

## **Favo Capital Inc.**

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

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1.833.328.6477  
www.favocapital.com  
info@favocapital.com

### **Quarterly Report** **For the Period Ending: June 30, 2024** (the "Reporting Period")

#### **Outstanding Shares**

The number of shares outstanding of our Common Stock was:

89,279,734 as of June 30, 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<sup>1</sup> of the company has occurred over this reporting period:

Yes:  No:

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

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<sup>1</sup> "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 January 1, 2024, the Company completed the acquisition of the proprietary software platform and call center of LendTech CRM Solutions LLC, Believe PMF EIRL 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 and six months ended June 30, 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

OTC Markets Group Inc.

Address: 16540 Pointe Village Drive, Suite 205  
 Address 2: Lutz, Florida 33558

**Publicly Quoted or Traded Securities:**

Trading symbol:	<u>FAVO</u>	
Exact title and class of securities outstanding:	<u>Common Stock (“Common Stock”)</u>	
CUSIP:	<u>07712Q304</u>	
Par or stated value:	<u>\$0.0001</u>	
Total shares authorized:	<u>500,000,000</u>	as of date: <u>June 30, 2024</u>
Total shares outstanding:	<u>89,279,743</u>	as of date: <u>June 30, 2024</u>
Number of shares in the public float:	<u>435,127</u>	as of date: <u>June 30, 2024</u>
Total number of shareholders of record:	<u>194</u>	as of date: <u>June 30, 2024</u>

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

None

**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 <u>Preferred Stock (“Preferred Stock”)</u>	
Par or stated value:	<u>\$0.0001</u>	
Total shares authorized:	<u>81,250,000</u>	as of date: <u>June 30, 2024</u>
Total shares outstanding:	<u>28,420,000</u>	as of date: <u>June 30, 2024</u>
Total number of shareholders on record:	<u>1</u>	
Exact title and class of the security:	Series C <u>Preferred Stock (“Preferred Stock”)</u>	
Par or stated value:	<u>\$0.0001</u>	
Total shares authorized:	<u>18,750,000</u>	as of date: <u>June 30, 2024</u>
Total shares outstanding:	<u>18,750,000</u>	as of date: <u>June 30, 2024</u>
Total number of shareholders on record:	<u>1</u>	

**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. Each share of Series C Preferred Stock shall automatically be converted into shares of Common Stock at the applicable Series C Conversion Price upon the earlier of (i) except as provided in the designation, 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 but subject to the stated liquidation; 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.

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 the Series A Preferred Stock and 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.

On November 22, 2023, the Company elected to decrease its authorized shares of Series C preferred shares from 25,000,000 shares down to 18,750,000 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.

After twenty-four months, each share of Series A Preferred Stock may be converted into shares of common stock, the number of which is determined according to the following formula, subject to adjustments for stock splits, stock dividends, recapitalizations, reorganizations, reclassifications, combinations, subdivisions or other similar events: Conversion Amount (\$0.25) / Conversion Price (\$0.25).

In connection with any conversion, each holder of Series A Preferred Stock is subject to a beneficial ownership

limitation of 9.99% of our outstanding common stock.

The holders of Series A Preferred Stock vote together with the holders of Common Stock, the Series C Preferred 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 <u>12/31/2020</u>	<p><u>Opening Balance:</u></p> <p>Common: <u>20,085,818</u></p> <p>Preferred: <u>25,000,000</u></p>	*Right-click the rows below and select "Insert" to add rows as needed.
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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?
<u>03/08/2021</u>	<u>New Issuance</u>	<u>600,000</u>	<u>Common stock</u>	<u>\$0.42</u>	<u>No</u>	<u>Liro Holdings/Rocco Trotta</u>	<u>Services</u>	<u>R</u>	<u>4(a)(2)</u>
<u>03/08/2021</u>	<u>New Issuance</u>	<u>200,000</u>	<u>Common stock</u>	<u>\$0.42</u>	<u>No</u>	<u>Richard Dubi</u>	<u>Services</u>	<u>R</u>	<u>4(a)(2)</u>
<u>06/30/2021</u>	<u>New Issuance</u>	<u>750,000</u>	<u>Common stock</u>	<u>\$0.42</u>	<u>No</u>	<u>Liro Holdings/Rocco Trotta</u>	<u>Services</u>	<u>R</u>	<u>4(a)(2)</u>
<u>08/05/2021</u>	<u>New Issuance</u>	<u>218,916</u>	<u>Common stock</u>	<u>\$0.54/\$0.31</u>	<u>No</u>	<u>Minorvest/Werner Fuls</u>	<u>Debt conversion</u>	<u>R</u>	<u>4(a)(2)</u>
<u>10/05/2021</u>	<u>New Issuance</u>	<u>50,000</u>	<u>Common stock</u>	<u>\$0.42</u>	<u>No</u>	<u>Jospeh Manopella</u>	<u>Services</u>	<u>R</u>	<u>4(a)(2)</u>
<u>10/25/2021</u>	<u>New Issuance</u>	<u>100,000</u>	<u>Common stock</u>	<u>\$0.42</u>	<u>No</u>	<u>James Fellus</u>	<u>Services</u>	<u>R</u>	<u>4(a)(2)</u>
<u>05/06/2022</u>	<u>New Issuance</u>	<u>200,000</u>	<u>Common stock</u>	<u>\$0.50</u>	<u>No</u>	<u>Christopher Snead</u>	<u>Services</u>	<u>R</u>	<u>4(a)(2)</u>
<u>05/06/2022</u>	<u>New Issuance</u>	<u>200,000</u>	<u>Common stock</u>	<u>\$0.50</u>	<u>No</u>	<u>Vaughan Korte</u>	<u>Services</u>	<u>R</u>	<u>4(a)(2)</u>
<u>05/06/2022</u>	<u>New Issuance</u>	<u>50,000</u>	<u>Common stock</u>	<u>\$0.50</u>	<u>No</u>	<u>Jason Baskind</u>	<u>Services</u>	<u>R</u>	<u>4(a)(2)</u>
<u>05/06/2022</u>	<u>New Issuance</u>	<u>50,000</u>	<u>Common stock</u>	<u>\$0.50</u>	<u>No</u>	<u>Robert Baskind</u>	<u>Services</u>	<u>R</u>	<u>4(a)(2)</u>
<u>07/13/2022</u>	<u>New Issuance</u>	<u>100,000</u>	<u>Common stock</u>	<u>\$0.50</u>	<u>No</u>	<u>Tania Fellus</u>	<u>Services</u>	<u>R</u>	<u>4(a)(2)</u>
<u>07/13/2022</u>	<u>New Issuance</u>	<u>100,000</u>	<u>Common stock</u>	<u>\$0.50</u>	<u>No</u>	<u>Bryan Dumas</u>	<u>Services</u>	<u>R</u>	<u>4(a)(2)</u>
<u>09/13/2022</u>	<u>New Issuance</u>	<u>250,000</u>	<u>Common stock</u>	<u>\$0.35</u>	<u>No</u>	<u>Phyllis Ann Francis</u>	<u>Services</u>	<u>R</u>	<u>4(a)(2)</u>
<u>05/30/2023</u>	<u>Share Conversion</u>	<u>(6,250,000)</u>	<u>Series C Preferred Stock</u>		<u>No</u>	<u>Vincent Napolitano</u>	<u>Share conversion</u>	<u>R</u>	<u>4(a)(2)</u>

<u>05/30/2023</u>	<u>New Issuance/</u> <u>Share Conversion</u>	<u>25,000,000</u>	<u>Common Stock</u>		<u>No</u>	<u>Vincent Napolitano</u>	<u>Share conversion</u>	<u>R</u>	<u>4(a)(2)</u>
<u>06/30/2023</u>	<u>New Issuance</u>	<u>10,000,000</u>	<u>Series A Preferred Stock</u>	<u>\$0.25</u>	<u>No</u>	<u>Forfront Capital/ Nathaniel Tsang Mang Kin</u>	<u>Issuance</u>	<u>R</u>	<u>4(a)(2)</u>
<u>07/01/2023</u>	<u>New Issuance</u>	<u>1,600,000</u>	<u>Common stock</u>	<u>\$0.25</u>	<u>No</u>	<u>Liro Holdings/Rocco Trotta</u>	<u>Services</u>	<u>R</u>	<u>4(a)(2)</u>
<u>07/07/2023</u>	<u>New Issuance</u>	<u>20,000,000</u>	<u>Common stock</u>	<u>\$0.25</u>	<u>No</u>	<u>Favo Holdings/</u>	<u>Acquisition</u>	<u>R</u>	<u>4(a)(2)</u>
<u>07/07/2023</u>	<u>New Issuance</u>	<u>15,000,000</u>	<u>Common stock</u>	<u>\$0.25</u>	<u>No</u>	<u>Stewards Investment Capital/</u>	<u>Services</u>	<u>R</u>	<u>4(a)(2)</u>
<u>07/14/2023</u>	<u>New Issuance</u>	<u>400,000</u>	<u>Common stock</u>	<u>\$0.25</u>	<u>No</u>	<u>Gennaro Trotta</u>	<u>Services</u>	<u>R</u>	<u>4(a)(2)</u>
<u>08/11/2023</u>	<u>New Issuance</u>	<u>2,400,000</u>	<u>Common stock</u>	<u>\$0.25</u>	<u>No</u>	<u>Liro Holdings</u>	<u>Services</u>	<u>R</u>	<u>4(a)(2)</u>
<u>09/01/2023</u>	<u>New Issuance</u>	<u>5,000,000</u>	<u>Series A Preferred Stock</u>	<u>\$0.25</u>	<u>No</u>	<u>Forfront Capital/ Nathaniel Tsang Mang Kin</u>	<u>Issuance</u>	<u>R</u>	<u>4(a)(2)</u>
<u>12/05/2023</u>	<u>New Issuance</u>	<u>18,420,000</u>	<u>Series A Preferred Stock</u>	<u>\$0.25</u>	<u>No</u>	<u>Forfront Capital/ Nathaniel Tsang Mang Kin</u>	<u>Issuance</u>	<u>R</u>	<u>4(a)(2)</u>
<u>12/05/2023</u>	<u>New Issuance</u>	<u>200,000</u>	<u>Common stock</u>	<u>\$0.25</u>	<u>No</u>	<u>Earnest P. Hart</u>	<u>Services</u>	<u>R</u>	<u>4(a)(2)</u>
<u>02/28/2024</u>	<u>New Issuance</u>	<u>125,000</u>	<u>Common stock</u>	<u>\$0.25</u>	<u>No</u>	<u>Sebastian Darmodihardjo</u>	<u>Services</u>	<u>R</u>	<u>4(a)(2)</u>
<u>02/28/2024</u>	<u>New Issuance</u>	<u>1,000,000</u>	<u>Common stock</u>	<u>\$0.25</u>	<u>No</u>	<u>Robin Paws</u>	<u>Acquisition Cost</u>	<u>R</u>	<u>4(a)(2)</u>
<u>04/19/2024</u>	<u>New Issuance</u>	<u>600,000</u>	<u>Common stock</u>	<u>\$0.25</u>	<u>No</u>	<u>Forfront Capital/ Nathaniel Tsang Mang Kin</u>	<u>Issuance</u>	<u>R</u>	<u>4(a)(2)</u>
Number of Shares outstanding as of <u>06/30/2024</u>	<u>Ending Balance:</u> Common:89,279,734 Preferred: 47,170,000								

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

OTC Markets Group Inc.

OTC Pink Basic Disclosure Guidelines (v5.0 December 18, 2023)

**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. *** You must disclose the control person(s) for any entities listed.	Reason for Issuance (e.g. Loan, Services, etc.)

\*\*\*Control persons for any entities in the table above must be disclosed in the table or in a footnote here.

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

**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")**

The Company has two divisions with a dual investment strategy consisting of: (1) a Funding Division for providing Small and Medium Sized Businesses with Funding Solutions through Merchant Cash Advances ("MCA's"), and we expect that the majority of our portfolio will be invested in the MCA Business; and 2. a Real Estate Holdings Division, which has not yet commenced operations, 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	<u>Delaware</u>		<u>Vincent Napolitano</u>	<u>65</u>	<u>Vincent Napolitano</u>
Favo Holdings, LLC	<u>Delaware</u>		<u>Vincent Napolitano</u>	<u>35</u>	<u>Shaun Quin</u>
FORE Funding CA, LLC	<u>Delaware</u>		<u>Vincent Napolitano</u>	<u>100</u>	<u>FAVO Capital Inc</u>
FAVO Funding CA, LLC	<u>Delaware</u>		<u>Vincent Napolitano</u>	<u>100</u>	<u>FAVO Capital Inc</u>
FAVO Funding, LLC	<u>Delaware</u>		<u>Vincent Napolitano</u>	<u>100</u>	<u>FAVO Capital Inc</u>
FAVO Group Human Resources LLC	<u>Delaware</u>		<u>Vincent Napolitano</u>	<u>100</u>	<u>FAVO Capital Inc</u>
FAVO Group, LLC	<u>Delaware</u>		<u>Vincent Napolitano</u>	<u>100</u>	<u>FAVO Capital Inc</u>

Honeycomb, LLC	<u>Delaware</u>		<u>Vincent Napolitano</u>	<u>100</u>	<u>FAVO Capital Inc</u>
FORE Funding, LLC	<u>Delaware</u>		<u>Vincent Napolitano</u>	<u>100</u>	<u>FAVO Capital Inc</u>
FC Sub Fund LLC	<u>Delaware</u>		<u>Vincent Napolitano</u>	<u>100</u>	<u>FAVO Capital Inc</u>
FAVO Capital Inc (DR)	<u>Dominican Republic</u>		<u>Shaun Quin</u>	<u>100</u>	<u>FAVO Capital Inc (USA)</u>

<sup>8</sup> 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

#### *Overview*

We are a holding company owning and seeking to own subsidiaries engaged in a variety of business operations. Presently, we have two existing operating divisions: (i) our Funding Division through our merchant cash advance (“MCA”) and other funding operations, conducted primarily through our subsidiaries, FAVO Funding LLC, Honeycomb LLC, Fore Funding LLC and FC Sub Fund LLC and (ii) our Real Estate Holdings Division through our real estate operations.

Our Funding Division provides small to medium sized businesses (“SMBs”) with funding solutions through MCAs and other financial products, including equipment financing, lines of credit, SBA loans, business term loans and invoice factoring. The majority of the portfolio will be invested in the Funding Division.

Our Real Estate Holdings Division plans to engage in various real estate holdings that can provide durable, predictable cash flow to our company. We plan to 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.

#### **Funding Division**

MCAs have evolved as an alternative capital source primarily for small businesses and we generate multiple revenue streams within the MCA industry. In a typical MCA, a merchant sells an amount of its future receivables, expected to be generated from future sales to an MCA originator (also referred to as a “funder”) at a discount in exchange for a lump sum payment from the funder. The merchant then remits a portion of its sales receipts, or an amount equal to this portion, often daily, via automated clearing house (“ACH”) transfer, until the funder has received the full amount of the future receipts it has purchased. MCA funders often offer a streamlined application and approval process in connection with the provision of MCAs, making them a widely used alternative financing source for small businesses.

MCAs are not structured as loans or sales of securities; instead, they are structured as sales and purchases of assets, specifically future receivables, and the assignment of rights related to such assets. SMBs typically seek these advances for working capital purposes to finance purchases of inventory or equipment, or to address other immediate business needs.

We operate a direct and syndication funding platform to serve SMBs in need of liquidity to fulfill their financial responsibilities. Through our direct sales, marketing, underwriting and operational platform and with our syndication partners, we provide funding solutions for customers. We originate and provide financing to businesses primarily through MCAs. We provide convenient, fully automated financial solutions to our customers. An SMB customer who enters into an MCA commits to delivering a percentage of its receivables through ACH or wire debits or by splitting credit card receipts until all purchased receivables are remitted to us.

