

JACKSAM CORP

FORM 10-Q (Quarterly Report)

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Address	3100 AIRWAY AVENUE SUITE 138 COSTA MESA, CA, 92626
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Industry	Industrial Machinery & Equipment
Sector	Industrials
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2024

OR

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

For the transition period from _____ to _____.

Commission File Number: 033-33263

Jacksam Corporation

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

46-3566284

(IRS Employer
Identification No.)

**3100 Airway Avenue Suite 138
Costa Mesa, CA**

(Address of principal executive offices)

92626

(Zip Code)

Registrant's telephone number, including area code: **(800) 605-3580**

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, par value \$0.001 per share	JKSM	

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

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

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

Large accelerated filer

☐

Accelerated filer

☐

Non-accelerated filer

☐

Smaller reporting company

☒

Emerging Growth Company

☒

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

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

As of November 18, 2024, the registrant had 93,718,876 shares of common stock, \$0.001 par value per share, outstanding.

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Forward-Looking Statements

For purposes of this report, unless otherwise indicated or the context otherwise requires, all references herein to “Jacksam Corporation”, “the Company”, “we”, “us”, and “our”, refer to Jacksam Corporation, a Nevada corporation.

This Quarterly Report on Form 10-Q, or this Report, contains forward-looking statements. Any and all statements contained in this Report that are not statements of historical fact may be deemed forward-looking statements. Terms such as “may”, “might”, “would”, “should”, “could”, “project”, “estimate”, “pro-forma”, “predict”, “potential”, “strategy”, “anticipate”, “attempt”, “develop”, “plan”, “help”, “believe”, “continue”, “intend”, “expect”, “future” and terms of similar import (including the negative of any of the foregoing) may be intended to identify forward-looking statements. However, not all forward-looking statements may contain one or more of these identifying terms. Forward-looking statements in this Report may include, without limitation, statements regarding (i) the plans and objectives of management for future operations, including plans or objectives relating to the development of our cartridge filling machines, cartridge capping machines and cartridges, (ii) a projection of income (including income/loss), earnings (including earnings/loss) per share, capital expenditures, dividends, capital structure or other financial items, (iii) our future financial performance, including any such statement contained in a discussion and analysis of financial condition by management or in the results of operations included pursuant to the rules and regulations of the Securities and Exchange Commission, or the SEC, and (iv) the assumptions underlying or relating to any statement described in points (i), (ii) or (iii) above.

The forward-looking statements are not meant to predict or guarantee actual results, performance, events or circumstances and may not be realized because they are based upon our current projections, plans, objectives, beliefs, expectations, estimates and assumptions and are subject to a number of risks and uncertainties and other influences, many of which we have no control over. Actual results and the timing of certain events and circumstances may differ materially from those described by the forward-looking statements as a result of these risks and uncertainties.

Jacksam Corporation
Condensed Consolidated Balance Sheets
(Unaudited)

	September 30, 2024	December 31, 2023
Assets		
Current Assets:		
Cash	\$ 1,737	\$ 145,521
Accounts receivable, net	18,283	9,515
Prepaid expenses	-	77,625
Total Current Assets	20,020	232,661
Property and equipment, net	-	128
Right of-use asset - operating lease	16,324	43,965
Total Assets	\$ 36,344	\$ 276,754
Liabilities and Stockholders Deficit		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 894,494	\$ 756,456
Accrued dividends	110,027	160,000
Deferred revenue	839,390	902,485
Convertible notes payable, current portion	1,142,612	444,444
Notes payable, current portion	604,005	619,932
Line of Credit	50,000	50,000
Right of use liability - operating lease, current portion	17,230	39,255
Accrued liabilities - other	1,642,269	1,642,269
Subscription payable	499,999	499,999
Total Current Liabilities	5,800,026	5,114,840
Notes payable, net of current portion (net of discount \$17,167 and \$0, respectively)	135,016	137,972
Right of use liability - operating lease	-	6,978
Total Liabilities	5,935,042	5,259,790
Commitment		
Mezzanine equity		
Series A Preferred stock - 2,800,000 authorized, \$0.001 par value, 2,800,000 shares issued and outstanding as of September 30, 2024 and December 31, 2023	294,080	284,622
Stockholders' Deficit:		
Preferred stock - 30,000,000 authorized, \$0.001 par value, 0 shares issued and outstanding	-	-
Series B Preferred Stock - 1,000,000 authorized, \$0.001 par value, \$1 stated value, 1,000,000 shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectively	100	100
Common stock - 200,000,000 authorized, \$0.001 par value, 93,718,876 and 81,088,719 shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectively	93,718	81,088
Additional paid-in capital	8,284,081	8,562,630
Accumulated deficit	(14,570,677)	(13,911,476)
Total Stockholders' Deficit	(6,192,778)	(5,267,658)
Total Liabilities and Stockholders' Deficit	\$ 36,344	\$ 276,754

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

Jacksam Corporation
Condensed Consolidated Statements of Operations
For the Three and Nine Months Ended September 30, 2024 and 2023
(Unaudited)

	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Sales	\$ 151,432	\$ 190,747	\$ 583,077	\$ 1,221,782
Cost of sales	159,540	92,610	440,000	745,511
Gross profit	(8,108)	98,137	143,077	476,271
Operating expenses				
Salaries and wages (including contractors)	20,813	23,059	91,766	187,220
Other selling, general and administrative expenses	55,180	88,780	460,866	310,592
Total operating expenses	75,993	111,839	552,632	497,812
Income (loss) from operations	(84,101)	(13,702)	(409,555)	(21,541)
Other income (expense)				
Derivative gain (loss)	-	1,078,040	-	(330,806)
Interest expense	(83,532)	(39,908)	(249,646)	(213,140)
Other income	-	26,227	-	26,227
Total other income (expense)	(83,532)	1,064,359	(249,646)	(517,719)
Net income (loss)	(167,633)	1,050,657	(659,201)	(539,260)
Deemed dividend on preferred exchange	-	-	(83,836)	-
Preferred stock dividends	(13,258)	(23,340)	(39,486)	(69,259)
Net income (loss) available to common shareholders	<u>\$ (180,891)</u>	<u>\$ 1,027,317</u>	<u>\$ (782,523)</u>	<u>\$ (608,519)</u>
Net loss per share				
Basic	<u>\$ (0.00)</u>	<u>\$ 0.01</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Diluted	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Weighted average shares outstanding				
Basic	<u>90,284,093</u>	<u>81,088,719</u>	<u>92,452,192</u>	<u>81,088,719</u>
Diluted	<u>90,284,093</u>	<u>214,896,127</u>	<u>92,452,192</u>	<u>81,088,719</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

