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 **December 31, 2023**

or

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

For the transition period from __________ to _______

Commission File Number **333-255266**

UPEXI, INC.

(Exact name of registrant as specified in its charter)

Nevada	**83-3378978**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
3030 North Rocky Point Drive Tampa, Florida	**33607**
(Address of principal executive offices)	(Zip Code)

(701) 353-5425
(Registrant's telephone number, including area code)

____
(Former name, former address, and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001	UPXI	The NASDAQ Stock Market LLC

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, 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

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

As of February 13, 2024, the registrant had20,889,384 shares of common stock, par value $0.001 per share, outstanding.

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FORWARD-LOOKING STATEMENTS

This quarterly report contains forward-looking statements. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as “may”, “should”, “expects”, “plans”, “anticipates”, “believes”, “estimates”, “predicts”, “potential” or “continue” or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors that may cause our or our industry’s actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements.

We operate in a rapidly changing environment and new risks emerge from time to time. As a result, it is not possible for our management to predict all risks, such as the COVID-19 outbreak and associated business disruptions including delayed clinical trials and laboratory resources, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. Considering these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. The forward-looking statements included in this report speak only as of the date hereof, and except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this report to conform these statements to actual results or to changes in our expectations.

Our unaudited condensed consolidated financial statements are prepared in accordance with United States Generally Accepted Accounting Principles. The following discussion should be read in conjunction with our unaudited condensed consolidated financial statements and the related notes that appear elsewhere in this quarterly report. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this quarterly report, as well as the other risks and uncertainties disclosed under the heading “Item 1A. Risk Factors” in our most recent annual report on Form 10-K.

In this quarterly report, unless otherwise specified, all dollar amounts are expressed in United States dollars and all references to “common shares” refer to shares of our common stock.

As used in this quarterly report, the terms “we”, “us”, “our” and “our company” mean Upexi, Inc., unless otherwise indicated.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

UPEXI, INC.

Interim Unaudited Condensed Consolidated Financial Statements
For the Three and Six Month Periods Ended December 31, 2023 and 2022

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UPEXI, INC.
CONDENSED CONSOLDIATED BALANCE SHEETS (UNAUDITED)

	December 31, 2023	June 30, 2023
ASSETS		
Current assets		
Cash	$ 1,844,420	$ 4,492,291
Accounts receivable	5,377,244	7,163,564
Inventory	14,663,908	11,557,128
Due from Bloomios	-	845,443
Prepaid expenses and other receivables	697,559	1,307,299
Current assets of discontinued operations	-	89,989
Total current assets	22,583,131	25,455,714
Property and equipment, net	7,600,398	7,526,463
Intangible assets, net	11,298,110	13,571,960
Goodwill	11,808,571	10,251,281
Deferred tax asset	6,771,230	5,604,056
Other assets	441,844	96,728
Assets held for sale	-	936,054
Right-of-use asset	1,657,463	410,811
Total other assets	39,577,616	38,397,353
Total assets	$ 62,160,747	$ 63,853,067
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 3,017,764	$ 3,969,746
Accrued compensation	495,228	533,842
Deferred revenue	104,149	-
Accrued liabilities	2,658,347	3,365,562
Acquisition payable	300,000	-
Current portion of notes payable	4,206,474	1,302,021
Current portion of convertible notes payable	-	1,254,167
Current portion of acquisition note payable	8,483,028	5,656,620
Current portion of related party note payable	-	1,429,356
Line of Credit	4,167,377	882,845
Current portion of operating lease payable	823,702	419,443
Current liabilities of discontinued operations	-	792,408
Total current liabilities	24,256,069	19,606,010
Operating lease payable, net of current portion	1,162,687	163,359
Related party note payable	1,459,630	-
Convertible notes payable	2,150,000	895,833
Acquisition notes payable, net of current	3,199,683	7,605,085
Notes payable, net of current portion	4,470,017	7,746,157
Total long-term liabilities	12,442,017	16,410,434
Commitments and contingencies		
Stockholders' equity		
Preferred stock, $0.001 par value, 100,000,000 shares authorized, and 500,000 and 500,000 shares issued and outstanding, respectively	500	500
Common stock, $0.001 par value, 100,000,000 shares authorized, and 20,397,779 and 16,713,345 shares issued and outstanding, respectively	20,307	20,216
Additional paid in capital	52,437,336	51,522,229
Accumulated deficit	(26,995,482)	(23,201,175)
Total stockholders' equity attributable to Upexi, Inc.	25,462,661	28,341,770
Non-controlling interest in subsidiary		(505,147)
Total stockholders' equity	25,462,661	27,836,623
Total liabilities and stockholders' equity	$ 62,160,747	$ 63,853,067

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

UPEXI, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Month's Ended December 31,		Six Month's Ended December 31,	
	2023	**2022**	**2023**	**2022**
Revenue				
Revenue	$ 21,827,827	$ 26,741,562	$ 49,175,469	$ 37,960,361
Cost of Revenue	13,556,574	16,655,117	32,196,367	22,056,433
Gross profit	8,271,253	10,086,445	16,979,102	15,903,928
Operating expenses				
Sales and marketing	2,691,368	3,297,144	5,540,035	5,024,613
Distribution costs	3,247,554	3,575,545	6,098,170	6,063,379
General and administrative expenses	2,303,220	2,517,651	4,559,148	4,645,497
Share-based compensation	330,584	1,052,847	752,471	1,980,173
Amortization of acquired intangible assets	1,157,029	1,102,756	2,343,850	1,832,665
Depreciation	328,619	240,958	614,703	435,455
	10,058,374	11,786,901	19,908,377	19,981,782
Loss from operations	(1,787,121)	(1,700,456)	(2,929,275)	(4,077,854)
Other income (expense), net				
Change in derivative liability	-	(3,540)	-	(1,770)
Interest (expense) income, net	(1,077,084)	(1,789,299)	(1,951,269)	(2,222,777)
Other income (expense), net	(1,077,084)	(1,792,839)	(1,951,269)	(2,224,547)
Income (loss) on operations before income tax	(2,864,205)	(3,493,295)	(4,880,544)	(6,302,401)
Gain on sale of Infusionz and select assets	-	7,564,363	-	7,564,363
Gain (loss) from the sale of Interactive Offers	(39,691)	-	340,933	
Lease settlement, California facility	61,138	-	61,138	
Lease impairment, Delray Beach facility	(289,968)	-	(289,968)	
(Loss) income from discontinued operations	-			
Income tax benefit (expense)	694,807	(755,253)	1,167,174	(47,052)
Net income (loss) from continuing operations	(2,437,919)	3,315,815	(3,601,267)	1,214,910
(Loss) income from discontinued operations	-	(731,717)	(193,040)	(1,376,332)
Net loss attributable to non-controlling interest	-	85,581	-	233,586
Net income (loss) attributable to Upexi, Inc.	$ (2,437,919)	$ 2,669,679	$ (3,794,307)	$ 72,164
Basic income (loss) per share:				
Income (loss) per share from continuing operations	$ (0.12)	$ 0.19	$ (0.19)	$ 0.08
(Loss) income per share from discontinued operations	$ -	$ (0.04)	$ (0.01)	$ (0.08)
Total income (loss) per share	$ (0.12)	$ 0.15	$ (0.18)	$ 0.00
Diluted income (loss) per share:				
Income (loss) per share from continuing operations	$ (0.12)	$ 0.17	$ (0.18)	$ 0.07
(Loss) income per share from discontinued operations	$ -	$ (0.3)	$ -	$ (0.07)
Total income (loss) per share	$ (0.12)	$ 0.14	$ (0.18)	$ 0.07
Basic weighted average shares outstanding	20,306,871	17,540,427	20,275,745	15,452,453
Fully diluted weighted average shares outstanding	20,306,871	19,030,705	20,275,745	17,220,564

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

UPEXI, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)

	Preferred Stock Shares	Preferred Stock Par	Common Stock Shares	Common Stock Par	Additional Paid In Capital	Accumulated Deficit	Non-controlling Interest	Total Stockholders' Equity
2022								
Balance, June 30, 2022	500,000	$ 500	16,713,345	$ 16,713	$ 34,985,597	$ (6,270,886)	$ 54,820	$ 28,786,744
Amortization of common stock issuance for services	-	-	-	-	70,350	-	-	70,350
Stock based compensation	-	-	-	-	927,326	-	-	927,326
Net loss for the three months ended September 30, 2022	-	-	-	-	-	(2,597,515)	(148,005)	(2,745,520)
Balance, September 30, 2022	500,000	$ 500	16,713,345	$ 16,713	$ 35,983,273	$ (8,868,401)	$ (93,185)	$ 27,038,900
Amortization of common stock issuance for services	-	-	-	-	70,350	-	-	70,350
Stock based compensation	-	-	-	-	1,052,847	-	-	1,052,847
Issuance of common stock for acquisition of E-Core	-	-	1,247,403	1,247	5,998,753	-	-	6,000,000
Net income (loss) for the three months ended December 31, 2022	-	-	-	-	-	2,669,679	(85,581)	2,584,098
Balance, December 31, 2022	500,000	$ 500	17,960,748	$ 17,960	$ 43,105,223	$ (6,198,722)	$ (178,766)	$ 36,746,195
2023								
Balance, June 30, 2023	500,000	$ 500	20,215,961	$ 20,216	$ 51,522,229	$ (23,201,175)	$ (505,147)	$ 27,836,623
Issuance of stock and equity for purchase of Cygnet			90,909	91	162,636		505,147	667,874
Stock based compensation	-	-	-	-	421,887	-	-	421,887
Net loss for the three months ended September 30, 2023	-	-	-	-	-	(1,356,388)		(1,356,388)
Balance, September 30, 2023	500,000	$ 500	20,306,870	$ 20,307	$ 52,106,752	$ (24,557,563)	$ -	$ 27,569,996
Stock based compensation	-	-	-	-	330,584	-	-	330,584
Net income (loss) for the three months ended December 31, 2023	-	-	-	-	-	(2,437,919)	-	(2,437,919)
Balance, December 31, 2023	500,000	$ 500	20,306,870	$ 20,307	$ 52,437,336	$ (26,995,482)	$ -	$ 25,462,661