We believe traditional lenders face a number of challenges and limitations that make it difficult to address the capital needs of SMBs, such as:

- *Organizational and Structural Challenges.* The costly combination of physical branches and manually

intensive underwriting procedures makes it difficult for traditional lenders to efficiently serve SMBs. They also serve a broad set of customers, including both consumers and enterprises, and are not solely focused on addressing the needs of SMBs.

- *Technology Limitations.* Many traditional lenders use legacy or third-party systems that are difficult to integrate or adapt to the shifting needs of small businesses. These technology limitations make it challenging for traditional lenders to aggregate new data sources, leverage advanced analytics and streamline and automate credit decisions and funding.
- *Products not Designed for SMBs.* SMBs are not well served by traditional loan products. We believe that traditional lenders often offer products characterized by larger loan sizes, longer durations and rigid collateral requirements. By contrast, SMBs often seek small loans for short-term investments.

As a result, we believe that SMBs feel underserved by traditional lenders. Our solution was built specifically to address SMBs' capital needs. We offer products to SMBs to enable them to access capital. We facilitate eligible merchants to secure cash advances and accelerate the growth of their business by providing access to simple, fast, and convenient working capital under MCAs. This structure has some advantages over the structure of a conventional loan. Most importantly, payments towards an MCA can be modified for hardships suffered by a business, giving the merchant greater flexibility with which to manage their cash flow, particularly during an unforeseen event. MCAs are processed much faster than a typical loan, giving borrowers quicker access to capital.

SMBs are a diverse group spanning many different industries, stages in development, geographies, financial profiles and operating histories, historically making it difficult to assess creditworthiness in a uniform manner, and there is no widely accepted credit score for SMBs. Credit assessment is inherently difficult because small business data is constantly changing as the business evolves and is scattered across a myriad of online and offline sources, unlike consumer credit assessment where a lender can generally look to scores provided by consumer credit bureaus. This data includes financial data, credit data, government and public records, transactional data, online social data, accounting data and behavioral data. While much of this data is rapidly moving online, certain data remains predominantly offline. In addition, SMBs are not consistently covered by traditional credit bureaus. Once obtained, the data needs to be cleansed, normalized, weighted and analyzed to be useful in the credit scoring decision.

We give more weight to the underlying performance of a business than the owner's or businesses' credit scores. Our MCAs offer an alternative to businesses who may not qualify for a conventional loan.

A frequent issue experienced within the MCA industry is finding enough capital to meet the strong merchant demand for alternative financing sources. We provide direct funding and connect syndicate participants that have available capital with funders that have established high-quality MCA processes and procedures and need capital to meet merchant demands. We have MCA expertise to vet and select funders with underwriting, servicing, and collection processes necessary to provide syndicate participants with the best opportunities to provide capital in the MCA space.

We receive revenue on our direct MCAs and syndicated MCAs in connection with our direct and syndication agreements. Our 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 our bank account.

### ***MCA – Syndication***

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

### ***MCA - Cost of Sales***

We incur sales commissions costs for direct and syndicated originations. Commission expense is recognized at the time of MCA origination. Additionally, we incur 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, we are charged a platform or servicing fee. The fee is calculated as a percentage of the outstanding advance receivable due to us and is recognized over the term of the contract.

### ***MCA Credit Costs***

We generally charge 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 as an 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.

### ***Competition***

The small business lending market is competitive and fragmented. We expect competition to continue to increase in the future. We believe the principal factors that generally determine a company's competitive advantage in our market include the following:

- less stigma associated with MCAs
- ease of process to apply for MCAs.
- brand recognition and trust.
- MCA features.
- MCA product fit for business purpose.
- transparent description of key terms.
- effectiveness of customer acquisition; and
- customer experience.

Our principal competitors include traditional banks, legacy merchant cash advance providers, and newer, technology-enabled lenders. In our direct space, we face competition from providers of other competing forms of alternative funding that target the same type of small businesses served by the MCA industry and may also compete for use of the capital of potential syndication participants interested in deploying capital in the alternative funding market. While the MCA industry has grown beyond meeting the needs of high-risk businesses and become more well known within the alternative funding market, some of the initial stigma and hesitation towards MCAs remains, and this may provide a competitive advantage to providers of other forms of alternative funding.

The decreasing stigma and recognition of the critical needs of small businesses met by MCA funding has made it an attractive area for well-recognized companies that have not traditionally participated in the alternative funding market. Some of these companies, including Shopify, have created MCA divisions to provide MCA funding as a complementary service to their existing small business customers.

As noted above, a significant issue within the MCA industry is procuring enough capital to meet merchant demand for MCAs. The entry of larger and established companies to the MCA market provides these companies with the advantage of (i) established name recognition, (ii) an existing merchant customer base that can be readily accessed for MCA offerings, potentially producing more volume and reducing third party fees owed for merchant advertising and recruiting, (iii) easier access to capital to support significant MCA volume, (iv) increased access to merchants' financial and payment data, and (v) in the event that regulatory changes cause significant structural changes to the MCA industry, these companies may have greater resources in place to quickly adapt to such changes or be able to

absorb the costs of such changes.

While the entry of established companies into the MCA market may increase the competition faced by our business, it also provides a discernable benefit as these companies bring increased credibility and attention to the MCA industry and highlight the availability of MCAs as a viable funding source to a broader array of small businesses.

### ***Governmental Regulations***

The MCA industry is subject to laws and regulations that apply to businesses in general, including laws and regulations that address information privacy, unfair or deceptive acts or practices, and credit reporting, among other legal requirements.

Because MCAs are structured as purchases and sales of assets, instead of loans, the MCA industry has not historically been subject to specific laws and regulations, such as licensing requirements, applicable to lenders. Recently, however, there has been increased legislative and regulatory scrutiny of the MCA industry, which could result in the enactment of specific laws and regulations.

There have been enactments in New York and California and discussions in several other states to implement regulations on the industry. State usury laws may not apply against merchant cash advance providers, but New York and California, for example, have state laws requiring merchant cash advance providers and other nonbank lenders to provide disclosures similar to those required under the Truth in Lending Act. These laws were enacted in order to create more transparency for small business borrowers surrounding their application for credit from non-conventional banking institutes.

There are also federal laws that apply to the industry. The Federal Trade Commission (FTC), for example, has the authority to sue merchant cash advance providers that engage in deceptive or predatory lending practices. Any merchant cash advance provider that engages in unfair or deceptive trade practices can be subjected to compensatory damages, civil penalties, and a permanent injunction from marketing, selling, or collecting merchant cash advances.

The Gramm-Leach-Bliley Act (GLBA) has provisions that prohibit creditors from making false statements to obtain a customer's bank account information. These laws apply to merchant cash advance providers.

Section 1071 of the Dodd-Frank Wall Street Reform and Consumer Protection Act requires covered financial institutions, including merchant cash advance providers, to collect and report to the Consumer Financial Protection Bureau (CFPB) data on small business applications for credit. The rules generally require financial institutions that originate at least 100 small business credit transactions annually to collect and report loan application, origination, and pricing information, as well as certain applicant/borrower demographic information, in a "small business lending application register." For purposes of the rules, a small business is one with no more than \$5 million of gross revenues in its most recent fiscal year.

The merchant cash advance industry faces potential regulation from the U.S. Department of Treasury. With the growing emergence of merchant cash advance providers and concerns raised by small business advocacy groups, the U.S. Department of Treasury (the "Treasury") released a statement outlining its objectives regarding small business financing, calling for more robust small business borrower protections and effective oversight, with commentators arguing that small businesses should receive enhanced protections. The statement also details the Treasury's desire to expand small business access to capital through partnerships between traditional and non-traditional lenders. The Treasury highlights two possible types of partnerships: (i) a referral partnership in which merchants that are unable to meet certain criteria or seeking products not offered by their financial institution are directed to a merchant cash advance provider or other alternative financing provider and (ii) co-branded or white-label partnerships, where financial institutions contract with non-traditional lenders to integrate technology services.

The legal requirements applicable to both non-traditional and traditional financing institutions may vary depending on the type of partnership. These laws may include consumer protection statutes and regulations, anti-money laundering regulations, and fair lending requirements, in addition to relevant state laws or regulations. Before engaging in these partnerships, traditional financiers may request all transactions be monitored by the institutions'

prudential regulator to the extent and merchant cash advance provider is performing functions on behalf of the financial institution. An increasing number of partnerships may cause the Treasury to re-examine registration requirements for non-traditional financing lenders, including merchant cash advance providers.

We cannot predict whether there will be any regulations adopted either by the federal government or individual state governments with respect to the merchant cash advance industry. If any such regulations are adopted and implemented, such regulations could place restrictions on the industry that could adversely affect our business.

### **Real Estate Division**

Our effort in identifying prospective target properties will be limited to the United States. To date, we have no real estate portfolio, and we have 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% of the issued and outstanding shares of common stock and 100% of the issued and outstanding preferred shares of our 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.

### ***Competition***

Our real property development business is dependent on our ability to identify suitable parcels of real property, in the markets in which we operate, that can be entitled and sold for their intended use at a premium to our purchase prices. To date, we plan to focus our real property development efforts in the United States. Given the robust nature of the real estate market in general, we face competition from a variety of sources including local and regional developers as well as national, regional, and local builders. While these parties are also customers for our properties

once they are entitled, several of these entities have internal resources greater than those of our company and are potentially capable of identifying and acquiring such properties.

### **Intellectual Property**

We believe that our intellectual property and proprietary rights are vital to our success. To protect our intellectual property and proprietary rights in our brand, technology, products, services, data, improvements and inventions, we plan to rely on a combination of patent, trademark, copyright, trade secret, and other laws, as well as contractual restrictions on disclosure, such as confidentiality agreements with strategic partners, employees, consultants and other third parties. However, we cannot guarantee that such laws or contractual restrictions will provide us with sufficient protection or that we have entered into confidentiality agreements with each party that has or may have had access to our confidential or proprietary information, know-how or trade secrets.

Furthermore, effective patent, trademark, trade dress, copyright, and trade secret protection may not be available in every region where we conduct business. In addition, the legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain and still evolving.

### **Corporate History**

We were incorporated on July 12, 1999, in the State of Nevada under the name “Beeston Enterprises Ltd.” We originally intended to establish ourselves as a Western Canadian based medical diagnostic imaging service provider. However, based on a review of the business climate in the private medical service sector in Canada, we chose to move our business in a new direction. Since the middle of 2006, the Company has been in the exploration stage, primarily engaged in the acquisition, exploration, and development of mining properties.

On May 30, 2014, we received a market effective date from FINRA for a 1-for-10 reverse stock split on our common stock outstanding.

On October 4, 2018, the District Court of Nevada appointed Custodian Ventures, LLC as custodian for Beeston Enterprises Ltd., proper notice having been given to the officers and directors of Beeston Enterprises Ltd. There was no opposition.

On October 12, 2018, we filed a certificate of reinstatement with the state of Nevada, and appointed David Lazar as President, Secretary, Treasurer and Director.

Prior to October 19, 2018, Custodian Ventures, LLC held a de minimus number of shares of capital stock in our company. On October 19, 2018, we issued 473,350,000 shares of common stock to Custodian Ventures, LLC at par for shares valued at \$473,350 in exchange for settlement of a portion of a related party loan for amounts advanced to the Company in the amount of \$9,200, and a promissory note issued to us in the amount \$464,150. The note is an unsecured, 3% simple interest bearing and due and payable in full within 180 days following written demand from the holder.

On October 29, 2018, we terminated its registration with the Securities and Exchange Commission. On December 6, 2018, we issued 25,000,000 shares of Series C preferred stock to Custodian Ventures, LLC at par for shares valued at \$25,000 in exchange for a promissory note issued to us in the amount \$25,000. The note is an unsecured, 3% simple interest bearing and due and payable in full within 180 days following written demand from the holder.

On December 12, 2018, Custodian Ventures, LLC sold (i) the 25,000,000 shares of Series C Preferred Stock to Vincent Napolitano, (ii) 5,000,000 shares of common stock to Liro Holdings, LLC, and (iii) 468,350,000 shares of common stock to Favo Group, LLC for an aggregate purchase price of \$175,000. At this point there was a change of control of our company and David Lazar resigned as President, Secretary, Treasurer and Director and Vincent Napolitano was appointed as President, Secretary, Treasurer and Director.

On December 26, 2018, we changed our name to Favo Realty, Inc. and we received a market effective from FINRA on January 9, 2019. At the time, we were a real estate investment company, intending to invest in a diversified

portfolio of quality commercial real estate properties and other real estate investments located throughout the United States and Puerto Rico.

On January 8, 2019, we received a market effective date from FINRA for a 1-for-50 reverse stock split on our common stock outstanding, as well as a change in symbol to “FAVO.”

On April 6, 2019, we 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 January 31, 2020, we entered into a stock purchase agreement with Basebay, LLC. Pursuant to the agreement, we sold Favo Blockchain Inc., our wholly owned subsidiary, to Basebay, LLC. With this transaction, we no longer operate in the crypto-currency industry.

On March 2, 2021, we changed our name from Favo Realty, Inc. to Favo Capital, Inc.

On May 31, 2023, we 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 our company. As consideration for the transfer, we agreed to 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. We raised the financing for this transaction by selling 20 million shares of our Series A Preferred Stock at \$0.25 for total of \$5,000,000. Half 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.

On June 7, 2023, we filed with the Secretary of State of the State of Nevada a Certificate of Amendment to the Articles of Incorporation to increase our authorized shares of preferred stock from 25,000,000 shares to 50,000,000 shares, par value \$0.0001 per share. The Amendment did not increase our authorized shares of common stock, which remained at 500,000,000 shares, par value \$0.0001 per share.

On November 27, 2023, we filed with the Secretary of State of the State of Nevada a Certificate of Amendment to the Articles of Incorporation to increase our authorized shares of preferred stock from 50,000,000 shares to 100,000,000 shares, par value \$0.0001 per share. The Amendment did not increase our authorized shares of common stock, which remained at 500,000,000 shares, par value \$0.0001 per share.

On November 22, 2023, we elected to decrease our authorized shares of Series C preferred shares from 25,000,000 shares down to 18,750,000 shares.

On November 27, 2023, we elected to increase our authorized shares of Series A preferred shares from 20,000,000 shares up to 81,250,000 shares.

On February 15, 2024, the Company filed with the Secretary of State of the State of Nevada Amended and Restated Articles of Incorporation.

On January 1, 2024, we completed the acquisition of the proprietary software platform and call center of LendTech CRM Solutions, LLC, Believe PMF EIRL and DBOSS Funding, LLC in a common stock and cash deal for approximately \$650,000, consisting of 1,000,000 shares of our 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.

## **Risk Factors**

### **Risks Related to our Financial Condition**

***We have a history of losses, and we may be unable to achieve profitability.***

We have incurred net losses of \$5,575,309 and \$1,451,764 for the fiscal years ended December 31, 2023, and 2022, respectively. As of June 30, 2024, we had an accumulated deficit of approximately \$17.8 million. These losses and accumulated deficit are a result of, among other things, the substantial investments we made to grow our business, and expenses incurred in connection with our acquisitions. We expect to make significant expenditures to grow our business in the future.

We plan to make opportunistic and deliberate investments in sales and marketing to attract new businesses to the financial products we offer. We also plan to continue to selectively pursue acquisition opportunities, which require that we incur various expenses and fees of external advisors. Businesses we have acquired and may in the future acquire have different levels of profitability than us, which may affect our overall profitability, particularly until we are able to realize expected synergies. These increased expenditures will make it harder for us to achieve profitability and we cannot predict with certainty whether we will achieve profitability in the near term or at all.

