents are not included in the computation of diluted earnings per share when the Company reports a loss because to do so would be anti-dilutive for periods presented, so only the basic weighted average number of common shares are used in the computations.

### ***Derivative Financial Instruments***

The Company does not use derivative instruments to hedge exposures to cash flow, market, or foreign currency risks. Management evaluates all of the Company’s financial instruments, including convertible notes and warrants, to determine if such instruments are derivatives or contain features that qualify as embedded derivatives.

The Company generally uses a Black-Scholes model, as applicable, to value the derivative instruments at inception and subsequent valuation dates when needed. The classification of derivative instruments, including whether such instruments should be recorded as liabilities, is remeasured at the end of each reporting period.

### ***Fair Value Measurements***

ASC 820 Fair Value Measurements defines fair value, establishes a framework for measuring fair value in accordance with GAAP, and expands disclosure about fair value measurements. ASC 820 classifies these inputs into the following hierarchy:

Level 1 inputs: Quoted prices for identical instruments in active markets.

Level 2 inputs: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 inputs: Instruments with primarily unobservable value drivers.

### ***Segment Reporting***

The Company follows the provisions of ASC 280-10 Segment Reporting. This standard requires that companies disclose operating segments based on the manner in which management disaggregates the Company in making internal operating decisions.

For the year ended December 31, 2020 the Company and its chief operating decision makers determined that the Company operated in one segment as they were developing their business model. Effective 2021, the Company has established three distinct operating segments: HUMBL Marketplace; HUMBL Pay; and HUMBL Financial. Most of the operations for the year ended December 31, 2021 and 2020, respectively were conducted in North America.

Less than 4% of the Company's sales were from outside of North America, therefore the Company has determined that segment reporting by geographic location was not necessary. In the future, the Company will continue to monitor their activity by region to determine if it is feasible to report segment information by location.

### ***Recent Accounting Pronouncements***

In August, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2020-06, Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging-Contracts in Entity's Own Equity (Subtopic 815-40), Accounting for Convertible Instruments and Contract's in an Entity's Own Equity. The ASU simplifies accounting for convertible instruments by removing major separation models required under current GAAP. Consequently, more convertible debt instruments will be reported as a single liability instrument with no separate accounting for embedded conversion features. The ASU removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception, which will permit more equity contracts to qualify for it. The ASU simplifies the diluted net income per share calculation in certain areas.

The ASU is effective for annual and interim periods beginning after December 31, 2021, and early adoption is permitted for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. The Company is currently evaluating the impact that this new guidance will have on its financial statements.

The Company does not discuss recent pronouncements that are not anticipated to have an impact on or are unrelated to its financial condition, results of operations, cash flows or disclosures.

## **NOTE 3: REVERSE MERGER**

### ***HUMBL LLC***

On December 3, 2020, HUMBL LLC merged into the Company in what is accounted for as a reverse merger. Under the terms of the Merger Agreement, HUMBL LLC exchanged 100% of their membership interests for 552,029 shares of newly created Series B Preferred Stock. The Series B Preferred shares were issued to the respective members of HUMBL LLC following the approval by FINRA of the

one-for-four reverse stock split of the common shares and the increase in the authorized common shares to 7,450,000,000 shares. The FINRA approval for both the increase in the authorized common shares and reverse stock split occurred on February 26, 2021.

To assume control of the Company, the former CEO, Henry Boucher assigned his 7,000,000 shares of Series A Preferred Stock to Brian Foote, the President and CEO of HUMBL LLC for a \$40,000 note payable. The Series A Preferred Stock is not convertible into common stock, however, it has voting rights of 10,000 votes per 1 share of stock. After the reverse merger was completed, HUMBL LLC ceased doing business, and all operations were conducted under Tesoro Enterprises, Inc. which later changed its name to HUMBL.

As the acquisition of HUMBL resulted in the owners of HUMBL gaining control over the combined entity after the transaction, and the shareholders of Tesoro Enterprises, Inc. continuing only as passive investors, the transaction was not considered a business combination under the ASC. Instead, this transaction was considered to be a capital transaction of the legal acquirer (HUMBL) and was equivalent to the issuance of shares by HUMBL for the net monetary assets of Tesoro Enterprises, Inc. accompanied by a recapitalization. As a result, all historical balances are those of HUMBL as they are the accounting acquirer.

There were no outstanding liabilities of Tesoro Enterprises, Inc. that remained at the time of the merger so no amounts were assumed by HUMBL.

#### NOTE 4: ACQUISITIONS

##### Tickeri

On June 3, 2021 we acquired Tickeri, Inc. (“Tickeri”) in a debt and stock transaction totaling \$20,000,000 following which Tickeri became a subsidiary of HUMBL. Tickeri is a leading ticketing, live events and box office SaaS platform featuring Latin events and artists throughout the United States, Latin America, and the Caribbean corridor. The purchase price for the stock purchase was \$20,000,000 of which we must pay \$10,000,000 in our common stock and \$10,000,000 was paid through two promissory notes. The shares had a deemed value equal to the volume weighted average price per share of HUMBL common stock on the OTC Markets for the ten consecutive trading days ending with the complete trading day ending two trading days prior to the closing. We issued the two shareholders of Tickeri, Juan Gonzalez and Javier Gonzalez, 4,672,897 shares of our common stock each. We also issued to each of Juan and Javier Gonzalez a secured promissory note in the face amount of \$5,000,000.

The promissory notes are due and payable on or before December 31, 2022, bear interest at the rate of 5% per annum and are secured by the equity interests of Tickeri. In the event of an uncured default by HUMBL under the promissory note, Juan and Javier Gonzalez have the right to recover the ownership of Tickeri and re-commence the business and operations of Tickeri free and clear of any claims or encumbrances by HUMBL. We intend to limit the integration of Tickeri’s assets with our assets until the promissory notes are paid in full. We agreed to register on Form S-1 within three months from the closing the shares issued to Juan and Javier Gonzalez and have the registration statement declared effective within six months of the closing date. Following the closing, Juan Gonzalez and Javier Gonzalez, entered into employment agreements having a term of 18 months, appointing them CEO of Tickeri and CTO of HUMBL, respectively.

The Company acquired the assets and liabilities noted below in accordance with ASC 805. Based on the fair values at the effective date of acquisition the purchase price was recorded as follows (subject to adjustment):

Cash	\$ 127,377
Accounts receivables	23,587
Goodwill	20,086,664
Accounts payable and accrued expenses	(87,071)
SBA EIDL	(150,000)
PPP loan	(557)
	<u>\$ 20,000,000</u>

The consideration paid for the acquisition of Tickeri was as follows:

Common stock	\$ 10,000,000
Notes payable	10,000,000
Total consideration	<u>\$ 20,000,000</u>

The Acquisition has been accounted for under the acquisition method of accounting. Under the acquisition method of accounting, the total acquisition consideration price was allocated to the assets acquired and liabilities assumed based on their preliminary estimated fair values. The fair value measurements utilize estimates based on key assumptions of the Acquisition, and historical and current market data. The excess of the purchase price over the total of the estimated fair values assigned to tangible and identifiable intangible assets acquired and liabilities assumed is recognized as goodwill. The Company has estimated the preliminary purchase price allocations based on historical inputs and data as of June 3, 2021. The preliminary allocation of the purchase price is based on the best information available and is pending, amongst other things: (i) the finalization of the valuation of the fair values and useful lives of tangible assets acquired; (ii) the finalization of the valuations and useful lives for the intangible assets acquired; (iii) finalization of the valuation of accounts payable and accrued expenses; and (iv) finalization of the fair value of non-cash consideration.