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

UPEXI, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Six Month's Ended December 31, 2023	2022
Cash flows from operating activities		
Net (loss) income from operations	$ (3,794,307)	$ 72,164
Adjustments to reconcile net income from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	2,958,553	2,268,120
Amortization of loan costs	30,274	
Amortization of senior security original issue discount		(192,690)
Amortization of consideration discount	734,824	
Non-cash consideration for sale of Infusionz and select assets, net	-	(7,094,296)
Inventory write-offs	90,030	34,328
Bad debt expense	-	-
Change in deferred tax asset	(1,167,174)	(15,089)
Noncontrolling interest	-	(233,586)
Shares issued for finder fee	-	1,770
Stock based compensation	752,471	1,980,173
Changes in assets and liabilities, net of acquired amounts		
Accounts receivable	1,943,520	1,274,387
Inventory	(2,105,982)	3,748,625
Prepaid expenses and other assets	714,038	(983,244)
Operating lease payable	(71,895)	(24,573)
Accounts payable and accrued liabilities	(2,174,628)	3,015,017
Deferred revenue	(29,801)	-
Net cash provided by operating activities - Continuing Operations	(2,120,077)	3,851,106
Net cash provided by (used in) operating activities - Discontinued Operations	(223,957)	(258,448)
Net cash provided by operating activities	(2,344,034)	3,592,658
Cash flows from investing activities		
Acquisition of Lucky Tail	-	(2,500,000)
Acquisition of VitaMedica, Inc., net of cash acquired	-	(500,000)
Acquisition of New England Technology, Inc.	-	914,611
Acquisition of Interactive Offers, net of cash acquired	-	-
Proceeds from the sale of Interactive Offers, net of liabilities paid	147,592	-
Acquisition of patent rights for Tytan Tiles	(70,000)	-
Acquisition of Cygnet Online LLC, net of cash acquired	(500,000)	-
Proceeds from the sale of Infusionz and selected assets	-	5,500,000
Acquisition of property and equipment	(480,456)	(183,969)
Net cash provided by (used in) investing activities - Continuing Operations	(902,864)	3,230,642
Net cash (used in) provided by investing activities - Discontinued Operations	-	-
Net cash provided by (used in) investing activities	(902,864)	3,230,642
Cash flows from financing activities		
Repayment of notes payable	(371,687)	(350,877)
Repayment of the senior convertible notes payable	-	(6,382,989)
Proceeds (payments) on line of credit, net	3,284,532	(7,201,079)
Payment on acquisition notes payable	(2,313,818)	
Proceeds from note payable	-	-
Proceeds on note payable on building	-	3,000,000
Proceeds on note payable, related party	-	1,470,000
Net cash used in financing activities - Continuing Operations	599,027	(9,464,945)
Net cash (used in) provided by financing activities - Discontinued Operations	-	-
Net cash used in financing activities	599,027	(9,464,945)
Net decrease in cash - Continuing Operations	(2,423,914)	(2,383,197)
Net (decrease) increase in cash - Discontinued Operations	(223,957)	(258,448)
Cash, beginning of period	4,492,291	7,149,806
Cash, end of period	$ 1,844,420	$ 4,508,161
Supplemental cash flow disclosures		
Interest paid	$ -	$ -
Income tax paid	$ -	$ -
Issuance of common stock for acquisition of Cygnet	$ 162,727	$ -
Issuance of debt for acquisition of Cygnet	$ 300,000	$ -
Bloomios non-cash payment of receivables, net	$ 845,443	$ -
Liabilities assumed from acquisition of E-Core	$ -	$ (7,712,168)
Issuance of stock for acquisition of E-Core	$ -	$ 6,000,000
Assets available for sale	$ -	$ 6,446,210

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

UPEXI, INC.
Notes to Unaudited Condensed Consolidated Financial Statements

Note 1. Background Information

Upexi is a multi-faceted brand owner with established brands in health, wellness, pet, beauty, and other growing markets. We operate in emerging industries with high growth trends and look to drive organic growth of our current brands. We focus on direct to consumer and Amazon brands that are scalable and have anticipated, high industry growth trends. Our goal is to continue to accumulate consumer data and build out a significant customer database across all industries we sell into. The growth of our current customer database has been key to the year-over-year gains in sales and profits. To drive additional growth, we have and will continue to acquire profitable Amazon and eCommerce businesses that can scale quickly and reduce costs through corporate synergies. We utilize our in-house SaaS programmatic ad technology to help achieve a lower cost per acquisition and accumulate consumer data for increased cross-selling between our growing portfolio of brands.

Upexi, Inc. (the "Company") is a Nevada corporation with fourteen active subsidiaries through which the Company primarily conducts its business. The Company's fourteen active subsidiaries are as follows:

- HAVZ, LLC, d/b/a/ Steam Wholesale, a California limited liability company
  - SWCH, LLC, a Delaware limited liability company
  - Cresco Management, LLC, a California limited liability company
- Trunano Labs, Inc., a Nevada corporation
- MW Products, Inc., a Nevada corporation
- Upexi Holding, LLC, a Delaware limited liability company
  - Upexi Pet Products, LLC, a Delaware limited liability company
- VitaMedica, Inc., a Nevada corporation
- Upexi Enterprise, LLC, a Delaware limited liability company
  - Upexi Property & Assets, LLC, a Delaware limited liability company
    - Upexi 17129 Florida, LLC, a Delaware limited liability company
  - E-Core Technology, Inc.
  - Upexi Distribution Management LLC, a Delaware limited liability company
- Cygnet Online, LLC ("Cygnet"), a Delaware limited liability company.

In addition, the Company has four wholly owned subsidiaries that had no activity during the three and six months ended December 31, 2023 and December 31, 2022, respectively.

- Steam Distribution, LLC, a California limited liability company
- One Hit Wonder, Inc., a California corporation
- One Hit Wonder Holdings, LLC, a California limited liability company
- Vape Estate, Inc., a Nevada Corporation

Our products are distributed in the United States of America and internationally through multiple entities and managed through our locations in Florida, California, and Nevada.

Upexi operates from our corporate location in Tampa, Florida where direct to consumer and Amazon sales are driven by on-site and remote teams for all brands. The Tampa location also supports all the other locations with accounting, corporate oversight, day-to-day finances, business development and operational management operating from this location.

VitaMedica operates mainly from our California location with product development and day-to-day management with the primary fulfillment center located in Tampa Florida.

Cygnet Online operates from our South Florida location with a full on-site GMP warehouse and distribution center, day to day operations of our Amazon liquidation business team from this location with support of remote team members.

Lucky Tail operates from our Clearwater, Florida location with sales and marketing driven by on-site and remote teams that operate the Amazon sales strategy and daily business operations.

HAVZ, LLC, d/b/a/ Steam Wholesale operates manufacturing and/or distribution centers in Henderson, Nevada supporting our health and wellness products, including those products manufactured with hemp ingredients and our overall distribution operations. We have continued to manage these operations with corporate focus on larger opportunities that have warranted the majority of corporate focus and investments for the future.

Business Acquisitions

On April 1, 2022, the Company entered into a securities purchase agreement with a single investor to acquire55% of the equity interest in Cygnet Online, LLC, a Delaware limited liability corporation. The agreement also enables the Company to purchase the remaining 45% over the following two years. On September 1, 2023, the Company purchased the remaining 45% of Cygnet Online, LLC for $500,000 cash, 90,909 shares of the Company's common stock and a $300,000 cash payment due on September 1, 2024.

On August 12, 2022, the Company entered into an asset purchase agreement with GA Solutions, LLC, a Delaware limited liability company ("LuckyTail"), pursuant to which the Company acquired substantially all the assets of LuckyTail. LuckyTail sells pet nail grinders and other pet products through various sales channels including some international sales channels.

On October 31, 2022, the Company and its wholly owned subsidiary Upexi Enterprise, LLC, entered into a securities purchase agreement to purchase the outstanding stock of E-Core Technology, Inc. d/b/a New England Technology, Inc. ("E-Core"), a Florida corporation. E-Core distributes non-owned branded products to national retail distributors and has branded products in the toy industry that E-Core sells direct to consumers through online sales channels and sells to national retail distributors.

Business Divested

On October 26, 2022, the Company entered into a membership interest purchase agreement to sell100% of the membership interests of Infusionz LLC, a Colorado limited liability company ("Infusionz"), included in the sale was all the rights to Infusionz brands and the manufacturing of certain private label business. Infusionz was originally purchased by the Company in July of 2020. The divestiture of Infusionz and related private label manufacturing represents a strategic shift in our operations and will allow us to become a predominantly product distribution focused company for both our Company owned brands and non-owned brands. As a result, the results of the business were classified as discontinued operations in our condensed statements of operations and excluded from both continuing operations and segment results for all periods presented.

On August 31, 2023, Upexi, Inc. (the "Company") entered into an Equity Interest Purchase Agreement ("EIPA") pursuant to which the Company sold one hundred percent (100%) of the issued and outstanding equity (the "Interests") of its wholly owned subsidiary Interactive Offers, LLC ("Interactive") to Amplifyir Inc. (the "Buyer"). The purchase price for the Interests was One Million Two Hundred Fifty Thousand Dollars ($1,250,000), subject to certain customary post-closing adjustments. In addition, the Buyer is obligated to pay the Company two-and one- half percent (2.5%) of certain advertising revenues of Interactive for a two-year period post-closing. Accordingly, the results of the business were classified as discontinued operations in our statements of operations and excluded from both continuing operations and segment results for all periods presented.

Basis of Presentation and Principles of Consolidation

The Company's condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The condensed consolidated financial statements include the accounts of all subsidiaries in which the Company holds a controlling financial interest as of December 31, 2023, and June 30, 2023.

