

Favo Capital Inc.

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Annual Report

For the Year Ending: December 31, 2024
(the "Reporting Period")

Outstanding Shares

The number of shares outstanding of our Common Stock was:

97,479,734 as of December 31, 2024

87,554,734 as of December 31, 2023

Shell Status

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

Yes: ☐ No: ☒

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

Yes: ☐ No: ☒

Change in Control

Indicate by check mark whether a Change in Control⁴ of the company has occurred during this reporting period:

Yes: ☐ No: ☒

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

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

Favo Capital, Inc. formerly known as Favo Realty, Inc (changed on September 2, 2020), 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

⁴ "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.

Standing in this jurisdiction: (e.g. active, default, inactive): Active

Prior Incorporation Information for the issuer and any predecessors during the past five years:
None

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

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

On January 2, 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 (the "Simplified Companies") in a common stock, cash and deferred commission deal for approximately \$2,167,996, consisting of 1,000,000 shares of the Company's restricted common stock issued on closing a further 2,000,000 shares on each of the first and second anniversary of the closing date valued as well as \$400,000 in cash and \$692,469 in deferred commission measured at fair value. Based upon the timing of the Simplified Acquisition, the Company's consolidated financial statements for the year ended December 31, 2024, reflect the results of Favo Capital for the portion of the period after the completion of the Simplified Acquisition. The Company's consolidated financial statements for the year ended December 31, 2023, do not reflect the results of Simplified.

The Simplified Companies are engaged in the business of using proprietary software and call centers in the Dominican Republic and Florida to offer secured and unsecured financial products and services to clients with funders across the United States. The business generates revenue from the commissions generated from the funders.

The primary reason for the business combination is to grow the direct funding business and improve overall margins by leveraging the synergies between the Company and the Simplified Companies.

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:

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

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

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

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

2) Security Information

Transfer Agent

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

Publicly Quoted or Traded Securities:

Trading symbol:	FAVO
Exact title and class of securities outstanding:	Common Stock ("Common Stock")
CUSIP:	07712Q304

Par or stated value:	\$0.0001	
Total shares authorized:	500,000,000	as of date: December 31, 2024
Total shares outstanding:	97,479,734	as of date: December 31, 2024
Total number of shareholders of record:	222	as of date: December 31, 2024

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 that do not have a trading symbol). Use the fields below to provide the information, as applicable, for all other authorized or outstanding equity securities.

Exact title and class of the security:	Series A Preferred Stock ("Preferred Stock")	
Par or stated value:	\$0.0001	
Total shares authorized:	81,250,000	as of date: December 31, 2024
Total shares outstanding:	37,020,000	as of date: December 31, 2024
Total number of shareholders of record:	1	as of date: December 31, 2024

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

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

Under the Certificate of Designation, filed on June 8, 2023, 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 C Preferred Stock 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 C 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 the 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, 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.

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)