The Company has up to one-year from the date of acquisition to adjust any of the acquired assets and liabilities for information obtained during this measurement period. If new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have resulted in the recognition of additional assets or liabilities as of the acquisition date or a re-allocation of assets and liabilities is necessary, the Company will adjust these figures. The Company has performed an analysis on the purchase price allocation and has determined that there are no adjustments to be made from the original allocation.

The goodwill is not expected to be deductible for tax purposes.

### **Monster Creative, LLC**

On June 30, 2021, we acquired Monster Creative, LLC (“Monster”). Monster is a Hollywood production studio that specializes in producing movie trailers and other related content. Monster was founded by Doug Brandt and Kevin Childress. Monster will collaborate with HUMBL in the production of NFTs and other digital content. The purchase price for all of the membership interests in Monster was paid through the issuance of one convertible note and one non-convertible note to each of Doug Brandt and Kevin Childress in the aggregate principal amount of \$8,000,000. The convertible notes were issued to Doug Brandt (through an entity owned by him) and Kevin Childress in the aggregate principal amount of \$7,500,000. The notes convert at the holder’s election at \$1.20 per share, bear interest at 5% per annum and are due in 18 months from issuance. We also issued non-convertible notes to Doug Brandt and Kevin Childress in the aggregate amount of \$500,000. These notes bear interest at the rate of 5% per annum and are due on April 1, 2022. Doug Brandt and Kevin Childress each entered into employment agreements with Monster having a term of three years. Doug Brandt was appointed as the CEO of Monster and Kevin Childress was appointed as its President and Creative Director.

The Company acquired the assets and liabilities noted below in accordance with ASC 805. Based on the fair values at the effective date of acquisition the purchase price was recorded as follows (subject to adjustment):

Cash	\$ 3,017
Accounts receivables	379,012
Goodwill	8,648,104
Due to seller	(379,012)
Accounts payable and accrued expenses	(98,754)
Notes payable – related parties	(486,250)
PPP loan	(66,117)
	<u>\$ 8,000,000</u>

The consideration paid for the acquisition of Monster Creative, LLC was as follows:

Convertible notes payable	\$ 7,500,000
Non-convertible notes payable	500,000
Total consideration	<u>\$ 8,000,000</u>

The Acquisition has been accounted for under the acquisition method of accounting. Under the acquisition method of accounting, the total acquisition consideration price was allocated to the assets acquired and liabilities assumed based on their preliminary estimated fair values. The fair value measurements utilize estimates based on key assumptions of the Acquisition, and historical and current market data. The excess of the purchase price over the total of the estimated fair values assigned to tangible and identifiable intangible assets acquired and liabilities assumed is recognized as goodwill. The Company has estimated the preliminary purchase price allocations based on historical inputs and data as of June 30, 2021.

The preliminary allocation of the purchase price is based on the best information available and is pending, amongst other things: (i) the finalization of the valuation of the fair values and useful lives of tangible assets acquired; (ii) the finalization of the valuations and useful lives for the intangible assets acquired; (iii) finalization of the valuation of accounts payable and accrued expenses; and (iv) finalization of the fair value of non-cash consideration.

The Company has up to one-year from the date of acquisition to adjust any of the acquired assets and liabilities for information obtained during this measurement period. If new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have resulted in the recognition of additional assets or liabilities as of the acquisition date or a re-allocation of assets and liabilities is necessary, the Company will adjust these figures. The Company has performed an analysis on the purchase price allocation and has determined that there are no adjustments to be made from the original allocation.

The goodwill is not expected to be deductible for tax purposes.

The following table shows the unaudited pro-forma results for the years ended December 31, 2021 and 2020, as if the acquisitions had occurred on January 1, 2020. These unaudited pro forma results of operations are based on the historical financial statements and related notes of Tickeri, Monster and the Company.

	<b>Year Ended December 31, 2021</b>
	<b>(Unaudited)</b>
Revenues	\$ 3,121,680
Net loss	\$ (50,276,526)
Net loss per share	\$ (0.05)

  

	<b>Year Ended December 31, 2020</b>
	<b>(Unaudited)</b>
Revenues	\$ 2,375,716
Net loss	\$ (763,007)
Net loss per share	\$ (0.00)

#### NOTE 5: REVENUE

The following table disaggregates the Company's revenue by major source for the years ended December 31, 2021 and 2020:

	<b>Years Ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Revenue:		
Service - Production	\$ 1,104,322	\$ -
Merchant Fees	774,731	-
Financial Services	265,025	-
Merchandise	192,003	-
Tickets	127,947	-
NFTs	26,507	-
Rental income	2,270	-
Other	10,583	-
	<u>\$2,503,388</u>	<u>\$ -</u>

There were no significant contract asset or contract liability balances for all periods presented. The Company does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less, and (ii) contracts for which we recognize revenue at the amount to which we have the right to invoice for services performed.

Collections of the amounts billed are typically paid by the customers within 30 to 60 days.

#### NOTE 6: FIXED ASSETS AND GOODWILL

As of December 31, 2021 and 2020, the Company has the following fixed assets:

		<u>2021</u>	<u>2020</u>
Non-residential property – 20 year-life	\$	345,497	\$ -
Equipment – 5 year-life		5,772	-
Furniture and fixtures – 5 year-life		16,307	-
Accumulated depreciation		<u>(11,129)</u>	<u>(-)</u>
	\$	<u>356,447</u>	\$ -

In June 2021, the Company purchased some equipment and furniture as well as a commercial property in the form of a suite at a luxury hotel. The Company is the owner of this suite and entered into a long-term rental agreement with the hotel to manage the property. The Company has use of the suite for 28 calendar days a year and will receive their proportionate income for the other days the suite is being used.

Depreciation expense for the years ended December 31, 2021 was \$11,129, as the property was placed into service on July 1, 2021.

As of December 31, 2021 and 2020, the Company has recorded goodwill as follows:

		<u>2021</u>	<u>2020</u>
Tickeri	\$	3,353,392	\$ -
Monster Creative		<u>3,177,954</u>	-
	\$	<u>6,531,346</u>	\$ -

The Company evaluated ASC 350-20-50 for the goodwill associated with the two acquisitions. The Company determined that there was impairment of goodwill associated with the Tickeri acquisition of \$16,733,272 and impairment of goodwill associated with the Monster Creative transaction of \$5,470,150 to be recognized in the year ended December 31, 2021, as reflected in operating expenses under the line item Impairment - goodwill. In accordance with ASC 350-20-50-6 (a through d), the Company determined based on the qualitative factors surrounding the Tickeri and Monster Creative acquisitions, which include the foothold of Tickeri in the Latin population of the United States, the development of the Company's website, and the fact that the former President of Tickeri became the CTO of HUMBL, as well as the services being provided by Monster Creative in production, and the services for both entities in the COVID pandemic, the fair value of Tickeri and Monster Creative did not equate to the value that was paid for these entities. As a result, we recognized the goodwill at the time of purchase for Tickeri, and re-evaluated the goodwill determination as of December 31, 2021 for both Tickeri and Monster Creative which resulted in additional impairment to be recognized. We determined the value based on the multiple of earnings on similar companies evaluated in the ticketing space and in the production space for Monster Creative. Since both Tickeri and Monster Creative services fall under the HUMBL Marketplace segment, the entire impairment of the goodwill is reflected in that segment.