In the opinion of management, the unaudited interim condensed consolidated financial statements reflect all adjustments of a normal recurring nature that are necessary for a fair presentation of the results for the interim periods presented. All significant intercompany transactions and balances are eliminated in consolidation. However, the results of operations included in such financial statements may not necessarily be indicative of annual results.

Discontinued Operations

A discontinued operation is a component of an entity that has either been disposed of or that is classified as held for sale, which represents a separate major line of business or geographic area of options and is part of a single coordinated plan to dispose of a separate line of business or geographical area of operations. In accordance with the rules regarding the presentation of discontinued operations, the assets, liabilities, and activity of Infusionz and certain manufacturing business have been reclassified as discontinued operations for all periods presented.

Fair Value of Financial Instruments

ASC Topic 820, *Fair Value Measurement* ("ASC 820"), establishes a fair value hierarchy for instruments measured at fair value that distinguished between assumptions based on market data (observable inputs) and the Company's own assumptions (unobservable inputs). Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumption about the inputs that market participants would use in pricing the asset or liability and are developed based on the best information available in the circumstances.

ASC 820 identified fair value as the exchange price, or exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As a basis for considering market participant assumptions in fair value measurements, ASC 820 established a three-tier fair value hierarchy that distinguishes between the following:

Level 1—Quoted market prices (unadjusted) in active markets for identical assets or liabilities.

Level 2—Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable, such as quoted market prices, interest rates and yield curves.

Level 3—Unobservable inputs developed using estimates or assumptions developed by the Company, which reflect those that a market participant would use.

To the extent that the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized as Level 3. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The carrying amounts reflected in the balance sheets for cash and cash equivalents, prepaid expenses, other current assets, accounts payable and accrued expenses approximate their fair values, due to their short-term nature. For the three months ended September 30, 2022, management believed it necessary to record a reserve against the debt and equity instruments obtained in the sale of Infusionz of $8,500,000.

Reclassification

Certain reclassifications have been made to the condensed consolidated financial statements as of and for the three and six months ended December 31, 2023, and for the three and six month periods ended December 31, 2022 to conform to the presentation as of and for the three and six months ended December 31, 2023.

Note 2. Acquisitions

Cygnet Online, LLC

The Company acquired 55% of Cygnet Online, LLC, on April 1, 2022. The purchase price was $5,515,756, as amended.

The following table summarizes the consideration transferred to acquire Interactive and the amount of identified assets acquired, and liabilities assumed at the acquisition date.

Fair value of consideration transferred:

Cash	$	1,500,000
Convertible note payable, convertible at $6.00 per common share		1,050,000
Earnout payment		-
Common stock, 555,489 shares valued at $5.34 per common share, the closing price on April 1, 2022.		2,965,756
	$	5,515,756

Recognized amounts of identifiable assets acquired and liabilities assumed:		
Cash	$	471,237
Accounts receivable		860,882
Inventory		2,337,208
Prepaid expenses		6,900
Property and equipment		7,602
Right to use asset		410,365
Other asset		6,545
Online sales channels		1,800,000
Vendor relationships		6,000,000
Accrued liabilities		(701,606)
Notes payable		(7,298,353)
Operating lease		(422,479)
Total identifiable net assets	$	3,478,301
Goodwill	$	2,037,455

55% of the business was acquired through a stock purchase agreement on April 1, 2022. The purchase agreement provided for an increase in the purchase price of up to $700,000 based on the attainment of certain sales thresholds in the first year. Our management believed that the attainment of those sales threshold at the time of acquisition was unlikely and valued the contingency at $0. The sales thresholds were not met, and no consideration was recorded for the contingency. The equity interest purchase agreement has standard provisions to adjust the purchase price based on the final working capital transferred to the Company. The purchase price was decreased by $950,000 and was repaid to the Company with a reduction in the loan to the seller. The 55% purchase price allocation is final and is no longer subject to change.

The Company's consolidated financial statements for the three and six months ended December 31, 2023 and 2022, include the actual results of Cygnet.

On September 1, 2023, the Company completed the acquisition of the remaining 45% interest for structured cash payments equaling $800,000, the forgiveness of advances of $89,416 and 90,909 shares of the Company's common stock valued at $162,727.

Fair value of consideration transferred:

Cash	$	800,000
Noncontrolling interest		505,147
Forgiveness of advances		89,416
Common stock, 90,909 shares valued at $1.79 per common share, the closing price on September 1, 2023.		162,727
	$	1,557,290

The additional consideration was recorded as goodwill by management and will be subject to change based on the final purchase price allocation.

The acquisition of Cygnet provided the Company with the opportunity to expand its operations as an Amazon and eCommerce seller. The resulting combination increased Cygnet's product offerings through the Company's distributors and partnerships as it continues to focus on over-the-counter supplements and beauty products. Cygnet will be the anchor company for Upexi's Amazon strategy. These are the factors of goodwill recognized in the acquisition.

LuckyTail

On August 13, 2022, the Company acquired the pet product brand and the rights to the products of LuckyTail from GA Solutions, LLC.

The following table summarizes the consideration transferred to acquire LuckyTail and the amount of identified assets acquired, and liabilities assumed at the acquisition date.

Fair value of consideration transferred:

Cash	$	2,000,000
Cash payment, 90 days after close		484,729
Cash payment, 180 days after close		469,924
Contingent consideration		112,685
Cash payment, working capital adjustment		460,901
	$	3,528,239
Recognized amounts of identifiable assets acquired, and liabilities assumed:		
Inventory	$	460,901
Trade name		383,792
Customer list		1,834,692
Total identifiable net assets	$	2,679,385
Goodwill	$	848,854

The business was acquired through an asset purchase agreement, that acquired all elements of the business, including all the tangible and intangible assets of the LuckyTail business. The purchase agreement provided for an increase in the purchase price based on the attainment of certain sales thresholds in the first six months. The Company estimated the value of this at approximately $150,000 at the time of purchase. The sales calculated to a $112,685 payout and the purchase price was adjusted. The asset purchase agreement has standard provisions to adjust the purchase price based on the final working capital transferred to the Company. The purchase price was increased by $460,901 for the excess working capital that was transferred in the business and the final purchase price allocation was completed by an independent consulting firm and is no longer subject to change.

The Company's consolidated financial statements for the three months ended September 30, 2023, include the actual results of LuckyTail. The consolidated financial statements for the three months ended September 30, 2022, include the actual results of LuckyTail from August 13, 2022 through September 30, 2022. The Company recorded interest on the consideration of $63,282 during the year ended June 30, 2023.

The acquisition of LuckyTail provided the Company with a foothold in the pet care industry and a strong presence on Amazon and its eCommerce store, offering nutritional and grooming products domestically and internationally. The acquisition provided both top line growth and improved EBITDA for the Company. These are the factors of goodwill recognized in the acquisition.

E-Core, Technology Inc., and its subsidiaries

On October 21, 2022, the Company acquired E-Core Technology, Inc. ("E-Core") d/b/a New England Technology, Inc., a Florida corporation ("New England Technology").

The following table summarizes the consideration transferred to acquire E-Core and the amount of identified assets acquired, and liabilities assumed at the acquisition date.

Fair value of consideration transferred:

Cash	$ 100,000
Cash payment, 120 days	3,000,000
Note payable	5,189,718
Note payable 2	4,684,029
Convertible note payable, convertible at $4.81 per common share	2,418,860
Common stock, 1,247,402 shares valued at $4.81 per common share, the calculated closing price on October 21, 2022.	6,000,000
	$ 21,039,765

Recognized amounts of identifiable assets acquired, and liabilities assumed:

Cash	$	1,014,610
Accounts receivable		6,699,945
Inventory		7,750,011
Prepaid expenses		75,721
Trade name		1,727,249
Customer relationships		5,080,305
Accrued liabilities		(192,051)
Line of credit		(7,201,079)
Total identifiable net assets	$	14,635,673
Goodwill	$	6,404,092

The business was acquired through a membership interest purchase agreement on October 21, 2022. There was no contingent consideration payable under the asset purchase agreement, although a provision was used to adjust the purchase price based on the final working capital transferred to the Company. The purchase price was decreased by $33,803, net and was repaid to the Company with an adjustment to the $3,000,000 cash payment. The final purchase price allocation was completed by an independent consulting firm and is no longer subject to change.

The Company's consolidated financial statements for the three months ended September 30, 2023, include the actual results of E-Core. The Company recorded interest on the consideration of $969,098 during the year ended June 30, 2023. At June 30, 2023 there was $1,738,295 of unamortized debt discount that will be expensed over the next two years.

The acquisition of E-Core provided the Company with an entrance into the children's toy sector as well as national retail distribution for owned and non-owned branded products. The acquisition expands the Company's ability to leverage direct-to-consumer distribution and further develops the broad distribution capabilities of E-Core. These are the factors of goodwill recognized in the acquisition.

Revenue from acquisitions included in the financial statements.

	Six months ended December 31,	
	2023	2022
Cygnet	8,672,811	14,607,180
LuckyTail	1,545,373	2,219,234
E-Core	29,403,620	13,647,412
	$ 39,621,804	$ 30,473,826

	Three months ended December 31,	
	2023	2022
Cygnet	4,003,444	7,359,661
LuckyTail	742,869	1,394,459
E-Core	12,311,248	13,647,412
	$ 17,057,561	$ 22,401,532

Consolidated pro-forma unaudited financial statements.

The following unaudited pro forma combined financial information is based on the historical financial statements of the Company, LuckyTail and E-Core after giving effect to the Company's acquisitions as if the acquisitions occurred on July 1, 2022.

The following unaudited pro forma information does not purport to present what the Company's actual results would have been had the acquisitions occurred on July 1, 2022, nor is the financial information indicative of the results of future operations. The following table represents the unaudited consolidated pro forma results of operations for the three and six months ended December 31, 2022, as if the acquisitions occurred on July 1, 2022. The results of operations for VitaMedica, Cygnet and LuckyTail are included in the three months ended December 31, 2022. The results of operations for VitaMedica and Cygnet are included in the six months ended December 31, 2022. The results of operations for the results of operations include LuckyTail from August 13, 2022 to December 31, 2022 and E-Core from October 21, 2022 to December 31, 2022.