Historically, certain of our costs have increased each year due to these factors and we expect to continue to incur increasing costs to support our anticipated future growth. If the costs associated with acquiring new customers, including online advertising and paid search costs, outbound lead generation, scaling our field sales teams, or the terms on which our partners refer clients to us, materially rise in the future, our expenses may rise significantly. If we are unable to generate adequate revenue growth and manage our expenses, we may continue to incur significant losses and may not achieve or maintain profitability, which could cause the trading price of our shares to further decline. Failure to generate adequate revenue growth, as well as other related factors, may cause decreases in asset values, such as our goodwill, that are deemed to be other than temporary, which may result in further impairment losses.

We may make decisions that will reduce our short-term operating results if we believe those decisions will improve the experiences of our customers and their consumers and if we believe such decisions will improve our operating results over the long-term. These decisions may not be consistent with the expectations of investors and may not produce the long-term benefits that we expect, in which case our business may be materially and adversely affected.

***There is no guarantee that cash flow from operations and/or debt and equity financings will provide sufficient capital to meet our expansion goals, working capital needs or fund our operations.***

Our current strategic plan includes the expansion of our company both organically and through acquisitions if market conditions and competitive conditions allow. Due to the long-term nature of investments in acquisitions and other financial needs to support organic growth, including working capital, we expect our long-term and working capital needs to periodically exceed the short-term fluctuations in cash flow from operations. We anticipate that we may need to raise additional external capital from the sale of common stock, preferred stock and/or debt instruments as market conditions may allow, in addition to cash flow from operations (which may not always be sufficient), to fund our growth and working capital needs.

In the event that we need to raise significant amounts of external capital at any time or over an extended period, we face a risk that we may need to do so under adverse capital market conditions with the result that our existing shareholders, as well as persons who acquire our common stock, may incur significant and immediate dilution should we raise capital from the sale of our common or preferred stock. Similarly, we may need to meet our external capital needs from the sale of secured or unsecured debt instruments at interest rates and with such other debt covenants and conditions as the market then requires. However, there can be no guarantee that we will be able to raise external capital on terms that are reasonable in light of current market conditions. In the event that we are not able to do so, those who acquire our common stock may face significant and immediate dilution and other adverse consequences. Further, debt covenants contained in debt instruments that we issue may limit our financial and operating flexibility with consequent adverse impact on our common stock market price.

***We have substantial debt which could adversely affect our ability to raise additional capital to fund operations and prevent us from meeting our obligations under outstanding indebtedness.***

As of June 30, 2024, our total indebtedness was approximately \$43,275,206 million, including notes payable of approximately \$35,513,642 million.

This substantial debt could have important consequences, including the following: (i) a substantial portion of our cash flow from operations may be dedicated to the payment of principal and interest on indebtedness, thereby reducing the funds available for operations, future business opportunities and capital expenditures; (ii) our ability to obtain additional financing for working capital, debt service requirements and general corporate purposes in the future may be limited; (iii) we may face a competitive disadvantage to lesser leveraged competitors; (iv) our debt service requirements could make it more difficult to satisfy other financial obligations; and (v) we may be vulnerable in a downturn in general economic conditions or in our business and we may be unable to carry out activities that are important to our growth.

Our ability to make scheduled payments of the principal of, or to pay interest on, or to refinance our indebtedness depends on and is subject to our financial and operating performance, which in turn is affected by general and regional economic, financial, competitive, business and other factors beyond management's control. If we are unable to generate sufficient cash flow to service our debt or to fund our other liquidity needs, we will need to restructure or refinance all or a portion of our debt, which could impair our liquidity. Any refinancing of indebtedness, if available at all, could be at higher interest rates and may require us to comply with more onerous covenants that could further restrict our business operations. Despite our significant amount of indebtedness, we may need to incur significant additional amounts of debt, which could further exacerbate the risks associated with our substantial debt.

***Because we have a limited operating history, you may not be able to accurately evaluate our operations.***

We have had limited operations to date. Therefore, we have a limited operating history upon which to evaluate the merits of investing in our company. Potential investors should be aware of the difficulties normally encountered by new companies and the high rate of failure of such enterprises. The likelihood of success must be considered in light of the problems, expenses, difficulties, complications and delays encountered in connection with the operations that we plan to undertake. These potential problems include, but are not limited to, unanticipated problems relating to the ability to generate sufficient cash flow to operate our business and additional costs and expenses that may exceed current estimates. We expect to continue to incur significant losses into the foreseeable future. We recognize that if the effectiveness of our business plan is not forthcoming, we will not be able to continue business operations. There is no history upon which to base any assumption as to the likelihood that we will prove successful, and it is doubtful that we will generate any operating revenues or ever achieve profitable operations. If we are unsuccessful in addressing these risks, our business will most likely fail.

***As a growing company, we have yet to achieve a profit and may not achieve a profit in the near future, if at all.***

We have not yet produced any significant revenues or profits and may not in the near future, if at all. Further, many of our competitors have a significantly larger industry presence and revenue stream and may have already achieved profitability. Our ability to continue as a going concern is dependent upon raising capital from financing transactions, increasing revenue and keeping operating expenses below our revenue levels in order to achieve positive cash flows, none of which can be assured.

### **Risks Related to Our Business and Industry**

***Our growth may not be sustainable and depends on our ability to attract new customers, retain revenue from existing customers and increase sales to both new and existing customers.***

We operate a direct and syndication funding platform to serve small and medium-sized businesses (SMBs) in need of liquidity to fulfill their financial responsibilities. Through our direct sales, marketing, underwriting and operational platform and with our syndication partners, we provide funding solutions for customers. We originate and provide financing to businesses primarily through a merchant cash advance (MCA) product offering. Under an MCA, businesses receive funds in exchange for a portion of the business's future receivables at an agreed upon discount and repayment term. The majority of our portfolio will be invested in the MCA business.

We also engage in various real estate holdings that can provide durable, predictable cash flow. 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 returns.

We have and may continue to experience customer turnover as a result of our focus on SMBs, which are more susceptible than larger businesses to changes in general economic conditions and other risks affecting their businesses. Many of these SMBs are in the entrepreneurial stage of their development and there is no guarantee that their businesses will succeed. Such customers may be particularly susceptible to uncertainty in the macroeconomic environment, including with respect to inflationary pressures, changes in consumer spending, exchange rate fluctuations, and increases of interest rates.

We may also fail to attract new customers, retain revenue from existing customers or increase sales to both new and existing customers as a result of a number of other factors, including:

- reductions in our current or potential customers' spending levels;
- a decrease in SMB spending, including due to a deteriorating macroeconomic environment;
- competitive factors affecting the markets for our financial products, including the introduction or innovation of competing financial products and other strategies that may be implemented by our competitors;
- global political, economic, social and environmental risks that may impact our operations or our customers' operations and/or decrease consumer spending, including pandemics and other global health crises, natural disasters, acts or threats of war or terrorism and other general security concerns such as the Russian invasion of Ukraine and the Israel-Hamas war;
- our ability to execute on our financial solutions roadmap, growth strategy and operating plans;
- our ability to successfully sell and transition new and existing customers to our financial solutions;
- our ability to meet the demands and requirements of larger customers;
- a decline in the market share of SMBs relative to large enterprises;
- a decline in our SMBs' level of satisfaction with our financial solutions;
- changes in our relationships with third parties, including syndicate brokers, underwriters, brokers, real estate professionals and others;
- the timeliness and success of new financial solutions and services we may offer in the future;
- customer perceptions of business in the context of our growth and in the context of acquisitions we complete;
- our brand recognition;
- concerns relating to actual or perceived privacy or security breaches;
- the frequency and severity of any system outages;
- terminations of relationships with certain customers or partners for unacceptable business practices, contract breaches or because required by law;
- technological changes or problems; and
- our focus on long-term value over short-term results, meaning that we may make strategic decisions that may not maximize our short-term revenue or profitability if we believe that the decisions are consistent with our mission and will improve our financial performance over the long-term.

Due to these factors and the continued evolution of our business, our historical revenue growth rate and operating margin may not be indicative of future performance.

***We are subject to risks relating to the availability of capital to fund SMB customers, the ability of our customers to generate sales to remit receivables, general macroeconomic conditions, legal and regulatory risks and the risk of fraud.***

We offer MCAs and other financial solutions for SMBs. This program provides cash advances to eligible small businesses and is designed to help them with overall business growth and cash management. Merchants use these cash advances to manage their cash flows, to buy inventory, and to invest in marketing, among other things. Such merchant cash advance programs are subject to risks. We are dependent on certain third-party partners to operationalize merchant cash advances. Further, if we cannot source capital to fund the advances for our customers, we might have to reduce the availability of this service, or cease offering it altogether.

A decline in macroeconomic conditions could lead to a decrease in the number of our customers eligible for an advance, and/or increase the risk of fraud or non-payment. If more of our customers cease operations, experience a decline in sales, or engage in fraudulent behavior, including subverting our underwriting processes, it would make it more difficult for us to obtain the receivables we have purchased via merchant cash advances or to obtain repayment of merchant cash advances we have made. In addition, if we fail to correctly predict the likelihood of timely repayment of merchant cash advances, our business may be materially and adversely affected. Merchant cash advances are generally unsecured obligations, and they are not guaranteed or insured in any way. If we are unable to properly manage the risks of offering merchant cash advances to customers, our business may be materially and adversely affected.

Loss rates on merchant cash advances may increase due to factors such as prevailing interest rates, the rate of unemployment, the level of consumer and business confidence, commercial real estate values, the value of the U.S. dollar, energy prices, changes in consumer and business spending, the number of personal bankruptcies, disruptions in the credit markets and other factors. While we believe that our underwriting process is designed to establish that our customers will be a reasonable credit risk, our merchant cash advances to SMB's may nevertheless be expected to have a higher default rate than advances made to customers with more established operating and financial histories.

We intend to continue to explore other financial solutions, models, structures and markets to advance cash or capital to our merchants. Some of those models, structures or markets may require, or be deemed to require, additional procedures, partnerships, licenses, regulatory approvals or capabilities. Should we fail to expand and evolve in this manner, or should these new products, models, structures, markets or new regulations or interpretations of existing regulations, impose requirements on us that are impractical or that we cannot satisfy, the future growth and success of our merchant cash advance program may be materially and adversely affected.

***Merchant cash advance businesses may be unable to collect cash advance income on the cash advances made to customers.***

Our debtors will rely on unaffiliated banks and service providers for the Automated Clearing House (“ACH”) transaction process used to disburse the proceeds of newly originated advances to its customers and to automatically collect scheduled payments on the advances. Because merchant cash advance businesses are not a bank, they do not have the ability to directly access the ACH payment network and must therefore rely on an FDIC-insured depository institution to process the transactions, including daily payments. Although merchant cash advance businesses build redundancies between these banks and service providers, if they cannot continue to obtain such services from its then-current institutions or elsewhere, or if merchant cash advance businesses cannot transition to another processor quickly, their ability to process payments will suffer. If the merchant cash advance businesses fail to adequately collect cash advance income as a result of the loss of direct debiting or otherwise, then payments to those merchant cash advance businesses may be delayed or reduced and its revenue and operating results will be harmed. This will have a direct impact on our own ability to retrieve advances made to merchant cash advance businesses.

***We may not be able to successfully implement our growth strategy on a timely basis or at all.***

Our future growth, profitability and cash flows depend upon our ability to successfully implement our growth strategy, which, in turn, is dependent upon a number of factors, including our ability to:

- build on our success in financial solutions, such as our merchant cash advance (or similar) offerings;
- accelerate expansion by introducing new financial solutions to our product portfolio;
- continue to establish a footing in the real estate markets; and

- selectively pursue and integrate strategic and value-enhancing acquisitions.

There can be no assurance that we can successfully achieve any or all of the above initiatives in the manner or time period that we expect. Further, achieving these objectives will require investments which may result in short-term costs without generating any current revenue and therefore may be dilutive to our earnings. We cannot provide any assurance that we will realize, in full or in part, the anticipated benefits we expect our strategy will achieve. The failure to realize those benefits could have a material adverse effect on our business, financial condition and results of operations.

***The merchant cash advance industry is not currently pervasively regulated, however, future regulations or in the way future regulations are applied to the merchant cash advance industry could adversely affect our business.***

MCA regulation is generally not as stringent as small business loan regulation, but regulations do exist. There have been enactments in New York and California and discussions in several other states to implement regulations on the industry. State usury laws may not apply against merchant cash advance providers, but New York and California, for example, have state laws requiring merchant cash advance providers and other nonbank lenders to provide disclosures similar to those required under the Truth in Lending Act. These laws were enacted in order to create more transparency for small business borrowers surrounding their application for credit from non-conventional banking institutes.

There are also federal laws that apply to the industry. The Federal Trade Commission (FTC), for example, has the authority to sue merchant cash advance providers that engage in deceptive or predatory lending practices. Any merchant cash advance provider that engages in unfair or deceptive trade practices can be subjected to compensatory damages, civil penalties, and a permanent injunction from marketing, selling, or collecting merchant cash advances.

The Gramm-Leach-Bliley Act (GLBA) has provisions that prohibit creditors from making false statements to obtain a customer's bank account information. These laws apply to merchant cash advance providers.

Section 1071 of the Dodd-Frank Wall Street Reform and Consumer Protection Act requires covered financial institutions, including merchant cash advance providers, to collect and report to the Consumer Financial Protection Bureau (CFPB) data on small business applications for credit. The rules generally require financial institutions that originate at least 100 small business credit transactions annually to collect and report loan application, origination, and pricing information, as well as certain applicant/borrower demographic information, in a "small business lending application register." For purposes of the rules, a small business is one with no more than \$5 million of gross revenues in its most recent fiscal year.

We cannot predict whether there will be any regulations adopted either by the federal government or individual state governments with respect to the merchant cash advance industry. If any such regulations are adopted and implemented, such regulations could place restrictions on the industry that could adversely affect our business. The adoption of laws or regulations or the regulatory application or judicial interpretation of the laws and regulations applicable to the industry could adversely affect our ability to continue to operate our business. Additionally, any such regulations could make it more difficult for us to collect payments on merchant cash advances by subjecting us to additional licensing, registration and other regulatory requirements in the future or otherwise. A material failure to comply with any such laws or regulations could result in regulatory actions and lawsuits, which could have a material adverse effect on our business and financial condition.

A proceeding relating to one or more allegations or findings of violations of any such laws or regulations could result in modifications in our methods of doing business that could impair our ability to collect payments on our merchant cash advances to customers or could require us to pay damages and/or cancel the balance or other amounts owing under merchant cash advance contracts associated with any such violations. We cannot assure you that such claims will not be asserted against us. To the extent it is determined that the merchant cash advances that have made to our customers were not originated in accordance with any and all applicable laws or regulations, our results of operations could be materially adversely affected.

***Determination by a legislative or judicial body that a cash advance is a loan, rather than a sale, will adversely***

***affect the merchant cash advance business and Company's business.***

Currently, the merchant cash advance business structures its cash advances as sales, rather than loans. This allows merchant cash advance businesses to avoid applying for and complying with a commercial lending license. Additionally, state usury laws are often, if not always, inapplicable. However, if a legislative or judicial body determines that the merchant cash advances are loans or should be treated as loans, the merchant cash advance business could be found to be in violation of state and federal lending regulations. A material failure to comply with any such laws or regulations could result in regulatory actions, lawsuits, and damage to the merchant cash advance business reputation, which could have a material adverse effect on its business and financial condition.

A proceeding relating to one or more allegations or findings of the merchant cash advance business violation of such laws could result in modifications in its methods of doing business or could impair its ability to collect cash advance income or could result in the requirement that merchant cash advance businesses pay damages and/or cancel the balance of cash advance income associated with such violation. The Company cannot assure you that such claims will not be asserted against merchant cash advance businesses in the future.