#### NOTE 7: INTANGIBLE ASSETS – DIGITAL CURRENCY

In 2021, the Company purchased Ethereum, a digital currency to create NFTs for beta testing to determine whether they would be able to place them onto the HUMBL Marketplace's NFT Gallery in addition to the NFTs others create that are on the NFT Gallery. The Company purchased \$114,650 in digital currency in the year ended December 31, 2021. The Company expensed \$133,660 in the digital currency to create NFTs as beta testing for future endeavors and for payment of expenses, received commissions on sales of NFTs of \$8,400, reflected \$34,570 in impairment of the intangible asset for digital currency, and recognized a gain on sale of digital assets of \$47,875. The value of the intangible asset as of December 31, 2021 is \$2,695.

## NOTE 8: NOTES PAYABLE

The Company entered into notes payable as follows as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Note payable, at 8% interest, maturing December 31, 2021 for merger with Tesoro Enterprises Inc. (see Note 1)' payment due at maturity (repaid on December 30, 2021) \$	-	\$ 40,000
Notes payable (\$250,000 each), at 2% interest, maturing July 30, 2022; payments due at maturity	500,000	-
EIDL loan at 3.75% interest, maturing May 18, 2050 (assumed in the acquisition of Tickeri), no payments for 2 years, then monthly payments of \$731 per month inclusive of interest	<u>150,000</u>	<u>-</u>
Total	650,000	40,000
Less: Current portion	<u>(501,828)</u>	<u>(40,000)</u>
Long-term debt	\$ 148,172	\$ -

Maturities of notes payable for the next five years as of December 31 are as follows:

2022	\$ 501,828
2023	2,845
2024	2,938
2025	3,066
2026	3,183
Thereafter	<u>136,140</u>
	\$ 650,000

In the acquisition of Tickeri, the Company assumed a PPP loan and an EIDL loan. The PPP loan was repaid in its entirety in the year ended December 31, 2021. In the acquisition of Monster a \$66,117 PPP loan was forgiven in the year ended December 31, 2021 and the forgiveness of this debt is reflected in other income. Interest expense for the years ended December 31, 2021 and 2020 was \$17,358 and \$552, respectively. Accrued interest at December 31, 2021 was \$14,150.

## NOTE 9: NOTES PAYABLE – RELATED PARTIES

The Company entered into notes payable as follows as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Notes payable (\$5,000,000 each), at 5% interest, maturing December 3, 2022 for acquisition of Tickeri (see Note 4) with the two principals of Tickeri, one of which is an officer of the Company as well; payments due at maturity \$	10,000,000	\$ -
Notes payable (\$435,000 and \$65,000), at 5% interest, maturing April 1, 2022 for acquisition of Monster (see Note 4) with the two principals of Monster; payments due at maturity	500,000	-
Notes payable (\$271,250 and \$215,000), at 3% interest, maturing December 31, 2022, with family relatives of the two principals of Monster; payments due at maturity	<u>486,250</u>	<u>-</u>
Total	10,986,250	-
Less: Current portion	<u>(10,986,250)</u>	<u>(-)</u>
Long-term debt	\$ -	\$ -

Maturities of notes payable – related parties as of December 31 is as follows:

2022	<u>\$ 10,986,250</u>
	\$ 10,986,250

Interest expense for the years ended December 31, 2021 and 2020 was \$308,938 and \$0, respectively. Accrued interest at December 31, 2021 was \$308,938.

**NOTE 10: CONVERTIBLE PROMISSORY NOTES**

The Company entered into convertible promissory notes as follows as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Convertible note, at 8% interest, maturing December 23, 2022 convertible into common shares at \$0.60 per share	\$ 112,500	\$ 112,500
Convertible note, at 8% interest, maturing December 23, 2022 convertible into common shares at \$0.60 per share	112,500	112,500
Convertible note at 10% interest, maturing July 14, 2022 convertible into common shares at \$3.15 per share (\$300,000 original issue discount)	3,300,000	-
Convertible note at 8% interest, maturing March 13, 2023 convertible into common shares at \$1.00 per share (\$7,500 original issue discount)	382,500	-
Convertible note at 8% interest, maturing March 13, 2023 convertible into common shares at \$1.00 per share (\$8,250 original issue discount)	420,750	-
Convertible note at 8% interest, maturing March 17, 2023 convertible into common shares at \$1.00 per share (\$20,000 original issue discount)	1,020,000	-
Convertible note at 8% interest, maturing March 19, 2023 convertible into common shares at \$1.00 per share (\$9,750 original issue discount)	497,250	-
Convertible note at 8% interest, maturing March 19, 2023 convertible into common shares at \$1.00 per share (\$1,500 original issue discount)	76,500	-
Convertible note at 8% interest, maturing March 19, 2023 convertible into common shares at \$1.00 per share (\$3,000 original issue discount)	153,000	-
Convertible note at 8% interest, maturing April 21, 2023 convertible into common shares at \$1.00 per share (\$7,500 original issue discount)	382,500	-
Convertible note at 8% interest, maturing April 21, 2023 convertible into common shares at \$1.00 per share (\$7,500 original issue discount)	382,500	-
Convertible note at 8% interest, maturing June 30, 2023 convertible into common shares at \$0.90 per share (\$3,000 original issue discount)	153,000	-

Convertible note at 8% interest, maturing September 12, 2023 convertible into common shares at \$0.60 per share (\$6,000 original issue discount)	306,000	-
	7,299,000	225,000
Less: Discounts	<u>(1,674,175)</u>	<u>(83,897)</u>
Total	\$ 5,624,825	\$ 141,103

On April 14, 2021 we received bridge financing in the form of a loan in the principal amount of \$3,300,000 from Brighton Capital Partners, LLC (“Brighton Capital” or “BCP”) for which we issued them a convertible promissory note due 15 months after April 14, 2021 (July 14, 2022). The note bears interest at 10% per annum and is convertible at Brighton Capital’s election at a fixed price of \$3.15 per share. The Company recognized a \$300,000 original issue discount at inception of this convertible note.

Under the terms of the note, Brighton Capital has a right of redemption commencing on the earlier of an effective date of a Registration Statement and the 12-month anniversary of the note, to cause us to redeem all or any portion of the note in cash or shares of our common stock, at the Company’s election.

Any redemption with shares of our common stock shall be at the “market price” which is defined as 80% of our lowest closing trade price for the 10 consecutive trading days prior to the date on which the market price is measured. The note was to serve as a bridge loan to a \$50,000,000 Equity Financing Agreement (“EFA”), which was terminated on October 26, 2021. The Company recognized a beneficial conversion feature on this note in the amount of \$3,300,000.