Operating expenses for the three months ended September 30, 2022 have been increased for the amortization expense associated with the fair value adjustment of definite lived intangible assets of LuckyTail and E-Core by approximately $44,619, and $134,625, per month respectively and $363,415 of interest expense.

Pro Forma, Unaudited Six months ended December 31, 2022	**Upexi, Inc.**	**LuckyTail**	**E-Core**	**Proforma Adjustments**	**Proforma**
Net sales	$ 37,960,361	$ 892,270	$ 12,905,836	$	$ 51,758,467
Cost of sales	$ 22,056,433	$ 137,088	$ 11,177,032	$	$ 33,370,553
Operating expenses	$ 19,981,782	$ 383,476	$ 1,050,602	$ 567,721	$ 21,983,581
Net income (loss) from continuing operations	$ (161,422)	$ 371,706	$ 660,860	$ (567,721)	$ 303,423
Basic income (loss) per common share	$ (0.01)	$ -	$ 0.85	$	$ 0.02
Weighted average shares outstanding	17,126,886		779,626		17,960,748

Pro Forma, Unaudited Three months ended December 31, 2022	**Upexi, Inc.**	**E-Core**	**Proforma Adjustments**	**Proforma**
Net sales	$ 11,218,799	$ 9,420,927	$	$ 21,531,996
Cost of sales	$ 5,501,316	$ 8,208,282	$	$ 13,746,686
Operating expenses	$ 8,194,881	$ 635,608	$ 97,222	$ 10,048,184
Net income (loss) from continuing operations	$ (2,745,520)	$ 578,037	$ (97,222)	$ (2,629,996)
Basic income (loss) per common share	$ (0.16)	$ 0.46	$	$ (0.15)
Weighted average shares outstanding	16,713,345	1,247,403		17,960,748

The LuckyTail annual amortization expense is $532,992 annually and $44,619 monthly, based on the allocation of the purchase price. For the one and a half months ended December 31, 2022, the proforma adjustment included $66,624, one and a half months of amortization expense.

The E-Core annual amortization expense is $1,615,500 annually and $134,625 monthly, based on the allocation of the purchase price. For the six months ended December 31, 2022, the proforma adjustment included $501,097 of amortization expense and for the three months ended December 31, 2022, the proforma adjustment included 97,222 of amortization expense.

External legal, accounting and consulting services directly related to completed acquisitions, due diligence, and review of possible target acquisitions are included in the general and administrative expenses on the Company's condensed consolidated statements of operations.

Note 3. Inventory

Inventory consisted of the following:

	December 31, 2023	June 30, 2023
Raw materials	$ 1,128,325	$ -
Finished goods	13,535,583	11,557,128
	$ 14,663,908	$ 11,557,128

The Company writes off the value of inventory deemed excessive or obsolete.

During the three and six months ended December 31, 2023, the Company wrote off inventory valued at $35,509 and $90,030, respectively.

Note 4. Property and Equipment

Property and equipment consist of the following:

	December 31, 2023	June 30, 2023
Furniture and fixtures	$ 212,322	$ 172,663
Computer equipment	167,346	156,283
Internal use software	637,889	608,949
Manufacturing equipment	3,519,841	3,325,525
Leasehold improvements	146,794	-
Building	5,191,327	4,923,462
Vehicles	261,362	261,362
Property and equipment, gross	10,136,881	9,455,848
Less accumulated depreciation	(2,536,483)	(1,921,780)
	$ 7,600,398	$ 7,526,463

Depreciation expense for the three months ended December 31, 2023, and 2022 was $286,084 and $240,958, respectively.

Depreciation expense for the six months ended December 31, 2023, and 2022 was $614,703 and $435,455, respectively.

Note 5. Intangible Assets

Intangible assets as of December 31, 2023:

	Estimated Life	Cost	Accumulated Amortization	Net Book Value
Customer relationships, amortized over four years	4 years	$ 8,243,897	$ 2,968,085	$ 5,275,812
Trade name, amortized over five years	5 years	2,574,041	746,743	1,827,298
Non-compete agreements	Term of agreement	143,000	143,000	-
Online sales channels	2 years	1,800,000	1,575,000	225,000
Vender relationships	5 years	6,000,000	2,100,000	3,900,000
Tytan Tiles Patents	15 years	70,000	-	70,000
		$ 22,280,000	$ 3,567,591	$ 18,712,409

For the three months ended December 31, 2023 and 2022, the Company amortized approximately $1,157,029 and $1,102,756, respectively.

For the six months ended December 31, 2023 and 2022, the Company amortized approximately $2,343,850 and $1,832,665, respectively.

The following intangible asset was added during the six months ended December 31, 2023:

Patent	$ 70,000

Intangible assets as of June 30, 2023:

	Estimated Life	Cost	Accumulated Amortization	Net Book Value
Customer relationships, amortized over four years	4 years	$ 8,243,897	$ 1,937,595	$ 6,306,302
Trade name, amortized over five years	5 years	2,574,041	489,341	2,084,700
Non-compete agreements	Term of agreement	143,000	137,042	5,958
Online sales channels	2 years	1,800,000	1,125,000	675,000
Vender relationships	5 years	6,000,000	1,500,000	4,500,000
		$ 18,760,938	$ 5,188,978	$ 13,571,960

The following intangible assets were added during the year ended June 30, 2022, from the acquisitions noted below:

LuckyTail

Customer relationships	$ 1,834,692
Trade name	383,792
Intangible Assets from Purchase	$ 2,218,484
E-Core:	
Customer relationships	$ 5,080,205
Trade name	1,727,249
Intangible Assets from Purchase	$ 6,807,454

Future amortization of intangible assets at December 31, 2023 are as follows:

June 30, 2024	$ 2,115,225
June 30, 2025	3,780,449
June 30, 2026	3,780,449
June 30, 2027	1,568,320
June 30, 2028	4,667
Thereafter	49,000
	$ 11,298,110

Note 6. Prepaid Expense and Other Current Assets

Prepaid and other receivables consist of the following:

	December 31, 2023	June 30, 2023
Insurance	$ 156,596	$ 187,949
Prepayment to vendors	87,233	263,652
Deposits on services	20,413	45,678
Prepaid monthly rent	81,508	27,813
Prepaid sales tax	-	70,021
Other deposits	-	70,826
Stock issued for prepaid interest on convertible note payable	240,929	465,595
Other prepaid expenses	110,880	31,000
Other receivables		144,765
Total	$ 697,559	$ 1,307,299

All prepaid expenses will be expensed in the following 12 months.

Note 7. Operating Leases

The Company has operating leases for corporate offices, warehouses and office equipment that have remaining lease terms of1 year to 5 years.

The table below reconciles the undiscounted future minimum lease payments (displayed by fiscal year and in the aggregate) under noncancelable operating leases with terms of more than one year to the total operating lease liabilities recognized in the condensed consolidated balance sheet as of December 31, 2023:

2024	$	280,190
2025		508,665
2026		529,284
2027		266,602
2028		246,013
Thereafter		21,114
Total undiscounted future minimum lease payments		1,851,868
Less: Imputed interest		(155,447)
Accrued adverse lease obligation		289,968
Present value of operating lease obligation	$	1,986,389

In October of 2023, the Company consolidated its Delray Beach facility with the Tampa Bay facility and recognized a lease impairment of $289,968 that is accrued as part of the $823,702 current portion of operating lease payable.

The Company's weighted average remaining lease term and weighted average discount rate for operating leases as of December 31, 2023 are:

Weighted average remaining lease term	43 Months
Weighted average incremental borrowing rate	5.0%

For the three and six months ended December 31, 2023, the components of lease expense, included in general and administrative expenses and interest expense in the condensed consolidated statement of operations, are as follows:

		Three Months Ended December 31, 2023		Six Months Ended December 31, 2023
Operating lease cost:				
Operating lease cost	$	120,846	$	295,058
Amortization of ROU assets		118,037		289,007
Interest expense		17,492		43,839
Total lease cost	$	256,375	$	627,904

In October of 2023, the Company consolidated its Delray Beach facility with the Tampa Bay facility and recognized a lease impairment of $289,968 that is accrued as part of operating lease payable.

Note 8. Accrued Liabilities and Acquisition Payable

Accrued liabilities consist of the following:

	December 31, 2023	June 30, 2023
Accrued interest	$ 1,009,079	655,187
Accrued vendor liabilities	143,275	861,664
Accrued sales tax	38,971	47,070
Accrued expenses from sale of manufacturing operations	1,198,132	1,360,000
Other accrued liabilities	268,890	441,641
	$ 2,658,347	$ 3,365,562

Acquisition Payable consists of the following:

	December 31, 2023	June 30, 2023
Payments related to the acquisition of Cygnet	$ 300,000	$ -
	$ 300,000	$ -

These payables are amounts estimated by management that are due to the sellers of and acquisition and include the original purchase price installment payments not represented with a debt, equity, or other instrument, estimates of excess or deficiencies in working capital and estimates of future earnout payments.