Shares Outstanding <u>Opening Balance</u> :			*Right-click the rows below and select "Insert" to add rows as needed.						
Date <u>12/31/2020</u>									
Common: <u>20,085,818</u>									
Preferred: <u>25,000,000</u>									
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. ***You must disclose the control person(s) for any entities listed.	Reason for share issuance (e.g. for cash or debt conversion) - OR- Nature of Services Provided	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>08/31/2023</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>10/26/2023</u>	<u>New Issuance</u>	<u>5,000,000</u>	<u>Series A Preferred Stock</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>8,420,000</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>05/01/2024</u>	<u>New Issuance</u>	<u>600,000</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>06/18/2024</u>	<u>New Issuance</u>	<u>600,000</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>07/19/2024</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>10/18/2024</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>10/21/2024</u>	<u>New Issuance</u>	<u>3,000,000</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>12/12/2024</u>	<u>New Issuance</u>	<u>100,000</u>	<u>Common stock</u>	<u>\$0.25</u>	<u>No</u>	<u>Richard Batzer and Frances Batzer</u>	<u>Cash</u>	<u>R</u>	<u>4(a)(2)</u>
<u>12/12/2024</u>	<u>New Issuance</u>	<u>100,000</u>	<u>Common stock</u>	<u>\$0.25</u>	<u>No</u>	<u>Richard Batzer and William Batzer</u>	<u>Cash</u>	<u>R</u>	<u>4(a)(2)</u>
<u>12/12/2024</u>	<u>New Issuance</u>	<u>100,000</u>	<u>Common stock</u>	<u>\$0.25</u>	<u>No</u>	<u>William Batzer</u>	<u>Cash</u>	<u>R</u>	<u>4(a)(2)</u>
<u>12/12/2024</u>	<u>New Issuance</u>	<u>100,000</u>	<u>Common stock</u>	<u>\$0.25</u>	<u>No</u>	<u>Darren Brungardt</u>	<u>Cash</u>	<u>R</u>	<u>4(a)(2)</u>
<u>12/12/2024</u>	<u>New Issuance</u>	<u>200,000</u>	<u>Common stock</u>	<u>\$0.25</u>	<u>No</u>	<u>Margherita Cacioppo Trust</u>	<u>Cash</u>	<u>R</u>	<u>4(a)(2)</u>
<u>12/12/2024</u>	<u>New Issuance</u>	<u>400,000</u>	<u>Common stock</u>	<u>\$0.25</u>	<u>No</u>	<u>Ivan Caplan</u>	<u>Cash</u>	<u>R</u>	<u>4(a)(2)</u>
<u>12/12/2024</u>	<u>New Issuance</u>	<u>100,000</u>	<u>Common stock</u>	<u>\$0.25</u>	<u>No</u>	<u>Ronald Chupp</u>	<u>Cash</u>	<u>R</u>	<u>4(a)(2)</u>
<u>12/12/2024</u>	<u>New Issuance</u>	<u>100,000</u>	<u>Common stock</u>	<u>\$0.25</u>	<u>No</u>	<u>John Darger</u>	<u>Cash</u>	<u>R</u>	<u>4(a)(2)</u>
<u>12/12/2024</u>	<u>New Issuance</u>	<u>100,000</u>	<u>Common stock</u>	<u>\$0.25</u>	<u>No</u>	<u>Matthew J Eames</u>	<u>Cash</u>	<u>R</u>	<u>4(a)(2)</u>
<u>12/12/2024</u>	<u>New Issuance</u>	<u>100,000</u>	<u>Common stock</u>	<u>\$0.25</u>	<u>No</u>	<u>Brian Eskin</u>	<u>Cash</u>	<u>R</u>	<u>4(a)(2)</u>
<u>12/12/2024</u>	<u>New Issuance</u>	<u>4,000,000</u>	<u>Common stock</u>	<u>\$0.25</u>	<u>No</u>	<u>Forfront Capital</u>	<u>Cash</u>	<u>R</u>	<u>4(a)(2)</u>
<u>12/12/2024</u>	<u>New Issuance</u>	<u>100,000</u>	<u>Common stock</u>	<u>\$0.25</u>	<u>No</u>	<u>James Godfrey and Nida Godfrey</u>	<u>Cash</u>	<u>R</u>	<u>4(a)(2)</u>
<u>12/12/2024</u>	<u>New Issuance</u>	<u>100,000</u>	<u>Common stock</u>	<u>\$0.25</u>	<u>No</u>	<u>James C Gumina</u>	<u>Cash</u>	<u>R</u>	<u>4(a)(2)</u>
<u>12/12/2024</u>	<u>New Issuance</u>	<u>50,000</u>	<u>Common stock</u>	<u>\$0.25</u>	<u>No</u>	<u>Herbert Family Trust</u>	<u>Cash</u>	<u>R</u>	<u>4(a)(2)</u>
<u>12/12/2024</u>	<u>New Issuance</u>	<u>50,000</u>	<u>Common stock</u>	<u>\$0.25</u>	<u>No</u>	<u>Peter V Houmère</u>	<u>Cash</u>	<u>R</u>	<u>4(a)(2)</u>
<u>12/12/2024</u>	<u>New Issuance</u>	<u>100,000</u>	<u>Common stock</u>	<u>\$0.25</u>	<u>No</u>	<u>Richard Jaffe</u>	<u>Cash</u>	<u>R</u>	<u>4(a)(2)</u>
<u>12/12/2024</u>	<u>New Issuance</u>	<u>100,000</u>	<u>Common stock</u>	<u>\$0.25</u>	<u>No</u>	<u>Barry Kern</u>	<u>Cash</u>	<u>R</u>	<u>4(a)(2)</u>
<u>12/12/2024</u>	<u>New Issuance</u>	<u>100,000</u>	<u>Common stock</u>	<u>\$0.25</u>	<u>No</u>	<u>Daniel B Koons</u>	<u>Cash</u>	<u>R</u>	<u>4(a)(2)</u>
<u>12/12/2024</u>	<u>New Issuance</u>	<u>100,000</u>	<u>Common stock</u>	<u>\$0.25</u>	<u>No</u>	<u>Daniel B Koons and Kimberly A Wrobel</u>	<u>Cash</u>	<u>R</u>	<u>4(a)(2)</u>
<u>12/12/2024</u>	<u>New Issuance</u>	<u>200,000</u>	<u>Common stock</u>	<u>\$0.25</u>	<u>No</u>	<u>Daniel L Koons and Margaret Koons</u>	<u>Cash</u>	<u>R</u>	<u>4(a)(2)</u>
<u>12/12/2024</u>	<u>New Issuance</u>	<u>100,000</u>	<u>Common stock</u>	<u>\$0.25</u>	<u>No</u>	<u>Jordan G Naydenov</u>	<u>Cash</u>	<u>R</u>	<u>4(a)(2)</u>
<u>12/12/2024</u>	<u>New Issuance</u>	<u>200,000</u>	<u>Common stock</u>	<u>\$0.25</u>	<u>No</u>	<u>Jeffrey A Niezgoda</u>	<u>Cash</u>	<u>R</u>	<u>4(a)(2)</u>

