Favo Capital Inc.

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Quarterly Report
For the Period Ending: March 31, 2024
(the "Reporting Period")

Outstanding Shares
The number of shares outstanding of our Common Stock was:

88,679,734 as of March 31, 2024

87,554,734 as of December 31, 2023

Shell Status
Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933, Rule 12b-2 of the Exchange Act of 1934 and Rule 15c2-11 of the Exchange Act of 1934):

Yes: ☐ No: ☒

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☐ No: ☒

Change in Control
Indicate by check mark whether a Change in Control[1] of the company has occurred over this reporting period:
Yes: ☐ No: ☒

1) Name and address(es) of the issuer and its predecessors (if any)

[1] "Change in Control" shall mean any events resulting in:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;
(ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;
(iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or
(iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

In answering this item, provide the current name of the issuer any names used by predecessor entities, along with the dates of the name changes.

Favo Capital, Inc. formerly known as Favo Realty, Inc (changed on March 2, 2021), formerly known as Beeston Enterprises, Ltd. (changed on December 26, 2018), herein referred to as "FAVO" or the "Company".

Current State and Date of Incorporation or Registration: Nevada, July 12, 1999
Standing in this jurisdiction: (e.g. active, default, inactive): Active

Describe any trading suspension orders issued by the SEC or FINRA concerning the issuer or its predecessors since inception: None

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

On May 31, 2023, the Company entered into an acquisition and financing agreement between the principals of FAVO Group and Stewards Investment Capital Limited. As part of the acquisition, the principals of FAVO Group transferred 100% of their membership interest in Favo Group LLC, FAVO Group Human Resources, LLC, FAVO Funding LLC, Honeycomb Sub Fund LLC, FORE Funding LLC, FORE Funding CA LLC and FAVO Funding CA LLC into FAVO Capital Inc. As consideration for the transfer, the Company will pay a purchase price of $37,000,000 consisting of $14,200,000 in cash and Senior Secured Notes along with the assumption debt totaling $22,800,000.

The Company will raise the financing for this transaction by selling 20 million shares of its Series A Preferred Stock at $0.25 for total of $5,000,000. $2,500,000 of this financing was paid on the closing date of this transaction. The remaining $2,500,000 was paid as follows: $1,250,000 on August 31, 2023 and the remaining $1,250,000 on October 26, 2023.

As the FAVO Capital Inc and the FAVO group of companies were under common control at the time of the FAVO Group Acquisition, the acquisition was deemed to be a transaction under common control under ASC 805, "Business Combinations." Therefore, we accounted for this transaction at the carrying amount of the net assets acquired and the results of operations have been combined for the FAVO Capital and (Favo Group LLC, FAVO Group Human Resources, LLC, FAVO Funding LLC, Honeycomb Sub Fund LLC, FORE Funding LLC, FORE Funding CA LLC and FAVO Funding CA LLC) from the date of common control, which was May 31, 2023.

On January 01, 2024, the Company completed the acquisition of the proprietary software platform and call center of LendTech CRM Solutions LLC, Believe PMF EIRL, LLC and DBOSS Funding LLC in a common stock and cash deal for approximately $650,000, consisting of 1,000,000 shares of the Company's restricted common stock valued at $0.25 per share or $250,000 on closing and a further 2,000,000 shares on each of the first and second anniversary of the closing date valued at $1,000,000 as well as $400,000 in cash. Based upon the timing of the Simplified Acquisition, the Company's consolidated financial statements for the three months ended March 31, 2024, reflect the results of Favo Capital for the portion of the period after the completion of the Simplified Acquisition. The Company's consolidated financial statements for the year ended December 31, 2023 do not reflect the results of Simplified.

Address of the issuer's principal executive office:
1025 Old Country Road, Suite 421
Westbury, NY 11590

Address of the issuer's principal place of business:

4300 N. University Drive Suite D-105 Lauderhill, Florida 33351

☐ Check if principal executive office and principal place of business are the same address:

Has the issuer or any of its predecessors ever been in bankruptcy, receivership, or any similar proceeding in the past five years?

No: ☒ Yes: ☐ If Yes, provide additional details below:

2) Security Information

Transfer Agent

Name:	Clear Trust Stock Transfer
Phone:	(813) 235-4490
Email:	inbox@ClearTrustTransfer.com
Address:	16540 Pointe Village Drive, Suite 205
Address 2:	Lutz, Florida 33558

Publicly Quoted or Traded Securities:

Trading symbol:	FAVO
Exact title and class of securities outstanding:	Common Stock ("Common Stock")
CUSIP:	07712Q304
Par or stated value:	$0.0001

Total shares authorized:	500,000,000	as of date: May 14, 2024
Total shares outstanding:	88,679,734	as of date: March 31, 2024
Number of shares in the public float:	435,127	as of date: May 14, 2024
Total number of shareholders of record:	192	as of date: May 14, 2024

Please provide the above-referenced information for all other publicly quoted or traded securities of the issuer.

Trading symbol:	N/A	
Exact title and class of securities outstanding:	N/A	
CUSIP:	N/A	
Par or stated value:	N/A	
Total shares authorized:	N/A	as of date:
Total shares outstanding:	N/A	as of date:

Other classes of authorized or outstanding equity securities that do not have a trading symbol:

The goal of this section is to provide a clear understanding of the share information for its other classes of authorized or outstanding equity securities (e.g. preferred shares). Use the fields below to provide the information, as applicable, for all other authorized or outstanding equity securities.

Exact title and class of the security: Series A Preferred Stock ("Preferred Stock")

Par or stated value:	$0.0001	
Total shares authorized:	81,250,000	as of date: May 14, 2024
Total shares outstanding:	28,420,000	as of date: March 31, 2024
Total number of shareholders on record:	1	

Exact title and class of the security:	Series C Preferred Stock ("Preferred Stock")	
Par or stated value:	$0.0001	
Total shares authorized:	18,750,000	as of date: May 14, 2024
Total shares outstanding:	18,750,000	as of date: March 31, 2024
Total number of shareholders on record:	1	

Security Description:

The goal of this section is to provide a clear understanding of the material rights and privileges of the securities issued by the company. Please provide the below information for each class of the company's equity securities, as applicable:

1. **For common equity, describe any dividend, voting and preemption rights.**

None

2. **For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions.**

Series C

Each share of Series C Preferred Stock shall have a par value of $0.0001 per share. The Series C Preferred Stock shall vote on any matter that may from time to time be submitted to the Company's shareholders for a vote, on a 25 for one basis. If the Company effects a stock split which either increases or decreases the number of shares of Common Stock outstanding and entitled to vote, the voting rights of the Series A shall not be subject to adjustment unless specifically authorized.

Each share of Series C Preferred Stock shall be convertible into 1 shares of Common Stock ("Conversion Ratio"), at the option of a Holder, at any time and from time to time, from and after the issuance of the Series C Preferred Stock.

Subject to the rights of any existing series of Preferred Stock or to the rights of any series of Preferred Stock which may from time to time hereafter come into existence, the holders of shares of Series C Preferred Stock shall be entitled to receive dividends, out of any assets legally available therefor, upon any payment of any dividend (payable other than in Common Stock or other securities and rights convertible into or entitling the holder thereof to receive, directly or indirectly, additional shares of Common Stock of the Corporation) on the Common Stock of the Corporation, as and if declared by the Board of Directors, as if the Series C Preferred Stock had been converted into Common Stock.