On October 26, 2021, the Company and BCP agreed to terminate the Equity Financing Agreement. The Company agreed to issue shares for the termination of the EFA in the registration statement they file.

On May 13, 2021, the Company issued a convertible promissory note to investors for \$382,500 with an original issue discount of \$7,500, for a term of twenty-two months maturing March 13, 2023. In addition, the Company issued warrants to the same investors to purchase up to 750,000 warrant shares with the convertible note. The Company recognized a \$7,500 original issue discount and \$257,531 debt discount at inception of this convertible note.

On May 13, 2021, the Company issued a convertible promissory note to an investor for \$420,750 with an original issue discount of \$8,250, for a term of twenty-two months maturing March 13, 2023. In addition, the Company issued a warrant to the same investor to purchase up to 825,000 warrant shares with the convertible note. The Company recognized a \$8,250 original issue discount and \$283,284 debt discount at inception of this convertible note.

On May 17, 2021, the Company issued a convertible promissory note to an investor for \$1,020,000 with an original issue discount of \$20,000, for a term of twenty-two months maturing March 17, 2023. The Company recognized a \$20,000 original issue discount at inception of this convertible note.

On May 19, 2021, the Company issued a convertible promissory note to an investor for \$497,250 with an original issue discount of \$9,750, for a term of twenty-two months maturing March 19, 2023. In addition, the Company issued a warrant to the same investor to purchase up to 975,000 warrant shares with the convertible note. The Company recognized a \$9,750 original issue discount and \$317,561 debt discount at inception of this convertible note.

On May 19, 2021, the Company issued a convertible promissory note to an investor for \$76,500 with an original issue discount of \$1,500, for a term of twenty-two months maturing March 19, 2023. In addition, the Company issued a warrant to the same investor to purchase up to 150,000 warrant shares with the convertible note. The Company recognized a \$1,500 original issue discount and \$48,855 debt discount at inception of this convertible note.

On May 19, 2021, the Company issued a convertible promissory note to an investor for \$153,000 with an original issue discount of \$3,000, for a term of twenty-two months maturing March 19, 2023. In addition, the Company issued a warrant to the same investor to purchase up to 300,000 warrant shares with the convertible note. The Company recognized a \$3,000 original issue discount and \$97,711 debt discount at inception of this convertible note.

On June 21, 2021, the Company issued a convertible promissory note to an investor for \$382,500 with an original issue discount of \$7,500, for a term of twenty-two months maturing April 21, 2023. In addition, the Company issued a warrant to the same investor to purchase up to 750,000 warrant shares with the convertible note. The Company recognized a \$7,500 original issue discount and \$274,172 debt discount at inception of this convertible note. The Company recognized a BCF discount in the amount of \$100,828 on this convertible note that is being amortized over the life of the convertible note.

On June 21, 2021, the Company issued a convertible promissory note to an investor for \$382,500 with an original issue discount of \$7,500, for a term of twenty-two months maturing April 21, 2023. In addition, the Company issued a warrant to the same investor to purchase up to 750,000 warrant shares with the convertible note. The Company recognized a \$7,500 original issue discount and \$274,172 debt discount at inception of this convertible note. The Company recognized a BCF discount in the amount of \$100,828 on this convertible note that is being amortized over the life of the convertible note.

On August 30, 2021, the Company issued a convertible promissory note to an investor for \$153,000 with an original issue discount of \$3,000, for a term of twenty-two months maturing June 30, 2023. In addition, the Company issued a warrant to the same investor to purchase up to 375,000 warrant shares with the convertible note. The Company recognized a \$3,000 original issue discount and \$102,486 debt discount at inception of this convertible note.

On November 12, 2021, the Company issued a convertible promissory note to an investor for \$306,000 with an original issue discount of \$6,000, for a term of twenty-two months maturing September 12, 2023. In addition, the Company issued a warrant to the same investor to purchase up to 1,000,000 warrant shares with the convertible note. The Company recognized a \$6,000 original issue discount and \$197,791 debt discount at inception of this convertible note.

Maturities of convertible promissory notes for the next two years as of December 31 are as follows (with discount):

2022	\$	3,550,000
2023		<u>3,749,000</u>
	\$	<u>7,299,000</u>

The Company recognized \$2,055,219 and \$85,939 in original issue discounts, debt discounts and BCF discounts on the convertible notes. The Company evaluated the terms of the convertible notes and warrant agreements and determined that there were no terms that would necessitate the recognition of any derivative liabilities. The Company is amortizing the debt discounts over the life of the convertible notes based on the effective interest method.

Interest expense for the years ended December 31, 2021 and 2020 was \$425,408 and \$394, respectively. Amortization of debt discount, original issue discount and BCF discount was \$838,941 and \$2,042 for the years ended December 31, 2021 and 2020, respectively. Accrued interest at December 31, 2021 was \$425,808.

#### NOTE 11: CONVERTIBLE PROMISSORY NOTES – RELATED PARTIES

The Company entered into convertible promissory notes as follows as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Convertible note at 5% interest, maturing December 31, 2022 convertible into common shares at \$1.20 per share (two notes – one for \$6,525,000 and one for \$975,000) for the acquisition of Monster Creative, LLC (see Note 4) with the two principals of Monster; payments due at maturity	\$ <u>7,500,000</u>	\$ <u>-</u>
	7,500,000	-
Less: Current portion	<u>(7,500,000)</u>	<u>(-)</u>
Total	\$ -	\$ -

Maturities of convertible promissory notes – related parties as of December 31 are as follows:

2022	\$	<u>7,500,000</u>
	\$	7,500,000

On June 30, 2021, the Company acquired Monster Creative, LLC. The Monster Purchase Price included: (a) a convertible note to Phantom Power, LLC in the amount of \$6,525,000 that bears interest at 5% per annum, and matures December 31, 2022, convertible into the Company's common stock at \$1.20 per share; and (b) a convertible note to Kevin Childress in the amount of \$975,000 that bears interest at 5% per annum, and matures December 31, 2022, convertible into the Company's common stock at \$1.20 per share.

The Company evaluated the terms of the convertible notes and determined that there were no terms that would necessitate the recognition of any derivative liabilities.

Interest expense for the years ended December 31, 2021 and 2020 was \$189,041 and \$0, respectively, and accrued interest as of December 31, 2021 was \$189,041.

## **NOTE 12: STOCKHOLDERS' EQUITY (DEFICIT)**

### **Preferred Stock**

As of December 31, 2021, the Company has 10,000,000 shares of Preferred Stock authorized, designated as follows: 7,000,000 shares of Series A Preferred Stock authorized, and 570,000 shares of Series B Preferred Stock authorized. All shares of preferred stock have a par value of \$0.00001.

On October 29, 2021, the Series B Preferred Stock had their authorized shares reduced from 900,000 shares to 570,000 and the 150,000 shares of Series C Preferred Stock were cancelled.

### ***Series A Preferred Stock***

**Dividends.** Shares of Series A Preferred Stock shall be entitled to receive, out of funds legally available for that purpose, on the same terms and conditions as that of holders of common stock, as may be declared by the Board of Directors.

