

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
Date of Report (Date of earliest event reported): November 12, 2024

BLUM HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

| | | |
|----------------------------------------------------------------------------------------------|-------------------------------------------------|-----------------------------------------------------------|
| Delaware (State or other jurisdiction of incorporation) | 000-56626 (Commission File Number) | 93-3735199 (IRS Employer Identification No.) |
| 11516 Downey Ave., Downey, California (Address of principal executive offices) | | 90241 (Zip Code) |

Registrant's telephone number, including area code: **(888) 909-5564**

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Indicate by check mark whether the registrant is an emerging growth company as defined in in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by checkmark 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.

Item 7.01. Regulation FD Disclosure.

On November 12, 2024, Blum Holdings, Inc. (the "Company") issued a press release regarding the filing of a petition for Chapter 11 bankruptcy by its wholly owned subsidiary, Unrivaled Brands, Inc. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

The information provided under this Item 7.01 of this Current Report on Form 8-K, including Exhibit 99.1 attached hereto, is being furnished and shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

| Exhibit | Description |
|----------------|------------------------------------------------------------------------------|
| 99.1 | Press Release dated November 12, 2024. |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL Document). |

SIGNATURES

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

BLUM HOLDINGS, INC.

Date: November 12, 2024

By: /s/ Sabas Carrillo
Sabas Carrillo
Chief Executive Officer

Unrivaled Brands, Inc. Announces Chapter 11 Bankruptcy Following Latest Round of Lawsuits Filed by People's California and "Activist Investor" Frank Kavanaugh

DOWNEY, Calif., Nov. 12, 2024 (GLOBE NEWSWIRE) -- Blum Holdings, Inc. (OTCQB: BLMH) (the "Company," "Blüm Holdings," "we" or "us"), a cannabis company with subsidiaries operating throughout California, announces the filing of a petition for Chapter 11 bankruptcy by its wholly owned subsidiary Unrivaled Brands, Inc. ("Unrivaled"). The filing comes following a history of "bitter activist litigation from People's California LLC ("People's")" and its principals Frank Kavanaugh, Bernard Steimann, and Jay Yadon."

The history of People's litigation extends back over two years to July 2022 when People's filed a breach of contract action followed by People's first derivative suit in August 2022 against the then executives and board members of Unrivaled. Later in August 2022, Unrivaled's Board engaged Adnant LLC, a consulting and accounting firm, and Sabas Carrillo was brought on as an interim CEO. In the two years since Adnant's engagement and Sabas's leadership, and despite implacable litigation by People's, the Company's management was still able to reduce total liabilities by a net of \$90.8 million (from \$125.3 million as of December 2021 to \$34.5 million as of September 2024), execute a corporate reorganization, and pay many deserving vendors. The table below outlines the Company's total assets and liabilities as of each fiscal year-end compared to pro forma assets and liabilities as of September 30, 2024.

| | December 31, 2020 (1) | December 31, 2021 (1) | December 31, 2022 (1) | December 31, 2023 (1) | Pro Forma September 30, 2024 (2) |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|----------------------------------------|
| <i>(\$ in thousands)</i> | | | | | |
| Current Assets | \$ 37,606 | \$ 25,264 | \$ 4,575 | \$ 4,693 | \$ 2,352 |
| Long-Term Assets | 62,688 | 246,560 | 35,933 | 27,378 | 25,020 |
| Total Assets | \$ 100,294 | \$ 271,824 | \$ 40,508 | \$ 32,071 | \$ 27,372 |
| Current Liabilities | \$ 26,422 | \$ 87,708 | \$ 59,143 | \$ 62,548 | \$ 25,044 |
| Long-Term Liabilities | 14,742 | 37,629 | 17,902 | 15,219 | 9,451 |
| Total Liabilities | \$ 41,164 | \$ 125,337 | \$ 77,045 | \$ 77,767 | \$ 34,495 |

(1) Amounts as of each fiscal year-end are as reported in the Annual Report on Form 10-K filed with the SEC, which does not include the reclassification of all comparative prior periods for discontinued operations under U.S. generally accepted accounting principles.

(2) The unaudited pro forma information is presented as if the Chapter 11 petition had occurred on September 30, 2024 and has been prepared to illustrate the estimated effects of the Chapter 11 petition. Refer to the reconciliation of preliminary amounts as of September 30, 2024 below.