In the event of any liquidation, dissolution or winding up of the Corporation, either voluntary or involuntary, subject to the rights of any existing series of Preferred Stock or to the rights of any series of Preferred Stock which may from time to time hereafter come into existence, the holders of the Series C Preferred Stock shall be entitled to receive, prior and in preference to any distribution of any of the assets of the Corporation to the holders of Common Stock by reason of their ownership thereof, an amount per share equal to the price per share actually paid to the Corporation upon the initial issuance of the Series C Preferred Stock (each, the "the Original Issue Price") for each share of Series A Preferred Stock then held by them, plus declared but unpaid dividends. Unless the Corporation can establish a different Original Issue Price in connection with a particular sale of Series C Preferred Stock, the Original issue price shall be $0.0001 per share for the Series C Preferred Stock. If, upon the occurrence of any liquidation, dissolution or winding up of the Corporation, the assets and funds thus distributed among the holders of the Series C Preferred Stock shall be insufficient to permit the payment to such holders of the full aforesaid preferential amounts, then, subject to the rights of any existing series of Preferred Stock or to the rights of any series of Preferred Stock which may from time to time hereafter come into existence, the entire assets and funds of the corporation legally available for distribution shall be distributed ratably among the holders of the each series of Preferred Stock in proportion to the preferential amount each such holder is otherwise entitled to receive.

The Series C Preferred Stock shares are nonredeemable other than upon the mutual agreement of the Company and the holder of shares to be redeemed, and even in such case only to the extent permitted by this Certificate of Designation, the Corporation's Articles of Incorporation and applicable law.

Series C Preferred Stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share, at the office of the Corporation or any transfer agent for such stock, into such number of fully paid and nonassessable shares of Common Stock as is determined by dividing the Original Issue Price of the Series C Preferred Stock by the Series C Conversion Price applicable to such share, determined as hereafter provided, in effect on the date the certificate is surrendered for conversion.

Each share of Series C Preferred Stock shall automatically be converted into shares of Common Stock at the applicable Series C Conversion Price in effect for such share immediately upon the earlier of (i) except as provided below in Section 4(c), the Corporation's sale of its Common Stock in a public offering pursuant to a registration statement under the Securities Act of 1933, as amended; (ii) a liquidation, dissolution or winding up of the Corporation as defined in section 2(c) above but subject to any liquidation preference required by section 2(a) above; or (iii) the date specified by written consent or agreement of the holders of a majority of the then outstanding shares of Series C Preferred Stock.

On November 22, 2023, the Company elected to decrease its authorized shares of Series C preferred shares from 25,000,000 shares down to 18,250,000 shares.

Series A

Under the Certificate of Designation, filed on June 5, 2023, holders of Series A Preferred Stock are entitled to a liquidation preference of $0.25 per share, the Stated Value of the newly created preferred stock, over our common stock and Series C Preferred Stock in the event of a dissolution, liquidation or winding up of the company. The holders of Series A Preferred Stock vote together with the holders of Common Stock and any other class or series of stock entitled to vote thereon as a single class on an as converted basis. Each holder shall be entitled to receive an annual dividend of six percent (6%) of the Stated Value times the number of Preferred Shares held by such holder payable on a quarterly basis beginning at the end of the Company's fiscal quarter following the original issue date. Dividends on the Preferred Shares are payable, at the Company's option, in (a) cash or (b) shares of the Company's Common Stock or a combination thereof. The Company may, in its sole discretion, elect to redeem all or a portion of the outstanding Preferred Shares at the Redemption Amount. As used herein, the term "Redemption Amount" shall equal the Stated Value. If the Company does not redeem all of the outstanding Preferred Shares, but instead opts for a partial redemption, it must be done in at least $250,000 increments and for every $250,000 redeemed the Company will issue to the Holder a warrant to purchase 1,000,000 shares of the Company's Common Stock at an exercise price of $0.25 share.

On November 27, 2023, the Company elected to increase its authorized shares of Series A preferred shares from 20,000,000 shares to 81,250,000 shares.

3. **Describe any other material rights of common or preferred stockholders.**

No Additional

4. **Describe any material modifications to rights of holders of the company's securities that have occurred over the reporting period covered by this report.**

None

3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any changes to the total shares outstanding of any class of the issuer's securities **in the past two completed fiscal years and any subsequent interim period**.

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

A. Changes to the Number of Outstanding Shares for the two most recently completed fiscal years and any subsequent period.

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

No: ☐ Yes: ☒ (If yes, you must complete the table below)

Number of Shares outstanding as of 12/31/2020	Opening Balance: Common: 20,085,818 Preferred: 25,000,000		*Right-click the rows below and select "Insert" to add rows as needed.						
Date of Transaction	**Transaction type (e.g. new issuance, cancellation, shares returned to treasury)**	**Number of Shares Issued (or cancelled)**	**Class of Securities**	**Value of shares issued ($/per share) at Issuance**	**Were the shares issued at a discount to market price at the time of issuance? (Yes/No)**	**Individual/ Entity Shares were issued to (entities must have individual with voting / investment control disclosed).**	**Reason for share issuance (e.g. for cash or debt conversion) OR Nature of Services Provided (if applicable)**	**Restricted or Unrestricted as of this filing?**	**Exemption or Registration Type?**
03/08/2021	New Issuance	600,000	Common stock	$0.42	No	Liro Holdings/Rocco Trotta	Services	R	4(a)(2)
03/08/2021	New Issuance	200,000	Common stock	$0.42	No	Richard Dubi	Services	R	4(a)(2)
06/30/2021	New Issuance	750,000	Common stock	$0.42	No	Liro Holdings/Rocco Trotta	Services	R	4(a)(2)
08/05/2021	New Issuance	218,916	Common stock	$0.54/$0.31	No	Minorvest/ Werner Fuls	Debt conversion	R	4(a)(2)
10/05/2021	New Issuance	50,000	Common stock	$0.42	No	Jospeh Manopella	Services	R	4(a)(2)
10/25/2021	New Issuance	100,000	Common stock	$0.42	No	James Fellus	Services	R	4(a)(2)
05/06/2022	New Issuance	200,000	Common stock	$0.50	No	Christopher Snead	Services	R	4(a)(2)
05/06/2022	New Issuance	200,000	Common stock	$0.50	No	Vaughan Korte	Services	R	4(a)(2)
05/06/2022	New Issuance	50,000	Common stock	$0.50	No	Jason Baskind	Services	R	4(a)(2)
05/06/2022	New Issuance	50,000	Common stock	$0.50	No	Robert Baskind	Services	R	4(a)(2)
07/13/2022	New Issuance	100,000	Common stock	$0.50	No	Tania Fellus	Services	R	4(a)(2)
07/13/2022	New Issuance	100,000	Common stock	$0.50	No	Bryan Dumas	Services	R	4(a)(2)
09/13/2022	New Issuance	250,000	Common stock	$0.35	No	Phyllis Ann Francis	Services	R	4(a)(2)
05/30/2023	Share Conversion	(6,250,000)	Series C Preferred Stock		No	Vincent Napolitano	Share conversion	R	4(a)(2)

05/30/2023	New Issuance/ Share Conversion	25,000,000	Common Stock		No	Vincent Napolitano	Share conversion	R	4(a)(2)
06/30/2023	New Issuance	10,000,000	Series A Preferred Stock	$0.25	No	Forfront Capital/ Nathaniel Tsang Mang Kin	Issuance	R	4(a)(2)
07/01/2023	New Issuance	1,600,000	Common stock	$0.25	No	Liro Holdings/Rocco Trotta	Services	R	4(a)(2)
07/07/2023	New Issuance	20,000,000	Common stock	$0.25	No	Favo Holdings/	Acquisition	R	4(a)(2)
07/07/2023	New Issuance	15,000,000	Common stock	$0.25	No	Stewards Investment Capital/	Services	R	4(a)(2)
07/14/2023	New Issuance	400,000	Common stock	$0.25	No	Gennaro Trotta	Services	R	4(a)(2)
08/11/2023	New Issuance	2,400,000	Common stock	$0.25	No	Liro Holdings	Services	R	4(a)(2)
09/01/2023	New Issuance	5,000,0000	Series A Preferred Stock	$0.25	No	Forfront Capital/ Nathaniel Tsang Mang Kin	Issuance	R	4(a)(2)
12/05/2023	New Issuance	18,420,0000	Series A Preferred Stock	$0.25	No	Forfront Capital/ Nathaniel Tsang Mang Kin	Issuance	R	4(a)(2)
12/05/2023	New Issuance	200,000	Common stock	$0.25	No	Earnest P. Hart	Services	R	4(a)(2)
02/28/2024	New Issuance	125,000	Common stock	$0.25	No	Sebastian Darmodihardjo	Services	R	4(a)(2)
02/28/2024	New Issuance	1,000,000	Common stock	$0.25	No	Robin Paws	Acquisition Cost	R	4(a)(2)
Number of Shares outstanding as of 03/31/2024	Ending Balance: Common: 88,679,734 Preferred: 47,170,000								