**Conversion.** There are no conversion rights.

**Redemption.** Subject to certain conditions set forth in the Series A Certificate of Designation, in the event of a Change of Control (defined in the Series A Certificate of Designation as the time at which as a third party not affiliated with the Company or any holders of the Series A Preferred Stock shall have acquired, in one or a series of related transactions, equity securities of the Company representing more than fifty percent 50% of the outstanding voting securities of the Company), the Company, at its option, will have the right to redeem all or a portion of the outstanding Series A Preferred Stock in cash at a price per share of Series A Preferred Stock equal to 100% of the liquidation value.

**Voting Rights.** Holders of Series A Preferred Stock are entitled to vote on all matters, together with the holders of common stock, and have the equivalent of one thousand (1,000) votes for every share of Series A Preferred Stock held.

**Liquidation.** Upon any liquidation, dissolution, or winding-up of the Company, whether voluntary or involuntary, the holders of Series A Preferred Stock shall be entitled to receive out of the assets, whether capital or surplus, of the Company an amount equal to the liquidation value of the Series A Preferred Stock before any distribution or payment shall be made to the holders of any junior securities, and if the assets of the Company is insufficient to pay in full such amounts, then the entire assets to be distributed to the holders of the Series A Preferred Stock shall be ratably distributed among the holders in accordance with the respective amounts that would be payable on such shares if all amounts payable thereon were paid in full.

The 7,000,000 shares were issued to a former officer of the Company and assigned to the new CEO at the time of the reverse merger of HUMBL.

## ***Series B Preferred Stock***

Prior to the amendment of the Certificate of Incorporation on October 29, 2021, the criteria established for the Series B Preferred Stock was as follows:

Dividends. Shares of Series B Preferred Stock shall be entitled to receive, out of funds legally available for that purpose, on the same terms and conditions as that of holders of common stock, as may be declared by the Board of Directors.

Conversion. Each share of Series B Preferred Stock shall be convertible at the option of the holder thereof at any time after December 3, 2021 at the office of the Company or any transfer agent for such stock, into ten thousand (10,000) fully paid and nonassessable shares of common stock subject to adjustment for any stock split or distribution of securities or subdivision of the outstanding shares of common stock.

Redemption. Subject to certain conditions set forth in the Series B Certificate of Designation, in the event of a Change of Control (defined in the Series B Certificate of Designation as the time at which as a third party not affiliated with the Company or any holders of the Series B Preferred Stock shall have acquired, in one or a series of related transactions, equity securities of the Company representing more than fifty percent 50% of the outstanding voting securities of the Company), the Company, at its option, will have the right to redeem all or a portion of the outstanding Series B Preferred Stock in cash at a price per share of Series B Preferred Stock equal to 100% of the liquidation value.

Voting Rights. Holders of Series B Preferred Stock are entitled to vote on all matters, together with the holders of common stock, and have the equivalent of ten thousand (10,000) votes for every share of Series B Preferred Stock held.

Liquidation. Upon any liquidation, dissolution, or winding-up of the Company, whether voluntary or involuntary, the holders of Series B Preferred Stock shall be entitled to receive out of the assets, whether capital or surplus, of the Company an amount equal to the liquidation value of the Series B Preferred Stock before any distribution or payment shall be made to the holders of any junior securities, and if the assets of the Company is insufficient to pay in full such amounts, then the entire assets to be distributed to the holders of the Series B Preferred Stock shall be ratably distributed among the holders in accordance with the respective amounts that would be payable on such shares if all amounts payable thereon were paid in full.

HUMBL exchanged 100% of their membership interests for 552,029 shares of newly created Series B Preferred Stock. The Series B Preferred shares were issued to the respective members of HUMBL following the approval by FINRA of the one-for-four reverse stock split of the common shares and the increase in the authorized common shares to 7,450,000,000 shares. The FINRA approval for both the increase in the authorized common shares and reverse stock split occurred on February 26, 2021. These shares that were issued in the reverse merger had a value of \$39,967.

These shares have a lock-up provision that prevents the holders to convert into common stock for a period of one-year from the date of the merger of December 3, 2020, with the exception of those held by the CEO who has a two-year lock up provision. In addition, officers and directors that received these shares are subject to strict selling limitations, where the number of shares sold within the preceding three months cannot exceed the greater of: (a) 1% of the total outstanding common shares; and (b) the average weekly reported trading volume for the previous four weeks.

On February 26, 2021, the Company issued 493 shares of Series B Preferred Stock for services rendered that were cancelled. On April 15, 2021, the Company revised their issuances and issued with an effective date of March 31, 2021, 2,272 Series B Preferred shares for services rendered. Of the 2,272 shares issued, 528 are vested immediately, 1,219 are vested over one year, and 525 are vested over two years. The vesting period commenced January 1, 2021. All of the Series B Preferred Shares issued have one-year lock up provisions to convert into common stock from the date of the merger of December 3, 2020. For the year ended December 31, 2021, the Company expensed \$401,900 for these Series B Preferred grants.

Between May 3 and May 6, 2021, the Company's CEO converted 79,625,000 shares of common stock into 7,962 Series B Preferred shares. These shares are subject to a lock-up provision whereby the CEO has agreed not to convert these Series B shares to common for a period of two years.

On July 6, 2021, the CEO of the Company cancelled 9,350 shares of Series B Preferred Stock (93,500,000 if converted into common stock) for no consideration.

On November 19, 2021, the Company paid \$215, to redeem 215 Series B Preferred Shares.

In December 2021, there were 7,939 Series B Preferred shares converted into 79,390,000 common shares.

As of December 31, 2021 and 2020, the Company has 544,759 and 0 shares of Series B Preferred Stock issued and outstanding, respectively.

On October 29, 2021, the Company by Board consent approved an amendment to their Certificate of Amendment for the Series B Preferred Stock to (a) reduce the number of authorized shares of Series B Preferred stock to 570,000 and (b) for Series B Preferred shareholders holding greater than 750 shares of Series B Preferred Stock, for the calendar months of December 2021 and January 2022, Series B Preferred shareholders shall not have the right, whether by election, operation of law, or otherwise, to convert into Common Stock shares of Series B Preferred stock constituting more than 5% of the total number of Series B Preferred shares held by them; and for each of the calendar months from February 2022 to May 2023, the percentage that the Series B Preferred shareholder may convert is 3% of the total number of Series B Preferred shares held by them. This action was approved by Series B Shareholder consent.

In addition to the conversion restrictions in the certificate of incorporation to which they are subject, HUMBL's four founders have imposed additional limitations on their ability to convert and sell common stock. As of December 31, 2021, HUMBL's CEO and co-founder, Brian Foote, owns approximately 43.5% of the Series B shares. Mr. Foote's co-founders, Jeffrey Hinshaw, Michele Rivera and Karen Garcia own approximately 14.6% of the Series B shares. Mr. Foote has committed not to sell any shares of his common stock for all of calendar year 2022. In addition to being subject to the affiliate sales limitations under Rule 144, all of the co-founders have agreed to extend the 3% per month conversion limitations on their Series B shares through the end of calendar year 2024 in an effort to limit potential dilution.

### ***Series C Preferred Stock***

Dividends. Shares of Series C Preferred Stock shall be entitled to receive, out of funds legally available for that purpose, on the same terms and conditions as that of holders of common stock, as may be declared by the Board of Directors.