Now, despite Sabas's successes, nearly two years later, on July 26, 2024, People's has brought almost exactly the same derivative claims *again* against an entirely new executive team and board members alleging the same breach of fiduciary duty, self-dealing, corporate waste, and unjust enrichment. The latest lawsuit comes after People's has already received over \$60.0 million of value from Unrivaled since 2021, including \$9.0 million as recently as July 2024 pursuant to a settlement agreement that should have ended all litigation with People's and Kavanaugh. Despite the settlement agreement, People's continues to sue for more.

People's pattern of litigation is marked by court loss after court loss though it has been successful in forcing out previous management and directors and destabilizing Unrivaled. The last two years of failed People's litigation against Unrivaled includes:

1. Filing suit against Unrivaled and its subsidiaries for breach of contract in July 2022;
2. Filing the first derivative action against previous staff, management, and directors in August 2022;
3. The Court denying People's *ex parte* application for a writ of attachment on an emergency basis in August 2022 (People's later withdrew its application for a writ of attachment entirely);
4. The Court denying People's *ex parte* application to appoint a receiver in August 2022;
5. The Court denying People's application for an order appointing a receiver in September 2022 after full briefing;
6. The Court denying People's *ex parte* application for a writ of possession in December 2022;
7. The Court denying People's application for a writ of possession after full briefing in March 2023;
8. Settling with Unrivaled in March 2023 after Frank Kavanaugh, Jay Yadon, and Bernard Steimann were sued for fraud and negligent misrepresentation;
9. The Court granting People's attorney's motion to be relieved as counsel in January 2024;
10. People's principal, Bernard Steimann, directing a contractor to steal "Blüm" signage, resulting in a lawsuit against Bernard Steimann and Troup Construction for civil theft and conversion in March 2024;
11. The Court granting Unrivaled a Temporary Restraining Order preventing People's affiliate, New Patriot Holdings, from attempting to seize control of Blüm Santa Ana parking spaces in April 2024 (New Patriot demanded the matter be sent to arbitration, but then refused to pay the arbitrator's fees);
12. Another Court granting Blüm Santa Ana an unlawful detainer (eviction) judgment and award of back rent in June 2024 based on People's subsidiary, People's Vape, failing to pay rent (People's Vape attempted to obtain a restraining order from a third Court to prevent the unlawful detainer trial, which was denied);
13. The Court granting another Temporary Restraining Order against People's barring it from foreclosing on a company asset in May 2024 (the Court extended that Temporary Restraining Order into a Preliminary Injunction in June 2024, and found that People's attempt to sell the property after the Temporary Restraining Order had been entered was invalid); and
14. The Court denying People's *ex parte* application requesting a multi-million-dollar judgment to be entered against Unrivaled on June 28, 2024.

However, the litigation does not end there, as People's has filed additional lawsuits including:

15. Filing the second derivative action against current management and directors filed in July 2024;
16. Filing another motion claiming in part breach of the settlement agreement filed in October 2024;
17. Filing a defamation lawsuit related to a press release that referenced "'recently filed' court documents that 'contain explicit detail of Bernard Steimann's alleged

sexual molestation of a minor.”²

People’s principal Francis (Frank) Kavanaugh, often acting through his company Fort Ashford Funds, is no stranger to derivative actions and activist investing. He was coined an “activist investor” by a news outlet in 2021 when “planning to wage a proxy battle against Friendly Hills Bancorp.”³ The battle resulted in a settlement pursuant to which the bank restructured their board of directors and Nathan Rogge was inserted as CEO in return for Kavanaugh withdrawing all actions against the company.⁴

In 2023, Kavanaugh called “for augmentation of independent board members at Medalist Diversified REIT, Inc.”⁵ in a public letter to shareholders before changes to the company’s leadership and board of directors resulting in Kavanaugh being inserted as Chair of the Board as well as Interim President and CEO. Medalist Diversified REIT, Inc. (“MDRR”) is described as “a Virginia-based real estate investment trust that specializes in acquiring, owning, and managing commercial real estate in the Southeast region of the U.S.”⁶

Kavanaugh’s activist investing in cannabis through People’s has so far proven less successful.