<u>12/12/2024</u>	<u>New Issuance</u>	<u>100,000</u>	<u>Common stock</u>	<u>\$0.25</u>	<u>No</u>	<u>Daniel Passacantilli</u>	<u>Cash</u>	<u>R</u>	<u>4(a)(2)</u>
<u>12/12/2024</u>	<u>New Issuance</u>	<u>100,000</u>	<u>Common stock</u>	<u>\$0.25</u>	<u>No</u>	<u>Pulliam Trust</u>	<u>Cash</u>	<u>R</u>	<u>4(a)(2)</u>
<u>12/12/2024</u>	<u>New Issuance</u>	<u>400,000</u>	<u>Common stock</u>	<u>\$0.25</u>	<u>No</u>	<u>John M Raney</u>	<u>Cash</u>	<u>R</u>	<u>4(a)(2)</u>
<u>12/12/2024</u>	<u>New Issuance</u>	<u>200,000</u>	<u>Common stock</u>	<u>\$0.25</u>	<u>No</u>	<u>Robert Riviere and Mary Riviere</u>	<u>Cash</u>	<u>R</u>	<u>4(a)(2)</u>
<u>12/12/2024</u>	<u>New Issuance</u>	<u>400,000</u>	<u>Common stock</u>	<u>\$0.25</u>	<u>No</u>	<u>Glen Schneider</u>	<u>Cash</u>	<u>R</u>	<u>4(a)(2)</u>
<u>12/12/2024</u>	<u>New Issuance</u>	<u>100,000</u>	<u>Common stock</u>	<u>\$0.25</u>	<u>No</u>	<u>SHB Equities</u>	<u>Cash</u>	<u>R</u>	<u>4(a)(2)</u>
<u>12/12/2024</u>	<u>New Issuance</u>	<u>100,000</u>	<u>Common stock</u>	<u>\$0.25</u>	<u>No</u>	<u>The Lovely Living Trust</u>	<u>Cash</u>	<u>R</u>	<u>4(a)(2)</u>
Shares Outstanding on Date of This Report:									
<u>Ending Balance:</u>									
Date <u>12/31/2024</u>	Common: <u>97,479,734</u>								
	Preferred: <u>55,770,000</u>								

Example: A company with a fiscal year end of December 31st 2024, in addressing this item for its Annual Report, would include any events that resulted in changes to any class of its outstanding shares from the period beginning on January 1, 2023 through December 31, 2024 pursuant to the tabular format above.

Any additional material details, including footnotes to the table are below:

None

B. Convertible Debt

The following is a complete list of the Company’s Convertible Debt which includes all promissory notes, convertible notes, convertible debentures, or any other debt instruments convertible into a class of the issuer’s equity securities. The table includes all issued or outstanding convertible debt at any time during the last complete fiscal year and any interim period between the last fiscal year end and the date of this Certification.

☒ Check this box to confirm the Company had no Convertible Debt issued or outstanding at any point during this period.

Date of Note Issuance	Principal Amount at Issuance (\$)	Outstanding Balance (\$) (include accrued interest)	Maturity Date	Conversion Terms (e.g., pricing mechanism for determining conversion of instrument to shares)	# Shares Converted to Date	# of Potential Shares to be Issued Upon Conversion ⁵	Name of Noteholder (entities must have individual with voting / investment control disclosed).	Reason for Issuance (e.g., Loan, Services, etc.)

Any additional material details, including footnotes to the table are below:

None

4) Issuer’s Business, Products and Services

The purpose of this section is to provide a clear description of the issuer’s current operations. Ensure that these descriptions are updated on the Company’s Profile on www.OTCMarkets.com.

⁵ The total number of shares that can be issued upon full conversion of the Outstanding Balance. The number should not factor any “blockers” or limitations on the percentage of outstanding shares that can be owned by the Noteholder at a particular time. For purposes of this calculation, please use the current market pricing (e.g. most recent closing price, bid, etc.) of the security if conversion is based on a variable market rate.

OTC Markets Group Inc.
Disclosure Guidelines for the Pink Market (v6.0 January 31, 2025)

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

Company Overview

We are a private credit company focused on providing alternative financing solutions to small and medium-sized businesses (SMBs) across the United States. Our business model is centered around direct and syndicated Revenue Based Funding solutions that address the capital needs of SMBs underserved by traditional lending institutions. Since inception, we have extended over \$138 million in capital and supported more than 10,000 businesses nationwide. Headquartered in Fort Lauderdale, FL, we also have operations in New York and the Dominican Republic.

We mainly provide direct and syndicated merchant cash advances ("MCAs") to SMBs and, we broker to other funders and receive commissions on the sales of their financial products to SMBs, such as equipment financing, lines of credit, SBA loans, business term loans, invoice factoring and asset backed finance solutions. Our MCA business is conducted through our subsidiaries, FAVO Funding LLC, Honeycomb LLC, Fore Funding LLC and FC Sub Fund LLC, and our brokerage business is conducted through Fore Funding LLC and DBOSS Funding LLC.

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>
LendTech CRM LLC	<u>Florida</u>		<u>Shaun Quin</u>	<u>100</u>	<u>FAVO Capital Inc</u>
DBOSS Funding LLC	<u>Florida</u>		<u>Shaun Quin</u>	<u>100</u>	<u>FAVO Capital Inc</u>
FAVO Capital	<u>Dominican Republic</u>		<u>Shaun Quin</u>	<u>100</u>	<u>FAVO Capital Inc</u>
FAVO Capital DR	<u>Dominican Republic</u>		<u>Shaun Quin</u>	<u>99</u>	<u>FAVO Capital</u>

C. Describe the issuers' principal products or services.

Merchant Cash Advances

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 receipts, 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 future receipts, and the assignment of rights related to such receipts. 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 revenue-based 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 revenue-based 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 receipts through ACH or wire debits or by splitting credit card receipts until all purchased receipts 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.