Jacksam Corporation
Condensed Consolidated Statements of Stockholders' Deficit
For the Three and Nine Months Ended September 30, 2024 and 2023
(Unaudited)

[illegible]

compensation expense	-	-	-	-	(4,944,444)	(4,944)	(192,587)	-	-	(197,531)
Dividends on Series A and B Preferred Stock	-	3,141	-	-	-	-	(13,114)	-	-	(13,114)
Net loss	-	-	-	-	-	-	-	-	55,331	55,331
Balance, June 30, 2024	<u>2,800,000</u>	<u>290,904</u>	<u>1,000,000</u>	<u>100</u>	<u>89,718,876</u>	<u>89,718</u>	<u>8,261,339</u>	<u>-</u>	<u>(14,403,044)</u>	<u>(6,051,887)</u>
Shares issued for conversion of debt	-	-	-	-	4,000,000	4,000	36,000	-	-	40,000
Dividends on Series A and B Preferred Stock	-	3,176	-	-	-	-	(13,258)	-	-	(13,258)
Net loss	-	-	-	-	-	-	-	-	(167,633)	(167,633)
Balance, September 30, 2024	<u>2,800,000</u>	<u>\$ 294,080</u>	<u>1,000,000</u>	<u>\$ 100</u>	<u>93,718,876</u>	<u>\$ 93,718</u>	<u>\$ 8,284,081</u>	<u>\$ -</u>	<u>\$ (14,570,677)</u>	<u>\$ (6,192,778)</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

Jacksam Corporation
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	September 30, 2024	September 30, 2023
Cash Flows from Operating Activities		
Net income (loss)	\$ (659,201)	\$ (539,260)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation expense	128	288
Stock based compensation	240,234	-
Amortization of debt discount	51,501	96,095
Amortization of right-of-use assets	27,641	24,962
Derivative (gain) loss	-	330,806
Net change in:		
Accounts receivable	(8,768)	(25,605)
Inventory	-	(1,843)
Prepaid expenses	77,625	(42,054)
Right-of-use liabilities	(29,003)	(25,119)
Accounts payable and accrued expenses	138,037	139,343
Deferred revenue	(63,095)	(274,250)
Net cash used in operating activities	(224,901)	(316,637)
Cash Flows from Financing Activities		
Proceeds from line of credit	-	50,000
Proceeds from convertible notes payable	100,000	-
Payment of debt issuance costs	-	(1,000)
Payments on notes payable	(18,883)	(69,737)
Net cash provided by (used in) financing activities	81,117	(20,737)
Net Change in Cash	(143,784)	(337,374)
Cash, Beginning of Period	145,521	482,908
Cash, End of Period	<u>\$ 1,737</u>	<u>\$ 145,534</u>
Cash Paid For:		
Income Taxes	\$ -	\$ -
Interest	<u>\$ 1,792</u>	<u>\$ 8,691</u>
Non-cash transactions:		
Conversion of Preferred B and accrued dividends into convertible note payable	\$ 580,000	\$ -
Deemed dividend on extinguishment of Preferred B	\$ 83,836	\$ -
Preferred stock dividends	\$ 39,486	\$ 69,259
Issuance of common stock and warrants in connection with conversion of Preferred B stock and accrued dividends	\$ 77,169	\$ -
Issuance of commons stock for conversion of convertible debt	\$ 40,000	\$ -

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

Jacksam Corporation
Notes to Condensed Consolidated Financial Statements

Note 1: Organization and Nature of Operations

Jacksam Corporation dba Convectium is a technology company focused on developing and commercializing products of vaporizer cartridge filling & capping, pre-roll filling, and other automation systems. The Company's product line primarily consisted of the 710 Shark cartridge filling machine, the 710 Captain cartridge capping machine, the "PreRoll-ER" pre-roll & cone filling machine, and cartridges. The Company's customers are primarily businesses operating in jurisdictions that have some form of cannabis legalization. These businesses include medical and recreational dispensaries, large and small-scale processors and growers, multi-state operators, and distributors. The Company utilizes its direct sales force, website, strategic partners' sales force, independent sales representatives, and a wide range of referral network to sell its products.

The Company was incorporated in the State of Nevada on September 21, 1989 under the name of Fulton Ventures, Inc. Since incorporated, the Company has engaged in a variety of businesses, but has been inactive since late 2014 through the Merger that closed on September 14, 2018. Since the Merger, the Company has been operated under the control of current management and continued to operate the business of Jacksam Corporation, described herein, as our sole business.

Note 2: Significant Accounting Policies

Basis of Preparation

The accompanying financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") under the accrual basis of accounting. These financial statements are presented in U.S. dollars and are prepared on a historical cost basis, except for certain financial instruments which are carried at fair value. The accompanying unaudited interim consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America and should be read in conjunction with the audited consolidated financial statements and notes thereto for the years ended December 31, 2023 in the Form 10-K filed on April 16, 2024. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the consolidated financial statements which would substantially duplicate the disclosures contained in the Form 10-K have been omitted.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Jacksam Corporation and its wholly owned subsidiary. All intercompany transactions and balances are eliminated in consolidation.

Use of Estimates

The preparation of financial statements is in conformity with U.S. GAAP and requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates and assumptions impact both assets and liabilities, including but not limited to net realizable value of accounts receivable and inventory, estimated useful lives and potential impairment of property and equipment, estimate of fair value of share-based payments and derivative liabilities, estimates of fair value of warrants issued and recorded as debt discount and estimates of the probability and potential magnitude of contingent liabilities. Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the financial statements, which management considered in formulating its estimate could change in the near term due to one or more future nonconforming events. Accordingly, actual results could differ significantly from estimates.

Risks and Uncertainties

The Company's operations are subject to risk and uncertainties including financial, operational, regulatory and other risks including the potential risk of business failure. The Company has experienced, and in the future, expects to continue to experience, variability in its sales and earnings. The factors expected to contribute to this variability include, among others, (i) the uncertainty associated with the commercialization and ultimate success of the product, (ii) competition inherent at large national retail chains where product is expected to be sold, (iii) general economic conditions, and (iv) the related volatility of prices pertaining to the cost of sales.

Cash and Cash Equivalents

Cash and cash equivalents are carried at cost and consist of cash on hand and demand deposits placed with banks or other financial institutions, and all highly liquid investments with an original maturity of three months or less. Federal Deposit Insurance Corporation ("FDIC") deposit insurance covers \$250,000 per depositor, per FDIC-insured bank, per ownership category. The Company has no amounts in excess of the FDIC limit as of September 30, 2024

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount and do not bear interest. The Company extends unsecured credit to its customers in the ordinary course of business but mitigates the associated risks by performing credit checks and actively pursuing past due accounts. The Company recognizes an allowance for losses on accounts receivable in an amount equal to the estimated probable losses net of recoveries. The allowance is based on an analysis of historical bad debt experience, current receivables aging, and expected future bad debts, as well as an assessment of specific identifiable customer accounts considered at risk or uncollectible. As of September 30, 2024 and December 31, 2023 the Company had recorded an allowance for doubtful accounts of \$264,659, respectively. The net accounts receivable at September 30, 2024 and December 31, 2023 were \$18,283 and \$9,515, respectively.