Use the space below to provide any additional details, including footnotes to the table above:

N/A

B. Promissory and Convertible Notes

Indicate by check mark whether there are any outstanding promissory, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities

No: ☐ Yes: ☒ (If yes, you must complete the table below)

Date of Note Issuance	**Outstanding Balance ($)**	**Principal Amount at Issuance ($)**	**Interest Accrued ($)**	**Maturity Date**	**Conversion Terms (e.g., pricing mechanism for determining conversion of instrument to shares)**	**Name of Noteholder**	**Reason for Issuance (e.g., Loan, Services, etc.)**
February 28, 2020	$0	$0	$0	December 15, 2020	N/A	Favo Fund LLC, Vincent Napolitano Manager Shaun Quin Manager	Note
July 1, 2020	$0	$110,000	$0	August 08, 2021	30% discount to the 90-Day Volume Weighted Average Price (VWAP) with a ceiling or maximum conversion price of $0.535, which is the 52-week high (as of June 30, 2020	Minorvest Werner Fuls Manager	Convertible Note Converted on August 08/05/2021
June 30, 2021	$0	$556,650	$0	June 30, 2021	N/A	Favo Holdings LLC Shaun Quin Manager	Note
July 01, 2021	$3,000,000	$3,000,000	$35,000	July 2026	N/A	LIRO Holdings, LLC. Rocco Trotta Manager	Promissory Note
November 01,2020 December 01, 2020 December 29, 2020 January 15, 2021 March 08, 2021	$0 $0 $0 $0 $0	$0 $0 $0 $0 $0	$0 $0 $0 $0 $0	Aril 30, 2022 May 31, 2022 June 30, 2022 July 15, 2022 March 07, 2023	N/A N/A N/A N/A N/A	LIRO Holdings, LLC. Rocco Trotta Manager	Promissory Note

January 29, 2021	$0	$75,000	$0	May 01,2023	N/A	Jason Lovell	Promissory Note
June 23, 2021	$0	$100,000	$0	May 01,2022	N/A	Favo Holdings Shaun Quin Manager Vincent Napolitano Manager	Promissory Note
June 30, 2023	$0	$0	$0	July 31, 2023	N/A	Favo Group, LLC Vincent Napolitano Manager Shaun Quin Manager	Revolving Note
June 30, 2023	$0	$0	$3	July 31, 2023	N/A	Favo Holdings Vincent Napolitano Manager Shaun Quin Manager	Note
May 31, 2023	$4,700,000	$4,700,000	$132,500	$1.5M @ May 31, 2024 $1.6M @ May 31, 2025 $1.6M @ May 31, 2026	N/A	Favo Holdings Shaun Quin Manager Vincent Napolitano Manager.	Promissory Note
January 26, 2024	$2,000,000	$2,000,000	$23,333	January 25, 2026	N/A	J & T Family Trust Rocco Trotta Manager	Promissory Note
March 31, 2024	$23,608,642	$23,608,642	$252,599		N/A		Promissory Note

Use the space below to provide any additional details, including footnotes to the table above:
N/A

4) Issuer's Business, Products and Services

A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

Since the custodial proceedings, the Company had no business operations. Management had determined to direct its efforts and limited resources to pursue potential new business opportunities. Such opportunity was presented by the change in control and the new business objective as directed by Mr. Napolitano. FAVO Group, LLC is the External Manager of FAVO Capital Inc. and all FAVO Group of Companies. On 04.06.2019, The Company acquired RLT Atwood, a cryptocurrency mining operation listed on Merj Exchange (Seychelles Stock Exchange) with its mining operations in Sweden and created FAVO Blockchain Inc. On 01.31.2020, The Company sold FAVO Blockchain and exited the business. The Company has two divisions with a dual investment strategy consisting of, 1. A Funding Division - Providing Small and Medium Sized Businesses with Funding Solutions through Merchant Cash Advances ("MCA's"). The majority of the portfolio will be invested in the MCA Business. 2. Real Estate Holdings Division – The objective is to engage in various Real Estate Holdings that can provide durable, predictable cash flow to the Company. The Company will focus on Value-Add & Opportunistic Real Estate. These investments may include development or redevelopment projects, repositioning of an asset and could include making physical improvements to a property that will allow for higher Company returns.

Other than as mentioned above, the Company does not intend to limit itself to a particular geographical area and has not established any particular criteria upon which it shall consider an investment opportunity.

B. List any subsidiaries, parent company, or affiliated companies.

Subsidiary Name	Domicile	Address	Officer/Director	% Owned	Owned By
Favo Holdings, LLC	Delaware		Vincent Napolitano	65	Vincent Napolitano
Favo Holdings, LLC	Delaware		Vincent Napolitano	35	Shaun Quin
FORE Funding CA, LLC	Delaware		Vincent Napolitano	100	FAVO Capital Inc
FAVO Funding CA, LLC	Delaware		Vincent Napolitano	100	FAVO Capital Inc
FAVO Funding, LLC	Delaware		Vincent Napolitano	100	FAVO Capital Inc
FAVO Group Human Resources LLC	Delaware		Vincent Napolitano	100	FAVO Capital Inc
FAVO Group, LLC	Delaware		Vincent Napolitano	100	FAVO Capital Inc
Honeycomb, LLC	Delaware		Vincent Napolitano	100	FAVO Capital Inc
FORE Funding, LLC	Delaware		Vincent Napolitano	100	FAVO Capital Inc

[8] The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS by persons with sufficient financial skills

C. Describe the issuers' principal products or services

1. **Merchant Cash Advances (MCA):**
The Company operates a Direct and Syndication funding platform to serve small and medium sized businesses in need of liquidity to fulfill their financial responsibilities. Through our direct sales, marketing, underwriting and operational platform and with our syndication partners, the Company provides funding solutions for customers. The Company originates and provides financing to businesses primarily through a merchant cash advance product offering MCA's. Under MCA's, businesses receive funds in exchange for a portion of the business's future receivables at an agreed upon discount and repayment term. The Company provides convenient, fully-automated financial solutions to its customers. A small or mid-sized business customer who enters into an MCA, commits to delivering a percentage of its receivables through Automated Clearing House (ACH) or wire debits or by splitting credit card receipts until all purchased receivables are remitted to The Company.

MCA Revenue Recognition

Revenue includes income on Direct MCA'S and Syndicated MCA's pursuant with our Direct and Syndication agreements.

The Company recognizes revenue based on the product and services offered to customers. Revenue includes origination fees, administration fees and MCA income. Other billing fees are assigned for Not Sufficient Funds (NSF), collections and Uniform

Commercial Code (UCC) as incurred. All fees are recognized as income when issued. MCA income is recognized as and when payments are received from customers in the Companies bank account.

MCA – Syndication

We identified leading funders in the industry with established underwriting and operational capabilities that allow partners to participate on their deal flow. FAVO Capital Inc. participates in providing funding through syndication for these merchants, as part of the syndication we participate in a percentage of each deal. FAVO Capital, Inc. has specific investment criteria and guidelines which guide our participation.

MCA - Cost of Sales

The Company incurs sales commissions costs for direct and syndicated originations. Commission expense is recognized at the time of MCA origination. Additionally, the Company incurs marketing expenses associated with direct MCA originations. Marketing expenses consists of various lead generation, internet, phone, advertising, and other costs associated with new account originations. All commission and marketing expenses are recognized as incurred.

MCA Platform and Service Fees

For each Syndicated MCA origination, the Company is charged a platform or servicing fee. The fee is calculated as a percentage of the outstanding advance receivable due to the Company and is recognized over the term of the contract.