Note 9. Convertible Promissory Notes and Notes Payable

Convertible promissory notes and notes payable outstanding as of December 31, 2023 and June 30, 2023 are summarized below:

	Maturity Date	December 31, 2023	June 30, 2023
Convertible Notes:			
Promissory Note, 21- month term note, 18.11% interest payable with common stock and subordinate to the Convertible Notes	June 1, 2026	$ 2,150,000	$ 2,150,000
Less current portion of notes payable		-	1,254,167
Notes payable, net of current portion		$ 2,150,000	$ 895,833
Acquisition Notes:			
Convertible Notes, 36-month term notes, 0% cash interest, collateralized with all the assets of the Company	October 31, 2025	3,500,000	3,500,000
Subordinated Promissory Notes, 24-month term notes, 4% cash interest, collateralized with all the assets of the Company	October 31, 2024	5,750,000	5,750,000
Subordinated Promissory Notes, 12-month term notes, 4% cash interest, collateralized with all the assets of the Company	October 31, 2023	3,436,182	5,750,000
Total		$ 12,686,182	$ 15,000,000
Acquisition notes payable		9,186,182	5,750,000
Discount on acquisition notes payable, current		(703,154)	(93,380)
Acquisition notes payable, current		8,483,028	5,656,620
		3,500,000	9,250,000
Discount on acquisition notes payable, long-term		(300,317)	(1,503,843)
Acquisition notes payable, net of current and discount		$ 3,199,683	$ 7,746,157
Notes Payable:			
Mortgage Loan, 10-year term note, 4.8% interest, collateralized by land and warehouse building	September 26, 2032	$ 2,720,278	$ 2,841,566
Promissory Note, 21-month term note, 10% cash interest and subordinate to the Convertible Notes	November 22, 2024	560,000	560,000
SBA note payable, 30-year term note, 6% interest rate and collateralized with all assets of the Company	October 6, 2021	3,742,526	3,910,767
Inventory consignment note, 60 monthly payments, with first payment due June 30, 2022, 3.5% interest rate and no security interest in the assets of the business	June 30, 2027	1,008,291	1,099,592
GF Note, 6 annual payments, with first payment due December 31, 2022, 3.5% interest rate and no security interest in the assets of the business	November 7, 2026	683,968	683,968
Total notes payable		8,715,063	9,095,893
Notes payable, current		4,223,617	1,326,214
Discount on notes payable, current		(17,143)	(24,193)
Notes payable, current net of discount		$ 4,206,474	$ 1,302,021
Notes payable, long-term		4,483,445	7,769,679
Discount on notes payable, long-term		(13,428)	(23,522)
Notes payable, long-term, net		$ 4,470,017	$ 7,746,157
Related Notes Payable:			
Marshall Loan, 2-year term note, 8.5% cash interest, 3.5% PIK interest and subordinate to the Convertible Notes. November of 2023 extended to 2.5 year term note	December 28, 2026	$ 1,500,000	$ 1,500,000
Discount on related party note payable, current		-	(70,644)
Notes payable, current, net of discount		$ -	$ 1,429,356
Discount on related party note payable, long term		(40,369)	-
Notes payable, long term net		$ 1,459,631	$ -
Total convertible notes payable, acquisition notes payable, notes payable and related party note payable		$ 23,968,832	$ 25,889,239

Future payments on notes payable are as follows:

2024	$	13,417,799
2025		3,418,695
2026		5,771,873
2027		611,749
2028		313,044
Thereafter		1,518,085
	$	25,051,245
Convertible notes, original discount and related fees and costs		(1,082,413)
	$	23,968,832

On August 1, 2021, the Company entered into a non-negotiable convertible promissory note related to the purchase of VitaMedica in the original principal amount of $500,000 ("VitaMedica Note"), convertible at $5.00 per share for a total of 100,000 shares of Company Common Stock. The Company repaid the note in full during August of 2022.

On April 15, 2022, the Company entered into a non-negotiable convertible promissory note in the original principal amount of $1,050,000, as adjusted, ("Cygnet Note") which can be converted into common stock of the Company at a price of $6.00 per share and is payable in full, to the extent not previously converted, on April 15, 2023.

In June 2022, the Company entered into a securities purchase agreement with two accredited investors pursuant to which the Company could receive up to $15,000,000 during the following twelve months of the agreement. The Company received $6,678,506 for Convertible Notes in the original principal amount of $7,500,000 (the "Convertible Notes"), representing the original purchase amount, less fees, costs, and a $500,000 holdback by the investors. In addition to the Convertible Notes, the investors received Common Stock Purchase Warrants (the "Warrants") to acquire an aggregate of 56,250 shares of common stock. The Warrants are exercisable for five years at an exercise price of $4.44 per share, provide for customary anti-dilution protection, and an investor put right to require the Company to redeem the Warrants for a total of $250,000. There was a loss of $3,540 for the change in the derivative liability for the period ended December 31, 2022. On October 31, 2022, the Company entered into a letter agreement with the accredited investors in which all amounts owed were paid in full and the related convertible notes and all security interests were cancelled. Additionally, the Company terminated the related Form S-3 registration statement.

In June 2022, the Company executed a promissory note with Allan Marshall, the Company's Chief Executive Officer, in the original principal amount of $1,500,000 ("Marshall Loan"). The promissory note has a 2-year term and bears cash interest at the rate of 8.5% per annum with an additional PIK of 3.5% per annum. The promissory note provides for monthly payments of principal, on an even line 36-month basis, plus cash interest, with a balloon payment of all outstanding principal, cash interest, and PIK interest at maturity. The Company received and deposited the principal amount on July 31, 2022. On November 15, 2023, the Company executed an amendment to the promissory note with Mr. Marshall, providing for the payment of interest only for 18 months at an interest rate of 12% per annum and thereafter the amortization of the note over a 12 month period, starting in June of 2025. The principal currently outstanding is $1,500,000. In addition to this, the Company issued Mr. Marshall a warrant to purchase up to 375,000 shares of the Company's common stock at a per share price of $1.10. The note has been classified as long-term in the financial statements.

On October 19, 2022, Upexi, Inc. (the "Company") and its indirect wholly owned subsidiary, Upexi 17129 Florida, LLC entered into a loan agreement, promissory note and related agreements with Professional Bank, a Florida state-chartered bank, providing for a mortgage on the Company's principal office in N. Clearwater, Florida. The Company received $3,000,000 in connection with the transaction. The principal is to be repaid to Professional Bank over a term of ten years. The proceeds of the loan were utilized by the Company to pay down its loan facility with Acorn Capital, LLC in the amount of $2,780,200. As of December 31, 2023, the Company was not in compliance with the debt service ratio. The Company received a forbearance agreement from the bank until June 30, 2024 to return to compliance of the debt service ratio of 1.25 to 1, until that time the Company will pay an interest rate of 10% instead of the contractual terms of 4.8%.

On October 31, 2022, the Company and its wholly owned subsidiary, Upexi Enterprises, LLC entered into a securities purchase agreement with E-Core Technology, Inc. d/b/a New England Technology, Inc., a Florida corporation, and its three principals. The Company entered into a series of promissory notes with the principal parties: (a) promissory notes in the total original principal amount of $5,750,000 payable upon maturity with a term of 12 months at an interest rate of 4%, $600,000 of which shall be satisfied through the cancellation of an equal amount owed by one of the principals to the Company; (b) promissory notes in the total original principal amount of $5,750,000 payable upon maturity with a term of 24 months at an interest rate of 4%; and (c) promissory notes in the original principal amounts of $3,500,000 with a term of 36 months at an interest rate of 0.0%. The principals may convert the notes into shares of the Company's restricted common stock at a conversion price equal to $4.81. If the principals do not exercise their conversion rights, the principal balance of the notes will be paid in 12 equal monthly payments commencing on the two-year anniversary of the issuance of the notes, subject to adjustments based on the Company's EBITDA over the term of the notes.

On February 22, 2023, the Company executed a promissory note with an investor, in the original principal amount of $560,000. On November 15, 2023, the Company executed an amendment to the promissory note with the investor, providing for the payment of interest only for 18 months at 12% per annum and thereafter the amortization of the note over a 12 month period, starting in June of 2025. The principal currently outstanding is $560,000. In addition to this, the Company issued the investor a warrant to purchase up to 125,000 shares of the Company's common stock at a per share price of $1.10. The note has been classified as long-term in the financial statements.

On February 22, 2023, the Company executed a promissory note with an investor, in the original principal amount of $2,150,000. In November of 2023, the Company executed an amendment to the promissory note with the investor, providing for the payment of interest only for 18 months at 12% per annum and thereafter the amortization of the note over a 12 month period, starting in June of 2025. The principal currently outstanding is $2,150,000. In addition to this, the Company issued the investor a warrant to purchase up to 500,000 shares of the Company's common stock at a per share price of $1.10. The note has been classified as long-term in the financial statements.

Note 10. Related Party Transactions

During the year ended June 30, 2022, the Company entered into a promissory note with a member of management. The loan was for $1,500,000 and has a two-year term with an interest rate of 8.5% per annum with an additional PIK of 3.5% per annum. On November 15, 2023, the Company executed an amendment to the promissory note with Mr. Marshall, providing for the payment of interest only for 18 months at an interest rate of 12% per annum and thereafter the amortization of the note over a 12 month period, starting in June of 2025. The principal currently outstanding is $1,500,000. In addition to this, the Company issued Mr. Marshall a warrant to purchase up to 375,000 shares of the Company's common stock at a per share price of $1.10. The note has been classified as long-term in the financial statements.

Note 11. Equity Transactions

Convertible Preferred Stock

The Company has 500,000 shares of Preferred Stock issued and outstanding to Allan Marshall, CEO. The preferred stock is convertible into the Company's common stock at a ratio of 1.8 shares of preferred stock for a single share of the Company's common stock at the holder's option, has preferential liquidation rights and the preferred stock shall vote together with the common stock as a single class on all matters to which shareholders of the Company are entitled to vote at the rate of ten votes per share of preferred stock.

Common Stock

During the six months ended December 31, 2022, the Company issued1,247,403 shares of common stock for the acquisition of E-Core Technologies Inc., a Florida corporation, valued at $6,000,000.

During the six months ended December 31, 2023, the Company issued90,909 shares of common stock for the acquisition of the remaining 45% of Cygnet Online, LLC. The shares were valued at $162,727 or $1.79 per common share.

During the six months ended December 31, 2023, the Company issued100,000 shares of common stock as an incentive restricted stock grant to certain employees. The shares were valued at $85,000 or $0.85 per common share.

On January 18, 2024, the Company issued501,605 shares of common stock as repayment of $500,000 of the Company's long-term debt. The shares were valued at 500,000 or .09868 per common share.