Inventory

Inventories are stated at the lower of cost, determined on the average cost basis, or net realizable value. Cost principally consists of the purchase price (adjusted for lower of cost or market), customs, duties, and freight. The Company periodically reviews historical sales activity to determine potentially obsolete items and evaluates the impact of any anticipated changes in future demand.

The September 30, 2024 and December 31, 2023 inventory consisted entirely of finished goods. The Company will maintain an allowance based on specific inventory items that have shown no activity over a 60-month period. The Company tracks inventory as it is disposed, scrapped or sold at below cost to determine whether additional items on hand should be reduced in value through an allowance method. As of September 30, 2024 and December 31, 2023, the Company's inventory allowance was estimated at \$236,952 and \$244,658, respectively.

Property and Equipment

Property and equipment are measured at cost, less accumulated depreciation, and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Depreciation of property and equipment is provided utilizing the straight-line method over the estimated useful lives, ranging from 5 to 7 years of the respective assets. Expenditures for maintenance and repairs are charged to expense as incurred. Upon sale or retirement of property and equipment, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in the statements of operations.

Fair Value of Financial Instruments

The Company measures assets and liabilities at fair value based on an expected exit price as defined by the authoritative guidance on fair value measurements, which represents the amount that would be received on the sale of an asset or paid to transfer a liability, as the case may be, in an orderly transaction between market participants. As such, fair value may be based on assumptions that market participants would use in pricing an asset or liability. The authoritative guidance on fair value measurements establishes a consistent framework for measuring fair value on either a recurring or nonrecurring basis whereby inputs, used in valuation techniques, are assigned a hierarchical level.

The following are the hierarchical levels of inputs to measure fair value:

- **Level 1** – Observable inputs that reflect quoted market prices in active markets for identical assets or liabilities.
- **Level 2** - Inputs reflect quoted prices for identical assets or liabilities in markets that are not active; Quoted prices for similar assets or liabilities in active markets; Inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- **Level 3** – Unobservable inputs reflecting the Company’s assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

The carrying amounts of the Company’s financial assets and liabilities, such as cash, prepaid expenses, other current assets, accounts payable & accrued expenses, certain notes payable and deferred revenue are an approximate of their fair values because of the short maturity of these instruments. The Company’s derivative liabilities recognized at fair value on a recurring basis are a level 3 measurement. See Note 6.

Binomial Calculation Model

The Company uses a binomial calculator model to determine fair market value of derivative liabilities, warrants and options issued.

Preferred Stock Subject to Possible Redemption

The Company accounts for its preferred stock subject to possible redemption in accordance with the guidance in Accounting Standards Codification (“ASC”) Topic 480 “Distinguishing Liabilities from Equity”. Preferred stock subject to mandatory redemption (if any) are classified as a liability instrument and are measured at fair value. Conditionally redeemable preferred stock (including preferred stock that feature redemption rights that are either within the control of the holder or subject to the redemption upon the occurrence of uncertain events not solely within the Company’s control) are classified as temporary equity. At all other times, preferred stock is classified as stockholders’ equity.

Revenue Recognition

The Company derives revenues from the sale of machines and non-machine products (customizable and C-Cell cartridges and accessories). The Company recognizes revenue in accordance with ASC 606. Revenues are recognized when control of the promised goods or services is transferred to the customer in an amount that reflects the consideration the Company expects to be entitled to in exchange for transferring those goods or services.

Revenue is recognized based on the following five step model:

- Identification of the contract with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, the Company satisfies a performance obligation

Performance Obligations

Sales of machines and non-machine products are recognized when all the following criteria are satisfied: (i) a contract with an end user exists which has commercial substance; (ii) it is probable the Company will collect the amount charged to the end user; and (iii) the Company has completed its performance obligation whereby the end user has obtained control of the product. A contract with commercial substance exists once the Company receives and accepts a purchase order or once it enters into a contract with an end user. If collectability is not probable, the sale is deferred and not recognized until collection is probable or payment is received. Control of products typically transfers when title and risk of ownership of the product has transferred to the customer. The customer has a 10-day period to inspect the equipment and may return the product if it does not meet the agreed-upon specifications. For contracts with multiple performance obligations, the Company allocates the total transaction price to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation. The Company uses an observable price to determine the stand-alone selling price for separate performance obligations or a cost plus margin approach when one is not available. Historically, the Company's contracts have not had multiple performance obligations. The large majority of the Company's performance obligations are recognized at a point in time related to the sale of machines and non-machine products.

Sales, value add, and other taxes collected concurrent with revenue-producing activities are excluded from revenue. Incidental items that are immaterial in the context of the contract are recognized as expense. Payment terms between invoicing and when payment is due is less than one year. As of September 30, 2024 and December 31, 2023, none of the Company's contracts contained a significant financing component.

The Company elected the practical expedient to not adjust the amount of revenue to be recognized under a contract with an end user for the effects of time value of money when the timing difference between receipt of payment and recognition of revenue is less than one year.

The majority of the Company's contracts offer an assurance-type warranty of the products at no additional cost for a period of 3 years. Assurance-type warranties provide a customer with assurance that the related product will function as the parties intended because it complies with agreed-upon specifications. Such warranties do not represent a separate performance obligation. At the time a sale is recognized, the Company estimated future warranty costs, which were trivial.

Transaction Price Allocated to the Remaining Performance Obligations

At a given point in time, the Company may have collected payment for future sales of product to begin production. These transactions are deferred until the product transfers to the customer and the performance obligation is considered complete. As of September 30, 2024, \$839,390 in revenue is expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period. The Company expects to recognize all of our unsatisfied (or partially unsatisfied) performance obligations as revenue in the next twelve months.

Contract Costs

Costs incurred to obtain a customer contract are not material to the Company. The Company elected to apply the practical expedient to not capitalize contract costs to obtain contracts with a duration of one year or less, which are expensed and included within cost of goods and services.

Critical Accounting Estimates

Estimates are used to determine the amount of any variable consideration in contracts and the standalone selling price among separate performance obligations. The Company reviews and updates these estimates regularly.

Disaggregation of Revenue

All machine sales and most non-machine sales are completed in North America.