Direct and Syndicated Funding

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 revenue-based 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 and syndicated portfolios in connection with our agreements. Our direct portfolio refers to the businesses we fund on balance sheet directly on our agreements and through our platform that we service end to end. Syndication, however, are deals that are generated by our funding partners, where we participate in the deal either on our platform or through theirs. Below is a chart that highlights the differences with our direct and syndication funding:

Aspect	Direct Funding	Syndicated Funding
<i>Definition</i>	A single funder provides the entire MCA amount directly to the merchant.	Multiple funders pool resources to collectively finance the MCA.
<i>Source of Capital</i>	Funded entirely by one company's capital reserves.	Funded by a group of participants (e.g., brokers, investors, or other funders).
<i>Funding Amount</i>	Limited by the funder's available capital (e.g., \$40,000 if that's all they have).	Can support larger amounts by combining funds (e.g., \$100,000 with \$40,000 added).
<i>Risk Distribution</i>	Risk is borne entirely by the single funder.	Risk is spread across multiple investors, reducing individual exposure.
<i>Speed of Funding</i>	Typically, faster since it involves one decision-maker.	May take slightly longer due to coordination among multiple parties and availability of capital.
<i>Administration</i>	Managed solely by the direct funder, who collects and processes repayments.	One lead funder typically administers the deal, distributing proceeds to others.

<i>Cost to Merchant</i>	May have lower fees since no intermediaries are involved.	Could involve higher fees due to broker commissions or shared returns.
<i>Flexibility</i>	Less flexible; depends on the lender's capacity and risk appetite.	More flexible; can fund deals a single lender might not handle alone.
<i>Investor Involvement</i>	No external investors; fully controlled by the funder.	Involves investors (syndicates) who contribute funds and expect returns.
<i>Example Scenario</i>	A funder provides \$30,000 to a retailer from its own reserves.	A \$100,000 deal is split: \$60,000 from the lead funder, \$40,000 from investors.
<i>Profit Sharing</i>	All profits (factor rate returns) go to the direct lender.	Profits are distributed among syndicates based on their contribution percentage.

Direct funding contracts are simpler, with fewer parties involved. Syndicated contracts add layers (e.g., investor agreements). Our agreement for direct fundings, which are often referred to in the industry as merchant agreements, we have named "Purchases of Future Receipts (PFR)."

In direct funding, the contract is between one funder and the merchant as a simple bilateral agreement with no third-party stakeholders. A syndicated funding contract involves the merchant, the lead funder, and syndicate participants (investors or co-funders) and it often includes a secondary participation agreement among funders, outlining their roles, rights, and obligations—separate from the merchant's contract but impacting its terms. We require our syndication partners to sign Master Participation Agreement and an Independent Sales Organization agreement, which governs the terms of engagement.

In a direct funding, the sole funder commits the full advance amount from its own capital. In a syndicate funding, the merchant contract specifies the total advance but not the breakdown; a clause may reference the lead funder's authority to secure syndicate contributions, introducing potential delays or contingencies if a participant backs out. As such, a syndicate funding contract may specify that additional administrative or legal fees (e.g., for syndicate disputes) can be passed to the merchant, increasing total cost. In a direct funding, the entire risk is on the sole funder. In a syndicate funding, the lead funder's enforcement rights are detailed, but syndicate members may have limited recourse, complicating default scenarios. Amending syndicate agreements, when needed, is more complicated than direct funding, because there are more parties involved.

The syndicated MCA is typically structured as a non-recourse deal, meaning syndication partners have no legal right to seek repayment from the lead funder if the merchant defaults. MCA funders market these deals as high-risk, high-reward investments, and syndication partners knowingly accept the possibility of merchant failure. Risk is shared proportionally among all participants (e.g., 60% lead funder, 40% syndicate) based on their investment, and losses from defaults are absorbed collectively. The participation agreement typically states that the advance is a purchase of future receipts, not a loan, and all parties bear the risk of merchant non-performance. Recourse may exist, however, if the lead funder fails in its administrative or fiduciary duties, such as mismanaging collections or misrepresenting the merchant's risk profile.

Syndicated MCAs also involve additional costs for the Company, as most syndication partners charge a platform fee ranging from 3% to 5% on all payments collected on the Company's behalf.

Our revenue on direct funded merchants, 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 over the term of the contract. MCA income is recognized as and when payments are received from customers in our bank account. On the syndicated portfolio, we do not benefit from origination and administration fees, however, we generate our revenue through the collection of the MCA income. We can also generate revenue through rebates from syndication partners, based on volume and size of the portfolio with the syndication partner. The table below quantifies the fundings through the direct funding model and through the syndicated funding platform for the years ended December 31, 2024, and 2023:

Year	Direct Funding	Syndicated Funding	Total Funding
2023	\$17,284,157	\$17,351,122	\$34,635,279
2024	\$12,997,355	\$18,025,300	\$31,022,655

Our direct funding portfolio has SMBs across multiple segments and industry types, but most of our merchants fall into the services, construction, and retail industries. These include restaurants, construction and development projects, physical fitness facilities, accounting and bookkeeping practices, home furnishings and equipment stores, and automotive repair shops, among others.

The composition of our syndication portfolio closely aligns with that of our direct investments, both of which are strategically shaped by evolving market dynamics. Key determinants include macroeconomic conditions, the influence of domestic and international government policy decisions, and the relative advantages of specific U.S. geographic regions. Regulatory and policy environments—whether supportive or restrictive—impact sector performance and are carefully considered in our portfolio construction and allocation strategy.