***Many of our specialty finance investment transactions involve borrowers about which little, if any, information is publicly available, which may impair our ability to identify borrowers able to repay our advances and adversely affect the price of our publicly traded securities.***

In pursuing our business, we often interact with privately held companies about which very little public information exists. As a result, we are often required to make our investment decision on the basis of limited information, nearly all of which is obtained from the business itself, which may result in our consummating an investment with a borrower that is not as solvent or profitable as we suspected, if at all. These risks could affect our results of operations and, ultimately, the trading price of our securities.

***Failure to continue to innovate and respond to evolving technological changes may reduce demand for cash advances.***

The cash advance industry is characterized by rapidly evolving technology and frequent product introductions. Merchant cash advance businesses rely on technology to make its platform available to customers, determine the creditworthiness of cash advance applicants, and service the cash advances it makes to customers. In addition, merchant cash advance businesses may increasingly rely on technological innovation as it introduces new products, expands its current products into new markets, and continues to streamline the cash advance process. The process of developing new technologies and products is complex and if merchant cash advance businesses are unable to successfully innovate and deliver a superior customer experience, customers' demand for the merchant cash advances may decrease and the merchant cash advance business and ultimately our growth and operations may be harmed.

***Due diligence in merchant cash advance transactions is not as stringent as that of traditional loans, which presents a greater risk of fraud and inaccurate valuations.***

The required information to be provided by a merchant for a merchant cash advance is less stringent and differs from that provided for traditional capital advances and loans from institutional lenders, giving rise to numerous risks. These risks include, but are not limited to, a funder receiving fraudulent or inaccurate financial data from a merchant, entering into a transaction with a merchant who has historical and/or current credit related issues, and facing market shifts which may outdate the market research a funder uses to create its approval methodology. Although the Uniform Commercial Code governs merchant cash advance transactions as commercial transactions and provides for certain legal protections, the lack of collateral required in merchant cash advance transactions presents a risk of total and unrecoverable loss.

***Our growth strategy involves building on our success in financial solutions, which may present risks and challenges that we have not yet experienced.***

Our financial solutions, such as our merchant cash advance (or similar) offerings, continue to become an increasingly important part of our business. We also intend to engage in strategic investments in the real estate markets. Our strategy has and will continue to require significant investment in cross-functional operations and management focus, along with investment in supporting technologies and people. The availability of our financial solutions requires us to comply with different and evolving laws governing financial services, as well as the collection, storage and use of information and data, including personal data. We may incur additional costs and operational challenges in complying with these laws, and differences in these laws may cause us to operate our businesses differently in different territories. If so, we may incur additional costs and may not fully realize the investment in our expansion.

Development of new financial solutions incorporating technology is a complex process and subject to numerous uncertainties. Our success in developing such solutions will depend in part on our ability to develop them in a manner that keeps pace with continuing changes in technology, evolving industry standards, new financial solution and product introductions by competitors, changing client preferences and requirements and the interoperability of such solutions with our platform, including the platforms of companies we acquire, and third-party developed portions thereof.

In addition, we face competition from established financial solutions providers offering existing and proven financial solutions. These financial solutions providers and their financial product offerings benefit from a long history of market acceptance and familiarity as compared to our financial solutions. Potential customers for our financial solutions may be reluctant to adopt our solutions over existing solutions for a variety of reasons, such as transition costs, business disruption, or loss of functionality to which they are accustomed. Customers may also consider our solutions as inferior to similar solutions offered by our competitors. Finally, the marketability of our financial solutions we offer could be significantly affected by changes in economic or market conditions or by the adoption of new technologies and solutions. There can be no assurance that our customers will adopt our financial solutions over other competing solutions.

If we are unable to provide a convenient and consistent experience for our customers, our ability to compete and our results of operations could be adversely affected. In addition, if the solutions we offer do not appeal to our customers, reliably function as designed, or maintain the privacy and security of customer data, we may experience a loss of customer confidence or lost revenue, which could adversely affect our reputation and results of operations.

***The markets in which we participate are highly competitive. We may not be able to compete successfully against current and future competitors.***

We face competition in various aspects of our business, and we expect such competition to intensify in the future as existing and new competitors introduce new financial solutions or enhance existing solutions. We compete against companies and financial institutions across the retail banking, financial services, consumer technology and financial technology services industries, as well as other nonbank lenders serving credit-challenged consumers, including online marketplace lenders, check cashers, point-of-sale lenders and payday lenders. We may compete with others in the market who may in the future provide offerings similar to ours, particularly companies who may provide money management, lending and other services.

We have competitors with longer operating histories, larger customer bases, greater brand recognition, greater experience and more extensive commercial relationships in certain jurisdictions, and greater financial, technical, marketing and other resources than we do. Our potential new or existing competitors may be able to develop financial products and services better received by customers or may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, regulations or customer requirements. In addition, some of our larger competitors may be able to leverage a larger installed customer base and distribution network to adopt more aggressive pricing policies or terms of service and offer more attractive sales terms or customer promotions, which could cause us to lose potential sales or to sell our financial solutions at lower prices. In addition, there are a number of companies that are not currently direct competitors but that could in the future shift their focus on our industries and offer competing products and services. There is also a risk that certain of our current customers and business partners could terminate their relationships with us and use the insights they have gained from partnering

with us to introduce their own competing financial products and services. As our business evolves, the competitive pressure to innovate will encompass a wider range of financial products and services. There can be no assurance that our efforts to require new and existing customers to adopt our financial solutions will be successful and we may lose certain customers, and our operating results may be adversely affected if we are not successful in our efforts.

***The impact of worldwide economic conditions such as inflation and changes in interest rates, including the resulting effect on the operations of and spending by SMBs and on consumer spending, may adversely affect our business, operating results and financial condition.***

Our performance is subject to worldwide economic conditions and global events, including political, economic, social and environmental risks that may impact our operations or our customers' operations. Such conditions and events may adversely affect consumer confidence, consumer spending, consumer discretionary income or changes in consumer purchasing habits. Deterioration in general economic conditions, including any rise in unemployment rates, inflation and increases in interest rates, have adversely affected in the past and may in the future adversely affect consumer spending, consumer debt levels and payment card usage, and as a result, have adversely affected in the past and may in the future adversely affect our financial performance by reducing the number of transactions or average purchase amount of transactions processed using our financial solutions. Many of the customers that use our financial solutions are SMBs and many are also in the entrepreneurial stage of their development. SMBs may be disproportionately affected by the aforementioned economic conditions or economic downturns, especially if they sell discretionary goods. SMBs may also be disproportionately affected by other economic conditions, including labor shortages and global supply chain issues. SMBs frequently have limited budgets and may choose to allocate their spending to items other than our platform, especially in times of economic uncertainty or recessions. Economic and geopolitical uncertainties, including the Israel-Hamas war and Russia's invasion of Ukraine may further amplify such risks.

Weakening economic conditions may also adversely affect third parties, including suppliers and partners, with whom we have entered into relationships and upon whom we depend in order to operate and grow our business. Uncertain and adverse economic conditions may also lead to increased write-offs of our receivables, and refunds and chargebacks or potential losses to our merchant cash advance program, any of which could adversely affect our business.

***Our business could be harmed if we fail to manage our growth effectively and efficiently.***

The growth we have experienced in our business places significant demands on our operational infrastructure. The scalability and flexibility of our financial solutions depends on the functionality of our technology and network infrastructure and its ability to handle increased demand. Any problems with the transmission of increased data and requests could result in harm to our brand or reputation. Moreover, as our business grows, we will need to devote additional resources to improving our operational infrastructure and continuing to enhance its scalability in order to maintain the performance of financial offerings.

To support our growth, we expect to make sales and marketing expenditures to increase sales of our financial products and increase awareness of our brand. A significant portion of our investments in our sales and marketing and research and development activities will precede the benefits from such investments, and we cannot be sure that we will receive an adequate return on our investments.

Our growth has placed, and will likely continue to place, a significant strain on our managerial, administrative, operational, financial and other resources. We intend to further expand our overall business with no assurance that our revenues will continue to grow. As we grow, we will be required to continue to improve our operational and financial controls and reporting procedures, and we may not be able to do so effectively. Furthermore, some members of our management do not have significant experience managing a large business operation, so our management may not be able to manage such growth effectively. In managing our growing operations, we are also subject to the risks of over-hiring and/or overcompensating our employees and over-expanding our operating infrastructure. As a result, we may be unable to manage our expenses effectively in the future, which may negatively

impact our gross profit or operating expenses.

As a result of our growth, some of our employees have been with us for a short period of time, and many have joined in a remote work environment. As we continue to grow, we must effectively integrate, develop and motivate employees. We may find it difficult to maintain our corporate culture, which could limit our ability to innovate and operate effectively. Any failure to preserve our culture could also negatively affect our ability to recruit and retain personnel, to continue to perform at current levels or to execute on our business strategy effectively and efficiently.

***Our brand is integral to our success. If we fail to effectively maintain, promote and enhance our brand, our business and competitive position may be harmed.***

We believe that maintaining, promoting and enhancing the Favo Capital brand is critical to expanding our business. Maintaining and enhancing our brand will depend largely on our ability to provide high-quality, well-designed, useful, reliable and innovative financial solutions, which we may not do successfully.

Errors, defects, data breaches, disruptions, outages or other performance problems with our technology or related services, including with third-party applications, may harm our reputation and brand. We may introduce new financial solutions or terms of service that SMBs do not like, which may negatively affect our brand. Additionally, if our customers have a negative experience using our financial solutions, such an experience may affect our brand, especially as we try and gain market acceptance.

Any unfavorable media coverage or negative publicity about our industry or our company, including, for example, publicity relating to our financial products, our privacy and security practices, our product changes, our financial reporting, pending or threatened litigation, regulatory activity, or the actions of our partners or our customers, could seriously harm our reputation, even if inaccurate or misleading. Such negative publicity could also adversely affect the size, demographics, engagement, and loyalty of our customers and result in decreased revenue, which could seriously harm our business.

We believe that the importance of brand recognition will increase as competition in our market increases. In addition to our ability to provide reliable and useful solutions at competitive prices, successful promotion of our brand will depend on the effectiveness of our marketing efforts. The success of our brand promotion efforts is partly dependent on our visibility on third-party advertising platforms and changes in the way these platforms operate or changes in their terms or data use practices could make marketing and promotion of our platform and brand more expensive and difficult. Our efforts to market our brand have involved significant expenses. Our marketing spend may not yield increased revenue, and even if it does, any increased revenue may not offset the expenses we incur in building and maintaining our brand.

***Our growth depends in part on the success of our strategic relationships with third parties.***

We anticipate that the growth of our business will continue to depend on third-party relationships, including strategic partnerships and relationships with our service providers and suppliers, including syndicate partners, underwriters, brokers, real estate professionals and other partners. In addition to growing our third-party partner ecosystem, we have entered into agreements with, and intend to pursue additional relationships with, other third parties, such as technology and content providers. Some of the third parties that sell our services have direct contractual relationships with our customers, and in these circumstances, we risk the loss of such customers if those third parties fail to perform their contractual obligations, including in the event of any such third party's business failure. These third-party providers may choose to terminate their relationship with us or to make material changes to their businesses, products or services in a manner that is adverse to us.

***Security breaches, denial of service attacks, or other hacking and phishing attacks on our systems or other security breaches, including internal security failures, could harm our reputation or subject us to significant liability, and adversely affect our business and financial results.***

We operate in an industry that is prone to cyberattacks. Failure to prevent or mitigate security breaches and improper access to or disclosure of our data, customer data, or the data of their consumers, could result in the loss or misuse of such data, which could harm our business and reputation. The security measures we have integrated into our internal networks and platforms are designed to prevent or minimize security breaches but may not function as expected or may not be sufficient to protect our internal networks and platforms against certain attacks. In addition, incidents can originate on our partners' websites or systems, which can then be leveraged to access our website or systems, further preventing our ability to successfully identify and mitigate an attack. Threat actors are rapidly evolving the techniques used to sabotage or to obtain unauthorized access to networks in which data is stored or through which data is transmitted. As a result, we may be unable to anticipate these techniques or implement adequate preventative measures to prevent an electronic intrusion into our networks. While we have established cyberattack remediation plans to guide us in triaging and responding to such attacks, there can be no assurance that the measures set forth under such plan will be adequate in all circumstances nor that they will be effective in mitigating, or allowing us to recover from, the effects of such attacks. While we do not yet have insurance coverage and while we plan to obtain coverage in the near future, any coverage we acquire may be insufficient to compensate us for all liabilities that we may incur.

Our customers' storage and use of data to operate their businesses and deliver services to their consumers is essential to their use of our platform, which stores, transmits and processes our customers' proprietary information and personal information relating to them, their employees and their consumers. If a security breach were to occur, as a result of third-party action, employee error, breakdown of our internal security processes and procedures, malfeasance or otherwise, and the confidentiality, integrity or availability of our customers' data were disrupted, we could incur significant liability to our customers, to partners and to individuals whose information was being stored by our customers, and our platform may be perceived as less desirable, which could negatively affect our business and damage our reputation.

Our platform and third-party applications available on, or that interface with, our platform have been and, in the future, may be subject to distributed denial of service attacks ("DDoS"), a technique used by hackers to take an internet service offline by overloading its services. Since techniques used to deliver DDoS attacks are evolving, we may be unable to implement adequate preventative measures or stop DDoS attacks or security breaches while they are occurring. We cannot guarantee that applicable recovery systems, security protocols, network protection mechanisms and other procedures are or will be adequate to prevent network and service interruption, system failure or data loss. In addition, computer malware, viruses, ransomware, extortion, and hacking and phishing attacks or social engineering incidents by third parties are prevalent in our industry. We have experienced such attacks and security incidents in the past and may experience them in the future. For example, in Fiscal 2024 we were the target of frequent phishing and distributed DDoS attempts. Any actual or perceived DDoS attack or security breach could damage our reputation and brand, expose us to a risk of litigation and possible liability and require us to expend significant capital and other resources to respond to and/or alleviate problems caused by the DDoS attack or security breach.

Moreover, our platform and third-party applications available on, or that interface with, our platform could be breached if vulnerabilities in our platform or third-party applications are exploited by unauthorized third parties or due to employee error, breakdown of our internal security processes and procedures, malfeasance, or otherwise. If these third parties fail to adhere to adequate data security practices, or in the event of a breach of their networks, our own and our customers' data may be improperly accessed, used or disclosed. Further, threat actors may attempt to fraudulently induce employees or customers into disclosing sensitive information such as usernames, passwords or other information or otherwise compromise the security of our internal networks, electronic systems and/or physical facilities in order to gain access to our data or our customers' data. As a result of our increased visibility, the size of our customer base, and the increasing amount of confidential information we process, we believe that we are increasingly a target for such breaches and attacks. This threat may intensify in the event of retaliatory cyberattacks stemming from geopolitical events such as Russia's invasion of Ukraine. In addition to our own platform and applications, some of the third parties we work with may receive information provided by us, by our customers, or by our customers' consumers through web or mobile applications. If these third parties fail to adhere to adequate

data security practices, or in the event of a breach of their networks, our own and our customers' data may be improperly accessed, used or disclosed.

Some jurisdictions have enacted laws requiring companies to notify individuals and authorities of data security breaches involving certain types of personal or other data and our agreements with certain customers and partners require us to notify them in the event of a security incident. Similarly, if our suppliers experience data breaches and do not notify us or honor their notification obligations to authorities or users, we could be held liable for the breach. We may not be in a position to assess whether a data breach at one of our suppliers would trigger an obligation or liability on our part. Such mandatory disclosures are costly, could lead to negative publicity, and may cause our customers to lose confidence in the effectiveness of our data security measures. Moreover, if a high-profile security breach occurs with respect to another SaaS provider, customers may lose trust in the security of the SaaS business model generally, which could adversely impact our ability to retain revenue from existing customers or attract new ones. Similarly, if a high-profile security breach occurs with respect to a retailer or eCommerce platform, customers may lose trust in eCommerce more generally, which could adversely impact our customers' businesses. Any of these events could harm our reputation or subject us to significant liability, and materially and adversely affect our business and financial results.