	Three Months ended September 30, 2024	Three Months ended September 30, 2023	Nine Months ended September 30, 2024	Nine Months Ended September 30, 2023
Machine sales	\$ 6,000	\$ 38,000	\$ 105,150	\$ 486,000
Non-Machine sales	145,432	152,747	477,927	735,782
Total sales	\$ 151,432	\$ 190,747	\$ 583,077	1,221,782

Net Loss Per Common Share

Basic net loss per common share is computed by dividing net loss by the weighted-average number of common shares outstanding during the period. Potential common stock equivalents are determined using the treasury stock method. For diluted net loss per share purposes, the Company excludes stock options and other stock-based awards, including shares issued as a result of option exercises that are subject to repurchase by the Company, whose effect would be anti-dilutive from the calculation.

The following table presents the effect of potential dilutive issuances for the three and nine months ended September 30, 2024 and 2023:

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Net loss attributable to common stockholders	\$ (180,891)	\$ 1,027,317	\$ (782,523)	\$ (608,519)
Preferred stock dividends	13,258	23,340	39,486	69,259
Derivative (gain) loss	-	(1,064,687)	-	339,540
Deemed dividend on preferred exchange	-	-	83,836	-
Interest expense associated with convertible debt	-	-	-	-
Net income (loss) for dilutive calculation	\$ (167,633)	\$ (14,030)	(659,201)	(199,720)
Weighted average shares outstanding	90,284,093	81,088,719	92,452,192	81,088,719
Dilutive effect of preferred stock	-	18,066,667	-	-
Dilutive effect of convertible debt	-	115,740,741	-	-
Dilutive effect of common stock warrants	-	-	-	-
Weighted average shares outstanding for diluted net income (loss) per share	90,284,093	214,896,127	92,452,192	81,088,719

During the three and nine months ended September 30, 2024, the impact of the 6,000,000 outstanding warrants to purchase common stock, 115,977,814 shares issuable under convertible debt and 9,733,333 shares issuable under convertible preferred stock were excluded from the calculation above as their impact would be anti-dilutive. The calculation for each period presented also excludes 2,777,778 shares not yet issued related to conversions of debt that occurred in 2020.

Income Tax Provision

The Company accounts for income taxes under Section 740-10-30 of the FASB Accounting Standards Codification, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are based on the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance to the extent management concludes it is more likely than not that the assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the Statements of Operations in the period that includes the enactment date.

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ASC 740 prescribes a comprehensive model for how companies should recognize, measure, present, and disclose in their financial statements uncertain tax positions taken or expected to be taken on a tax return. Under ASC 740, tax positions must initially be recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. Such tax positions must initially and subsequently be measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and relevant facts.

The Company recognizes interest and penalties related to unrecognized tax benefits within income tax expense. Accrued interest and penalties are included within the related tax liability.

Going Concern

The Company's financial statements are prepared using U.S. GAAP to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. However, the Company has negative working capital, recurring losses, and does not have a source of revenues sufficient to cover its operating costs. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully execute the business plan and attain profitable operations. The accompanying financial statements do not include any adjustments that may be necessary if the Company is unable to continue as a going concern.

In the coming year, the Company's foreseeable cash requirements will relate to continual development of the operations of its business, maintaining its good standing and making the requisite filings with the SEC, and the payment of expenses associated with operations and business developments. The Company may experience a cash shortfall and be required to raise additional capital.

Historically, it has mostly relied upon convertible notes payable and cash flows from operations to finance its operations and growth. Management may raise additional capital by retaining net earnings or through future private offerings of the Company's stock or through loans from private investors, although there can be no assurance that it will be able to obtain such financing. The Company's failure to do so could have a material and adverse effect upon it and its shareholders.

Advertising and Marketing Expenses

The Company expenses the cost of advertising and promotions as incurred. Advertising and promotions expense was \$0 and \$220 for the nine months ended September 30, 2024 and 2023, respectively.

Research and Development Costs

Research and development costs are expensed as incurred. The Company incurred no research and development costs during the nine months ended September 30, 2024 and 2023.

Lease Arrangements

The Company follows the guidance of ASC 842 for accounting for leases. Transactions give rise to leases when the Company receives substantially all the economic benefits from and has the ability to direct the use of specified property and equipment. The Company determines if an arrangement is a lease at inception. The operating lease ROU assets are included within the Company's non-current assets and lease liabilities are included in current or non-current liabilities on the Company's consolidated balance sheets.

ROU assets represent the Company's right to use, or control the use of, a specified asset for the lease term. Lease liabilities are the Company's obligation to make lease payments arising from a lease and are measured on a discounted basis. Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term on the commencement date. The operating lease ROU asset includes any lease payments made and initial direct costs incurred and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for minimum lease payments continues to be recognized on a straight-line basis over the lease term.

Recently Issued Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (“FASB”) or other standard setting bodies that are adopted by the Company as of the specified effective date. Unless otherwise discussed, the Company believes that the effect of recently issued standards that are not yet effective and will not have a material effect on its consolidated financial position or results of operations upon adoption.

Note 3: Property and Equipment

Property and equipment consist of the following:

	September 30, 2024	December 31, 2023
Furniture and fixtures	\$ 10,425	\$ 10,425
Equipment	7,579	7,579
Trade show display	2,640	2,640
Total	20,644	20,644
Less: Accumulated depreciation	(20,644)	(20,516)
Property and equipment, net	\$ -	\$ 128

Depreciation expense amounted to \$128 and \$288 for the nine months ended September 30, 2024 and 2023, respectively.

Note 4: Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following:

	September 30, 2024	December 31, 2023
Accounts payable	\$ 235,640	\$ 292,912
Accrued interest	514,298	318,991
Sales tax payable	144,553	144,553
Total Accounts payable and Accrued expenses	\$ 894,491	\$ 756,456

Note 5: Notes Payable and Line of Credit

A summary of Notes Payable are as follows:

	September 30, 2024	December 31, 2023
SBA loan May 2020	139,414	141,412
Note payable September 2021	599,888	616,492
Total notes payable	739,302	757,904
Less: discount and deferred finance costs	-	-
Less: current portion	(604,005)	(619,932)
Long-term portion of notes payable	\$ 135,016	137,972

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On June 2, 2020, the Company received \$150,000 under the Small Business Administration's Economic Injury Disaster Loan. The loan bears interest at a fixed rate of 3.75%, and matures on May 26, 2050, payable monthly with payments of \$731 beginning twelve months after issuance. The loan gives the Small Business Administration a security interest in all assets of the Company. As of September 30, 2024 and December 31, 2023, the Company owed a principal amount of \$139,414 and \$141,412 under this loan.