MCA – Syndication Partners

We identify leading funders in the industry through market research, funding forums, the Revenue Based Funding Coalition (RBFC) and through long term business relationships, all of which have established underwriting and operational capabilities that allow partners to participate in their deal flow. The Revenue Based Finance Coalition (RBFC) is a growing group of responsible companies providing essential capital to SMBs through innovative, non-traditional methods. In addition to funders, its members also include brokers, Independent Sales Organizations (ISOs), and industry vendors that offer technology and operational services to the industry. The RBFC was formed to unite companies in educating members of Congress, federal and state regulators, and state-level officials on issues related to the non-bank commercial finance industry. RBFC is dedicated to advancing policies that promote and expand the revenue-based financing (RBF) industry and the financial ecosystem surrounding it.

Each syndication partner will enter into a Master Participation Agreement and an Independent Sales Organization agreement, which governs the terms of engagement. 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. We therefore ensure that we do not create concentration risk within the portfolio, by managing our participation amount of any particular deal and ensuring a balanced approach to the overall portfolio mix. Additionally, we provide all syndication partners with defined investment criteria and guidelines, which align with our internal underwriting standards. These partners are required to adhere to our underwriting criteria, ensuring consistency and risk alignment across all investments

MCA - Cost of Sales

We incur sales commissions costs for direct and syndicated originations. Commission expense is recognized over the term of the deal. 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. 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 advance receipt collected on our behalf and is deducted from the amount disbursed.

MCA Credit Losses

Under the current expected credit loss (CECL) model of ASC 326, we recognize an allowance for a portion of the receipts at the time of concluding a deal and additional allowances based on the amount of time since a payment was last received and whether the receivable has been handed over to collections. The approach is based on the Company's internal knowledge and historical default rates over the expected life of the receipts and is adjusted to reflect current economic conditions. This evaluation takes into account the customer's ability and intention to pay the consideration when it is due along with incorporating changes in the forward-looking estimates. If the expected financial condition of the Company's customers were to improve, the allowances may be reduced accordingly.

Other Funding Options

In addition to MCAs, which comprises approximately 80% of our total revenues, we also broker to other funders and receive commissions on the sales of their financial products to SMBs, including equipment financing, lines of credit, SBA loans, business term loans and invoice factoring.

Below is a description of these financial products, how the funder achieves revenues from these financial products, followed by a discussion of how we generate revenue under our commissions, which accounts for approximately 20% of our total revenues.

- ***Equipment Financing:*** Equipment Financing is used by businesses to acquire equipment or machinery necessary for operations. This type of financing allows companies to purchase or lease assets without paying the full cost upfront. The equipment typically serves as collateral, which may lower the risk for lenders and improve access to capital for borrowers. Equipment finance structures can include loans, leases, or other asset-backed financing arrangements, and are commonly used across industries such as manufacturing, construction, transportation, and healthcare.

- **Lines of Credit:** Lines of Credit (“LOC”) is a flexible financing option where a funder provides a business with access to a set amount of funds, which can be borrowed as needed up to a predefined limit. Unlike a traditional loan where you receive a lump sum upfront, a line of credit works more like a credit card: a company draws funds when it needs them, repays what it borrows, and reuses the available credit without reapplying. The borrower can use the funds for anything—working capital, emergencies, inventory purchases—without specifying the purpose upfront (unlike Equipment Financing). There are two main types: secured LOC, which is backed by collateral, often with lower interest rates; and unsecured LOC, where is not backed by collateral, but higher interest rates due to the increased risk. The flexibility of an LOC tempts businesses to draw funds repeatedly, especially for ongoing needs like cash flow gaps. Each draw generates more interest income for the funding party. The funding party also benefits from origination fees, annual fees, draw fees, and late payment fees, associated with these agreements.
- **SBA Loans:** Is a government-backed financing program administered by the U.S. Small Business Administration (SBA) that provides support to small businesses through guarantees on loans issued by approved lenders, such as banks and credit unions. These loans are designed to facilitate access to capital for businesses that may not qualify for conventional financing, offering favorable terms such as lower down payments, competitive interest rates, and extended repayment periods. Common SBA loan programs include the 7(a) Loan Program, CDC/504 Loan Program, and Microloan Program, each tailored to different business needs such as working capital, equipment purchases, or real estate acquisition.
- **Term Loans:** A business term loan is a straightforward financing option where a lender provides a lump sum of money to a business, which the business repays over a fixed period (the “term”) with interest. These loans are commonly used for specific purposes like purchasing equipment, expanding operations, or covering large expenses. Unlike a line of credit, which offers flexible access to funds, a term loan delivers the full amount upfront, and repayment follows a set schedule—typically monthly—over a term ranging from a few months to several years.
- **Invoice Factoring:** Invoice factoring, also known as accounts receivable factoring, is a financing method where a business sells its unpaid invoices (accounts receivable) to a third party, called a factor, at a discount. The factor provides immediate cash to the business, typically 70%-90% of the invoice value, and then collects the full payment from the merchant’s customers when the invoices are due. This helps businesses improve cash flow without waiting 30, 60, or 90 days for clients to pay. The factor advances a percentage of the invoice’s face value to the business within a day or two. For a \$100,000 invoice, the business gets \$80,000 upfront. The factor takes over collecting payment from the customer. When the customer pays the full \$100,000 (assuming they pay on time), the factor remits the remaining balance to the business, minus a fee. The factor charges a factoring fee, typically 1%-5% of the invoice value per month (or a flat rate), depending on the agreement, industry, and payment terms.