Note 12. Stock Based Compensation

The Board of Directors of the Company may from time to time, in its discretion grant to directors, officers, consultants and employees of the Company, non-transferable options to purchase common shares. The options are exercisable for a period of up to 10 years from the date of the grant.

The following table reflects the continuity of stock options for the six months ended December 31, 2023:

A summary of stock option activity is as follows:

	Options Outstanding	Weighted Average Exercise Price	Average Remaining Contractual Life (Years)	Aggregated Intrinsic Value
Outstanding at June 30, 2023	4,839,278	$ 3.31	6.23	$ 1,342,280
Canceled	(448,000)	4.34	-	-
Granted	400,000	1.47	1	32,000
Options outstanding at December 31, 2023	4,791,278	$ 3.36	5.65	$ -
Options exercisable at December 31, 2023 (vested)	4,573,986	$ 2.92	5.74	-

Stock-based compensation expense attributable to stock options was $330,584 and $1,052,847 for the three months ended December 31, 2023, and 2022, respectively. Stock-based compensation expense attributable to stock options was $752,471 and $1,980,173 for the six months ended December 31, 2023, and 2022, respectively. As of December 31, 2023, there was $441,416 of unrecognized compensation expense related to unvested stock options outstanding, and the weighted average vesting period for those options was approximately 1.5 years.

The value of each grant is estimated at the grant date using the Black-Scholes option model with the following assumptions for options granted during the six months ended December 31, 2023:

	December 31, 2023
Dividend rate	-
Risk free interest rate	3.95%
Expected term	1
Expected volatility	63%
Grant date stock price	$ 1.47

The basis for the above assumptions are as follows: the dividend rate is based upon the Company's history of dividends; the risk-free interest rate for periods within the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant; the expected term was calculated based on the Company's historical pattern of options granted and the period of time they are expected to be outstanding; and expected volatility was calculated based upon historical trends in the Company's stock prices.

Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Based on historical experience of forfeitures, the Company estimated forfeitures at 0% for each of the six months ended December 31, 2023, and 2022.

Note 13. Income Taxes

The Company computed the year-to-date income tax provision by applying the estimated annual effective tax rate to the year-to-date pre-tax income and adjusted for discrete tax items in the period. The Company's income tax benefit was $694,807 and $1,167,174 for the three and six months ended December 31, 2023, respectively, and $755,253 and $47,052 for the three and six months ended December 31, 2022, respectively.

The income tax expense for the three and six months ended December 31, 2022, was primarily attributable to federal and state income taxes and nondeductible expenses for an effective tax rate of approximately 29%. For the three and six months ended December 31, 2022, the difference between the U.S. statutory rate and the Company's effective tax rate is due to the full valuation allowance on the Company's deferred tax assets.

Future realization of the tax benefits of existing temporary differences and net operating loss carryforwards ultimately depends on the existence of sufficient taxable income within the carryforward period. The Company periodically evaluates the realizability of its net deferred tax assets based on all available evidence, both positive and negative. The Company also considered whether there was any currently available information about future years. The Company determined that it is more likely than not that the Company will have future taxable income to fully realize the Company's deferred tax asset.

As of December 31, 2023, there was approximately $5,535,710 of losses available to reduce federal taxable income in future years and can be carried forward indefinitely.

Note 14. Risks and Uncertainties

There is substantial uncertainty and different interpretations among federal, state, and local regulatory agencies, legislators, academics, and businesses as to the scope of operation of Farm Bill-compliant hemp programs relative to the emerging regulation of cannabinoids. These different opinions include, but are not limited to, the regulation of cannabinoids by the U.S. Drug Enforcement Administration, or DEA, and/or the FDA and the extent to which manufacturers of products containing Farm Bill-compliant cultivators and processors may engage in interstate commerce. The uncertainties cannot be resolved without further federal, and perhaps even state-level, legislation, regulation or a definitive judicial interpretation of existing legislation and rules. If these uncertainties continue, they may have an adverse effect upon the introduction of our products in different markets.

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Company has transition to a combination of work from home and social distancing operations and there has been minimal impact to our internal operations from the transition. The Company is unable to determine if there will be a material future impact to its customers' operations and ultimately an impact to the Company's overall revenues.

Note 15. Discontinued Operations – Sale of Infusionz to Bloomios

On October 28, 2022, the Company determined that the best course of action related to Infusionz, LLC and certain manufacturing business was to accept an offer to sell those operations.

The Company received from Bloomios, Inc., (OTCQB:BLMS), the purchaser (i) $5,500,000 paid at closing; (ii) a convertible secured subordinated promissory note in the original principal amount of $5,000,000; (iii) 85,000 shares of Series D convertible preferred stock, with a total stated value of $8,500,000; (iv) a senior secured convertible debenture with a subscription amount of $4,500,000, after original issue discount of $779,117; and (v) a common stock purchase warrant to purchase up to2,853,910 shares of Bloomios's common stock. The Company recorded the consideration received at the estimated value at the time of the transaction and as part of that estimate valued the additional warrants to purchase Bloomios shares of common stock at $8,500,000 and a valuation allowance of $8,500,000.

The assets transferred were recorded at their respective book values, the accrued and incurred expenses estimated by management were recorded and the consideration received was recorded at management's estimated fair value based on the balance sheet on October 26, 2022, the effective closing date.

Tangible assets, inventory / working capital*	$	(1,344,000)
Tangible assets, warehouse and manufacturing equipment, net of accumulated depreciation*		(679,327)
Goodwill		(2,413,814)
Intangible assets, net of accumulated amortization		(946,996)
Accrued and incurred expenses related to the transaction and additional working capital*		(2,051,500)
Consideration received, including cash, debt and equity, net		15,000,000
Total gain recognized	$	7,564,363

*During the continuing transition period, all of the inventory or working capital has not been transferred to the buyer.

At closing, the Company provided working capital, in the form of inventory, in excess of the working capital agreement and during the transition period, there are certain expenses and purchases incurred that are to be netted against funds collected on behalf of the buyer. June 30, 2023, there was a receivable balance from the buyer of $845,443, net of a reserve of $931,613.

Advance for payroll	$	50,000
Operating expense		652,891
Management fees		685,600
Excess working capital		388,565
Accrued Interest		247,885
Subtotal due from Bloomios	$	2,024,941
Reserve		1,179,498
Total due from Bloomios	$	845,443

Note 16. Discontinued Operations – Sale of Interactive Offers

On August 31, 2023, the Company sold Interactive offers to Amplifyir Inc. The purchase price is $1,250,000 with a provision to adjust the final purchase price based on the business being transferred to Amplifyer Inc. with a net zero working capital. In addition, the Buyer is obligated to pay the Company two-and-one-half percent (2.5%) of certain advertising revenues of Interactive for a two-year period post-closing. Accordingly, the results of the business were classified as discontinued operations in our statements of operations and excluded from both continuing operations and segment results for all periods presented.

Summary of discontinued operations:

	Three months ended December 30,			
	2023		2022	
Discontinued Operations				
Revenue	$	158,147	$	604,625
Cost of sales	$	11,982	$	230,967
Sales, general and administrative expenses	$	339,205	$	971,657
Depreciation and amortization	$	-	$	1,798
Income (loss) from discontinued operations	$	(193,040)	$	(928,215)
Accounts receivable net of allowance for doubtful accounts	$	-	$	56,961
Fixed assets, net of accumulated depreciation	$	-	$	5,195
Total assets	$	-	$	405,721
Total liabilities	$	-	$	562,953

	Six months ended December 30,			
	2023		2022	
Discontinued Operations				
Revenue	$	158,147	$	1,560,387
Cost of sales	$	11,982	$	961,273
Sales, general and administrative expenses	$	339,205	$	1,635,435
Depreciation and amortization	$	-	$	11,593
Income (loss) from discontinued operations	$	(193,040)	$	(1,376,332)
Accounts receivable net of allowance for doubtful accounts	$	-	$	56,961
Fixed assets, net of accumulated depreciation	$	-	$	5,195
Total assets	$	-	$	405,721
Total liabilities	$	-	$	562,953

Note 17. Subsequent Events

On January 18, 2024, the Company received a notice from the promissory note holder to convert $500,000 of the principal balance for 501,605 shares or at the closing Company common stock price of $0.9968 per share. The conversion was accepted and the shares were issued, lowering the outstanding balance and the future interest payments on the loan.

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

General Overview

As used in this quarterly report and unless otherwise indicated, the terms "we", "us" and "our" mean Upexi, Inc.

For the three and six months ended December 31, 2022 the condensed consolidated financial statements of Upexi, Inc. include the accounts of the Company and its wholly-owned subsidiaries; Trunano Labs, Inc., a Nevada corporation, Steam Distribution, LLC, a California limited liability company; One Hit Wonder, Inc., a California corporation; HAVZ, LLC, d/b/a Steam Wholesale, a California limited liability company, One Hit Wonder Holdings, LLC a California corporation; SWCH LLC, a Delaware limited liability company; Cresco Management LLC, a California limited liability company; VitaMedica, Inc., a Nevada corporation, Cygnet Online, LLC a Delaware limited liability corporation; Upexi Pet Products, LLC ("LuckyTail"), a Delaware limited liability corporation as of August 12, 2022; and E-Core Technology, Inc. ("E-core") a Florida Corporation as of October 21, 2022

For the six months ended December 31, 2023, the condensed consolidated financial statements of Upexi, Inc. include all of the subsidiary accounts included in the condensed consolidated financial statements for the three and six months ended December 31, 2023.

All intercompany accounts and transactions have been eliminated as a result of the consolidation.

Operating Segments

The Company's financial reporting is organized into two segments: Our Branded Product segment and our Recommerce segment. Our Branded Product segment is focused on the development, growth, and distribution of the branded products that we own. Our Recommerce segment is focused on the purchase and sale of new and used products through channels such as Amazon and wholesale distributors. Other sources of revenue and related costs are aggregated and viewed by management as immaterial or have similar economic characteristics, product production, distribution processes and regulatory environment as the other product sales.