On September 29, 2021, the Company entered into a Revenue Loan and Security Agreement with an investor for up to a total amount of \$1,000,000. Upon drawing from the facility and continuing thereafter until maturity or earlier prepayment in full, the Company shall pay monthly to the lender an amount equal to the product of (i) all revenue of the Company for the immediately preceding month multiplied by (ii) an applicable revenue percentage. On September 29, 2021, the Company borrowed \$750,000 under the agreement and received initial cash proceeds of \$727,500. The Company also paid an additional \$5,000 in fees to the investor to secure the loan for total deferred financing fees of \$27,500. On November 12, 2021, the Company issued a total of 843,750 shares of common stock to a lender in connection with the note payable issued. These shares had a fair value of \$100,744 and were recorded as deferred finance costs.

On March 13, 2023, the Company entered into an Amendment to the RSLA (the "Amended RSLA") whereby, the lender agreed to a limited forbearance on the loan as a result of the existing defaults if the company were to meet certain criteria. As of September 30, 2023, the Company did not meet the criteria as outlined in the Amended RSLA, and therefore the Company was in default on the loan and the lender has the right to demand full repayment of the loan. As a result, the remaining deferred finance cost was amortized to interest expenses and the full amount of the loan is classified as a current liability. In addition, the Lender will assess a penalty of \$450,000 which will be added on the maturity date, but is not currently outstanding. The Company re-negotiated the transaction with the lender and was no longer in default as of December 31, 2023 and as of the date of this Report.

As of September 30, 2024 and December 31, 2023, the Company owed a principal amount of \$599,888 and \$616,932 under this loan, with no remaining unamortized discount, respectively.

The Company amortized \$0 and \$96,095 of debt discount and deferred finance costs to interest expense related to notes payable during the nine months ended September 30, 2024 and 2023, respectively.

Line of Credit

On March 30, 2023, the Company entered into a line of credit agreement with a principal amount of \$50,000, which was drawn in full as of September 30, 2024. The line of credit is unsecured, bears interest at 10% and matured on June 30, 2023. The Company paid \$1,000 in financing costs associated with the loan.

The following is an analysis of the annual principal payments require on a fiscal year basis as of September 30, 2024:

For the twelve months ended September 30:	Amount
2024 (3 months remaining)	\$ 654,005
2025	3,588
2026	3,727
2027	4,193
2028	4,008
Thereafter	119,781
Total principal	<u>789,302</u>

Note 6: Convertible Notes Payable and Derivative Liabilities

Convertible Notes Payable

The following table summarizes outstanding convertible notes as of September 30, 2024 and December 31, 2023:

	September 30, 2024	December 31, 2023
January 2024 Note, due January 2025	\$ 715,334	-
June 2019 Notes, due September 30, 2024	444,444	\$ 444,444
Total principal	1,159,778	444,444
Less: Discounts	(17,166)	-
Total net of discounts	1,142,612	444,444
Less: Current convertible notes payable, net of discount	(1,142,612)	(444,444)
Total long-term convertible notes payable, net	\$ -	\$ -

On October 20, 2023 the Company entered into an additional amendment with the remaining outstanding note holder of the June 2019 Notes, which resulted in the maturity date of the note being extended to September 30, 2024. As consideration for the note extension, the Company agreed to reset the exercise price of the 1,333,333 warrants held by the note holder to \$0.01 per share and reset the conversion price to be the lesser of \$0.01 per share or the price per share on a merger closing date. As a result of the price resets, the debt amendment was accounted for as a debt modification. In connection with the agreement, the holder also agreed to exercise 685,713 of the warrants into shares of common stock, which were issued in March 2024. The Company received no cash for the exercise and recognized expense of \$6,857. In addition, as a result of the new conversion terms, which are within the control of the Company, the conversion option no longer must be accounted for as a derivative under ASC 815. On the modification date, the conversion option was revalued under the original terms and the resulting fair value was reclassified into equity.

On January 5, 2024, the Company and ClearThink Capital Partners, LLC (“ClearThink,” formerly known as Tysadco Partners, LLC) entered into a Security Purchase Agreement. ClearThink provided the Company with \$100,000 in cash and agreed to exchange their 500,000 shares of Series B Convertible Preferred Stock with an original value of \$500,000, outstanding dividends of \$80,000 and fees of \$6,667 into a convertible promissory note with a principal value of \$755,333 (the “Exchange”). The convertible promissory note Matures January 3, 2025, bears interest at 12% per year, and had an original issue discount of \$68,667. The promissory note and carried interest is convertible into shares of common stock at \$0.01 per share. In the event of default on the convertible note, the interest rate increases to 15%. As a result of the Exchange, 500,000 shares of Series B Convertible Preferred Stock. Think Capital Partners also received 3,000,000 shares of common stock with a fair value of \$49,500 based on the closing price of the Company’s common stock on January 3, 2024 and 2,000,000 common stock warrants with an exercise price of \$0.01 per share and an exercise term of five years. The warrants had an estimate fair value of \$27,669 based on a binomial valuation using a term of five years, volatility of 105.63%, a risk free rate of 3.9% and a dividend rate of 0%. The Company determined that the Exchange should be accounted for as an extinguishment of with the preferred stock holder, with the difference between the carrying value of the Series B Convertible Preferred Stock and the new convertible note being recognized as a dividend of \$83,836.

During the nine months ended September 30, 2024, ClearThink converted \$40,000 of principal on the note into 400,000 shares of common stock, pursuant to the terms of the agreement. The Company recognized no gain or loss on the conversion.

The Company amortized \$51,500 and \$0 of debt discount and deferred finance costs to interest expense related to convertible notes payable during the nine months ended September 30, 2024 and 2023, respectively.

Accrued interest on notes payable and convertible notes payable was \$514,298 and \$318,991 as of September 30, 2024 and December 31, 2023, respectively.

Note 7: Equity

Common Stock

On December 31, 2021, the Board of Directors of the Company and shareholders holding a majority of the voting power of the Company both approved an amendment to the Company's Article of Incorporation to increase the total number of authorized shares that the Company shall have authority to issue from 100,000,000 shares to 230,000,000 shares, consisting of two classes to be designated respectively, "Common Stock" and "Preferred Stock", with all such shares having a par value of \$0.001 per share, of which 200,000,000 shall be designated as Common stock and 30,000,000 designated as Preferred stock.

As of September 30, 2024 and December 31, 2023, there are 2,777,778 shares remaining to be issued related to 2020 debt conversions of \$499,999, which is included in Subscription payable on the consolidated balance sheets.

On January 3, 2024, the Company issued 3,000,000 shares of common stock to Think Capital Partners as part of the Exchange as discussed in Note 6.

On January 5, 2024, the Company entered into consulting agreements with four consultants to build a new distribution business, Catalyst Distribution. Under the terms of the agreements, the consultants can each earn up to 7,416,667 restricted shares of the Company's common stock that will be granted over a 12-month period based on attainment of revenue goals. The initial grants are:

- David Shin was granted 2,472,222 shares on January 9, 2024.
- Sungchul Sin was granted 2,472,222 shares on January 9, 2024.
- Richard Yoo was granted 2,472,222 shares on January 9, 2024.
- Baron Huber was granted 2,472,222 shares on January 9, 2024.