MCA Credit Costs

The Company generally charges off advance receivables that are deemed uncollectable between 60 and 90 days without a payment. If a finance receivable is deemed uncollectible prior to 60 or 90 days, it is charged off at that time. Finance receivables classified as delinquent generally have an age of 1 to 89 days from the date any portion of the receivable became delinquent. Recoveries on finance receivables that were previously charged off are generally recognized when collected. Bad Debt expense is recognized at the a advance is deemed uncollectible or has entered a default or legal status. The reserve is evaluated each month for adequacy and adjusted if deemed necessary.

2. **Various Real Estate Holdings:**

The Company's effort in identifying prospective target properties will only be limited to the United States. To date, the Company has not selected any target property. To the extent that we acquire a property characterized by a high level of risk, we may be affected by the currently unascertainable risks.

Sources of target properties

Our Management anticipates that target properties will be brought to our attention from various unaffiliated sources who may present solicited or unsolicited proposals. Our Management may also bring to our attention target properties. While we do not presently anticipate engaging the services of professional firms that specialize in finding available real estate on any formal basis, we may engage these firms in the future, in which event we may pay a finder's fee or other compensation in connection with an acquisition. In no event, however, will we pay Management any finder's fee or other compensation for services rendered to us prior to or in connection with the consummation of an acquisition.

Selection of a target property

Management owns 53.82% of the issued and outstanding shares of common stock and 100% of the issued and outstanding preferred shares of the Company and will have broad flexibility in identifying and selecting a prospective target. In evaluating a prospective property, our Management will consider, among other factors, the following:

- financial condition of the property;
- growth potential;
- experience and skill of Management and availability of additional personnel;
- capital requirements;
- competitive position;
- degree of current or potential market acceptance of the services;
- regulatory environment of the industry; and
- costs associated with owning and/or improving the real estate.

These criteria are not intended to be exhaustive. Any evaluation relating to the merits of a particular property will be based, to the extent relevant, on the above factors as well as other considerations deemed relevant by our Management consistent with our business objective. In evaluating a prospective acquisition, we will conduct a due diligence review which will encompass, among other things, inspection of the property, as well as review of financial and other information which will be made available to us.

We will endeavor to structure an acquisition so as to achieve the most favorable tax treatment to us, our subsidiaries and our stockholders. However, there can be no assurance that the Internal Revenue Service or applicable state tax authorities will necessarily agree with the tax treatment of any acquisition we consummate.

5) Issuers facilities

The Company has the following office locations:

i. 4300 N. University Drive Suite D-105 Lauderhill, Florida 33351. This location has a 3 year lease of which 2 years are remaining.
ii. Calle La Privada esquina Dominicana Numero 96, sector La Paz, Monsenor Nouel, R.D. Bonao, Dominican Republic. This location has a yearly lease with automatic renewal each year. June 2024 is the current expiry.
iii. Edificio JJ , en la calle Las Carreras, La Vega, R.D, Dominican Republic. This location has a yearly lease with automatic renewal each year. February 2025 is the current expiry.
iv. 1025 Old Country Road, Suite 421, Westbury, NY 11590. The Company currently has a 6 year lease on the premises and is in the 3rd year of the term.

6) All Officers, Directors, and Control Persons of the Company

Using the table below, please provide information, as of the period end date of this report, regarding all officers and directors of the company, or any person that performs a similar function, regardless of the number of shares they own.

In addition, list all individuals or entities controlling 5% or more of any class of the issuer's securities.

If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity. Include Company Insiders who own any outstanding units or shares of any class of any equity security of the issuer.

Name of Officer/Director and Control Person	Affiliation with Company (e.g. Officer/Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Names of control persons(s) if a corporate entity
Vincent Napolitano and Shaun Quin Favo Holdings, LLC	Officer and Director	Westbury, NY	47,730,999	Common Stock	53.82%	Vincent Napolitano and Shaun Quin are the voting control persons for Favo Holdings LLC
Stewards Investment Capital Limited	Owner	12th Floor, NeXTercom Tower Tower 1, Ebene, Quatre Bornes, Mauritius, 72201	15,000,000	Common Stock	16.91%	Glen Antony Whiteford Steward is the voting control person for Stewards Investment Capital Limited
Rocco Trotta/LIRO Holdings	Owner	Syosset NY	10,500,000	Common Stock	11.84%	Rocco Trotta is the voting control person for Liro Holdings
Vincent Napolitano	Officer and Director	Westbury, NY	18,750,000	Preferred Stock Series C	100%	Vincent Napolitano is the voting control person for FAVO Capital, Inc.
Forfront Capital/ Nathaniel Tsang Mang Kin	Director	12th Floor, NeXTercom Tower Tower 1, Ebene, Quatre Bornes, Mauritius, 72201	28,420,000	Preferred Stock Series A	100%	Nathaniel Tsang Mang Kin is the voting controls for Forfront Capital

7) Legal/Disciplinary History

A. Identify and provide a brief explanation as to whether any of the persons or entities listed above in Section 6 have, in the past 10 years:

1. Been the subject of an indictment or conviction in a criminal proceeding or plea agreement or named as a defendant in a pending criminal proceeding (excluding minor traffic violations);

No

2. Been the subject of the entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, financial- or investment-related, insurance or banking activities;

No

3. Been the subject of a finding, disciplinary order or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, a state

securities regulator of a violation of federal or state securities or commodities law, or a foreign regulatory body or court, which finding or judgment has not been reversed, suspended, or vacated;

No

4. Named as a defendant or a respondent in a regulatory complaint or proceeding that could result in a "yes" answer to part 3 above; or

N/A

5. Been the subject of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

No

6. Been the subject of a U.S Postal Service false representation order, or a temporary restraining order, or preliminary injunction with respect to conduct alleged to have violated the false representation statute that applies to U.S mail.

No

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities

None.

8) Third Party Service Providers

Provide the name, address, telephone number and email address of each of the following outside providers.

Securities Counsel

Name: Sean Doney,Esq.
Firm: The Doney Law Firm
Address 1: 4955 S. Durango Drive, Suite 165
Address 2: Las Vegas, NV 89113
Phone: +1 702-982-5686
Email: sean@doneylawfirm.com

Name: Morgan E. Petitti.
Firm: Petitti Law
Address 1: 118 W. Streetsboro Street #317
Address 2: Hudson, Ohio 44236
Phone: +1 330-697-8548
Email: Petittilaw@gmail.com

Accountant:

Name: Mario A. Beckles
Firm: Beckles & Co
Address 1: 400 Columbia Drive. Suite101
Address 2: West Palm Beach, FL 33409
Phone: 561-689-4093

Investor Relations Consultant: N/A

All other means of Investor Communication:
X (Twitter): @Favocapital
Discord: N/A
LinkedIn linkedin/Favocap
Facebook: Facebook/Favocap
[Other] N/A

Other Service Providers: N/A

9) Disclosure & Financial Information

A. **This Disclosure Statement was prepared by (name of individual):**

Name: Mario A. Beckles
Title: Outside CPA, June 18, 2019 to present
Relationship to Issuer: Independent, no relationship

B. **The following financial statements were prepared in accordance with:**

☐ IFRS
☒ U.S. GAAP

C. **The consolidated financial statements for this reporting period were prepared by (name of individual):**

Name: Mario A. Beckles
Title: Outside CPA, June 18, 2019 to present
Relationship to Issuer: Independent, no relationship
Describe the qualifications of the person or persons who prepared the financial statements: CPA

The unaudited Consolidated Balance Sheet as of March 31, 2024 and December 31, 2023, unaudited Consolidated Statement of Stockholder Equity for three months ended March 31, 2024 and 2023, Consolidated Statement of Operations for the three months ended March 31, 2024 and 2023, and Consolidated Statement of Cashflows for the three months ended March 31, 2024 and 2023, are included at the end of this report.
.