***System failures, interruptions, delays in service, catastrophic events, inadequate infrastructure and resulting interruptions in the availability or functionality of our platform could harm our reputation or subject us to significant liability, and adversely affect our business and financial results.***

Our brand, reputation and ability to attract, retain and serve our customers are also dependent upon the reliable performance of our platform, including our underlying technical infrastructure. Our platform is mission critical for our customers who rely on it to manage their businesses and the data collected in connection therewith, including transaction records, information about inventory and customers and other important business information and data. Our systems, those of our third- service providers may experience service interruptions, human error, earthquakes, hurricanes, floods, fires, natural disasters, power losses, disruptions in telecommunications services, fraud, military or political conflicts, terrorist attacks and other geopolitical unrest, cyberattacks or disruptions, computer viruses, ransomware, malware or other events. Our systems are also subject to break-ins, sabotage, and acts of vandalism.

***Interruptions or other issues in the proper functioning of or upgrades to our information technology systems could cause disruption to our operations.***

Our information technology systems require periodic modifications, upgrades, and replacement that subject us to costs and risks, including potential disruption to our internal control structure, substantial capital expenditures, additional administration and operating expenses, retention of sufficiently skilled personnel or outside firms to implement and operate existing or new systems, diversion of management's attention from other aspects of our business, and other risks and costs of delays or difficulties in transitioning to new or modified information technology systems or of integrating new or modified information technology systems into our current technical infrastructure.

We are continually improving and upgrading our information technology systems, including systems of the companies we have acquired, which acquired systems we have integrated to varying degrees. Implementation of new information technology systems is complex, expensive, and time-consuming. If we fail to timely and successfully implement new information technology systems, or improvements or upgrades to existing or integrated information technology systems, or if such information technology systems do not operate as intended, this could have an adverse impact on our business, internal controls (including internal controls over financial reporting), results of operations and financial condition.

We heavily rely on our information technology systems to manage our various business operations and regulatory compliance. Our technical infrastructure has in the past and may in the future be subject to damage or interruption from a variety of sources, including power outages, computer and telecommunications failures, fraud, computer viruses, cybersecurity breaches, vandalism, severe weather conditions, catastrophic events, military or political

conflicts, terrorism, and human error. If our information technology systems are damaged, fail to function properly, or otherwise become compromised or unavailable, we may incur substantial costs to repair or replace them, and we may experience loss of critical data and interruptions or delays in our ability to perform critical functions, which could adversely affect our business, results of operations and financial condition.

***We store personal and other information of our partners, our customers and their consumers and our employees. If the security of this information is compromised or is otherwise accessed without authorization or is perceived to be compromised or accessed without authorization, our reputation may be harmed, and we may be exposed to liability and loss of business.***

We store personal information and other confidential information of our partners and our customers and may also store credit card information of our customers. We also collect and maintain personal information of our employees. We do not regularly monitor or review the content that our customers upload and store, or the information provided to us through the applications integrated with our platform, and, therefore, we do not control the substance of the content hosted within our platform, which may include personal information. Additionally, we use third-party service providers and sub processors to help us deliver services to customers and their consumers. These service providers and sub processors may store personal information, credit card information and/or other confidential information.

We have in the past experienced and may in the future experience successful attempts by third parties to obtain unauthorized access to the personal information of our partners, our customers and our customers' consumers, and events or situations as a result of which this information was or could be exposed through human error, malfeasance or otherwise. The unauthorized or inadvertent release or access, or other compromise of this information could have a material adverse effect on our business, financial condition and results of operations. Even if such a data breach were to affect one or more of our competitors or our customers' competitors, rather than us, the resulting consumer concern could negatively affect our customers and/or our business.

We are also subject to federal, state, provincial and foreign laws regarding cybersecurity and the protection of data. The regulatory framework in Canada, the United States, Europe and many other jurisdictions in respect of privacy issues is constantly evolving and is likely to remain uncertain for the foreseeable future. Numerous laws and regulations, including Canada's Personal Information Protection and Electronic Documents Act, Québec's Law 25, the European Union's General Data Protection Regulation (GDPR), the UK's General Data Protection Regulation, the California Consumer Privacy Act as modified by the California Consumer Privacy Rights Act, the Virginia Consumer Data Protection Act, the Colorado Privacy Act, the Connecticut Data Privacy Rights Act, and the Utah Consumer Privacy Act, have detailed requirements concerning the collection, use, disclosure, transfer, safeguarding, and retention of personal data and grant individuals certain rights related to their personal data.

Similar U.S. state laws will be going into effect in 2024, while others have been proposed in additional U.S. states and at the federal level, reflecting a trend toward more stringent privacy legislation in the U.S. The enactment of such laws could have potentially conflicting requirements that would make compliance challenging. Restrictions imposed by such laws may also impair our merchant's ability to sell or market their products or adversely impact our product development efforts, which could affect our operating results.

In addition to the foregoing, a breach of cybersecurity and data protection laws could result in regulatory investigations, reputational damage, orders to cease or change our data processing, enforcement notices, and / or assessment notices (for a compulsory audit). We may also face civil claims including representative actions and other class action type litigation (where individuals have suffered harm), potentially amounting to significant compensation or damages liabilities, as well as associated costs, diversion of internal resources, and reputational harm.

The interpretation and application of the above laws are often uncertain and such laws may be interpreted and applied in a manner inconsistent with our current policies and practices or require us to make changes to our platform. Additionally, laws in some jurisdictions, as well as our contracts with certain customers, require us to use industry-

standard or reasonable measures to safeguard personal information or confidential information, and thereby mitigate the risk of a security incident. These laws and contractual obligations, which tend to focus on individuals' financial and payment related information, are increasingly relevant to us, as we have started to process more information from our customers' consumers through our platform.

Our failure to comply with legal or contractual requirements around the security of personal information could lead to significant fines and penalties imposed by regulators, as well as claims by our partners, our customers and their consumers, our employees or other relevant stakeholders. These proceedings or violations could force us to spend money in defense or settlement of these proceedings, result in the imposition of monetary liability or injunctive relief, diversion of management's time and attention, increase our costs of doing business, and materially adversely affect our reputation and the demand for our solutions.

***Significant increases in the cost or decreases in the availability of the insurance we maintain could adversely impact our financial condition.***

To protect the Company against various potential liabilities, we maintain a variety of insurance programs, including key man insurance, workers' compensation and omissions and error insurance. We may reevaluate and change the types and levels of insurance coverage that we purchase. We are self-insured when insurance is not available or not available at reasonable premiums. We are currently looking into acquiring general liability insurance, directors' and officers' insurance, and cyber security insurance. There are types of losses we may incur but against which we cannot be insured or which we believe are not economically reasonable to insure, such as losses due to acts of war, employee and certain other crime, certain wage and hour and other employment-related claims, including class actions, actions based on certain customer protection laws, and some natural and other disasters or similar events. If we incur such losses and they are material, our business could suffer. Risks associated with insurance plans include:

- Insurance costs could increase significantly, or the availability of insurance may decrease, either of which could adversely impact our financial condition;
- Deductible or retention amounts could increase, or our coverage could be reduced in the future and to the extent losses occur, there could be an adverse effect on our financial results depending on the nature of the loss and the level of insurance coverage we maintained;
- Insurance may not be available to us at an economically reasonable cost, or our insurance may not adequately cover our liability in connection with claims brought against us; and
- As our business inherently exposes us to claims, we may become subject to claims for which we are not adequately insured. Unanticipated payment of a large claim may have a material adverse effect on our business.

***As an Emerging Growth Company under the Jobs Act, we are permitted to rely on exemptions from certain disclosures requirements.***

We qualify as an "emerging growth company" under the JOBS Act. As a result, we are permitted to, and intend to, rely on exemptions from certain disclosure requirements. For so long as we are an emerging growth company, we will not be required to:

- have an auditor report on our internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act;
- comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements (i.e., an auditor discussion and analysis);
- submit certain executive compensation matters to shareholder advisory votes, such as "say-on-pay" and "say-on-frequency;" and
- disclose certain executive compensation related items such as the correlation between executive compensation and performance and comparisons of the Chief Executive's compensation to median employee compensation.

In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of the benefits of this extended transition period. Our financial statements may therefore not be comparable to those of companies that comply with such new or revised accounting standards.

We will remain an "emerging growth company" for up to five years, or until the earliest of (i) the last day of the first fiscal year in which our total annual gross revenues exceed \$1 billion, (ii) the date that we become a "large accelerated filer" as defined in Rule 12b-2 under the Securities Exchange Act of 1934, which would occur if the market value of our ordinary shares that is held by non-affiliates exceeds \$700 million as of the last business day of our most recently completed second fiscal quarter or (iii) the date on which we have issued more than \$1 billion in non-convertible debt during the preceding three year period.

Until such time, however, we cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

***Because we are a "Smaller Reporting Company," we may take advantage of certain scaled disclosures available to us, resulting in holders of our securities receiving less company information than they would receive from a public company that is not a Smaller Reporting Company.***

We are a "smaller reporting company" as defined in the Exchange Act. As a smaller reporting company, we may take advantage of certain of the scaled disclosures available to smaller reporting companies and will be able to take advantage of these scaled disclosures for so long as (i) our voting and non-voting common stock held by non-affiliates is less than \$250 million measured on the last business day of our second fiscal quarter, or (ii) our annual revenue is less than \$100 million during the most recently completed fiscal year and our voting and non-voting common stock held by non-affiliates is less than \$700 million measured on the last business day of our second fiscal quarter. To the extent we take advantage of any reduced disclosure obligations, it may make it harder for investors to analyze the Company's results of operations and financial prospectus in comparison with other public companies.

### **Risks Related to Acquisitions**

***We have in the past made, and in the future may make, acquisitions and investments that could divert management's attention, result in operating difficulties and dilution to our shareholders and otherwise disrupt our operations and adversely affect our business, operating results or financial position.***

Pursuing strategic and value-enhancing acquisitions or investment opportunities is one of our key growth strategies and has been an important contributor to our past growth. We may also in the future evaluate potential divestitures to align with our growth strategy. Any transactions that we enter into could be material to our financial condition and results of operations. Acquisitions and integrations or divestitures could create unforeseen operating difficulties and expenditures, whether or not such transactions are ultimately completed. Acquisitions, divestitures, and investments involve a number of risks, such as:

- diversion of management time and focus from operating our business;
- use of resources that are needed in other areas of our business;
- in the case of an acquisition, implementation or remediation of controls, procedures and policies of the acquired company;
- in the case of an acquisition, difficulty integrating the accounting systems and operations of the acquired company;
- in the case of an acquisition, coordination of product, engineering and selling and marketing functions, including difficulties and additional expenses associated with supporting legacy services and products and

hosting infrastructure of the acquired company and difficulty converting the customers of the acquired company onto our systems, platforms and contract terms, including disparities in the revenues, licensing, support or professional services model of the acquired company;

- in the case of an acquisition, difficulty integrating, supporting or enhancing acquired product lines or services, including difficulty in transitioning acquired solutions developed with different source code architectures to our integrated platforms, difficulty in supporting feature development across our full suite of house-built and acquired solutions and strain on resources from marketing and supporting multiple platforms prior to integration;
- in the case of an acquisition, retention and integration of employees from the acquired company, and preservation of our corporate culture;
- in the case of an acquisition, reliance on certain existing executive teams of acquired companies in new industries;
- in the case of an acquisition or divestiture, difficulty delivering on our product strategy, including building a platform that enables us to drive value across our full ecosystem of merchants, suppliers and consumers;
- unforeseen costs or liabilities;
- adverse effects to our existing business relationships with partners and customers as a result of the acquisition, investment or divestiture;
- the possibility of adverse tax consequences;
- in the case of an acquisition or divestiture, we may not be able to secure required regulatory approvals or otherwise satisfy closing conditions for a proposed transaction in a timely manner, or at all;
- fluctuations in the value of our investments, impairment to the value of our investments, or the failure to realize a return on such investments;
- regulatory risks, litigation or other claims inherited from or arising in connection with the acquired company, investment or divestiture;
- in the case of a divestiture, unforeseen loss of institutional knowledge, resources, know-how, or other assets;
- in the case of a divestiture, potential contractual obligations may trigger, such as change of control obligations, which may negatively impact our ability to execute on such divestiture, our business, our financial condition, or our operating results; and
- in the case of foreign acquisitions, the need to integrate operations across different cultures and languages and to address the particular economic, currency, political and regulatory risks associated with specific countries.

Acquisitions and investments may also result in dilutive issuances of equity securities, which could adversely affect our share price, or result in issuances of securities with superior rights and preferences to the subordinate voting shares or the incurrence of debt with restrictive covenants that limit our future uses of capital in pursuit of business opportunities. Divestitures may also not be well-received by the market, which could adversely affect our share price.

We may not be able to identify acquisition or investment opportunities that meet our strategic objectives, or to the extent that such opportunities are identified, we may not be able to negotiate terms with respect to the acquisition or investment that are acceptable to us. In addition, the acquisitions and investments that we consummate may fail to achieve our strategic objectives, in which case we may shut down, divest, or otherwise exit the acquired business or investment, which could harm our reputation and adversely affect our financial position and results of operations.

***Businesses we acquire may not have disclosure controls and procedures and internal controls over financial reporting, cybersecurity controls and data privacy compliance programs, or their existing controls and programs may be weaker than or otherwise not in conformity with ours.***

Upon consummating an acquisition, we seek to implement our disclosure controls and procedures, our internal

controls over financial reporting as well as procedures relating to cybersecurity and compliance with data privacy laws and regulations at the acquired company as promptly as possible. Depending upon the nature and scale of the business acquired, the implementation of our disclosure controls and procedures as well as the implementation of our internal controls over financial reporting at an acquired company may be a lengthy process and may divert our attention from other business operations. Our integration efforts may periodically expose deficiencies or suspected deficiencies in the controls, procedures and programs of an acquired company that were not identified in our due diligence undertaken prior to consummating the acquisition. Where there exists a risk of deficiencies in controls, procedures or programs, we may not be in a position to comply with our obligations under applicable laws, regulations, rules and listing standards or we may be required to avail ourselves of scope limitations with respect to certifications required thereunder, and, as a result, our business and financial condition may be materially harmed.

***We may consider potential business or asset acquisitions in different industries, and stockholders may have no basis at this time to ascertain the merits or risks of any business or asset that we may ultimately operate or acquire.***

Our business strategy contemplates the potential acquisition of one or more additional operating businesses or other assets that we believe will provide better returns on equity than our previous businesses and/or enhance the returns achieved from our current operating segments. There is no current basis for stockholders to evaluate the possible merits or risks of a target business or asset with which we may ultimately consummate a business combination, acquisition, or other investment. Although we will seek to evaluate the risks inherent in any particular business or acquisition opportunity, we cannot assure stockholders that all of the significant risks present in that opportunity will be properly assessed. Even if we properly assess those risks, some of them may be outside of our control or ability to assess. We may pursue business combinations, asset acquisitions, or investments that do not require stockholder approval and, in those instances, stockholders will most likely not be provided with an opportunity to evaluate the specific merits or risks of any such transaction before we become committed to the transaction(s).

***Resources will be expended in researching potential acquisitions and investments that might not be consummated.***

The investigation of target businesses and assets and the negotiation, drafting, and execution of relevant agreements, disclosure documents, and other instruments has required and will continue to require substantial management time and attention, in addition to costs for accountants, attorneys, and others engaged from time to time to assist management. If a decision is made not to complete a specific business combination, asset acquisition, or other investment, the costs incurred up to that point relating to the proposed transaction likely would not be recoverable and would be borne by us. Furthermore, even if an agreement is reached relating to a specific opportunity, we may fail to consummate the transaction for any number of reasons, including those beyond our control.