The remaining grants 4,944,445 shares to each consultant are to be earned in two separate tranches, with the first being 2,472,222 shares on July 1, 2024 based on attainment of revenue goals, and the second tranche of 2,472,223 shares on January 1, 2025 based on attainment of revenue goals. As of September 30, 2024, the Company does not expect to meet the revenue goals and does not expect the remaining shares to vest.

These shares had a fair value of \$430,908 based on the closing price of the Company's common stock at January 5, 2024, which was recognized in. On June 11, 2024 the total of 4,944,444 shares issued to Sungchul Sin and Richard Yoo were forfeited and returned to the Company and the Company reversed \$197,531 of expense in the current period.

On March 18, 2024, the Company issued 685,713 shares of common stock to the holder of a convertible promissory note related to the October 2023 modification of the note payable and the exercise of those warrants. The Company recognized expense of \$6,857 related to this issuance related to the cash not received from the exercise.

On September 17, 2024, the Company issued 400,000 shares of common stock to the holder of a convertible promissory note pursuant to the terms of the agreement.

Series A Redeemable Preferred Stock

The Company created the 2,800,000 shares of Series A Preferred Stock out of the 10,000,000 shares of preferred stock authorized by the Company's articles of incorporation by filing a certificate of designation as authorized by the Company's board of directors (the "Certificate of Designation").

The Series A Preferred Stock bears a cumulative dividend of 5.0% per annum on the original purchase price and is redeemable by the Company or upon a class vote by the holders of the Series A Preferred Stock at the original purchase price, plus any unpaid dividends then owing, payable in 4 equal quarterly payments. The Series A Preferred Stock converts into the Company's common stock at a ratio of 2:1, subject to revision on the basis of standard weighted average anti-dilution protective provisions, at the option of the holders of the Series A Preferred Stock or automatically upon the occurrence of a merger, sale of the Company's assets, or upon another Deemed Liquidation Event as defined in the Certificate of Designation. In the absence of an anti-dilution adjustment, the 2,800,000 shares of Series A Preferred Stock will convert into 1,400,000 shares of the Company's common stock.

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The Series A Preferred Stock votes with the Company's common stock, as a single class, at a rate of 20 votes for each share of Series A Preferred Stock. The Series A Preferred Stock carries a liquidation preference and is participating. The Series A Preferred Stock carries standard protective provisions that preclude the Company from amending its articles of incorporation, bylaws or the terms of the Certificate of Designation adversely to the holders of the Series A Preferred Stock without their prior approval.

Due to the redemption feature, the Company accounts for the Series A Preferred Stock as temporary equity in accordance with ASC 480. The Series A Preferred Stock is accounted for at redemption value.

The Company accrued \$9,458 in dividends on the Series A Preferred Stock for the nine months ended September 30, 2024. Total accrued dividends at September 30, 2024 and December 31, 2023 were \$42,081 and \$32,622, respectively. The redemption value of the Series A Preferred Stock as of September 30, 2024 and December 31, 2023 was \$294,080 and \$284,622, reflected as temporary equity on the Company's consolidated balance sheet.

Series B Convertible Preferred Stock

In February 2022, the Company designated 1,000,000 shares of Series B Convertible Preferred Stock ("Series B"). The Series B has a par value of \$0.0001 per share, a stated value of \$1 per share and carries a dividend of 8%. The Series B are convertible into shares of common stock at a price of \$0.06 per share, and contains an exercise price reset provision in the event of dilutive issuances of common stock or any common stock equivalent by the Company with a price below the exercise price.

The Series B holders do not have voting rights on matters other than those related to amending the certificate of incorporation of the Series B, altering voting or other powers of the Series B, or redemption or acquisition of outstanding Series B. For a period of one year following closing of the Series B funding, the Company may not authorize or create any class of stock that is senior to the Series B with respect to dividends, redemption or distribution of assets upon liquidation. In the event of liquidation of the Company, the Series B holders shall be paid 125% of the Stated value plus 125% of any unpaid dividends.

In January 2024, the Company entered into the Exchange agreement as discussed in Note 6. As a result, 500,000 shares of Series B Convertible Preferred Stock and \$80,000 of accrued dividends were cancelled and exchanged into a convertible promissory note. As of September 30, 2024 the Series B Preferred Stock had not yet been cancelled by the Company.

The Company accrued \$39,486 in dividends on the Series B Preferred Stock for the nine months ended September 30, 2024. As of September 30, 2024 and December 31, 2023 there were \$99,945 and \$160,000, respectively, of outstanding accrued dividends.

Stock Warrants

A summary of stock warrant information is as follows:

	Aggregate Number	Aggregate Exercise Price	Weighted Average Exercise Price
Outstanding at December 31, 2023	12,068,576	\$ 2,088,177	\$ 0.17
Granted	2,000,000	20,000	0.01
Exercised	(685,713)	(6,857)	0.01
Forfeited and cancelled	(7,382,863)	(1,281,320)	0.17
Outstanding at September 30, 2024	6,000,000	\$ 820,000	\$ 0.14
Exercisable at September 30, 2024	6,000,000	\$ 820,000	\$ 0.14

The weighted average remaining contractual life is approximately 2.98 years for stock warrants outstanding with \$0 of intrinsic value of as of September 30, 2024. All of the above warrants were fully vested.

Note 8: Related Party

Mark Adams, CEO, invested \$250,000 in the June 2019 Notes and converted his debt during the year ended December 31, 2020 into shares of common stock of 1,388,885, which have yet to be issued for a conversion value of \$277,778. Mark Adams will also receive an additional 154,321 shares of common stock once the shares are issued. The Company's former VP of sales also invested \$100,000 in the June 2019 Notes and converted his debt during the year ended December 31, 2020 into shares of common stock of 555,556, which have yet to be issued for a conversion value of \$111,111. The former VP of sales will also receive an additional 61,728 shares of common stock once the shares are issued.

Those shares were in subscriptions payable as of September 30, 2024 and December 31, 2023, and presented on the balance sheet.

Note 9: Leases, Commitments and Contingencies**Leases**

The Company entered into a lease agreement for office space on February 2, 2022, for a term beginning February 15, 2022 through February 28, 2025. The lease requires payments of \$3,267 per month through the lease term, increasing by 4% each year, with an option to renew. The Company recognized an initial right of use asset and lease liability of \$105,822, based on the present value of the minimum lease payments. For purposes of calculating operating lease liabilities, lease terms may be deemed to include options to extend the lease when it is reasonably certain that the Company will exercise those options. Some leasing arrangements require variable payments that are dependent on usage, output, or may vary for other reasons, such as insurance and tax payments. The variable lease payments are not presented as part of the initial right-of-use ("ROU") asset or lease liability. The Company's lease agreements do not contain any material restrictive covenants.