Conversion. Each share of Series C Preferred Stock shall be convertible at the option of the holder thereof at the office of the Company or any transfer agent for such stock, into five thousand (5,000) fully paid and nonassessable shares of common stock subject to adjustment for any stock split or distribution of securities or subdivision of the outstanding shares of common stock.

Redemption. Subject to certain conditions set forth in the Series C Certificate of Designation, in the event of a Change of Control (defined in the Series C Certificate of Designation as the time at which as a third party not affiliated with the Company or any holders of the Series C Preferred Stock shall have acquired, in one or a series of related transactions, equity securities of the Company representing more than fifty percent 50% of the outstanding voting securities of the Company), the Company, at its option, will have the right to redeem all or a portion of the outstanding Series C Preferred Stock in cash at a price per share of Series C Preferred Stock equal to 100% of the liquidation value.

Voting Rights. Holders of Series C Preferred Stock are entitled to vote on all matters, together with the holders of common stock, and have the equivalent of five thousand (5,000) votes for every share of Series C Preferred Stock held.

Liquidation. Upon any liquidation, dissolution, or winding-up of the Company, whether voluntary or involuntary, the holders of Series C Preferred Stock shall be entitled to receive out of the assets, whether capital or surplus, of the Company an amount equal to the liquidation value of the Series C Preferred Stock before any distribution or payment shall be made to the holders of any junior securities, and if the assets of the Company is insufficient to pay in full such amounts, then the entire assets to be distributed to the holders of the Series C Preferred Stock shall be ratably distributed among the holders in accordance with the respective amounts that would be payable on such shares if all amounts payable thereon were paid in full.

On October 29, 2021, the Series C Preferred Stock was withdrawn.

## **Common Stock**

The Company has 7,450,000,000 shares of common stock, par value \$0.00001, authorized. The Company has 1,023,289,433 and 974,177,443 shares issued and outstanding as of December 31, 2021 and 2020, respectively. The Company on February 26, 2021 increased its authorized shares from 5,000,000,000 to 7,450,000,000 shares.

In December 2020 following the reverse merger, the Company cancelled 25,000,000 shares of common stock for no value received to assist in completing the merger with HUMBL, and the raising of capital through the purchase of warrants and warrants granted in the convertible notes.

In March 2021 there was an adjustment for 41,156 shares of common stock from the reverse stock split on February 26, 2021.

On April 26, 2021, the Company, issued 437,500 for the acquisition of the Chile country rights. The value of this transaction was \$1,000,000 received in cash.

Between May 3 and May 6, 2021, the Company's CEO converted 79,625,000 shares of common stock into 7,962 Series B Preferred shares. These shares are subject to a lock-up provision whereby the CEO has agreed not to convert these Series B shares to common for a period of two years.

On June 3, 2021, the Company issued 9,345,794 shares of common stock valued at \$10,000,000 using the 10-day VWAP price as part of the consideration for Tickeri. These shares were issued to the two principals of Tickeri.

On June 30, 2021, the Company issued 1,000,000 shares of common stock in settlement of a liability.

In December 2021, there were 7,939 Series B Preferred shares converted into 79,390,000 common shares.

During the year ended December 31, 2021, the Company issued 18,272,540 shares of common stock to consultants and advisors for services. These shares were valued at the market price of the Company's common stock on the respective dates of issuance. These shares will be expensed as stock-based compensation expense through June 30, 2025. In addition, the Company committed to issue an additional 1,318,926 common shares that have a value of \$676,408 for services rendered and to be rendered through February 2022. For the year ended December 31, 2021, the Company expensed \$6,521,095, and \$6,066,881 is yet to be expensed and is reflected as an offset to additional paid in capital as of December 31, 2021.

## **Stock Incentive Plan**

On July 21, 2021, the Company established the HUMBL, Inc. 2021 Stock Incentive Plan (the "Plan") for a total issuance not to exceed 20,000,000 shares of common stock. The purpose of the Plan is to promote the long-term growth and profitability of the Company by (i) providing key people with incentives to improve stockholder value and to contribute to the growth and financial success of the Company, and (ii) enabling the Company to attract, retain and reward the best-available persons.

The Plan permits the granting of Stock Options (including incentive stock options qualifying under Code Section 422 and nonqualified stock options), Stock Appreciation Rights, restricted or unrestricted Stock Awards, Restricted Stock Units, Performance Awards, other stock-based awards, or any combination of the foregoing.

## **Warrants**

On December 4, 2020, the Company granted 250,000,000 warrants to two separate holders at a price of \$400,000. These warrants have a term of 2 years and are exercisable into shares of common stock at a price of \$0.20 per share. In October 2021, 20,000,000 of these warrants have been exercise for \$4,000,000.

On December 23, 2020, the Company granted 12,500,000 warrants which were part of a country rights option HUMBL granted. These warrants have a term of 1 year and are exercisable into shares of common stock at a price of \$1.00 per share.

On December 23, 2020, the Company entered into two separate convertible note agreements that are convertible into shares of common stock at \$0.60 per share. The note holders were each granted 112,500 warrants under the convertible note agreements. These warrants have a term of 2 years and are exercisable into shares of common stock at a price of \$1.00 per share.

On May 13, 2021, the Company entered into two separate convertible note agreements that are convertible into shares of common stock at \$1.00 per share. The note holders were granted 1,575,000 warrants under the convertible note agreements. These warrants have a term of 2 years and are exercisable into shares of common stock at a price of \$1.00 per share. The relative fair value of the warrants of \$540,815 was recognized as a debt discount and is being amortized over the life of the convertible notes.

On May 19, 2021, the Company entered into three separate convertible note agreements that are convertible into shares of common stock at \$1.00 per share. The note holders were granted 1,425,000 warrants under the convertible note agreements. These warrants have a term of 2 years and are exercisable into shares of common stock at a price of \$1.00 per share. The relative fair value of the warrants of \$464,127 was recognized as a debt discount and is being amortized over the life of the convertible notes.

On May 21, 2021, the Company entered into a consulting agreement and granted 25,000,000 warrants under this agreement. The warrants have a term of 5 years and expire May 21, 2026. The value of the warrants is \$19,132,393 and is being expensed over the 5 year period. The Company expensed \$2,337,341 for the year ended December 31, 2021 for these warrants.

On June 21, 2021, the Company entered into two separate convertible note agreements that are convertible into shares of common stock at \$1.00 per share. The note holders were granted 1,500,000 warrants under the convertible note agreements. These warrants have a term of 2 years and are exercisable into shares of common stock at a price of \$1.00 per share. The relative fair value of the warrants of \$548,344 was recognized as a debt discount and is being amortized over the life of the convertible notes.

On August 30, 2021, the Company entered into a convertible note agreement that is convertible into shares of common stock at \$0.90 per share. The note holder was granted 375,000 warrants under the convertible note agreement. These warrants have a term of 2 years. The relative fair value of the warrants of \$102,486 was recognized as a debt discount and is being amortized over the life of the convertible notes.

On October 6, 2021, the Company entered into a consulting agreement and granted 6,000,000 warrants under this agreement. The warrants have a term of 4 years and expire September 30, 2025. The warrants vest as follows: 750,000 per quarter for the quarters ended December 31, 2021, March 31, 2022, June 30, 2022 and September 30, 2022; 1,000,000 upon release of a fully functional cryptocurrency wallet by December 31, 2021, which criteria was satisfied; and 2,000,000 upon the completion of peer-to-peer in the mobile application by March 31, 2022. The Company has expensed \$1,146,998 with respect to these warrants for the year ended December 31, 2021.