We act as an intermediary, connecting merchants (businesses) in need of financing—such as those financial products described above—with banks, credit unions, alternative lenders, or factoring companies willing to provide those funds. We earn a commission for facilitating these matches, leveraging our expertise, network, and marketing efforts to bridge the gap between borrowers and lenders.

We find businesses needing capital through marketing (e.g., online ads, cold calls, trade shows), referrals, or partnerships with accountants, consultants, or industry associations. We have a call center located in the Dominican Republic that facilitates these marketing initiatives. We also find and maintain relationships with traditional funding sources, such as: commercial banks, online lenders, SBA-approved institutions, factoring companies, and others. This network of service providers consists of traditional financial lending institutions. As a member of the Revenue-Based Funding Coalition, the Company focuses exclusively on providing revenue-based funding solutions. We do not hold the necessary licenses to offer certain financial services directly; therefore, in instances where we are unable to fund a particular deal, we act as a broker or lead source. This approach enables the Company to maintain consistent, professional service while expanding access to appropriate funding solutions for our clients.

We assess the merchant’s needs, e.g., equipment purchase, cash flow support, or expansion, and match them with the right financing product. We work to negotiate terms (e.g., interest rates, repayment schedules, fees) between the merchant and lender, streamlining the approval process.

Once the funder approves and funds the deal, our role is complete, and we receive compensation, typically a percentage of the loan amount or flat fee, for delivering a qualified borrower. This fee is often built into the financing cost, so the funder usually pays us directly.

SMBs often need multiple rounds of financing (e.g., a term loan today, factoring next year), and some merchants need multiple financial products at a time. We believe in creating lasting relationships with SMBs, creating repeat commissions for our business.

Underwriting Process and Credit Assessment of Merchant Customers

We have a rigorous pre-screening process to filter high-risk applicants. We use AI in this process to assist our company select the most creditworthy merchants. Only up to 5% of the applications we receive make it through final underwriting and funding.

Below is a description of our underwriting process for applicant merchants, with four steps to completion.

<p>1. Initial Underwriting</p> <ul style="list-style-type: none"> ✓ Verify document integrity and ensure a complete application submission. ✓ Screen against hard decline rules (industry risk, negative banking history, prior defaults). ✓ Conduct an initial revenue check and scrub banking records for inconsistencies. ✓ Perform entity verification to confirm business legitimacy. 	<p>2. Full Underwriting</p> <ul style="list-style-type: none"> ✓ Conduct a comprehensive business analysis, including online presence, expenses, and legal compliance. ✓ Review bank statements for debt obligations and repayment trends. ✓ Perform a thorough credit evaluation and assess revenue sources. ✓ Price deals based on risk, affordability, and ability to repay.
<p>3. Approval</p> <ul style="list-style-type: none"> ✓ Loans up to \$35,000 – Approved by senior underwriters. ✓ \$35,000 - \$100,000 – Requires approval by committee. ✓ \$100,000 and above – Reviewed by the CFO and requires final approval from the CEO. 	<p>4. Final Underwriting and Funding</p> <ul style="list-style-type: none"> ✓ Conduct a full background check on applicants, including legal and financial risks. ✓ Perform a final review of month-to-date bank statements to verify revenue consistency. ✓ Complete a recorded verification call with the merchant to confirm contract terms. ✓ CFO or Credit Controller upload wire transfers and verify ✓ CEO or President approves wire transfer to the merchant.

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 have access to multiple underwriting platforms and sources to create that credit worthiness baseline that we require according to our risk parameters. We have outlined this in our underwriting policy. We use traditional solutions like Experian, Equifax and TransUnion, we use D&B Business Credit, we obtain landlord information, other credit or service provider referrals and/ or feedback. We research the local government websites for specific information on the business. i.e. Security of State Filings, Tax Returns, Court Records etc. We run background checks using TLO and/ or Clear, we review web presence, online visibility, google reviews, Facebook and other social media platforms to gather information on the business, its owners and management. We use AI automation platforms to verify bank statements. As a part of a network of funders, we share information on customers who have defaulted, to ensure they are no longer eligible to take our funding options moving forward.

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.

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, revenue-based funders, 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 receipts or future cashflow from revenue, 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 nonconventional 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 revenue-based funders and merchant cash advance providers as well as 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 nontraditional 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.

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." Since the middle of 2006 to 2014, the Company has been in the exploration stage, primarily engaged in the acquisition, exploration, and development of mining properties.

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. The custodianship was granted by the court because the prior officers and directors of Beeston Enterprises Ltd. had abandoned its business and had failed within a reasonable time to take steps to dissolve, liquidate or distribute its assets in accordance with Chapter 78 of the Nevada Revised Statutes.

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.

On March 5, 2003, we filed an SB-2 registration statement. On October 29, 2018, we filed a Form 15 with the Securities and Exchange Commission to suspend the Company's Section 15(d) reporting obligations under the Exchange Act.

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 cryptocurrency industry.