10) Issuer Certification

Principal Executive Officer:

I, Mr. Vincent Napolitano certify that:

1. I have reviewed this Disclosure statement of Favo Capital, Inc formerly known as Favo Capital, Inc.

2. Based on my knowledge, this disclosure statement 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 disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: May 14, 2024
Signature: /s/ Vincent Napolitano

Principal Financial Officer:

I, Mr. Vincent Napolitano certify that:

1. I have reviewed this Disclosure statement of Favo Capital, Inc formerly known as Favo Capital, Inc.

2. Based on my knowledge, this disclosure statement 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 disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: May 14, 2024
Signature: /s/ Vincent Napolitano

FAVO CAPITAL, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2024	December 31, 2023
ASSETS		
CURRENT ASSETS:		
Cash	$ 748,535	$ 1,147,345
Advance receivables ($45,009,518 less allowance for losses of $17,427,199 and deferred revenue of $13,138,935)	14,443,384	14,617,346
Prepaid expense	3,081,940	3,448,608
Other current assets	328,226	127,358
Total current assets	18,602,085	19,340,657
NON-CURRENT ASSETS:		
Fixed assets, net of accumulated depreciation	184,063	120,683
Goodwill	1,605,008	
Other assets	177,288	177,288
Total non-current assets	1,966,359	297,971
TOTAL ASSETS	$ 20,568,444	$ 19,638,628
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	889,764	696,072
Notes payable, related party	-	-
Due to non related party	5,915,177	5,194,149
Total current liabilities	6,804,941	5,890,221
NON-CURRENT LIABILITIES:		
Notes payable	33,308,642	31,363,642
Total non-current liabilities	33,308,642	31,363,642
TOTAL LIABILITIES	40,113,583	37,253,863
Commitments and Contingencies	-	-
STOCKHOLDERS' DEFICIT		
Series A Preferred stock, par value $0.0001 per share; 81,250,000 shares authorized; 28,420,000 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively	2,842	2,842
Series C Preferred stock, par value $0.0001 per share; 18,750,000 shares authorized; 18,750,000 shares issued and outstanding as of March 31, 2024 and at December 31, 2023, respectively	1,875	1,875
Common stock, par value $0.0001 per share; 500,000,000 shares authorized; 88,679,734 and 87,554,734 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively	8,868	8,756
Capital deficiency	(3,360,467)	(3,652,253)
Accumulated deficit	(16,198,257)	(13,976,454)
Total stockholders' deficit	(19,545,139)	(17,615,235)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 20,568,444	$ 19,638,628

FAVO CAPITAL, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

	For the Three Months Ended March 31, 2024	2023
Revenue		
Financing fees	$ 3,024,345	$ 223,358
	3,024,345	223,358
Cost of revenue		
Cost of sales	523,128	118,125
	523,128	118,125
Gross profit	2,501,217	105,233
Operating expenses		
General and Administrative expenses	3,037,179	202,978
Professional fees	588,853	4,602
Total operating expense	3,626,032	207,580
Loss from operations	(1,124,815)	(102,347)
Interest expense	(1,096,988)	(124,906)
Total other (expenses)	(1,096,988)	(124,906)
Net loss from continuing operations	(2,221,803)	$ (227,253)
Net gain from discontinued operations	-	-
Net loss	$ (2,221,803)	$ (227,253)
Net loss per common share – basic and diluted	$ (0.05)	$ (0.01)
Weighted average common shares outstanding – basic and diluted	47,954,734	22,954,734

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

FAVO CAPITAL, INC.
CONSOLDIATED STATEMENT OF STOCKHOLDERS' (DEFICIT)
FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(Unaudited)

	Series C Preferred Stock		**Series A Preferred Stock**		**Common Stock**		**Additional Paid in**	**Accumulated**	**Total Stockholders'**
	Number of Shares	**Par Value**	**Number of Shares**	**Par Value**	**Number of Shares**	**Par Value**	**Capital**	**Deficit**	**Deficit**
Balance - December 31, 2023	18,750,000	$ 1,875	28,420,000	2,842	87,554,734	$ 8,756	$ (3,652,253)	$ (13,976,454)	$ (17,615,235)
									-
Common stock issued for services					125,000	12	31,238		31,250
Common stock issued for acquisition					1,000,000	100	260,549		260,549
Effect of Acquisition									
Net loss								(2,221,803)	(2,221,803)
Balance - March 31, 2024	18,750,000	$ 1,875	28,420,000	$ 2,842	88,679,734	$ 8,868	$ (3,360,467)	$ (16,198,257)	$ (19,545,139)

	Series C Preferred Stock		**Common Stock**		**Additional Paid In**	**Accumulated**	**Total Stockholders'**
	Number of Shares	**Par Value**	**Number of Shares**	**Par Value**	**Capital**	**Deficit**	**Deficit**
Balance - December 31, 2022	25,000,000	$ 25,000	22,954,734	$ 22,954	$ 5,818,224	$ (8,401,146)	$ (2,534,968)
							-
							-
Net loss						(227,253)	(227,253)
Balance - March 31, 2023	25,000,000	$ 25,000	22,954,734	$ 22,954	$ 5,818,224	$ (8,628,399)	$ (2,762,221)

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

FAVO CAPITAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Three Months Ended March 31, 2024	2023
OPERATING ACTIVITIES:		
Net (loss)	$ (2,221,803)	$ (227,253)
Adjustments to reconcile net loss to net cash (used in) operating activities:		
Bad debt expense	1,280,624	-
Common stock issued for services	31,250	-
Depreciation expense	15,535	3,974
Changes in assets and liabilities		
Advances receivable	(1,111,801)	236,096
Platform Service fee receivable	-	-
Other assets	(195,729)	11,023
Prepaid expenses and deposits	366,668	(6,975)
Accounts payable and accrued liabilities	200,787	1,945
Loan payable – related party	724,583	28,399
NET CASH USED IN OPERATING ACTIVITIES	(909,886)	47,209
INVESTING ACTIVITIES:		
Fixed asset purchases	(33,922)	-
Purchase of business	(1,650,000)	-
Common Stock issued for business	250,000	
NET CASH USED IN INVESTING ACTIVITIES	(1,433,922)	-
FINANCING ACTIVITIES:		
Proceeds from notes payable	1,945,000	-
Repayment of Notes payable		(25,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,945,000	(25,000)
NET CHANGE IN CASH	(398,809)	22,209
CASH – BEGINNING OF PERIOD	1,147,345	11,011
CASH – END OF PERIOD	$ 748,535	$ 33,220

SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Cash paid for interest	-	-
Cash paid for income taxes	-	-
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Common stock used for acquisition	1,250,000	-

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

FAVO CAPITAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2024
AND THE YEAR ENDED DECEMBER 31, 2023
(Unaudited)

Note 1 – Organization and basis of accounting

Basis of Presentation and Organization

Favo Capital, Inc. was incorporated as Beeston Enterprises Ltd. ("the Company") on July 12, 1999 under the laws of the State of Nevada. The Company changed its name to Favo Capital, Inc. on March 02, 2021, which was then declared effective by the Financial Industry Regulatory Authority ("FINRA"). Previously, the Company was an exploration stage company engaged in the search of mineral deposits that could be developed to a state of a commercially viable producing mine.

Currently the Company has two divisions with a dual investment strategy consisting of:

1. A Funding Division - Providing Small and Medium Sized Businesses with Funding Solutions through Merchant Cash Advances ("MCA's"). The majority of the portfolio will be invested in the MCA Business.

2. Real Estate Holdings Division – The objective is to engage in various Real Estate Holdings that can provide durable, predictable cash flow to the Company. The Company will focus on Value-Add & Opportunistic Real Estate. These investments may include development or redevelopment projects, repositioning of an asset and could include making physical improvements to a property that will allow for higher Company returns.

On January 31, 2020, Favo Realty, Inc., (the "Company') disposed of Favo Blockchain Inc., its wholly-owned subsidiary. The Company entered into a stock purchase agreement (the "Agreement") with Basebay, LLC ("Basebay"). Pursuant to the agreements, the Company sold Favo Blockchain Inc., its wholly-owned subsidiary, to Basebay, LLC. With this transaction, the Company no longer operates in the crypto-currency industry.