***Subsequent to an acquisition or business combination, we may be required to take write-downs or write-offs, incur restructuring costs, and incur impairment or other charges that could have a significant negative effect on our financial condition, results of operations, and share price, which could cause stockholders to lose some or all of their investments.***

Even if we conduct extensive due diligence on a target business with which we combine or an asset which we acquire, we cannot assure stockholders that this diligence will identify all material issues that may be present with respect to a particular target business or asset, that it would be possible to uncover all material issues through a customary and reasonable amount of due diligence, or that factors outside of the target business and outside of our control will not later arise. As a result of these factors, we may be forced to later write-down or write-off assets, restructure our operations, or incur impairment or other charges that could result in our reporting losses. Even if our due diligence successfully identifies certain risks, unexpected risks may arise, and previously known risks may materialize in a manner not consistent with our preliminary risk analysis. Even though these charges may be non-cash items, and therefore will not have an immediate impact on our liquidity, the fact that we report charges of this nature could contribute to negative market perceptions about us or our securities. In addition, charges of this nature may cause us to violate net worth or other covenants to which we may be subject as a result of assuming pre-existing debt held by a target business or associated with a target asset, or by virtue of our obtaining debt financing in connection with our future operations. Accordingly, stockholders could suffer a significant reduction in the value of their shares.

## **Risks Related to Real Estate**

***We currently do not currently have a real estate portfolio, and we do not have any specific target properties for acquisition and sale.***

Our effort in identifying prospective target properties will only be limited to the United States. To date, we have 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. 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.

Management 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.

Because we have not yet acquired any properties, we face all of the obstacles in entering a new business, including competition by those with greater resources than ours, a lack of revenues, expenses associated with a new business operation, regulatory hurdles and others.

***We may engage in real estate transactions or other strategic opportunities that involve property types or structures with which we have less familiarity, thereby increasing our risk of loss.***

We may decide to participate in real estate transactions and other strategic opportunities in which we have limited or no prior experience. When engaging in such transactions, we may not be successful in our due diligence and underwriting efforts. We may also be unsuccessful in preserving value if conditions deteriorate, and we may expose ourselves to unknown substantial risks. Furthermore, engaging in unfamiliar transactions may require additional management time and attention relative to transactions with which we are more familiar. All of these factors increase our risk of loss.

## **Risks Related to Our Management and Control Persons**

***We rely heavily on our management, and the loss of their services could adversely affect our business.***

Our success is highly dependent upon the continued services of our Chief Executive Officer, Vincent Napolitano, and our President, Shaun Quin. The loss of their services would have a material adverse effect on the Company and its business operations.

The market for skilled employees is highly competitive, especially for employees in our industry. Although we expect that our planned compensation programs will be intended to attract and retain the employees required for us to be successful, there can be no assurance that we will be able to retain the services of all our key employees or a sufficient number to execute our plans, nor can there be any assurance we will be able to continue to attract new employees as required.

***Our lack of adequate D&O insurance may also make it difficult for us to retain and attract talented and skilled officers and directors.***

In the future we may be subject to additional litigation, including potential class action and stockholder derivative actions. Risks associated with legal liability are difficult to assess and quantify, and their existence and magnitude can remain unknown for significant periods of time. To date, we have not obtained directors and officers liability (“D&O”) insurance. Without adequate D&O insurance, the amounts we would pay to indemnify our officers and directors should they be subject to legal action based on their service to the Company could have a material adverse effect on our financial condition, results of operations and liquidity. Furthermore, our lack of adequate D&O insurance may make it difficult for us to retain and attract talented and skilled directors and officers, which could adversely affect our business.

***The holder of our Series C Preferred Stock possesses significant voting power with respect to our voting stock, which will limit your influence on corporate matters.***

There are currently 18,750,00 shares of Series C Preferred Stock held by our Chief Executive Officer, Vincent Napolitano. Additionally, Mr. Napolitano also holds 30,040,149 shares of our common stock.

The certificate of designation, as amended, for the Series C Preferred Stock provides that the holders of each share of Series C Preferred Stock shall have the right to twenty-five (25) votes for each share of Series C Preferred Stock, and with respect to each vote of such votes, such holder shall have full voting rights and powers equal to the voting rights and powers of the holders of our common stock.

As of June 30, 2024 Mr. Napolitano, with his common stock and Series C Preferred Stock, has a majority of the total vote on all matters submitted to the stockholders (and written actions of stockholders in lieu of meetings) for their action and consideration, including the election of directors. As a result, he has the ability to significantly influence our management and affairs through the election and removal of our board of director and all other matters requiring stockholder approval, including any future merger, consolidation or sale of all or substantially all of our assets. This concentrated voting power could discourage others from initiating any potential merger, takeover or other change-of-control transaction that may otherwise be beneficial to our stockholders. Furthermore, this concentrated control will limit the practical effect of your influence over our business and affairs, through any stockholder vote or otherwise. Any of these effects could depress the price of our common stock.

***If we are unable to attract and retain qualified personnel, especially our design and technical personnel, we may not be able to execute our business strategy effectively.***

Our future success depends on our ability to retain, attract and motivate qualified personnel, including our management, sales and marketing, finance, and especially our design and technical personnel. As the source of our technological and product innovations, our design and technical personnel represent a significant asset. Any inability to retain, attract or motivate such personnel could have a material adverse effect on our business and results of operations.

***Provisions in the Nevada Revised Statutes and our Bylaws could make it very difficult for an investor to bring any legal actions against our directors or officers for violations of their fiduciary duties or could require us to pay any amounts incurred by our directors or officers in any such actions.***

Members of our board of directors and our officers will have no liability for breaches of their fiduciary duty of care as a director or officer, except in limited circumstances, pursuant to provisions in the Nevada Revised Statutes and our Bylaws as authorized by the Nevada Revised Statutes (NRS). Specifically, NRS 78.138 provides that a director or officer is not individually liable to the company or its shareholders or creditors for any damages as a result of any act or failure to act in his or her capacity as a director or officer unless it is proven that (1) the director's or officer's act or failure to act constituted a breach of his or her fiduciary duties as a director or officer and (2) his or her breach of those duties involved intentional misconduct, fraud or a knowing violation of law.

This provision is intended to afford directors and officers protection against and to limit their potential liability for monetary damages resulting from suits alleging a breach of the duty of care by a director or officer. Accordingly, you may be unable to prevail in a legal action against our directors or officers even if they have breached their fiduciary duty of care.

In addition, our Bylaws allow us to indemnify our directors and officers from and against any and all costs, charges and expenses resulting from their acting in such capacities with us. This means that if you were able to enforce an action against our directors or officers, in all likelihood, we would be required to pay any expenses they incurred in defending the lawsuit and any judgment or settlement they otherwise would be required to pay. Accordingly, our indemnification obligations could divert needed financial resources and may adversely affect our business, financial condition, results of operations and cash flows, and adversely affect prevailing market prices for our common stock.

***Our officers and directors have limited experience managing a public company.***

Our officers and directors have limited experience managing a public company. Consequently, we may not be able to raise any funds or run our public company successfully. Our executive officer's and director's lack of experience of managing a public company could cause you to lose some or all of your investment.

### **Risks Related to Legal Uncertainty**

***Claims made against us from time to time can result in litigation that could distract management from our business activities and result in significant liability or damage to our brand.***

As a company with expanding operations, we increasingly face the risk of litigation and other claims against us. We have no such claims at present. Litigation and other claims may arise in the ordinary course of our business and include employee claims, commercial disputes, landlord-tenant disputes, intellectual property issues, product-oriented allegations and slip and fall claims. These claims can raise complex factual and legal issues that are subject to risks and uncertainties and could require significant management time. Litigation and other claims against us could result in unexpected expenses and liabilities, which could materially adversely affect our operations and our reputation.

In addition, the industries in which we operate, funding and real estate, are characterized by extensive litigation and, from time to time, we may become the subject of various claims. Regardless of outcome, such claims are expensive to defend and divert management and operating personnel from other business issues. A successful claim or claims against us could result in payment of significant monetary damages and/or injunctive relief.

***We may be classified as an inadvertent investment company if we acquire investment securities in excess of 40% of our total assets.***

We are engaged in the business of being a diversified holding company engaged in significant finance and real estate activities while we continue to seek to acquire or establish other finance or operating businesses or assets. Our acquisition strategy focuses on evaluating acquisition targets that have reasonable growth prospects and our

management spends a significant portion of its time reviewing potential acquisitions, conducting due diligence, and seeking to negotiate transaction terms. From time to time, we may purchase investment securities as part of a deliberate strategy to obtain control of an operating business.

Under the Investment Company Act of 1940 (the “ICA”), a company may fall within the scope of being an “inadvertent investment company” under Section 3(a)(1)(C) of the ICA if the value of its investment securities (as defined in the ICA) is more than 40% of the company’s total assets on an unconsolidated basis (exclusive of government securities and cash and cash equivalents). We do not believe that we are engaged in the business of investing, reinvesting, or trading in securities, and we do not hold ourselves out as being engaged in the business of investing, reinvesting, or trading in securities. However, we seek prudently to hold excess liquid resources in marketable securities to preserve resources needed to acquire operating businesses or assets and fund our finance and real estate activities.

The Board of Directors and management regularly monitor our status relative to the inadvertent investment company test under the ICA and believe that the Company is not currently an inadvertent investment company based on the assets test under Section 3(a)(1)(C) of the ICA.

If we were deemed to be an inadvertent investment company and determined to or were required to become a registered investment company, we would be subject to burdensome and costly compliance requirements and restrictions that would limit our activities, including limitations on our capital structure, additional corporate governance requirements, and other limitations on our ability to transact business as currently conducted. We do not believe that it would be practical or feasible for a company of our size, management, and financial resources to operate as a registered investment company. To avoid being deemed an inadvertent investment company or becoming a registered investment company, we may decide or be required to sell certain of our investments on disadvantageous terms, hold a greater proportion of our investments in marketable securities in U.S. government securities or cash equivalents that have a lower rate of return than other investment securities, or make other material modifications to our business operations and strategy, any or all of which could have a material adverse effect on our business, financial condition, results of operations, and future prospects.

***We may be subject to tax and regulatory audits which could subject us to liabilities.***

We are subject to tax and regulatory audits which could result in the imposition of liabilities that may or may not have been reserved. We are subject to audits by taxing and regulatory authorities with respect to certain of our income and operations. These audits can cover periods for several years prior to the date the audit is undertaken and could result in the imposition of liabilities, interest and penalties if our positions are not accepted by the auditing entity.

***Changes in regulations or user concerns regarding privacy and protection of user data, or any failure to comply with such laws, could adversely affect our business.***

Federal, state, and international laws and regulations govern the collection, use, retention, disclosure, sharing and security of data that we receive from and about our users. The use of consumer data by online service providers is a topic of active interest among federal, state, and international regulatory bodies, and the regulatory environment is unsettled. Many states have passed laws requiring notification to users where there is a security breach for personal data, such as California’s Information Practices Act. We face similar risks in international markets where our products and services are offered. Any failure, or perceived failure, by us to comply with or make effective modifications to our policies, or to comply with any applicable federal, state, or international privacy, data-retention or data-protection-related laws, regulations, orders or industry self-regulatory principles could result in proceedings or actions against us by governmental entities or others, a loss of user confidence, damage to our business and brand, and a loss of users, which could potentially have an adverse effect on our business.

In addition, various federal, state and foreign legislative or regulatory bodies may enact new or additional laws and regulations concerning privacy, data retention, data transfer and data protection issues, including laws or regulations mandating disclosure to domestic or international law enforcement bodies, which could adversely impact our

business, our brand or our reputation with users. For example, some countries are considering or have enacted laws mandating that user data regarding users in their country be maintained in their country. In addition, there currently is a data protection regulation applicable to member states of the European Union that includes operational and compliance requirements that are different than those currently in place and that also includes significant penalties for non-compliance.

The interpretation and application of privacy, data protection, data transfer and data retention laws and regulations are often uncertain and in flux in the United States and internationally. These laws may be interpreted and applied inconsistently from country to country and inconsistently with our current policies and practices, complicating long-range business planning decisions. If privacy, data protection, data transfer or data retention laws are interpreted and applied in a manner that is inconsistent with our current policies and practices, we may be fined or ordered to change our business practices in a manner that adversely impacts our operating results. Complying with these varying international requirements could cause us to incur substantial costs or require us to change our business practices in a manner adverse to our business and operating results.

***Nevada law and certain anti-takeover provisions of our corporate documents could entrench our management or delay or prevent a third party from acquiring us or a change in control even if it would benefit our shareholders.***

Certain provisions of Nevada law may have an anti-takeover effect and may delay or prevent a tender offer or other acquisition transaction that a shareholder might consider to be in his or her best interest. The summary of the provisions of Nevada law set forth below does not purport to be complete and is qualified in its entirety by reference to Nevada law.

The issuance of shares of preferred stock, the issuance of rights to purchase such shares, and the imposition of certain other adverse effects on any party contemplating a takeover could be used to discourage an unsolicited acquisition proposal. For instance, the issuance of a series of preferred stock might impede a business combination by including class voting rights that would enable a holder to block such a transaction. In addition, under certain circumstances, the issuance of preferred stock could adversely affect the voting power of holders of our common stock.

Under Nevada law, a director, in determining what he reasonably believes to be in or not opposed to the best interests of the corporation, does not need to consider only the interests of the corporation's shareholders in any takeover matter but may also, in his discretion, may consider any of the following:

- (i) The interests of the corporation's employees, suppliers, creditors and customers;
- (ii) The economy of the state and nation;
- (iii) The impact of any action upon the communities in or near which the corporation's facilities or operations are located;
- (iv) The long-term interests of the corporation and its shareholders, including the possibility that those interests may be best served by the continued independence of the corporation; and
- (v) Any other factors relevant to promoting or preserving public or community interests.

Because our board of directors is not required to make any determination on matters affecting potential takeovers solely based on its judgment as to the best interests of our shareholders, our board could act in a manner that would discourage an acquisition attempt or other transaction that some, or a majority, of our shareholders might believe to be in their best interests or in which such shareholders might receive a premium for their stock over the then market price of such stock. Our board presently does not intend to seek shareholder approval prior to the issuance of currently authorized stock, unless otherwise required by law or applicable stock exchange rules.

***If we fail to maintain an effective system of internal control over financial reporting in the future, we may not be able to accurately report our financial condition, results of operations or cash flows, which may adversely affect investor confidence in us and, as a result, the value of our common shares.***

We are required, under Section 404 of the Sarbanes-Oxley Act, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting. This assessment includes disclosure of any material weaknesses identified by our management in our internal control over financial reporting. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting that results in more than a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected on a timely basis. Section 404 of the Sarbanes-Oxley Act also generally requires an attestation from our independent registered public accounting firm on the effectiveness of our internal control over financial reporting. However, for as long as we remain a smaller reporting company, we intend to take advantage of the exemption permitting us not to comply with the independent registered public accounting firm attestation requirement.

Our compliance with Section 404 will require that we incur substantial accounting expense and expend significant management efforts. We may not be able to complete our evaluation, testing and any required remediation in a timely fashion. During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal control over financial reporting is effective.

***Our disclosure controls and procedures may not prevent or detect all errors or acts of fraud.***

Our disclosure controls and procedures are designed to reasonably assure that information required to be disclosed by us in reports we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to management, recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. We believe that any disclosure controls and procedures or internal controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by an unauthorized override of the controls. Accordingly, because of the inherent limitations in our control system, misstatements or insufficient disclosures due to error or fraud may occur and not be detected.