The components of lease cost for operating leases for the nine months ended September 30, 2024 and 2023 were as follows:

	Nine Months Ended	
	September 30, 2024	September 30, 2023
Operating lease cost	\$ 30,163	\$ 26,811
Short-term lease cost	5,837	24,220
Total lease cost	\$ 36,000	\$ 51,031

The following table summarizes the lease-related assets and liabilities recorded in the consolidated balance sheets at September 30, 2024 and December 31, 2023:

Lease Position	September 30, 2024	December 31, 2023
Operating Leases		
Operating lease right-of-use assets	\$ 52,715	\$ 43,965
Right of use liability operating lease current portion	\$ 37,891	\$ 39,255
Right of use liability operating lease long term	17,230	6,978
Total operating lease liabilities	\$ 55,121	\$ 46,233

The Company utilizes the incremental borrowing rate in determining the present value of lease payments unless the implicit rate is readily determinable. The Company estimated its incremental borrowing rate to be 10%. The lease has a remaining term of 0.42 years and a weighted average rate of 10%.

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The following table provides the maturities of lease liabilities at September 30, 2024:

	Operating Leases
2024 (3 months remaining)	\$ 28,262
2025	-
2026	-
2027	-
2028 and thereafter	-
Total future undiscounted lease payments	28,262
Less: Interest	(1,031)
Present value of lease liabilities	\$ 27,231

Lawsuit

The Company has a pending lawsuit with one of its previous suppliers regarding defected cartridges. The Company is still evaluating the case and determining the impact of the case on the Company and as of the date of this report the amount or range of possible losses is not reasonably estimable.

Note 10: Accrued Liabilities – Other

Prior to the Merger, China Grand Resorts, Inc. recorded various liabilities that were incurred by former related parties. The current management team is not aware of any written agreements in place governing the terms of the loans nor have they been in contact with the debt holders however recognizes that China Grand Resorts, Inc. previously reported these amounts as liabilities of the Company. In accordance with ASC 405-20-40, the liabilities may only be removed from the Company's financial statements if they are paid, formally settled or judicially released. Management believes the relevant statute of limitations has passed and that no enforceable legal claim exists in relation to these liabilities of \$1,642,269 but does not believe that is sufficient to remove the liability from the financial statements. Management does not intend to remove these liabilities of \$1,642,269 from the Company's financial statements until such time that the liability is formally settled or judicially released in accordance with ASC 405-20-40. Due to the lack of written agreements and other factors noted above, management concluded to no longer accrue interest on these loans.

Note 11: Subsequent Events

Management has evaluated events through November 18, 2024, the date these financial statements were available for issuance, and noted no events requiring disclosures.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

This Management’s Discussion and Analysis of Financial Condition and Results of Operations include several forward-looking statements that reflect management’s current views with respect to future events and financial performance. You can identify these statements by forward-looking words such as “may”, “will”, “expect”, “anticipate”, “believe”, “estimate” and “continue”, or similar words. Those statements include statements regarding the intent, belief or current expectations of us and members of management team as well as the assumptions on which such statements are based. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risk and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements.

Readers are urged to carefully review and consider the various disclosures made by us in this report and in our other reports filed with the SEC. Important factors currently known to management could cause actual results to differ materially from those in forward-looking statements. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes in the future operating results over time. We believe that our assumptions are based upon reasonable data derived from and known about our business and operations. No assurances are made that actual results of operations or the results of our future activities will not differ materially from our assumptions. Factors that could cause differences include, but are not limited to, expected market demand for our products, fluctuations in pricing of our products, and competition.

The following discussion provides information that management believes is relevant to an assessment and understanding of our past financial condition and plan of operations. The discussion below should be read in conjunction with the consolidated financial statements and related notes thereto included elsewhere in this report.

Overview

The Company was originally incorporated in the State of Nevada on September 21, 1989 under the name of Fulton Ventures, Inc. Since incorporated, the Company has engaged in a variety of businesses, but has been inactive since late 2014 through the Merger that closed on September 14, 2018. Since the Merger, the Company has been operated under the control of current management and continued to operate the business of Jacksam Corporation, described herein, as our sole business. Our sole business has been the design, manufacturing and sale of vaporizer cartridge filling machines, capping machines, pre-roll & cone filling machines, and cartridges to customers in the medical and recreational cannabis, hemp, and CBD industries.

Components of Statements of Operations

Revenue

Product revenue consists of sales of 710 Shark filling machines, 710 Captain capping machines, “PreRoll-ER” pre-roll & cone filling machines, cartridges, accessories, warranty, service and freight charges, net of returns, discounts and allowances. Once a sales order is negotiated and received by a sales representative, we generally collect a 50% deposit from the customer. When the product is ready to be shipped, the customer will generally pay the remaining balance. We recognize the revenue when the product leaves the warehouse on the way to the customer.

For the filling and capping machines, training is coordinated with the customers in accordance with their availability but generally completed within a week or two of the shipment. Standard warranties are offered at no cost to customers to cover parts for three years, and labor and maintenance are offered for one year for product defects.

Cost of Revenue

Cost of goods sold represents costs directly related to supplies and materials, machines, freight and delivery, commissions, printing, packaging and other costs.

We expect our cost of goods sold per unit to decrease as we continue to scale our operations, improve product designs and work with our third-party suppliers to lower costs.

Operating Expenses

Sales and Marketing. Sales and marketing expenses include costs associated with our business development efforts with our distributors and partners and costs related to trade shows and other marketing programs. We expense sales and marketing costs as incurred. We expect sales and marketing expenses to increase in future periods as we expand our sales and marketing teams and increase our participation in global trade shows and other marketing programs.

General and Administrative. Our general and administrative expenses consist primarily of compensation, benefits, travel and other costs for employees. In addition, general and administrative expenses include third-party consulting, legal, audit, accounting services, and allocations of overhead costs, such as rent, facilities and information technology. We expect general and administrative expenses to increase as our revenue increases.

Results of Operations – Three Month Periods

Comparison for the three-month periods ended September 30, 2024 and 2023:

Revenue

Total revenue during the three months ended September 30, 2024 was \$151,432 (comprised of machine sales of \$6,000 and non-machine sales of \$145,432), compared to the three months ended September 30, 2023 that generated sales of \$583,077 (comprised of machine sales of \$6,000 and non-machine sales of \$145,432).

Cost of Revenue

Total cost of revenue decreased to \$159,540 during the three months ended September 30, 2024, compared to the three months ended September 30, 2023 that had a cost of revenue of \$440,000.