For the three months ended December 31, 2023 and December 31, 2022, the share-based compensation of $330,548 and $1,052,847, respectively was allocated to the Branded Product segment. For the six months ended December 31, 2023 and December 31, 2022, the share-based compensation of $752,471 and 1,980,173, respectively was allocated to the Branded Product segment.

All indirect corporate and public company general and administrative expenses are allocated to the Branded Product Segment.

Segment Information

The Company provides the following segments: (a) branded products segment and (b) recommerce segment.

For the three months ended December 31, 2023:

	Branded Products	Recommerce	Total
Revenue	$ 7,659,684	$ 14,168,143	$ 21,827,827
Loss from operations	$ (1,375,205)	$ (411,916)	$ (1,787,121)
Other (expense)	$ (957,434)	$ (261,549)	$ (1,077,121)
Depreciation expense	$ 328,619	$ -	$ 328,619
Income tax (expense) benefit	$ 598,452	$ 96,355	$ 694,807
Segment assets:			
Additions to property, plant, and equipment	$ 184,143	$ -	$ 184,143
Total assets	$ 26,893,877	$ 35,228,722	$ 62,122,599

For the three months ended December 31, 2022:

	Branded Products	Recommerce	Total
Revenue	$ 8,100,312	$ 18,641,250	$ 26,741,562
Loss from operations	$ (1,850,890)	$ (150,434)	$ (1,700,456)
Other (expense)	$ (1,575,441)	$ (220,398)	$ (1,792,839)
Depreciation expense	$ 240,958	$ -	$ 240,958
Income tax benefit	$ (814,748)	$ 59,495	$ (755,253)
Segment assets:			
Additions to property, plant, and equipment	$ 36,039	$ -	$ 36,039
Total assets	$ 24,385,359	$ 39,467,708	$ 63,853,067

For the six months ended December 31, 2023:

	Branded Products	Recommerce	Total
Revenue	$ 14,222,297	$ 24,953,172	$ 49,175,469
Loss from operations	$ (2,709,287)	$ (219,988)	$ (2,929,275)
Other (expense)	$ (1,799,571)	$ (151,698)	$ (1,951,269)
Depreciation expense	$ 614,703	$ -	$ 614,703
Income tax (expense) benefit	$ 1,109,977	$ 57,197	$ 1,167,174
Segment assets:			
Additions to property, plant, and equipment	$ 480,456	$ -	$ 480,456
Total assets	$ 24,385,359	$ 35,228,722	$ 62,122,599

For the six months ended December 31, 2022:

	Branded Products	Recommerce	Total
Revenue	$ 12,071,592	$ 25,888,769	$ 37,960,361
Loss from operations	$ (3,816,387)	$ (261,467)	$ (4,077,854)
Other (expense)	$ (1,999,719)	$ (224,828)	$ (2,224,547)
Depreciation expense	$ 435,455	$ -	$ 435,455
Income tax (expense) benefit	$ (115,033)	$ 67,981	$ (47,052)
Segment assets:			
Additions to property, plant, and equipment	$ 183,969	$ -	$ 183,969
Total assets	$ 24,385,359	$ 39,467,708	$ 63,853,067

Results of Operations

The following summary of the Company's operations should be read in conjunction with its unaudited condensed consolidated financial statements for the three months ended December 31, 2023, and 2022, which are included herein.

Three Months Ended December 31, 2023, Compared to Three Months Ended December 31, 2022

	December 31, 2023	December 31, 2022	Change
Revenue	$ 21,827,827	$ 26,741,562	$ (4,913,735)
Cost of revenue	$ 13,556,574	$ 16,655,117	$ (3,098,543)
Sales and marketing expenses	$ 2,691,368	$ 3,297,144	$ (605,776)
Distribution costs	$ 3,247,554	$ 3,575,545	$ (327,991)
General and administrative expenses	$ 2,303,220	$ 2,517,651	$ (214,431)
Other operating expenses	$ 1,816,232	$ 2,396,561	$ (580,329)
Other expenses (income)	$ (1,077,084)	$ (1,792,839)	$ (715,755)
Net income (loss) attributable to Upexi, Inc.	$ (2,437,919)	$ 2,699,679	$ (5,107,598)

Revenues decreased by $4,913,735 or 18% to $21,827,827 compared with revenue of $26,741,562 in the same period last year. The revenue decline was primarily the result of lower recommerce revenue through both Amazon channels and wholesale. There were certain wholesale deals not completed at the end of the period that resulted in both a buildup of inventory and lower sales for the period ended December 31, 2023. Branded Product sales increased in the health and beauty product categories with a slight decline in both the pet care and children's toy product categories, primarily from lower than expected sales in the Amazon sales channel. Management will continue to focus on the development and growth of the high gross margin Branded Product sales.

Cost of revenue decreased by $3,098,543 or 19% to $13,556,574 compared with cost of revenue of $16,655,117 in the same period last year. The cost of revenue decline was primarily related to the lower recommerce revenue. Gross profit decreased by approximately $1.8 million compared to the same period in the previous year. Management will seek to improve the gross profit and the overall gross margin in the next 12 months as we are able to leverage the significant increase in our purchasing requirements and continue to consolidate our operations.

Sales and marketing expenses decreased by $605,776 or 18% compared with the same period in the prior year. The decreased in sales and marketing expenses was primarily related to management's efforts to refine sales strategies to focus on long-term recurring sales growth through subscription revenue and sales channel expansion. Management will continue to strategically increase the sales and marketing budget for our direct to consumer sales channels as the Company seeks to capitalize on an opportunity to take advantage of lower costs to estimated lifetime value of the customer. Management believes that this strategy will yield significant returns in the next 12 months. We anticipate our advertising expenses will be reduced over time as a percentage of sales in the following quarters, which will increase our overall profitability.

Distribution costs decreased $327,991 or 9% compared with the same period in the prior year. The decrease in distribution costs was related to the decreased revenue and management's efforts to consolidate and streamline our distribution network. In addition, there continued to be slight increases in transportation costs and third-party provider rates and management has a strategy that it expects will start to decrease the overall percentage of distribution costs to sales.

General and administrative expenses decreased by $214,431 or 9% compared with the same period in the prior year. As the Company has consolidated the acquisitions and adjusted for the sale of Infusionz and Interactive Offers, management has managed the general and administrative costs and will continue to implement strategies to decrease the percentage of general and administrative costs when compared to total sales.

Other operating expenses decreased by $580,329 or 24% compared with the same period in the prior year. These expenses are primarily non-cash and decreased based on the decreased amortization of stock compensation and offset by slight increases in intangible assets amortization and depreciation.

During the three months ended December 31, 2023, the Company had other expense of $1,077,084 compared to expense of $1,792,839 during the three months ended December 31, 2022. The decrease was primarily related to the termination interest expense with the early repayment of the senior secured convertible note payable.

In addition, during the three months ended December 31, 2023, the Company recognized a loss on the sale of Interactive offers, and an impairment on the Delray Beach facility, that was consolidated into the Tampa facility. These were offset by the gain on the lease settlement for the California facility and an income tax benefit. During the three months ended December 31, 2022, the Company recognized a gain on the sale of Infusionz and select assets, which was later adjusted for lack of payment from the buyer and an income tax expense.

Other income was related to the gain recognized from the sale of Infusionz and select manufacturing business and offset with interest expenses incurred from the refinancing and early termination of debt obtained in June of 2022.

The Company had a net loss of $2,437,919 compared to net income of $2,669,679 in the same period in the prior year. The decrease in net income is primarily related to the items mentioned above.

We will continue to improve the gross profit, while reducing the general and administrative expenses as compared to the sales as the Company continues to focus on sales growth while continuing to improve net income through the consolidation of operations.

Six Months Ended December 31, 2023, Compared to Six Months Ended December 31, 2022

	December 31, 2023	December 31, 2022	Change
Revenue	$ 49,175,469	$ 37,960,361	$ 11,215,108
Cost of revenue	$ 32,196,367	$ 22,056,433	$ 10,139,934
Sales and marketing expenses	$ 5,540,035	$ 5,024,613	$ 515,422
Distribution costs	$ 6,098,170	$ 6,063,379	$ 34,791
General and administrative expenses	$ 4,559,148	$ 4,645,497	$ (86,349)
Other operating expenses	$ 3,711,024	$ 4,248,293	$ (537,269)
Other (expenses) income	$ (1,951,269)	$ (2,224,547)	$ 273,278
Net income attributable to Upexi, Inc.	$ (3,794,307)	$ 72,164	$ (3,866,471)

Revenues increased by $11,215,108 or 30% to $49,175,469 compared with revenue of $37,960,361 in the same period in the prior year. The revenue growth was primarily the result of the acquisition of E-core and was offset by the sale of Infusionz and Interactive Offers. The six months ended December 31, 2022 only included two and a half months of revenue from E-Core, as the acquisition was effective October 21, 2022 and did not include a complete six months of revenue from LuckyTail. In addition, revenue declined in the recommerce segment in both Amazon channels and wholesale. There were certain wholesale deals not completed at the end of the period that resulted in both a buildup of inventory and lower sales for the period ended December 31, 2023. Brand Product sales increased in the health and beauty products and the children's toy products category with a decline in the pet care product category, primarily from lower than expected sales in the Amazon sales channel. Management will continue to focus on the development and growth of the high gross margin Brand Product sales.

Cost of revenue increased by $10,139,934 or 46% to $32,196,367 compared with cost of revenue of $22,056,433 in the same period in the prior year. The cost of revenue growth was primarily related to the increase in sales during the period. Gross profit increased by over $1 million compared to the same period in the previous year. Management will seek to improve the gross profit and the overall gross margin in the next 12 months as we are able to leverage the significant increase in our purchasing requirements and continue to consolidate our operations.

Sales and marketing expenses increased by $515,422 or 10% compared with the same period in the previous year. The increase in sales and marketing expenses was primarily related to the increase in the Branded Products segment. Management will continue to increase the sales and marketing budget for our direct to consumer sales channels as the Company seeks to capitalize on an opportunity to take advantage of lower costs to estimated lifetime value of the customer. Management believes that this strategy will yield significant returns in the next 12 months. We anticipate our advertising expenses will be reduced over time as a percentage of sales in the following quarters, which will increase our overall profitability.