***Deficiencies in disclosure controls and procedures and internal control over financial reporting could result in a material misstatement in our financial statements.***

We could be adversely affected if there are deficiencies in our disclosure controls and procedures or in our internal controls over financial reporting. The design and effectiveness of our disclosure controls and procedures and our internal controls over financial reporting may not prevent all errors, misstatements or misrepresentations. Consistent with other entities in similar stages of development, we have a limited number of employees currently in the accounting group, limiting our ability to provide for segregation of duties and secondary review. A lack of resources in the accounting group could lead to material misstatements resulting from undetected errors occurring from an individual performing primarily all areas of accounting with limited secondary review. Deficiencies in internal controls over financial reporting which may occur could result in material misstatements of our results of operations, restatements of financial statements, other required remediations, a decline in the price of our common shares, or otherwise materially adversely affect our business, reputation, results of operations, financial condition or liquidity.

***There may be deficiencies with our internal controls that require that require improvements, and if we are unable to adequately evaluate internal controls, we may be subject to sanctions by the SEC.***

We are exposed to potential risks from legislation requiring companies to evaluate internal controls under Section

404a of the Sarbanes-Oxley Act of 2002. As a smaller reporting company and emerging growth company, we will not be required to provide a report on the effectiveness of our internal controls over financial reporting until our second annual report, and we will be exempt from the auditor attestation requirements concerning any such report so long as we are an emerging growth company or a smaller reporting company. We have not yet evaluated whether our internal control procedures are effective and therefore there is a greater likelihood of undiscovered errors in our internal controls or reported financial statements as compared to issuers that have conducted such evaluations. If we are not able to meet the requirements of Section 404a in a timely manner or with adequate compliance, we might be subject to sanctions or investigation by regulatory authorities, such as the SEC.

***We may be unable to protect our intellectual property from infringement by third parties, and the third parties may claim that we are infringing on their intellectual property, either of which could materially or adversely affect us.***

We intend to rely on patent protection, trade secrets, technical know-how and continuing technological innovation to protect our intellectual property, and we expect to require any employees, consultants and advisors that we may hire or engage in the future to execute confidentiality and assignment of inventions agreements in connection with their employment, consulting or advisory relationships. There can be no assurance, however, that these agreements will not be breached or that we will have adequate remedies for any such breach.

Despite our efforts to protect our intellectual property, third parties may infringe or misappropriate our intellectual property or may develop intellectual property competitive with ours. Our competitors may independently develop similar technology or otherwise duplicate our financial products and services. As a result, we may have to litigate to enforce and protect our intellectual property rights to determine their scope, validity or enforceability. Intellectual property litigation is particularly expensive, time-consuming, diverts the attention of management and technical personnel and could result in substantial cost and uncertainty regarding our future viability. The loss of intellectual property protection or the inability to secure or enforce intellectual property protection would limit our ability to produce and/or market our products and services in the future and would likely have an adverse effect on any revenues we may in the future be able to generate by the sale or license of such intellectual property.

We may be subject to costly litigation in the event our future services or technology infringe upon another party's proprietary rights. Third parties may have, or may eventually be issued, patents that would be infringed by our technology. Any of these third parties could make a claim of infringement against us with respect to our technology. We may also be subject to claims by third parties for breach of copyright, trademark or license usage rights. Any such claims and any resulting litigation could subject us to significant liability for damages or injunctions precluding us from utilizing our technology or services or marketing or selling any products or services under the same. An adverse determination in any litigation of this type could require us to design around a third party's patent, license alternative technology from another party or otherwise result in limitations in our ability to use the intellectual property subject to such claims.

***We may be exposed to liabilities under the Foreign Corrupt Practices Act and any determination that we violated these laws could have a materially adverse effect on our business.***

We are subject to the Foreign Corrupt Practices Act (FCPA), and other laws that prohibit improper payments or offers of payments to foreign governments and their officials and political parties by U.S. persons and issuers as defined by the statute, for the purpose of obtaining or retaining business. It is our policy to implement safeguards to discourage these practices by our employees. However, our existing safeguards and any future improvements may prove to be less than effective, and our employees, consultants, sales agents or distributors may engage in conduct for which we might be held responsible. Violations of the FCPA may result in severe criminal or civil sanctions and we may be subject to other liabilities, which could negatively affect our business, operating results and financial condition.

## **Risks Related to Our Securities**

***We have the right to issue additional common stock and preferred stock without the consent of our stockholders, which would have the effect of diluting investors' ownership and could decrease the value of their investment.***

We have additional authorized, but unissued shares of our common stock that may be issued by us for any purpose without the consent or vote of our stockholders that would dilute stockholders' percentage ownership of our company.

Our articles of incorporation authorize the issuance of shares of preferred stock and/or the conversion of existing outstanding preferred stock into common stock, the rights, preferences, designations and limitations of which may be set by the board of directors. Our articles of incorporation have authorized the issuance of up to 500,000,000 shares of common stock and up to 100,000,000 shares of preferred stock in the discretion of our Board.

Any authorized but unissued preferred stock may be issued upon board of directors' approval; no further stockholder action is required. If issued, the rights, preferences, designations and limitations of such preferred stock would be set by our Board and could operate to the disadvantage of the outstanding common stock. Such terms could include, among others, preferences as to dividends and distributions on liquidation.

***Our Series A Preferred Stock, our Series C Preferred Stock, and all of our existing and future indebtedness rank senior to our common stock in the event of a liquidation, winding up or dissolution of our business.***

In the event of our liquidation, winding up or dissolution, our assets would be available to make payments to holders of all existing and future indebtedness, holders of the Series C Preferred Stock and the holders of the Series A Preferred Stock, before payments to holders of our common stock. In the event of our bankruptcy, liquidation or winding up, there may not be sufficient assets remaining, after paying amounts to the holders of our indebtedness and preferred stockholders, to pay anything to common stockholders. As of June 30, 2024, we had total consolidated liabilities of approximately \$43.2 million, with 81,250,000 shares of Series A Preferred Stock outstanding, and with 18,750,000 shares of Series C Preferred Stock outstanding. Any liquidation, winding up or dissolution of our company or of any of our wholly or partially owned subsidiaries would have a material adverse effect on the holders of our common stock.

***We do not expect to pay dividends on our common stock in the foreseeable future. Any return on investment may be limited to the value of our common stock.***

Since inception, we have never declared a dividend on our common stock, and we do not intend to declare dividends on our common stock in the foreseeable future. The terms of our Series A Preferred stock provide an annual dividend of six percent (6%) of the Stated Value times the number of preferred shares held by such holder. Dividends on the Series A Preferred Stock is payable on a quarterly basis and may be payable, at our option, in cash or shares of our common stock, or a combination thereof.

Other than with respect to our Series A Preferred Stock, our board of directors declares dividends when, in its discretion, it determines that a dividend payment, as opposed to another use of cash, is in the best interests of the stockholders. Such decisions are based on the facts and circumstances then existing including, without limitation, our results of operations, financial condition, contractual restrictions, restrictions imposed by applicable law and other factors our board of directors deems relevant. As a result, we cannot predict when, or whether, another dividend on our common stock will be declared in the future. If we do not pay dividends, our common stock may be less valuable because a return on your investment will occur only if our stock price appreciates.

### **Risks Related to the Market for our Stock**

***If a market for our common stock does not develop, shareholders may be unable to sell their shares.***

Our common stock is quoted under the symbol "FAVO" on the OTC Pink operated by OTC Markets Group, Inc., an electronic inter-dealer quotation medium for equity securities. We do not currently have an active trading market. There can be no assurance that an active and liquid trading market will develop or, if developed, that it will be sustained.

Our securities are very thinly traded. Accordingly, it may be difficult to sell shares of our common stock without

significantly depressing the value of the stock. Unless we are successful in developing continued investor interest in our stock, sales of our stock could continue to result in major fluctuations in the price of the stock.

***The market price of our common stock is likely to be highly volatile and could fluctuate widely in price in response to various factors, many of which are beyond our control.***

Our stock price is subject to a number of factors, including:

- Technological innovations or new products and services by us or our competitors;
- Government regulation of our financial products and services;
- The establishment of partnerships with other financial services companies;
- Intellectual property disputes;
- Additions or departures of key personnel;
- Sales of our common stock;
- Our ability to integrate operations, technology, products and services;
- Our ability to execute our business plan;
- Operating results below or exceeding expectations;
- Whether we achieve profits or not;
- Loss or addition of any strategic relationship;
- Industry developments;
- Changes in accounting principles;
- General and industry-specific economic conditions; and
- Period-to-period fluctuations in our financial results.

The market prices of the securities of early-stage companies, particularly companies like ours without consistent revenues and earnings, have been highly volatile and are likely to remain highly volatile in the future. This volatility has often been unrelated to the operating performance of particular companies. In the past, companies that experience volatility in the market price of their securities have often faced securities class action litigation. Whether or not meritorious, litigation brought against us could result in substantial costs, divert our management's attention and resources and harm our financial condition and results of operations.

***Because we are subject to the "Penny Stock" rules, the level of trading activity in our stock may be reduced.***

The Securities and Exchange Commission has adopted regulations which generally define "penny stock" to be any listed, trading equity security that has a market price less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exemptions. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document that provides information about penny stocks and the risks in the penny stock market. The broker-dealer must also provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer's account. In addition, the penny stock rules generally require that prior to a transaction in a penny stock, the broker-dealer make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for a stock that becomes subject to the penny stock rules which may increase the difficulty Purchasers may experience in attempting to liquidate such securities.

***We will likely conduct further offerings of our equity securities in the future, in which case your proportionate interest may become diluted.***

We will likely be required to conduct equity offerings in the future to finance our current projects or to finance subsequent projects that we decide to undertake. If our common stock shares are issued in return for additional funds, the price per share could be lower than that paid by our current shareholders. We anticipate continuing to rely on equity sales of our common stock shares in order to fund our business operations. If we issue additional common stock shares or securities convertible into shares of our common stock, your percentage interest in us could become

diluted.

***If securities or industry analysts do not publish research or reports about our business, or publish negative reports about our business, our share price and trading volume could decline.***

The trading market for our common stock will, to some extent, depend on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. If one or more of the analysts who cover us downgrade our shares or change their opinion of our shares, our share price would likely decline. If one or more of these analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

***FINRA sales practice requirements may limit a stockholder's ability to buy and sell our securities.***

Effective June 30, 2020, the SEC implemented Regulation Best Interest requiring that “A broker, dealer, or a natural person who is an associated person of a broker or dealer, when making a recommendation of any securities transaction or investment strategy involving securities (including account recommendations) to a retail customer, shall act in the best interest of the retail customer at the time the recommendation is made, without placing the financial or other interest of the broker, dealer, or natural person who is an associated person of a broker or dealer making the recommendation ahead of the interest of the retail customer.” This is a significantly higher standard for broker-dealers to recommend securities to retail customers than before under FINRA suitability rules. FINRA suitability rules do still apply to institutional investors and require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending securities to their customers, broker-dealers must make reasonable efforts to obtain information about the customer’s financial status, tax status, investment objectives and other information, and for retail customers determine the investment is in the customer’s “best interest” and meet other SEC requirements. Both SEC Regulation Best Interest and FINRA’s suitability requirements may make it more difficult for broker-dealers to recommend that their customers buy speculative, low-priced securities. They may affect investing in our common stock or our preferred stock, which may have the effect of reducing the level of trading activity in our securities. As a result, fewer broker-dealers may be willing to make a market in our common stock or our preferred stock, reducing a stockholder’s ability to resell shares of our common stock or our preferred stock.

## **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 3<sup>rd</sup> 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
<u>Vincent Napolitano</u> <u>Shaun Quin</u> <u>Favo Holdings,</u> <u>LLC</u>	<u>Officer and Director</u>	<u>Westbury, NY</u>	30,040,149	<u>Common</u> <u>Stock</u>	<u>33.64%</u>	<u>Vincent Napolitano</u> <u>is the voting control</u> <u>person for Favo</u> <u>Holdings LLC</u>
S&T Quin Family Limited Partnership	Officer and Director	Huntington, NY	17,290,850	Common Stock	19.36%	Quin Management, LLC is the Voting Entity of S&T Quin Family Limited Partnership of which Shaun Quin is the Sole Signatory
<u>Stewards Investment</u> <u>Capital Limited</u>	<u>Owner</u>	<u>12<sup>th</sup> Floor,</u> <u>NeXTercom Tower</u>  <u>Tower 1, Ebene,</u> <u>Quatre Bornes,</u> <u>Mauritius, 72201</u>	15,000,000	<u>Common</u> <u>Stock</u>	<u>16.80%</u>	<u>Glen Antony</u> <u>Whiteford Steward is</u> <u>the voting control</u> <u>person for Stewards</u> <u>Investment Capital</u> <u>Limited</u>
<u>Rocco Trotta/LIRO</u> <u>Holdings</u>	<u>Owner</u>	<u>Svosset NY</u>	10,500,000	<u>Common</u> <u>Stock</u>	<u>11.76%</u>	<u>Rocco Trotta is the</u> <u>voting control person</u> <u>for Liro Holdings</u>
<u>Vincent Napolitano</u>	<u>Officer and Director</u>	<u>Westbury, NY</u>	18,750,000	<u>Preferred</u> <u>Stock Series</u> <u>C</u>	<u>100%</u>	<u>Vincent Napolitano is</u> <u>the voting control</u> <u>person for FAVO</u> <u>Capital, Inc.</u>
<u>Forfront Capital/</u> <u>Nathaniel Tsang</u> <u>Mang Kin</u>	<u>Director</u>	<u>12<sup>th</sup> Floor,</u> <u>NeXTercom Tower</u>  <u>Tower 1, Ebene,</u> <u>Quatre Bornes,</u> <u>Mauritius, 72201</u>	28,420,000	<u>Preferred</u> <u>Stock Series</u> <u>A</u>	<u>100%</u>	<u>Nathaniel Tsang</u> <u>Mang Kin is the voting</u> <u>controls for Forfront</u> <u>Capital</u>

## 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

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

3. 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

4. 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

5. 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: Scott 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: [scott@doneylawfirm.com](mailto:scott@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](mailto:Petittilaw@gmail.com)

Accountant:

Name: Mario A. Beckles  
 Firm: Beckles & Co  
 Address 1: 400 Columbia Drive, Suite 101  
 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 June 30, 2024, and December 31, 2023, unaudited Consolidated Statement of Stockholder Equity for three and six months ended June 30, 2024 and 2023, Consolidated Statement of Operations for the three and six months ended June 30, 2024 and 2023, and Consolidated Statement of Cashflows for the six months ended June 30, 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: August 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: August 14, 2024

Signature: \_\_\_\_\_ /s/ Vincent Napolitano

**FAVO CAPITAL, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**(Unaudited)**

	<u>June 30, 2024</u>	<u>December 31, 2023</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 1,181,667	\$ 1,147,345
Advance receivables (\$47,405,936 less allowance for losses of \$17,929,999 and deferred revenue of \$13,455,531)	16,020,405	14,617,346
Prepaid expense	2,718,772	3,448,608
Other current assets	116,436	127,358
<b>Total current assets</b>	<u>20,037,281</u>	<u>19,340,657</u>
<b>NON-CURRENT ASSETS:</b>		
Fixed assets, net of accumulated depreciation	180,870	120,683
Goodwill	1,605,008	-
Operating lease right of use asset, net	415,429	310,804
Other assets	21,622	177,288
<b>Total non-current assets</b>	<u>2,222,930</u>	<u>608,774</u>
<b>TOTAL ASSETS</b>	<u>\$ 22,260,211</u>	<u>\$ 19,949,432</u>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued liabilities	690,393	696,072
Due to non-related party	6,644,232	5,194,149
Operating lease obligation - current	151,501	88,117
<b>Total current liabilities</b>	<u>7,486,126</u>	<u>5,978,338</u>
<b>NON-CURRENT LIABILITIES:</b>		
Operating lease obligation – noncurrent	275,437	233,742
Notes payable	35,513,642	31,363,642
<b>Total non-current liabilities</b>	<u>35,789,080</u>	<u>31,597,384</u>
<b>TOTAL LIABILITIES</b>	<u>43,275,206</u>	<u>37,575,722</u>
<b>Commitments and Contingencies</b>	-	-
<b>STOCKHOLDERS' DEFICIT</b>		
Series A Preferred stock, par value \$0.0001 per share; 81,250,000 shares authorized; 28,420,000 shares issued and outstanding as of June 30, 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 June 30, 2024, and at December 31, 2023, respectively	1,875	1,875
Common stock, par value \$0.0001 per share; 500,000,000 shares authorized; 89,279,734 and 87,554,734 shares issued and outstanding as of June 30, 2024, and December 31, 2023, respectively	8,928	8,756
Capital deficiency	(3,237,001)	(3,652,253)
Accumulated deficit	(17,791,638)	(13,987,510)
<b>Total stockholders' deficit</b>	<u>(21,014,995)</u>	<u>(17,626,290)</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<u>\$ 22,260,211</u>	<u>\$ 19,949,432</u>