On September 2, 2020, we changed our name from Favo Realty, Inc. to Favo Capital, Inc., which is the point at which our business changed from a real estate investment company to a private credit company providing alternative financing solutions to small and medium-sized businesses (SMBs) across the United States.

On May 31, 2023, the Company entered into an acquisition with the principals of FAVO Group LLC. 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. Stewards Investment Capital Limited will also serve on the advisory board for a 3 year term and for these services they will receive 15,000,000 shares of the Company's common stock.

Business activities of the entities acquired through common control is as follows:

- Favo Group LLC- Acted as the management company and tasked with ensuring smooth operations across all entities.
- Favo Funding LLC- Direct Merchant Cash Advance Funder.
- FAVO Capital Inc syndicated deals with FAVO Funding LLC.
- Honeycomb Sub Fund LLC- Syndication company that syndicates on deals with other third-party funders.
- Fore Funding LLC- The sales office for FAVO Funding LLC and also acts as broker for other third-party funders.
- Favo Funding CA LLC- Direct Merchant Cash Advance Funder for businesses in California state, no activity for the periods presented.
- Fore Funding CA LLC- Sales office for business in California state, no activity for the periods presented.
- Favo Group Human Resources LLC- Payroll processing for Favo Capital Inc.

As consideration for the acquisition, the Company will pay \$14,200,000 in cash, Senior Secured Notes and equity to an entity (FAVO Holdings LLC) owned by the previous members, namely Shaun Quin and Vincent Napolitano.

The Company raised the financing for this transaction by selling 18 million shares of its Series A Preferred Stock at \$0.25 for total of \$4,500,000. \$4,500,000 in cash has been paid to the principals of FAVO Group for the transfer of their membership. \$2,500,000 of this financing was paid on the closing date of this transaction. The remaining \$2,000,000 was paid as follows: \$1,250,000 on August 31, 2023, and the remaining \$750,000 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 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, cash and deferred commission deal for approximately \$2,167,996, consisting of 1,000,000 shares of the Company's restricted common stock issued on closing a further 2,000,000 shares on each of the first and second anniversary of the closing date valued as well as \$400,000 in cash and \$692,469 in deferred commission measured at fair value. Based upon the timing of the Simplified Acquisition, the Company's consolidated financial statements for the year ended December 31, 2024, reflect the results of Favo Capital for the portion of the period after the completion of the Simplified Acquisition. The Company's consolidated financial statements for the year ended December 31, 2023, do not reflect the results of Simplified.

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

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 \$8,658,780 and \$7,673,207 for the fiscal years ended December 31, 2024, and 2023, respectively. As of December 31, 2024, we had an accumulated deficit of approximately \$35,848,153. 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, manage our expenses and restructure our debt, 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 December 31, 2024, our total indebtedness was approximately \$43,150,542 million, including notes payable of approximately \$35,429,267 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.

While we currently hold approximately \$35,429,267 million in outstanding debt, and our annual interest expense currently amounts to \$4,643,396 million, we plan to use additional external capital as market conditions may allow, in addition to cash flow from operations (which may not always be sufficient and refinancing strategy is designed to systematically reduce this liability, improving financial stability and reducing cash flow pressure. By prioritizing the most expensive debt obligations, we anticipate achieving a stronger financial position, leading to sustained profitability within three years.

However, 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. On September 2, 2020, we changed our name from Favo Realty, Inc. to Favo Capital, Inc., which is the point at which our business changed from a real estate investment company, to a private credit company providing alternative financing solutions to small and medium-sized businesses (SMBs) across the United States, through revenue-based funding solutions, such as PFRs. 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 receipts at an agreed upon discount and repayment term. The majority of our portfolio will be invested in the MCA business.

We actively manage syndication concentration risk across our core partners. Currently, we maintain relationships with three (3) core syndication partners and three (3) secondary partners, all of whom operate within the Merchant Cash Advance (MCA) industry and offer revenue-based financing solutions, including Purchase Receivable Financing (PRF) products. The Company does not participate in any syndication arrangement where our exposure exceeds 40% of a partner’s total portfolio. Additionally, we provide all syndication partners with defined investment guidelines aligned with our internal underwriting standards. These partners are required to adhere to our underwriting criteria, ensuring consistency and risk alignment across all investments.

We have and may continue to experience customer turnover (currently 30% to 40% of our direct portfolio customers have multiple fundings) 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 receipts, 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. For direct fundings, we handle the underwriting process, contract with the merchant directly and fund from our own resources. For syndicated fundings, however, we are dependent on our syndication partners and the lead funder in particular, 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 have historically been, and may in the future remain, more likely to be affected or more severely affected than large enterprises by adverse economic conditions.

Our direct funding portfolio has SMBs across multiple segments and industry types, but most of our merchants fall into the services, construction, and retail industries. These include restaurants, construction and development projects, physical fitness facilities, accounting and bookkeeping practices, home furnishings and equipment stores, and automotive repair shops, among others.

The composition of our syndication portfolio closely aligns with that of our direct investments, both of which are strategically shaped by evolving market dynamics. Key determinants include macroeconomic conditions, the influence of domestic and international government policy decisions, and the relative advantages of specific U.S. geographic regions. Regulatory and policy environments, whether supportive or restrictive, impact sector performance and are carefully considered in our portfolio construction and allocation strategy.