Earlier this year, the Company publicly distanced itself from the People’s brand and products after child molestation allegations against Kavanaugh’s business partner and People’s Managing Member, Bernard Steimann, came to light. People’s is represented by Michael Caspino of ‘Price Caspino’ and Deron Colby of Janus Capital Law Group. Caspino has been noted as having “more than 20 years of experience representing Catholic dioceses ... in hundreds of child sexual abuse cases.”⁷ Colby also serves as Counsel to MDRR, where Frank Kavanaugh serves as President and CEO.

“Kavanaugh’s history of destabilizing companies to seize control and extract assets is well- documented. Unrivaled paid deserving vendors to the best of its abilities while withstanding the barrage of litigation by People’s. Unrivaled saved jobs for two years and operated in communities where businesses deserve to keep their doors open. If you or your company have had a similar experience with Frank Kavanaugh, Fort Ashford Funds, or any of his other affiliates, please reach out,” said CEO Sabas Carrillo.

About Blüm Holdings

Blüm Holdings is a leader in the cannabis sector. Our commitment to quality, innovation, and customer service makes us a trusted name in the cannabis industry, dedicated to shaping its future. Blüm Holdings, through its subsidiaries, operates leading dispensaries throughout California as well as several leading company-owned brands including Korova, known for its high potency products across multiple product categories, including the legendary 1000 mg THC Black Bar.

For more info, please visit: <https://blumholdings.com>.

Contact:
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| | September 30, 2024 | | |
|--------------------------|---------------------------------|------------------------------|-------------------------------|
| | Less: Estimated | | |
| (\$ in thousands) | Preliminary Consolidated | Pro Forma Adjustments | Pro Forma Consolidated |
| Current Assets | \$ 3,549 | \$ (1,197) | \$ 2,352 |
| Long-Term Assets | 35,129 | (10,109) | 25,020 |
| Total Assets | \$ 38,678 | \$ (11,306) | \$ 27,372 |
| Current Liabilities | \$ 51,868 | \$ (26,824) | \$ 25,044 |
| Long-Term Liabilities | 14,288 | (4,837) | 9,451 |
| Total Liabilities | \$ 66,156 | \$ (31,661) | \$ 34,495 |

The unaudited pro forma information is presented as if the petition had occurred on September 30, 2024 and has been prepared to illustrate the estimated effects of the petition. The consolidated assets and liabilities as of September 30, 2024 have been derived from the preliminary financial results of the Company. The estimated pro forma adjustments are based on available information and certain assumptions that management believes are reasonable and are expected to have a continuing impact on our results of operations. The unaudited pro forma information is not necessarily indicative of what the Company's financial condition would have been for the period presented.

The preliminary financial results as of September 30, 2024 in this press release are estimates. They are unaudited and are subject to change upon completion of the Company's financial statement closing procedures. These estimates should not be viewed as a substitute for our full interim or annual financial statements prepared in accordance with U.S. generally accepted accounting principles. Accordingly, you should not place undue reliance on this preliminary data. The preliminary financial data has been prepared by, and is the responsibility of, our management. GuzmanGray, our independent registered public accounting firm, has not audited, reviewed, compiled or performed any procedures with respect to the accompanying preliminary financial data. Accordingly, GuzmanGray does not express an opinion or any other form of assurance with respect thereto.

¹ *In re: Unrivaled Brands, Inc. and In re: Halladay Holding, LLC; Lead Case No.: 2:24-bk-19127-BB; Doc 10*

² *People's California, LLC v. Carrillo, et al; Case No.: 30-2024-01419068-CU-CO-CJC*

³ [Activist investor calls for new leadership at California community bank | American Banker](#)

⁴ [Friendly Hills Bancorp Announces Settlement with Frank Kavanaugh - MarketScreen](#)

⁵ [9.70% Shareholder Frank Kavanaugh Addresses Concerns Raised by Jon S. Wheeler and Calls for Augmentation of Independent Board Members at Medalist Diversified REIT, Inc. \(prnewswire.com\)](#)

⁶ <https://medalistreit.com/about/>

⁷ [Archdiocese moves to dismiss 36 sex abuse cases | Guam News | postguam.com](#)

Source: Blum Holdings