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

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Revenue				
Financing fees	\$ 3,384,620	\$ 1,151,241	\$ 6,408,964	\$ 1,374,599
	<u>3,384,620</u>	<u>1,151,241</u>	<u>6,408,964</u>	<u>1,374,599</u>
Cost of revenue				
Cost of sales	553,216	258,331	1,076,343	376,457
Provisions for loans receivable losses	-	-	-	-
	<u>553,216</u>	<u>258,331</u>	<u>1,076,343</u>	<u>376,457</u>
Gross profit	2,831,404	892,910	5,332,621	998,142
Operating expenses				
Professional fees	717,071	154,044	1,305,925	158,646
General and Administrative expenses	2,506,584	845,241	5,543,762	1,048,219
Total operating expense	<u>3,223,655</u>	<u>999,285</u>	<u>6,849,687</u>	<u>1,206,865</u>
Loss from operations	<u>(392,251)</u>	<u>(106,375)</u>	<u>(1,517,066)</u>	<u>(208,722)</u>
Interest expense	(1,188,390)	(356,457)	(2,285,378)	(481,363)
Other expense	<u>(1,685)</u>	<u>(8,055)</u>	<u>(1,685)</u>	<u>(8,055)</u>
Total other expenses	<u>(1,190,075)</u>	<u>(364,512)</u>	<u>(2,287,063)</u>	<u>(489,418)</u>
Net loss from continuing operations	<u>(1,582,326)</u>	<u>\$ (470,887)</u>	<u>(3,804,129)</u>	<u>\$ (698,140)</u>
Net loss	<u>\$ (1,582,326)</u>	<u>\$ (470,887)</u>	<u>\$ (3,804,129)</u>	<u>\$ (698,140)</u>
Net loss per common share – basic and diluted	<u>\$ (0.07)</u>	<u>\$ (0.01)</u>	<u>\$ (0.08)</u>	<u>\$ (0.03)</u>
Weighted average common shares outstanding – basic and diluted	22,604,734	31,471,218	47,954,734	27,212,976

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

**FAVO CAPITAL, INC.**  
**CONSOLIDATED STATEMENT OF STOCKHOLDERS' (DEFICIT)**  
(Unaudited)

	<u>Series C Preferred Stock</u>		<u>Series A Preferred Stock</u>		<u>Common Stock</u>		<u>Additional</u>	<u>Accumulated</u>	<u>Total</u>
	<u>Number of Shares</u>	<u>Par Value</u>	<u>Number of Shares</u>	<u>Par Value</u>	<u>Number of Shares</u>	<u>Par Value</u>	<u>Paid in Capital</u>	<u>Deficit</u>	<u>Stockholders' Deficit</u>
<b>Balance - December 31, 2023</b>	18,750,000	\$ 1,875	28,420,000	2,842	87,554,734	\$ 8,756	\$ (3,652,253)	\$ (13,987,510)	\$ (17,626,290)
Common stock issued for services					125,000	12	31,238		31,250
Common stock issued for acquisition					1,000,000	100	260,549		260,649
Effect of Acquisition									
Net loss								(2,221,803)	(2,221,803)
<b>Balance - March 31, 2024</b>	<u>18,750,000</u>	<u>\$ 1,875</u>	<u>28,420,000</u>	<u>\$ 2,842</u>	<u>88,679,734</u>	<u>\$ 8,868</u>	<u>\$ (3,360,467)</u>	<u>\$ (16,209,312)</u>	<u>\$ (19,556,194)</u>
Common stock subscription					600,000	60	299,940		300,000
Other equity adjustment							(176,475)		(176,475)
Net loss								(1,582,326)	(1,582,326)
<b>Balance - June 30, 2024</b>	<u>18,750,000</u>	<u>\$ 1,875</u>	<u>28,420,000</u>	<u>\$ 2,842</u>	<u>89,279,734</u>	<u>\$ 8,928</u>	<u>\$ (3,237,001)</u>	<u>\$ (17,791,638)</u>	<u>\$ (21,014,995)</u>

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

**FAVO CAPITAL, INC.**  
**CONSOLIDATED STATEMENT OF STOCKHOLDERS' (DEFICIT)**  
**(Unaudited)**

	Series C Preferred Stock		Series A Preferred Stock		Common Stock		Additional Paid in	Accumulated	Total
	Number of Shares	Par Value	Number of Shares	Par Value	Number of Shares	Par Value	Capital	Deficit	Stockholders' Deficit
<b>Balance - December 31, 2022</b>	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)
<b>Balance - March 31, 2023</b>	<u>25,000,000</u>	<u>\$ 25,000</u>	<u>-</u>	<u>\$ -</u>	<u>22,954,734</u>	<u>\$ 22,954</u>	<u>\$ 5,818,224</u>	<u>\$ (8,628,399)</u>	<u>\$ (2,762,221)</u>
Preferred stock conversion	(6,250,000)	(625)			25,000,000	2,500	(1,875)		-
Favo Acquisition and par value adjustment		(22,500)	10,000,000	1,000		(20,658)	(16,469,196)	-	(16,511,354)
Net loss								(470,887)	(470,887)
<b>Balance - June 30, 2023</b>	<u>18,750,000</u>	<u>\$ 1,875</u>	<u>10,000,000</u>	<u>\$ 1,000</u>	<u>47,954,734</u>	<u>\$ 4,795</u>	<u>\$ (10,646,582)</u>	<u>\$ (9,099,285)</u>	<u>\$ (19,744,461)</u>

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

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

	For the Six Months Ended June	
	30,	
	<u>2024</u>	<u>2023</u>
<b>OPERATING ACTIVITIES:</b>		
Net (loss)	\$ (3,804,129)	\$ (698,140)
Adjustments to reconcile net loss to net cash (used in) operating activities:		
Depreciation expense	33,014	26,164
Bad debt expense	1,913,203	2,825,136
Common stock issued for services	31,251	-
Amortization of right of use asset	61,956	-
<b>Changes in assets and liabilities</b>		
Advances receivable	(3,313,261)	(3,688,070)
Prepaid expenses and other assets	718,424	(3,777,257)
Accounts payable and accrued liabilities	(3,846)	4,443,194
Loan payable – related party	7,688	(569,438)
Operating lease obligation	(61,503)	-
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>(4,417,204)</u>	<u>(1,423,381)</u>
<b>INVESTING ACTIVITIES:</b>		
Fixed asset purchases	(48,210)	(3,625)
Purchase of business	(1,650,000)	-
Common stock issued for services	250,000	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(1,448,210)</u>	<u>(3,625)</u>
<b>FINANCING ACTIVITIES:</b>		
Proceeds from notes payable	5,599,737	2,500,000
Common stock subscription	300,000	-
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>5,899,737</u>	<u>2,500,000</u>
<b>NET CHANGE IN CASH</b>	34,323	1,072,994
<b>CASH – BEGINNING OF PERIOD</b>	<u>1,147,345</u>	<u>11,011</u>
<b>CASH – END OF PERIOD</b>	<u>\$ 1,181,667</u>	<u>\$ 1,084,005</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:</b>		
Cash paid for interest	-	-
Cash paid for income taxes	-	-
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Note payable – FAVO Group Acquisition and financing	-	4,700,000

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

**FAVO CAPITAL, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(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 2, 2021, which was the market effective date established 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, 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 2, 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 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 our company. As consideration for the transfer, we agreed to 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. We raised the financing for this transaction by selling 20 million shares of our Series A Preferred Stock at \$0.25 for total of \$5,000,000. Half 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.

On June 7, 2023, 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 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 remained at 500,000,000 shares, par value \$0.0001 per share.

On November 27, 2023, 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 increased the authorized shares of Preferred Stock the Company may issue from 50,000,000 shares to 100,000,000 shares of Preferred Stock, par value \$0.0001 per share. The

Amendment did not increase the Company's authorized shares of Common Stock, which remained at 500,000,000 shares, par value \$0.0001 per share.

On November 22, 2023, the Company elected to decrease its authorized shares of Series C preferred shares from 25,000,000 shares down to 18,750,000 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 81,250,000 shares.

On January 1, 2024, the Company completed the acquisition of the proprietary software platform and call center of LendTech CRM Solutions LLC, Believe PMF EIRL 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 and six months ended June 30, 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.

On February 15, 2024, the Company filed with the Secretary of State of the State of Nevada Amended and Restated Articles of Incorporation.

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, FC Sub Fund LLC and FAVO Funding

CA LLC from May 31, 2023, as well as LendTech CRM Solutions LLC and Believe PMF EIRL from January 01, 2024. All intercompany accounts, balances and transactions have been eliminated in the consolidation as of June 30, 2024.

### *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 June 30, 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.

### *Leases*

The Company determines if an arrangement is a lease at inception by assessing whether the arrangement contains an identified asset and whether it has the right to control the identified asset. Right-of-use (ROU) assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments over the lease term. ROU assets are based on the measurement of the lease liability and also include any lease payments made prior to or on lease commencement and exclude lease incentives and initial direct costs incurred, as applicable.

As the implicit rate in the Company's leases is generally unknown, the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The lease terms may include options to extend or terminate the lease when the Company is reasonably certain it will exercise such options. Lease costs for the Company's operating leases are recognized on a straight-line basis over the reasonably assured lease term. Variable lease payments include lease operating expenses. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Lease expense is included in general and administrative expenses on the consolidated statements of operations.

The Company has elected to not separate lease and non-lease components for any leases within its existing classes of assets and, as a result, accounts for any lease and non-lease components as a single lease component. The Company has also elected to not apply the recognition requirement to any leases within its existing classes of assets with a term of 12 months or less and does not include an option to purchase the underlying asset that the Company is reasonably certain to exercise.

### *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 June 30, 2024, and December 31, 2023, and expenses for the three months ended June 30, 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 1, 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 six months ended June 30, 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 as 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 5,000,000 common shares issued to Favo Capital Shareholders	\$ 1,250,000
Cash	400,000
Total consideration paid	<u>\$ 1,650,000</u>

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

Property and equipment	\$ 44,992
Goodwill	<u>1,605,008</u>
Total consideration allocated	<u>\$ 1,650,000</u>

#### *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	<u>194,445</u>
Total Assets	<u><u>20,365,076</u></u>
Current liabilities	379,705
Other liabilities	5,719,855
Long term liabilities	<u>23,699,470</u>
Total liabilities	<u><u>29,799,030</u></u>
Net liabilities	<u><u>(9,433,954)</u></u>

## 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 June 30, 2024, and December 31, 2023, a total of \$0 remained outstanding.

## Note 6 – Operating lease

OTC Markets Group Inc.

OTC Pink Basic Disclosure Guidelines (v5.0 December 18, 2023)

On November 25, 2020, the Company entered into an office lease agreement with AM Property Holding II Corp, agent for 1025 II, LLC. The Company moved into suite 311 on the third floor of the building located at 1025 Old Country Road, Westbury, New York. On September 15, 2021, the Company ended the aforementioned lease agreement and entered into a new lease agreement with the existing landlord and moved into Suite 421 on the fourth floor of the same building. The lease begins on but no earlier than November 1, 2021. The lease accrues interest based on a weighted average interest rate of 5.52% and a weighted average lease term 42 months.

On June 12, 2020, the Company entered into an office lease agreement with MYP Executive, LLC. The Company moved into a 1080 square foot office space located at 4300 N University Drive, Lauderhill, FL 33351. On June 30th, 2023, the Company ended the aforementioned lease agreement and entered into a new lease agreement with the existing landlord. The new lease began on July 1, 2023. The lease accrues interest based on a weighted average interest rate of 5.52% and a weighted average lease term 37 months.

On January 1, 2024, the Company assumed two office spaces located in the Dominican Republic as a result of the acquisition of the call center of Believe PMF EIRL, LLC and DBOSS Funding LLC. These two leases are month to month.

The following table presents the Company's ROU assets and lease liabilities as of June 30, 2024, and December 31, 2023:

Lease Classification	30-Jun-24	31-Dec-23
<b>ROU Assets:</b>		
Operating	\$ 415,429	\$ 310,804
Total ROU assets	<u>\$ 415,429</u>	<u>\$ 310,804</u>
<b>Liabilities</b>		
<b>Current:</b>		
Operating	\$ 151,501	\$ 86,467
<b>Noncurrent:</b>		
Operating	275,437	233,742
Total lease liabilities	<u>\$ 426,938</u>	<u>\$ 320,209</u>

The maturity of the Company's operating lease liabilities as of June 30, 2024, were as follows:

Maturity of Lease Liabilities	Operating
2024	\$ 77,348
2025	153,505
2026	143,196
2027	94,090
Total lease payments	468,139
Less: Interest	41,201
Present value of lease liabilities	<u>\$ 426,938</u>

**Note 7 – 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 June 30, 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 8 – 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 notes carry an interest rate of 12% and mature 18 months from the date of the notes.

On June 9, 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 9, 2023. This note has been extended until June 2026. 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 June 30, 2024, and December 31, 2023, the outstanding note totaled \$35,513,642 and \$31,363,642 respectively.

**Note 9 – 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 5, 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 1, 2023, the Company issued 1,600,000 shares of common stock to a consultant for services valued at \$400,000,

On July 7, 2023, the Company issued 15,000,000 shares of common stock to a consultant for services valued at \$3,750,000

On July 7, 2023, the Company issued 400,000 shares to another consultant for services valued at \$100,000.

On July 7, 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 5, 2023, the Company issued 200,000 shares to a third party for services valued at \$50,000.

On January 1, 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.

On April 19, 2024, the Company issued 600,000 shares to an investor for shares valued at \$300,000.

As of June 30, 2024, and December 31, 2023, 89,279,734 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 6, 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. 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.

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 the Series A Preferred Stock and 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.

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 7, 2023, 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 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 remained at 500,000,000 shares, par value \$0.0001 per share.

On November 27, 2023, 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 increased the authorized shares of Preferred Stock the Company may issue from 50,000,000 shares to 100,000,000 shares of Preferred Stock, par value \$0.0001 per share. The Amendment did not increase the Company’s authorized shares of Common Stock, which remained at 500,000,000 shares, par value \$0.0001 per share.

On November 22, 2023, the Company elected to decrease its authorized shares of Series C preferred shares from 25,000,000 shares down to 18,750,000 shares.

As of June 30, 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***

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.

After twenty-four months, each share of Series A Preferred Stock may be converted into shares of common stock, the number of which is determined according to the following formula, subject to adjustments for stock splits, stock dividends, recapitalizations, reorganizations, reclassifications, combinations, subdivisions or other similar events:  $\text{Conversion Amount } (\$0.25) / \text{Conversion Price } (\$0.25)$ .

In connection with any conversion, each holder of Series A Preferred Stock is subject to a beneficial ownership limitation of 9.99% of our outstanding common stock.

OTC Markets Group Inc.

The holders of Series A Preferred Stock vote together with the holders of Common Stock, the Series C Preferred 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.

On December 5, 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 June 30, 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 11– Subsequent Events**

On July 24, 2024, the Company issued 200,000 shares to a third party for services valued at \$50,000.