On November 12, 2021, the Company entered into a convertible note agreement that is convertible into shares of common stock at \$0.60 per share. The note holder was granted 1,000,000 warrants under the convertible note agreement. These warrants have a term of 2 years. The relative fair value of the warrants of \$197,791 was recognized as a debt discount and is being amortized over the life of the convertible notes.

On December 31, 2021, the Company entered into a consulting agreement and granted 1,500,000 warrants under this agreement. The warrants have a term of 2 years and expire December 31, 2023. The warrants vest as follows: 500,000 immediately and 250,000 quarterly through December 31, 2022. The Company has expensed \$112,410 with respect to these warrants for the year ended December 31, 2021.

On December 31, 2021, the Company entered into a consulting agreement and granted 2,500,000 warrants under this agreement. The warrants have a term of 2 years and expire December 31, 2023. The warrants vest as follows: 750,000 immediately and 150,000 monthly through December 31, 2022. The Company has expensed \$168,615 with respect to these warrants for the year ended December 31, 2021.

The following represents a summary of the warrants:

	Year Ended December 31, 2021		Year Ended December 31, 2020	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Beginning balance	262,725,000	\$ 0.23875	-	\$ -
Granted	40,925,000	0.82643	262,725,000	0.23875
Exercised	(20,000,000)	0.20	-	-
Forfeited	-	-	-	-
Expired	-	-	-	-
Ending balance	<u>283,650,000</u>	<u>\$ 0.32627</u>	<u>262,725,000</u>	<u>\$ 0.23875</u>
Intrinsic value of warrants	\$18,400,000		\$104,800,000	
Weighted Average Remaining Contractual Life (Years)	2.19		1.88	

For the years ended December 31, 2021 and 2020, the Company expensed \$3,765,363 and \$0, respectively for the warrants.

### Options

On October 26, 2021, the Company granted 630,000 stock options to employees. These options have a term of 10 years and are exercisable into shares of common stock at a price of \$0.70 per share.

	Year Ended December 31, 2021		Year Ended December 31, 2020	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Beginning balance	-	\$ -	-	\$ -
Granted	630,000	0.70	-	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
Expired	-	-	-	-
Ending balance	<u>630,000</u>	<u>\$ 0.70</u>	<u>-</u>	<u>\$ -</u>
Intrinsic value of warrants	\$ -		\$ -	
Weighted Average Remaining Contractual Life (Years)	9.82		-	

Changes to these inputs could produce a significantly higher or lower fair value measurement. The fair value of each option/warrant is estimated using the Black-Scholes valuation model. The following assumptions were used for the periods as follows:

	Year Ended December 31, 2021	Year Ended December 31, 2020
Expected term	2-10	2
Expected volatility	182 - 409%	761%
Expected dividend yield	-	-
Risk-free interest rate	0.10 - 0.58%	0.33%

## **NOTE 13: RELATED-PARTY TRANSACTIONS**

Since May 13, 2019 when HUMBL was incorporated, they relied on entities that had common ownership to HUMBL for either assistance with payment of bills or for services rendered to assist HUMBL in bringing their products to market. The Company has not relied on these entities since early 2021 for this assistance. The amounts were largely for shared services that have ceased in 2021. The Company had recorded \$15,200 and \$89,491 in the years ended December 31, 2021 that were recorded in development costs.

## **NOTE 14: COUNTRY RIGHTS OPTION**

### **Tuigamala Group Pty Ltd**

On December 23, 2020, the Company and Tuigamala Group Pty Ltd, an Australian corporation (“TGP”), entered into a Securities Purchase Agreement whereby TGP agreed to purchase an option to purchase territory rights to 15 countries in the Oceania region (“Option”). The purchase price for this Option was \$5,600,000, payable in two payments. The initial payment was \$600,000 and was paid on December 23, 2020. The second payment of \$5,000,000 was due on or before March 31, 2021.

In addition to receiving the Option, TGP was granted a warrant to purchase 12,500,000 shares of common stock of the Company at an exercise price of \$1.00 per share. The warrant expires two-years from the grant date, December 23, 2021. As the warrant and the Option were granted for one price, the Company calculated the relative fair values of each instrument and recognized \$556,757 of the \$600,000 paid as the value of the warrant, and the remaining \$43,243 as the value of the Option, which is reflected as deferred revenue on the Consolidated Balance Sheet as the criteria for revenue recognition under ASC 606 has not been satisfied to be recognized as revenue as of December 31, 2020. There was no guarantee that TGP would be able to make the second payment under the Option by the deadline of March 31, 2021.

On February 26, 2021, the Company and TGP entered into a term sheet to revise the Option. The revised terms of the Option are that the Company would form a subsidiary in the Oceania region. TGP would purchase a 35% ownership interest in the subsidiary and 3,750,000 shares of common stock for an aggregate purchase price of \$15,000,000. The subsidiary shares and common shares would be purchased as follows: (a) by March 31, 2021, 1,250,000 shares will be issued for \$5,000,000 and 33.33% of the subsidiary shares are to be sold to TGP; and (b) by September 30, 2021 with reasonable extensions to be determined, 2,500,000 shares will be issued for \$10,000,000 and the remaining 66.66% of the subsidiary shares are to be sold to TGP. As a result of the revised terms, the \$600,000 paid on December 23, 2020, will be used in its entirety to pay for the warrants described below, and the deferred revenue recognized will be reflected as additional paid in capital on February 26, 2021.

The Company and TGP were unable to come to agreement on new terms of this transaction and as of April 14, 2021 have terminated negotiations. TGP still owns the warrants received in December 2020. The Company is not obligated to return any of the \$600,000 received on December 23, 2020.

These warrants were assigned to Archumbl Pty Ltd. in May 2021.

### **Aurea Group**

On March 15, 2021 we entered into a Securities Purchase Agreement with HUMBL CL SpA (“HUMBL CL”), an affiliate of Aurea Group Ventures (“Aurea Group”), a Chilean multi-family office, under which Aurea Group purchased shares of our common stock in return for exclusive country rights to Chile of our HUMBL products for a purchase price of up to \$7,500,000.

Under the terms of the Securities Purchase Agreement, HUMBL CL agreed to purchase 437,500 shares of our common stock for \$1,000,000. The payment for these shares was due on or before March 30, 2021 but as a result of restrictions imposed due to COVID-19 was paid in two tranches of \$500,000 each on April 5, 2021 and April 6, 2021. In addition, HUMBL CL also received the right to purchase 1,562,500 shares of HUMBL common stock for \$6,500,000 by December 31, 2021 and to receive a 35% equity interest in a Chilean subsidiary HUMBL intends to form to conduct its operations in Chile.

The Securities Purchase Agreement provides that if HUMBL CL exercises its right to purchase the subsidiary interest, it will receive 35% of the profits from operations of the HUMBL family of products in Chile. In addition, HUMBL CL also received a right of first refusal with respect to regional or country rights sales in Latin America.