On March 02, 2021, the Company changed its name from Favo Realty, Inc. to Favo Capital, Inc. The Company also changed its office address to 1025 Old Country Road, Suite 311, Westbury, NY 11590.

On June 1, 2023, FAVO Capital, Inc. (the "Company") filed with the Secretary of State of the State of Nevada a Certificate of Amendment to the Articles of Incorporation to increase the authorized shares of Preferred Stock of the Company (the "Amendment"). The Amendment increased the authorized shares of Preferred Stock the Company may issue from 25,000,000 shares to 50,000,000 shares of Preferred Stock, par value $0.0001 per share. The Amendment did not increase the Company's authorized shares of Common Stock, which remains at 500,000,000 shares, par value $0.0001 per share. The Amendment was approved by the board of directors by unanimous written consent resolution dated May 31, 2023 signed by all the members of the board of directors. The Amendment was also approved by certain shareholders of the Company holding a majority of the total issued and outstanding voting shares of the Company by written consent resolution dated May 31, 2023.

On November 22, 2023, the Company elected to decrease its authorized shares of Series C preferred shares from 25,000,000 shares down to 18,250,000 shares.

On November 27, 2023, the Company elected to increase its authorized shares of Series A preferred shares from 20,000,000 shares up to 81,750,000 shares. On that same date,

The accompanying financial statements are prepared on the basis of accounting principles generally accepted in the United States of America ("GAAP"). The accompanying financial statements have been prepared assuming the continuation of the Company as a going concern. The Company has not yet established an ongoing source of revenues sufficient to cover its operating costs and is dependent on debt and equity financing to fund its operations. Management of the Company is making efforts to raise additional funding until a registration statement relating to an equity funding facility is in effect. While management of the Company believes that it will be successful in its capital formation and planned operating activities, there can be no assurance that the Company will be able to raise additional equity capital, or be successful in the development and commercialization of the products it develops or initiates collaboration agreements thereon. The accompanying financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the possible inability of the Company to continue as a going concern.

Note 2- Going Concern

The accompanying consolidated financial statements have been prepared assuming the continuation of the Company as a going concern. The Company has recently established an ongoing source of revenues, however it is currently not sufficient to cover its operating costs and is dependent on debt and equity financing to fund its operations. Management of the Company is making efforts to increase its revenue and raise additional funding until a registration statement relating to an equity funding facility is in effect. While management of the Company believes that it will be successful in its capital formation and planned operating activities, there can be no assurance that the Company will be able to raise additional equity capital or be successful in the development and commercialization of the products it develops or initiates collaboration agreements thereon. The accompanying financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the possible inability of the Company to continue as a going concern.

Note 3 – Summary of significant accounting policies

Principles of Consolidation

The Company prepares its consolidated financial statements on the accrual basis of accounting. The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Favo Group LLC, FAVO Group Human Resources, LLC, FAVO Funding LLC, Honeycomb Sub Fund LLC, FORE Funding LLC, FORE Funding CA LLC and FAVO Funding CA LLC from May 31, 2023 as well as LendTech CRM Solutions LLC and Believe PMF EIRL, LLC from January 01, 2024. All intercompany accounts, balances and transactions have been eliminated in the consolidation as at December 31, 2023.

Revenue Recognition

Effective July 1, 2018, we adopted ASC 606, Revenue from Contracts with Customers, as amended, using the modified retrospective method, which requires the cumulative effect of adoption to be recognized as an adjustment to opening retained earnings in the period of adoption. There was no cumulative effect of adopting the new standard and no impact on our financial statements. The new standard provides a single comprehensive model to be used in the accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance, including industry-specific guidance. The standard's stated core principle is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this core principle, ASC 606 includes provisions within a five-step model that includes identifying the contract with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations, and recognizing revenue when, or as, an entity satisfies a performance obligation.

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment. The historical cost of acquiring an item of property and equipment includes the costs necessarily incurred to bring it to the condition and location necessary for its intended use.

Fair Value of Financial Instruments

ASC 825, "Disclosures about Fair Value of Financial Instruments", requires disclosure of fair value information about financial instruments. ASC 820, "Fair Value Measurements" defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of March 31, 2024 and December 31, 2023.

Authoritative literature provides a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement as follows:

Level 1 - Quoted market prices available in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 - Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

Level 3 - Unobservable inputs that reflect our assumptions about the assumptions that market participants would use in pricing the asset or liability.

The respective carrying values of certain on-balance-sheet financial instruments approximate their fair values. These financial instruments include cash, accrued liabilities, convertible notes and notes payable. Fair values were assumed to approximate carrying values for these financial instruments due to their short-term maturities.

Business Combinations

We use the acquisition method of accounting for business combinations. Each acquired company's operating results are included in our consolidated financial statements starting on the date of acquisition. The purchase price is equivalent to the fair value of consideration transferred. Goodwill is recognized for the excess of purchase price over the net fair value of tangible and intangible assets acquired and liabilities assumed. Contingent consideration, which is primarily based on the business achieving certain performance targets, is recognized at its fair value on the acquisition date, and changes in fair value are recognized in earnings until settled. See Note 4, Business Combinations.

Estimates

The financial statements are prepared on the basis of accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of March 31, 2024 and December 31, 2023, and expenses for the three months ended March 31, 2024 and 2023, and cumulative from inception. Actual results could differ from those estimates made by management.

Subsequent Event

The Company evaluated subsequent events through the date when financial statements are issued for disclosure consideration.

Adoption of Recent Accounting Pronouncements

The Company has implemented all new accounting pronouncements that are in effect and that may impact its financial statements and does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

Note 4 – Business Combinations

Goodwill

The Company records acquisitions under the acquisition method of accounting and allocates the purchase price to the assets and liabilities based upon their respective fair values as determined as of the acquisition date. Merger and acquisition costs are excluded from the purchase price as these costs are expensed for book purposes and amortized for tax purposes.

On January 01, 2024, the Company completed the acquisition of the proprietary software platform and call center of LendTech CRM Solutions LLC, Believe PMF EIRL, LLC and DBOSS Funding LLC in a common stock and cash deal for approximately $650,000, consisting of 1,000,000 shares of the Company's restricted common stock valued at $0.25 per share or $250,000 on closing and a further 2,000,000 shares on each of the first and second anniversary of the closing date valued at $1,000,000 as well as $400,000 in cash. Based upon the timing of the Simplified Acquisition, the Company's consolidated financial statements for the three months ended March 31, 2024, reflect the results of Favo Capital for the portion of the period after the completion of the Simplified Acquisition. The Company's consolidated financial statements for the year ended December 31, 2023 do not reflect the results of Simplified.

The Company's fair value analysis contains assumptions based on past experience, reflects expectations of industry observers and includes judgments about future performance using industry normalized information. Using a residual method, any excess between the consideration paid and the fair value of net assets acquired was recorded goodwill . The Company recorded goodwill on its books. Management believes that this acquisition provides the Company with an opportunity to benefit from acquired technology, customer relationships, technical knowledge and trade secrets.

The allocations presented in the table below are based upon management's estimate of the fair values using valuation techniques including income, cost and market approaches. The following preliminary purchase price allocations are based upon the valuation of assets and these estimates and assumptions are subject to change as the Company obtains additional information during the measurement period, which may be up to one year from the acquisition date. Differences between the preliminary and final valuation could be substantially different from the initial estimate.

The total consideration paid in the Simplified Acquisition is summarized as follows:

Value of 5,0000,000 common shares issued to Favo Capital Shareholders	$	1,250,000
Cash		400,000
Total consideration paid	$	1,650,000

The total consideration paid was allocated to the fair value of the assets acquired as follows:

Property and equipment	$	44,992
Goodwill		1,605,008
Total consideration allocated	$	1,650,000

FAVO Group Asset Acquisition

On May 31, 2023, the Company entered into an acquisition and financing agreement between the principals of FAVO Group and Stewards Investment Capital Limited. As part of the acquisition, the principals of FAVO Group transferred 100% of their membership interest in Favo Group LLC, FAVO Group Human Resources, LLC, FAVO Funding LLC, Honeycomb Sub Fund LLC, FORE Funding LLC, FORE Funding CA LLC and FAVO Funding CA LLC into FAVO Capital Inc. As consideration for the transfer, the Company will pay a purchase price of $37,000,000 consisting of $14,200,000 in cash and Senior Secured Notes along with the assumption debt totaling $22,800,000.