Operating Expenses

Operating expenses during the three months ended September 30, 2024 decreased to \$75,993, compared to the three months ended September 30, 2023 that produced \$111,839.

Income (loss) from Operations

Total loss from operations was \$84,101 during the three months ended September 30, 2024, compared to \$13,702 for the three months ended September 30, 2023.

Change in Fair value of derivative

Change in Fair value of derivatives, a non-cash item, was \$0 during the three months ended September 30, 2024, due to the debt and warrants no longer be accounted for as derivative liabilities during the three months ended September 30, 2024, compared to a derivative gain of \$1,078,040 during the three months ended September 30, 2023.

Interest Expense

Interest expense increased to \$83,532 during the three months ended September 30, 2024, compared to \$39,908 during the three months ended September 30, 2023 due to increased borrowings in the current year.

Net (Loss) / Income

Net loss was \$167,633 during the three months ended September 30, 2024, compared to a net income of \$1,050,657 during the three months ended September 30, 2023, primarily due to the gain on change in fair value of derivative liabilities of \$1,078,040 during the prior period.

Results of Operations – Nine Month Periods

Comparison for the nine-month periods ended September 30, 2024 and 2023:

Revenue

Total revenue during the nine months ended September 30, 2024 was \$583,077 (comprised of machine sales of \$105,150 and non-machine sales of \$477,927), compared to the nine months ended September 30, 2023 that generated sales of \$1,221,782 (comprised of machine sales of \$486,000 and non-machine sales of \$735,782).

Cost of Revenue

Total cost of revenue decreased to \$440,000 during the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023 that had a cost of revenue of \$745,511.

Operating Expenses

Operating expenses during the nine months ended September 30, 2024 increased to \$552,632 (comprised of Salaries of \$91,765 and Other SG&A expenses of \$460,867 that includes a non-cash equity compensation expense \$240,234), compared to the nine months ended September 30, 2023 that produced \$497,812 (comprised of Salaries of \$187,220 and Other SG&A expenses of \$221,812).

Income (loss) from Operations

Total loss from operations was \$409,555 during the nine months ended September 30, 2024, compared to \$21,541 for the nine months ended September 30, 2023.

Change in Fair value of derivative

Change in Fair value of derivatives, a non-cash item, was \$0 during the nine months ended September 30, 2024, due to the debt and warrants no longer be accounted for as derivative liabilities during the nine months ended September 30, 2024, compared to a derivative loss of \$330,806 during the nine months ended September 30, 2023.

Interest Expense

Interest expense increased to \$249,646 during the nine months ended September 30, 2024, compared to \$213,140 during the nine months ended September 30, 2023 due to increased borrowings in the current year.

Net (Loss) / Income

Net loss was \$659,201 during the nine months ended September 30, 2024, compared to a net loss of \$539,260 during the nine months ended September 30, 2023.

Liquidity and Capital Resources

At September 30, 2024, we had cash and cash equivalents of \$1,737. During the nine months ended September 30, 2024, we have financed our operations principally through receipts of customer payments and proceeds on the convertible note payable of \$100,000.

We anticipate that we will need additional financing to continue as an ongoing entity over the next 12 months. Our future capital requirements and the adequacy of available funds will depend on many factors. There can be no assurance we will be able to obtain additional financing on favorable terms, or at all. If we are unable to obtain additional financing, our financial results and business prospects may be materially adversely affected.

Operating Activities

We have historically experienced negative cash outflows. Our net cash used in operating activities primarily results from our operating losses combined with changes in working capital components as we have grown our business and is influenced by the timing of cash payments for inventory purchases and cash receipts from our customers. Our primary source of cash flow from operating activities is cash down payments and final payments for our machines. Our primary uses of cash from operating activities are employee-related expenditures and amounts due to vendors for purchased components. Our cash flows from operating activities will continue to be affected principally by our working capital requirements and the extent to which we build up our inventory balances and increase spending on personnel and other operating activities as our business grows.

During the nine months ended September 30, 2024, net cash used in operating activities was \$224,901, compared to \$316,637 during the nine months ended September 30, 2023.

Investing Activities

The Company had no investing activities in either period.

Financing Activities

During the nine months ended September 30, 2024, the Company received \$100,000 in proceeds from the new convertible note payable, and made payments of \$18,883 on notes payable.

During the nine months ended September 30, 2023, the Company received \$50,000 in proceeds from the new line of credit, and made payments of \$69,737 on notes payable and \$1,000 of debt issuance cost.

Off-Balance Sheet Arrangements

During the nine months ended September 30, 2024 and the year ended December 31, 2023, we did not have any off-balance sheet arrangements as defined by applicable SEC regulations.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

We do not use derivative financial instruments in our investment portfolio and have no foreign exchange contracts. Our financial instruments consist of cash and cash equivalents. We consider investments that, when purchased, have a remaining maturity of ninety (90) days or less to be cash equivalents. We do not believe that a notional or hypothetical 10% change in interest rates would have a material impact on our interest income.

Item 4. Controls and Procedures

Management's Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Form 10-Q, we have concluded that, based on such evaluation, our disclosure controls and procedures were ineffective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Management concluded there was a material weakness in our internal control over financial reporting as of September 30, 2024. This conclusion is due to identified control deficiencies around the identification of errors during year end resulting in material adjusting journal entries as well as a lack of a formal policy for the approval, identification and authorization of related party transactions.

PART II — OTHER INFORMATION**Item 1. Legal Proceedings**

The Company has a pending lawsuit with one of its previous suppliers regarding defected cartridges. The Company is still evaluating the case and determining the impact of the case on the Company and as of the date of this Report the amount or range of possible losses is not reasonably estimable. From time to time, we may become involved in various lawsuits and legal proceedings that arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time and harm our business.

Item 1A. Risk Factors

As a “smaller reporting company” as defined by Item 10 of Regulation S-K, the Company is not required to provide this information.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Exhibit Description
31.1	Certification of the Company’s Principal Executive Officer and Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, with respect to the registrant’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2024
32.1	Certification of the Company’s Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

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

JACKSAM CORPORATION

Dated: November 18, 2024

By: /s/ Mark Adams
Mark Adams
Chief Executive Officer and interim Chief Financial
Officer

CERTIFICATION

Pursuant to 18 U.S.C Section 1350
As adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Mark Adams, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Jacksam Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 18, 2024

By: /s/ Mark Adams

Mark Adams
Chief Executive Officer and interim Chief Financial
Officer

CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Jacksam Corporation, a Nevada corporation (the “Company”), does hereby certify, to such officer’s knowledge, that:

The Quarterly Report for the period ended September 30, 2024 (the “Form 10-Q”) of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 18, 2024

By: /s/ Mark Adams

Mark Adams

Chief Executive Officer and interim Chief Financial
Officer