Distribution costs increased $34,791 or 1% compared with the same period in the previous year. Although the distribution costs increased during the period compared to the same period in the previous year, as a percentage of overall revenue, the distribution costs decreased over 3.5%. Management will continue its efforts to consolidate and streamline our distribution network and decrease the costs as a percentage of revenue.

General and administrative expenses decreased by $86,349 or 2% compared with the same period in the previous year. As the Company has consolidated the acquisitions and adjusted for the sale of Infusionz and Interactive Offers, management has controlled the general and administrative costs and will continue to implement strategies to decrease the percentage of general and administrative costs when compared to total sales.

Other operating expenses decreased by $537,269 or 12% compared with the same period in the previous year. These expenses are primarily non-cash and decreased based on the lower amortization of stock compensation offset by increases in intangible assets amortization and depreciation.

During the six months ended December 31, 2023, the Company had other expense of $1,951,269 compared to expense of $2,224,547 during the six months ended December 31, 2022. The decrease was primarily related to the termination interest expense with the early repayment of the senior secured convertible note payable obtained in June of 2022 and the $726,800 of non-cash amortization of imputed interest on acquisition notes payable.

In addition, during the six months ended December 31, 2023, the Company recognized a gain on the sale of Interactive Offers, and an impairment on the Delray Beach facility, that was consolidated into the Tampa facility. These were offset by the gain on the lease settlement for the California facility and an income tax benefit. During the six months ended December 31, 2022, the Company recognized a gain on the sale of Infusionz and select assets, which was later adjusted for lack of payment from the buyer and an income tax expense.

The Company had a net loss of $3,794,307 compared to net income of $72,164 in the same period in the previous year. The decrease in net income is primarily related to the items mentioned above.

We will continue to improve the gross profit, while reducing the general and administrative expenses as compared to the sales as the Company continues to focus on sales growth while continuing to improve net income through the consolidation of operations.

Liquidity and Capital Resources

Working Capital

	As of December 31, 2023	As of June 30, 2022
Current assets	$ 22,583,131	$ 25,455,714
Current liabilities	24,256,069	19,606,010
Working capital	$ (1,672,938)	$ 5,849,704

Cash Flows

	Six Months Ended December 31,	
	2023	2022
Cash flows provided by operating activities – continuing operations	$ (2,120,077)	$ 3,851,106
Cash flows provided by (used in) investing activities – continuing operations	(902,864)	3,230,642
Cash flows used in financing activities – continuing operations	599,027	(9,464,945)
Cash flows used by operating activities – discontinued operations	(223,957)	258,448)
Cash flows provided by (used by) investing activities – discontinued operations	-	-
Cash flows provided by (used by) financing activities – discontinued operations	-	-
Net decrease in cash during the period	$ (2,647,871)	$ (2,641,645)

On December 31, 2023, the Company had cash of $1,844,420, a decrease of $2,647,871 from June 30, 2023.

Net cash from operating activities benefited from non-cash expenses of $3,813,681 and decreased accounts receivable of $1,943,520, which were offset by increased inventory and paydown of accounts payable and accrued liabilities.

Net cash used in investing activities for the six months ended December 31, 2023 was $902,864 and was primarily related to the $500,000 paid for the remaining 45% of Cygnet Online LLC and the acquisition of property and equipment. The acquisition of property and equipment primarily related to equipment and leasehold improvement for the final phase of our consolidation strategy.

Net cash provided by financing activities for the six months ended December 31, 2023, was $599,027 compared to the use of $9,464,945 during the six months ended December 31, 2022. The cash used in financing activities during the six months ended December 31, 2023 related to the repayment of notes payable and acquisition notes payable and was offset by the Company's line of credit.

For the six months ended December 31, 2022 used by financing activities was the repayment of $7,201,079 to the line of credit, the repayment and termination of the senior convertible note and the installment payments of several other notes. The Company obtained a note from a related party and a mortgage on the building purchased in the prior year. The funds obtained were used for investing activities and the repayment of the senior convertible note.

On October 19, 2022, the Company and its indirect wholly owned subsidiary, Upexi 17129 Florida, LLC entered into a loan agreement with Professional Bank, a Florida state-chartered bank, providing for a mortgage on the Company's principal office in N. Clearwater, Florida. The company received $3,000,000 in connection with the transaction. The principal is to be paid back to Professional Bank over a term of ten years. The proceeds of the loan were utilized by the Company to pay down its loan facility with Acorn Capital, LLC in the amount of $2,780,200, net of fees and other expenses.

On October 31, 2022, Upexi, Inc. (the "Company"), paid $4,275,071 in principal, $613,466 in accrued interest, $250,000 for settlement of a put option and $7,900 in miscellaneous fees for a total of $5,146,437 to the holders of the $15 million senior secured convertible notes entered into on June 28, 2022. The payment terminated the agreement with the noteholders. The Company also terminated the registration statement covering the senior secured notes payable.

We estimate that we will have sufficient working capital to fund our operations over the twelve months following the date of the issuance of these condensed consolidated financial statements and meet all our debt obligations.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our senior management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of December 31, 2023 (the "Evaluation Date"). Based on this evaluation, our principal executive officer and principal financial and accounting officer concluded as of the Evaluation Date that our disclosure controls and procedures were not effective such that the information relating to us required to be disclosed in our Securities and Exchange Commission ("SEC") reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to our management, including our principal executive officer and principal financial and accounting officer, as appropriate to allow timely decisions regarding required disclosure. This conclusion is based on findings that constituted material weaknesses. A material weakness is a deficiency, or a combination of control deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's interim financial statements will not be prevented or detected on a timely basis.

In performing the above-referenced assessment, our management identified the following material weaknesses:

(i) inadequate segregation of duties consistent with control objectives; and

(ii) lack of multiple levels of supervision and review.

We believe the weaknesses and their related risks are not uncommon in a company of our size because of the limitations in the size and number of staff. Due to our size and nature, segregation of all conflicting duties has not always been possible and may not be economically feasible. However, we plan to take steps to enhance and improve the design of our internal control over financial reporting. During the period covered by this quarterly report on Form 10-Q, we have not been able to remediate the material weaknesses identified above. To remediate such weaknesses, we plan to implement the appointment of additional qualified personnel to address inadequate segregation of duties and implement modifications to our financial controls to address such inadequacies, by the end of our 2024 fiscal year as resources allow.

We are currently reviewing our disclosure controls and procedures related to these material weaknesses and expect to implement changes in the current fiscal year, including identifying specific areas within our governance, accounting, and financial reporting processes to add adequate resources to potentially mitigate these material weaknesses.

Our management will continue to monitor and evaluate the effectiveness of our internal controls and procedures and our internal controls over financial reporting on an ongoing basis and is committed to taking further action and implementing additional enhancements or improvements, as necessary and as funds allow.

Because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal controls over financial reporting (as defined in Rules 12a-15(f) and 15d-15(f) under Exchange Act) that occurred during the quarter ended December 31, 2023, that have materially or are reasonably likely to materially affect, our internal controls over financial reporting. The Company has added significant qualified resources to ensure proper segregation of duties and proper review of the financial reporting policies and procedures.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, the Company may become involved in litigation relating to claims arising out of its operations in the normal course of business. The Company is not involved in any pending legal proceeding or litigation, and, to the best of its knowledge, no governmental authority is contemplating any proceeding to which we are a party or to which any of its properties is subject, which would reasonably be likely to have a material adverse effect on the Company.

Item 1A. Risk Factors

As a "smaller reporting company", the Company is not required to provide the information required by this Item.

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

All of the securities issued by the Company as described above were issued pursuant to the exemption for transactions by an issuer not involved in any public offering under Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D promulgated thereunder and corresponding state securities laws. For more information regarding the foregoing transaction, see Note 11 to our Unaudited Condensed Consolidated Financial Statements included herein.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description
31.1*	Certification of Principal Executive Officer, pursuant to Rule 13a-14a and 15-d-14a of the Securities Exchange Act of 1934
31.2*	Certification of Principal Financial Officer, pursuant to Rule 13a-14a and 15-d-14a of the Securities Exchange Act of 1934
32.1*	Certification of Principal Executive Officer, pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Principal Financial Officer, pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101**	**Interactive Data File**
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 Label 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)

* *Filed herewith.*
** *Furnished herewith.*

SIGNATURES

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

UPEXI, INC.

Dated: February 14, 2024	*/s/ Allan Marshall* **Allan Marshall** President, Chief Executive Officer, and Director (Principal Executive Officer)
Dated: February 14, 2024	*/s/ Andrew J. Norstrud* **Andrew J. Norstrud** Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

EXHIBIT 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Allan Marshall, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an 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 and I have disclosed, based on my 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: February 14, 2024

/s/ Allan Marshall
Allan Marshall,
President, Chief Executive Officer and Director
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Andrew J. Norstrud, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an 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 and I have disclosed, based on my 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: February 14, 2024

/s/ Andrew J. Norstrud
Andrew J. Norstrud,
Chief Financial Officer
(Principal Financial Officer and Principal
Accounting Officer)

EXHIBIT 32.1

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

The undersigned, Allan Marshall, President and Chief Executive Officer of Upexi, Inc., hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) the quarterly report on Form 10-Q of Upexi, Inc. for the period ended December 31, 2023 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Dated: February 14, 2024

/*s/ Allan Marshall*
Allan Marshall
President, Chief Executive Officer, and Director
(Principal Executive Officer)

EXHIBIT 32.2

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

The undersigned, Andrew J. Norstrud, Chief Financial Officer of Upexi, Inc., hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) the quarterly report on Form 10-Q of Upexi, Inc. for the period ended December 31, 2023 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Dated: February 14, 2024

/s/ Andrew J. Norstrud
Andrew J. Norstrud,
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)