The Company will raise the financing for this transaction by selling 20 million shares of its Series A Preferred Stock at $0.25 for total of $5,000,000. $2,500,000 of this financing was paid on the closing date of this transaction. The remaining $2,500,000 was paid as follows: $1,250,000 on August 31, 2023 and the remaining $1,250,000 on October 26, 2023.

As the FAVO Capital Inc and the FAVO group of companies were under common control at the time of the FAVO Group Acquisition, the acquisition was deemed to be a transaction under common control under ASC 805, “Business Combinations.” Therefore, we accounted for this transaction at the carrying amount of the net assets acquired and the results of operations have been combined for the FAVO Capital and (Favo Group LLC, FAVO Group Human Resources, LLC, FAVO Funding LLC, Honeycomb Sub Fund LLC, FORE Funding LLC, FORE Funding CA LLC and FAVO Funding CA LLC) from the date of common control, which was May 31, 2023.

Assets acquired and liabilities assumed are reported at their historical carrying amounts. The balance sheets of the Favo Group LLC, FAVO Group Human Resources, LLC, FAVO Funding LLC, Honeycomb Sub Fund LLC, FORE Funding LLC, FORE Funding CA LLC and FAVO Funding CA LLC on May 31, 2023, the date of acquisition, consisted of (in thousands):

Current assets	20,102,917
Fixed assets	67,714
Other non current assets	194,445
Total Assets	20,365,076
Current liabilities	379,705
Other liabilities	5,719,855
Long term liabilities	23,699,470
Total liabilities	29,799,030
Net liabilities	(9,433,954)

Note 5 – Related Party Transactions

During the year ended December 31, 2021, Favo Group paid company related expenses in the amount of $1,287,262 on behalf of the Company and advanced $33,500 in cash to the Company. During the same period, Company also repaid a total of $1,343,874 toward the outstanding balance of the notes payable to Favo Group. In addition, the Company incurred professional service fees consisting of commissions earned on funds raised by Favo Group LLC in the amount of $128,800 as well as a management fee of 20% of the profits earned by the Favo Group, LLC totaling $77,568. On June 30 , 2021, Favo Group LLC transferred its entire interest in the aforementioned note of $600,960 to FAVO Holdings LLC thereby closing out that note and creating a new note payable to Favo Holdings LLC. As of December 31, 2022 and 2021, the Company owed a total of $0 on the aforementioned note to Favo Group LLC. The note payable to Favo Group consisted of amounts due to Favo Group, LLC for payment related to fixed assets, business development, accounting, transfer agent and legal fees.

During the year ended December 31, 2023, Favo Group paid company related expenses in the amount of $142,429.62 on behalf of the Company. As of March 31, 2024 and December 31, 2023, a total of $0 remained outstanding.

Note 6 – Notes payable – related party

During the year ended December 31, 2021, Favo Group paid company related expenses in the amount of $1,287,262 on behalf of the Company and advanced $33,500 in cash to the Company. During the same period, Company also repaid a total of $1,343,874 toward the outstanding balance of the notes payable to Favo Group. In addition, the Company incurred professional service fees consisting of commissions earned on funds raised by Favo Group LLC in the amount of $128,800 as well as a management fee of 20% of the profits earned by the Favo Group, LLC totaling $77,568. On June 30 , 2021, Favo Group LLC transferred its entire interest in the aforementioned note of $600,960 to FAVO Holdings LLC thereby closing out that note and creating a new note payable to Favo Holdings LLC.

As of March 31, 2024 and December 31, 2023, the Company owed a total of $0 on the aforementioned note to Favo Group LLC. The note payable to Favo Group consisted of amounts due to Favo Group, LLC for payment related to fixed assets, business development, accounting, transfer agent and legal fees.

Note 7 – Notes payable

During the year ended December 31, 2021, the Company received a total $1,993,000 in investor funds in the form of a note payable and repaid $27,123 in interest expense. The noted carry an interest rate of 12% and mature 18 months from the date of the notes.

On June 09, 2021, the Company replaced five debentures totaling $3,000,000 with a single note, debenture called 008. This note carries an interest rate of 14% and matures on June 09, 2023. During the year ended December 31, 2021, the Company repaid $342,775 of investor interest. During the year ended December 31, 2023, the Company repaid $25,000 of the notes payable and issued $7,750,000 in senior secured notes associated with the FAVO Group Acquisition as well as debt assumption of $23,713,642. As of March 31, 2024 and December 31, 2023, the outstanding note totaled $33,308,642 and $31,363,642 respectively.

Note 8 – Stockholders Equity

Common Stock

On March 8, 2021 the Company authorized the issuance of 800,000 restricted shares of Common Stock to two (2) persons for services valued at $336,000 or $0.42 per share.

On June 30, 2021 the Company authorized the issuance of 750,000 restricted shares of Common Stock to two (2) persons for services valued at $315,000 or $0.42 per share.

On August 05, 2021, the holder of the August 08, 2020 convertible note in the amount of $110,000, elected to convert their entire note into 218,916 shares of common stock.

On October 15, 2021, the Company issued 50,000 shares of common stock to a consultant for services valued at $31,500. On October 25, 2021, the Company issued 100,000 shares of common stock to a consultant for services valued at $63,000.

On July 13, 2022, the Company issued 100,000 shares of common stock to a consultant for services valued at $50,000. On that same date, the Company issued another 100,000 shares of common stock to a consultant for services valued at $50,000. On September 13, 2022 the Company issued 250,000 shares of common stock to a consultant for services valued at $87,500.

On May 31, 2023, pursuant to Certificate of Designation for the Series C Preferred Stock, Mr. Vincent Napolitano converted 6,250,000 Series C Preferred shares into 25,000,000 common shares at par value $0.0001 of FAVO Capital Inc.

On July 01, 2023, the Company issued 1,600,000 shares of common stock to a consultant for services valued at $400,000,

On July 07, 2023, the Company issued 15,000,000 shares of common stock to a consultant for services valued at $3,750,000

On July 07, 2023, the Company issued 400,000 shares to another consultant for services valued at $100,000.

On July 07, 2023, the Company issued another 20,000,000 shares of common stock to Favo Holdings, LLC in accordance with the FAVO Group Acquisition. On the same date, the Company also issued a further 2,400,000 shares to LIRO Holdings LCC in lieu of the promissory note extension.

On December 05, 2023, the Company issued 200,000 shares to a third party for services valued at $50,000.

On January 01, 2024, the Company issued 1,000,000 shares to a third party for Simplified acquisition valued at $250,000.

On February 28, 2024, the Company issued 125,000 shares to a third party for services valued at $31,250.

As of March 31, 2024 and December 31, 2023, 88,679,734 and 87,554,734 shares of common stock with par value of $0.0001 remains outstanding, respectively.

Preferred Stock

Series C Preferred Stock

On December 06, 2018 the Company created 25,000,000 shares of Series C Preferred Stock, out of the 25,000,000 shares that were already authorized. On that same date, the Company issued 25,000,000 shares of the Series C preferred stock to David Lazar, Chief Executive Officer for a promissory note valued at $25,000 and for services valued at $173,056. On December 12, 2018, Custodian Ventures, LLC sold the 25,000,000 shares of Series C Preferred Stock to Vincent Napolitano as part of a change of control.