On January 3, 2022, the Company entered into a Settlement Agreement with HUMBL CL whereby HUMBL issued HUMBL CL 4,000,000 shares of common stock and HUMBL CL agreed to waive its right to purchase the Latin America territory rights.

The Company is still working with Aurea Group on Latin American business development opportunities for their products in key verticals such as: banking, merchant and financial services, real estate, hospitality, tourism, sports, festivals, entertainment and ticketing services in the region.

#### NOTE 15: SEGMENT REPORTING

The Company follows the provisions of ASC 280-10 *Disclosures about Segments of an Enterprise and Related Information*. This standard requires that companies disclose operating segments based on the manner in which management disaggregates the Company in making operating decisions. As of December 31, 2021 and for the year ended December 31, 2021, the Company operated in three segments. The segments are HUMBL Marketplace, HUMBL Pay, and HUMBL Financial. For the year ended December 31, 2020, the Company operated in one segment.

Year Ended December 31, 2021	HUMBL Pay	HUMBL Marketplace	HUMBL Financial	Total
Segmented operating revenues	\$ 15,114	\$ 2,224,506	\$ 263,768	\$ 2,503,388
Cost of revenues	-	1,104,959	-	1,104,959
Gross profit	15,114	1,119,547	263,768	1,398,429
Total operating expenses net of depreciation, amortization and impairment	11,201,593	10,555,028	2,108,383	23,865,004
Depreciation, amortization and impairment	22,850	22,221,701	4,570	22,249,121
Other expenses	2,531,630	1,902,352	506,326	4,940,308
(Loss) from operations	<u>\$(13,740,959)</u>	<u>\$(33,559,534)</u>	<u>\$ (2,355,511)</u>	<u>\$(49,656,004)</u>

#### Segmented assets as of December 31, 2021

Property and equipment, net	\$ 9,794	\$ 344,694	\$ 1,959	\$356,447
Intangible assets – digital assets	\$ -	\$ 2,695	\$ -	\$ 2,695
Goodwill	\$ -	\$ 6,531,346	\$ -	\$6,531,346
Capital expenditures	\$ 11,040	\$ 354,328	\$ 2,208	\$ 367,576

#### NOTE 16: INCOME TAXES

The following table summarizes the significant differences between the U.S. Federal statutory tax rate and the Company's effective tax rate for financial statement purposes for the years ended December 31, 2021 and 2020:

	2021	2020
Federal income taxes at statutory rate	21.00%	21.00%
State income taxes at statutory rate	8.90%	6.90%
Permanent differences	0.00%	0.00%
Stock compensation/consultant stock	19.80%	0.00%
Debt discounts	(2.27)%	0.00%
Change in valuation allowance	(47.43)%	(27.90)%
Totals	<u>0.00%</u>	<u>(0.00)%</u>

The following is a summary of the net deferred tax asset (liability) as of December 31, 2021 and 2020:

	As of December 31, 2021	As of December 31, 2020
<b>Deferred tax assets (liabilities):</b>		
Net operating losses	\$ 580,302	\$ 277,704
Stock compensation/consultant stock	3,308,200	-
Debt discounts	(378,743)	-
Other expense	-	-
<b>Total deferred tax assets (liabilities)</b>	<b>3,509,759</b>	<b>79,005</b>
Less: Valuation allowance	(3,509,759)	(79,005)
<b>Net deferred tax assets (liabilities)</b>	<b>\$ -</b>	<b>\$ -</b>

Section 382 of the Internal Revenue Code provides an annual limitation on the amount of federal NOLs and tax credits that may be used in the event of an ownership change. During 2020, the Company wrote off all of the net operating losses due to an ownership change. The Company had a net operating loss carryforward totaling approximately \$16,713,136 at December 31, 2021.

The Company classifies accrued interest and penalties, if any, for unrecognized tax benefits as part of income tax expense. The Company did not accrue any penalties or interest as of December 31, 2021 and 2020.

The provision (benefit) for income taxes for the year ended December 31, 2021 and 2020 is as follows and represents minimum state taxes:

Current	\$ 800	\$ 800
Deferred	-	-
<b>Total</b>	<b>\$ 800</b>	<b>\$ 800</b>

#### **NOTE 17: SUBSEQUENT EVENTS**

On January 3, 2022, the Company entered into a Settlement Agreement with HUMBL CL whereby HUMBL issued HUMBL CL 4,000,000 shares of common stock and HUMBL CL agreed to waive its right to purchase the Latin America territory rights.

On January 21, 2022, the Company issued 10,000,000 shares of common stock for the exercise of \$2,000,000 of warrants.

In January 1, 2022 through March 30, 2022, the Company issued 1,675,000 shares of common stock for services rendered.

On February 12, 2022, the Company entered into an asset purchase agreement with BizSecure, Inc. (“BizSecure”). The Company acquired certain assets of BizSecure including tradenames, trademarks and logos; the Self Sovereign Identity Wallet; digital files, technology, specification sheets, product design information, code, algorithms; and customer contracts. The Company entered into employment agreements with two BizSecure employees as part of the agreement. The Company issued 13,200,000 common shares and 26,800,000 restricted stock units that vest quarterly commencing April 1, 2022 for a period of two years. The shares and restricted stock units have a value of \$6,756,000. The Company accounted for this transaction as an asset purchase and not a business combination under ASC 805. The Company has included the value of \$4,526,520 which represents the value of the restricted stock units in contingent consideration. This amount will be reclassified to equity upon the vesting of those restricted stock units over the two-year period. This acquisition was not considered a business combination under ASC 805. The Company accounted for the acquisition of these assets as identifiable assets and have capitalized them. The Company will amortize these intangible assets over their estimated useful lives in accordance with ASC 350.

On February 22, 2022, the Company entered into a promissory note with a limited liability company, that is managed by a related party in the amount of \$3,000,000. The promissory note bears interest at the annual interest rate of four percent (4%) and matures on February 22, 2025.

Effective, February 28, 2022, the Company met the criteria for the BLOCK ETX operations to be classified as held for sale at that time pursuant to ASC 205-20-50-1(a).

On March 3, 2022, the Company acquired Ixaya Business SA de CV, a Mexican corporation (“Ixaya”), under a Stock Purchase Agreement (“Ixaya SPA”). The acquisition of Ixaya was for \$150,000 and 8,962,036 shares of common stock (a value of \$1,500,000) for a total of \$1,650,000. The Company accounted for this acquisition as a business combination under ASC 805, and Ixaya is not considered a significant subsidiary under Regulation S-X Rule 1-02(w).

On March 25, 2022, the Company cancelled 175,000 common shares of stock for a terminated employee.

On March 25, 2022, the Company’s CEO unilaterally cancelled 4,900 shares of Series B Preferred stock (a total of 49,000,000 common shares if converted) to enable the Company to complete strategic acquisitions of certain assets of BizSecure and to acquire Ixaya.

On March 30, 2022, the Company entered into a promissory note with a limited liability company, that is managed by a related party in the amount of \$1,500,000. The promissory note bears interest at the annual interest rate of four percent (4%) and matures on March 30, 2025.

In the period January 1, 2022 through March 30, 2022, the Company issued 220,640,000 shares of common stock in the conversion of 22,064 shares of Series B Preferred stock.