The following is a description of the material rights of our Series C Preferred Stock:

> Each share of Series C Preferred Stock shall have a par value of $0.0001 per share. The Series C Preferred Stock shall vote on any matter that may from time to time be submitted to the Company's shareholders for a vote, on a 25 for one basis. If the Company effects a stock split which either increases or decreases the number of shares of Common Stock outstanding and entitled to vote, the voting rights of the Series A shall not be subject to adjustment unless specifically authorized.
>
> Each share of Series C Preferred Stock shall be convertible into 1 shares of Common Stock ("Conversion Ratio"), at the option of a Holder, at any time and from time to time, from and after the issuance of the Series C Preferred Stock.
>
> Subject to the rights of any existing series of Preferred Stock or to the rights of any series of Preferred Stock which may from time to time hereafter come into existence, the holders of shares of Series C Preferred Stock shall be entitled to receive dividends, out of any assets legally available therefor, upon any payment of any dividend (payable other than in Common Stock or other securities and rights convertible into or entitling the holder thereof to receive, directly or indirectly, additional shares of Common Stock of the Corporation) on the Common Stock of the Corporation, as and if declared by the Board of Directors, as if the Series C Preferred Stock had been converted into Common Stock.
>
> In the event of any liquidation, dissolution or winding up of the Corporation, either voluntary or involuntary, subject to the rights of any existing series of Preferred Stock or to the rights of any series of Preferred Stock which may from time to time hereafter come into existence, the holders of the Series C Preferred Stock shall be entitled to receive,

prior and in preference to any distribution of any of the assets of the Corporation to the holders of Common Stock by reason of their ownership thereof, an amount per share equal to the price per share actually paid to the Corporation upon the initial issuance of the Series C Preferred Stock (each, the "the Original Issue Price") for each share of Series A Preferred Stock then held by them, plus declared but unpaid dividends. Unless the Corporation can establish a different Original Issue Price in connection with a particular sale of Series C Preferred Stock, the Original issue price shall be $0.001 per share for the Series C Preferred Stock. If, upon the occurrence of any liquidation, dissolution or winding up of the Corporation, the assets and funds thus distributed among the holders of the Series C Preferred Stock shall be insufficient to permit the payment to such holders of the full aforesaid preferential amounts, then, subject to the rights of any existing series of Preferred Stock or to the rights of any series of Preferred Stock which may from time to time hereafter come into existence, the entire assets and funds of the corporation legally available for distribution shall be distributed ratably among the holders of the each series of Preferred Stock in proportion to the preferential amount each such holder is otherwise entitled to receive.

The Series C Preferred Stock shares are nonredeemable other than upon the mutual agreement of the Company and the holder of shares to be redeemed, and even in such case only to the extent permitted by this Certificate of Designation, the Corporation's Articles of Incorporation and applicable law.

Series C Preferred Stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share, at the office of the Corporation or any transfer agent for such stock, into such number of fully paid and nonassessable shares of Common Stock as is determined by dividing the Original Issue Price of the Series C Preferred Stock by the Series C Conversion Price applicable to such share, determined as hereafter provided, in effect on the date the certificate is surrendered for conversion.

Each share of Series C Preferred Stock shall automatically be converted into shares of Common Stock at the applicable Series C Conversion Price in effect for such share immediately upon the earlier of (i) except as provided below in Section 4(c), the Corporation's sale of its Common Stock in a public offering pursuant to a registration statement under the Securities Act of 1933, as amended; (ii) a liquidation, dissolution or winding up of the Corporation as defined in section 2(c) above but subject to any liquidation preference required by section 2(a) above; or (iii) the date specified by written consent or agreement of the holders of a majority of the then outstanding shares of Series C Preferred Stock.

On May 31, 2023, pursuant to Certificate of Designation for the Series C Preferred Stock, Mr. Vincent Napolitano converted 6,250,000 Series C Preferred shares into 25,000,000 common shares at par value $0.0001 of FAVO Capital Inc.

On June 1, 2023, FAVO Capital, Inc. (the "Company") filed with the Secretary of State of the State of Nevada a Certificate of Amendment to the Articles of Incorporation to increase the authorized shares of Preferred Stock of the Company (the "Amendment"). The Amendment increased the authorized shares of Preferred Stock the Company may issue from 25,000,000 shares to 50,000,000 shares of Preferred Stock, par value $0.0001 per share. The Amendment did not increase the Company's authorized shares of Common Stock, which remains at 500,000,000 shares, par value $0.0001 per share. The Amendment was approved by the board of directors by unanimous written consent resolution dated May 31, 2023 signed by all the members of the board of directors. The Amendment was also approved by certain shareholders of the Company holding a majority of the total issued and outstanding voting shares of the Company by written consent resolution dated May 31, 2023.

On November 22, 2023, the Company elected to decrease its authorized shares of Series C preferred shares from 25,000,000 shares down to 18,250,000 shares.

As of March 31, 2024 and December 31, 2023, 18,750,000 shares of Series C preferred stock and 25,000,000 shares of preferred stock with par value of $0.0001 remains outstanding.

Series A Preferred Stock

On May 31, 2023, pursuant to Article III of our Articles of Incorporation, our Board of Directors voted to designate a class of preferred stock entitled Series A Preferred Stock, consisting of up 20,000,000 shares, par value $0.0001. Under the Certificate of Designation, filed on June 5, 2023, holders of Series A Preferred Stock are entitled to a liquidation preference of $0.25 per share, the Stated Value of the newly created preferred stock, over our common stock and Series C Preferred Stock in the event of a dissolution, liquidation or winding up of the company. The holders of Series A Preferred Stock vote together with the holders of Common Stock and any other class or series of stock entitled to vote thereon as a single class on an as converted basis. Each holder shall be entitled to receive an annual dividend of six percent (6%) of the Stated Value times the number of Preferred Shares held by such holder payable on a quarterly basis beginning at the end of the Company's fiscal quarter following the original issue date. Dividends on the Preferred Shares are payable, at the Company's option, in (a) cash or (b) shares of the Company's Common Stock or a combination thereof. The Company may, in its sole discretion, elect to redeem all or a portion of the outstanding Preferred Shares at the Redemption Amount. As used herein, the term "Redemption Amount" shall equal the Stated Value. If the Company does not redeem all of the outstanding Preferred Shares, but instead opts for a partial redemption, it must be done in at least $250,000 increments and for every $250,000 redeemed the Company will issue to the Holder a warrant to purchase 1,000,000 shares of the Company's Common Stock at an exercise price of $0.25 share.

Under the Certificate of Designation, filed on June 5, 2023, holders of Series A Preferred Stock are entitled to a liquidation preference of $0.25 per share, the Stated Value of the newly created preferred stock, over our common stock and Series C Preferred Stock in the event of a dissolution, liquidation or winding up of the company. The holders of Series A Preferred Stock vote together with the holders of Common Stock and any other class or series of stock entitled to vote thereon as a single class on an as converted basis. Each holder shall be entitled to receive an annual dividend of six percent (6%) of the Stated Value times the number of Preferred Shares held by such holder payable on a quarterly basis beginning at the end of the Company's fiscal quarter following the original issue date. Dividends on the Preferred Shares are payable, at the Company's option, in (a) cash or (b) shares of the Company's Common Stock or a combination thereof. The Company may, in its sole discretion, elect to redeem all or a portion of the outstanding Preferred Shares at the Redemption Amount. As used herein, the term "Redemption Amount" shall equal the Stated Value. If the Company does not redeem all of the outstanding Preferred Shares, but instead opts for a partial redemption, it must be done in at least $250,000 increments and for every $250,000 redeemed the Company will issue to the Holder a warrant to purchase 1,000,000 shares of the Company's Common Stock at an exercise price of $0.25 share.

On November 27, 2023, the Company elected to decrease its authorized shares of Series C preferred shares from 25,000,000 shares down to 18,250,000 shares.

On December 05, 2023, the Company issued another 28,420,000 shares of Series A Preferred stock to Forefront Capital, LLC in accordance with the FAVO Group Acquisition.

As of March 31, 2024 and December 31, 2023, 28,420,000 shares of Series A preferred stock and 0 shares of Series A preferred stock with par value of $0.0001 remains outstanding, respectively.

Note 10– Subsequent Events

In accordance with SFAS 165 (ASC 855-10) management has performed an evaluation of subsequent events through the date that the financial statements were available to be issued, May 09, 2024, and has determined that it does not have any material subsequent events to disclose in these financial statements.

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