Given that our debtor mix involves merchants with a lack of resources compared with larger more established companies, these conditions may result in a decline in the demand for merchant cash advance businesses by potential customers, higher default rates by future customers, or slower rates of receiving cash advance income from third-party debtors. If any merchant cash advance businesses' future receipts are lower than the Company projected, collection of the merchant cash advance businesses' income will take longer than projected, which could result in a loss of income to the Company.

We will also bear a loss of income if the customer fails to generate future business sufficiently to deliver the total amount of cash advance income the merchant cash advance businesses expect. If a customer defaults on a cash advance, the cash advance enters a collections process where systems and collections teams initiate contact with the customer for payments owed. If a cash advance contract is subsequently charged off, the merchant cash advance business could sell the contract to a third-party collection agency and receive only a small fraction of the remaining amount payable to that merchant cash advance business in exchange for the sale. There can be no assurance that economic conditions, demand for cash advances, or default rates by customers will remain favorable for the merchant cash advance businesses, which will ultimately affect our business.

Reduced demand for cash advances would negatively impact merchant cash advance businesses growth and revenue, while increased default rates by cash advance customers may inhibit merchant cash advance businesses' access to capital and negatively impact profitability. Furthermore, if an insufficient number of qualified small businesses apply for the cash advances, merchant cash advance businesses and the Company's growth and revenue could decline.

If merchants provide information to us that is incorrect or fraudulent, we may misjudge a merchant's qualification to receive a cash advance and as a result, their operating results as well as ours may be harmed.

Our decisions to fund are based partly on information provided by applicant merchants. To the extent that these applicants provide information in a manner that we are unable to verify, we may not be able to accurately determine the associated risk. Inaccurate analysis of credit data that could result from false cash advance application information could harm our reputation, business and operating results. This would have a knock-on effect on our own ability to conduct business operations.

While we intend to use identity and fraud checks analyzing data provided by external databases to authenticate each merchant's identity, there is a risk that these checks could fail, and fraud may occur. We may not be able to recoup funds underlying cash advances made in connection with inaccurate statements, omissions of fact or fraud, in which case our revenue, operating results and profitability will be harmed. Fraudulent activity or significant increases in fraudulent activity could also lead to regulatory intervention, negatively impacting operating results, brand and reputation, and require us to take steps to reduce fraud risk, which could increase our costs. This may, in turn, put our company at greater risk to recoup.

An increase in customer defaults rates may reduce overall profitability.

Customer default rates may be significantly affected by economic downturns or general economic conditions beyond our control and beyond the control of individual customers. In particular, loss rates on cash advances may increase due to general economic and business factors such as prevailing interest and 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. If customer default rates increase beyond forecast levels, this will harm merchant cash advance businesses reputation, operating results, and profitability, which will ultimately affect the Company's own business operations and investors may lose all or part of their investment.

Allowance for losses is determined based upon both objective and subjective factors and may not be adequate to absorb losses. Merchants may fail to deliver cash advanced income in full.

We maintain a reserve for such losses by establishing an allowance for losses, the increase of which results in a charge to its earnings as a provision for losses. We have established an evaluation process designed to determine the adequacy of those allowances for losses. While this evaluation process will use historical and other objective information, the forecasts and establishment of losses are also dependent on our subjective assessment based upon our experience and judgment. Actual losses are difficult to forecast, especially if such losses stem from factors beyond historical experience. As a result, there can be no assurance that our allowance for losses will be comparable to that of traditional banks subject to regulatory oversight or sufficient to absorb losses or prevent a material adverse effect on business, financial condition, and results of operations.

Investors have risks from inflation and from deflation

As a result of inflation, there has been a history of increasing taxes, energy and labor costs, and other operating and capital expenses. If the revenues generated by operations are not sufficient to pay fixed obligations, we may attempt to increase rates on cash advance income in addition to attempting to reduce operating expenses. However, competition may preclude such increases. On the other hand, deflation is likely to cause rates to decrease faster than expenses decrease. Inflation or deflation could have a material adverse effect on merchant cash advance businesses and our business, results of operations, and financial condition.

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; 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 purchase of future receipts, will adversely affect the merchant cash advance business and Company's business.

Currently, the merchant cash advance business structures its cash advances as a purchase of future receipts, 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 alternative financing solutions 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 financing decision on the basis of limited information, nearly all of which is obtained from the business itself, which may result in our consummating an advance to 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. 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 brokers, 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.

As of early 2025, at least 20 states have passed comprehensive privacy laws that go beyond breach notification to regulate how businesses collect, use, and protect personal data. These laws grant consumers rights like access, deletion, and opting out of data sales, while requiring "reasonable" security measures. Newer laws in states like Texas (Texas Data Privacy and Security Act, effective 2024) and New Jersey (effective 2025) follow this model, with variations in scope and enforcement. 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, 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.

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 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 a well-structured and diversely appointed Board of Directors, Officers and Directors. The loss of Key Personal within the organization could 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.

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, FAVO Holdings LLC also holds 30,040,149 shares of our common stock of which Vincent Napolitano has 65% of the vote.

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.

Currently, 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. However, upon the filing of this S-1 Registration document and for the sale of the company's common shares, the automatic conversion will be effectuated and implemented effective immediately and all outstanding shares of our Series C Preferred Stock will be converted into shares of our common stock prior to us effecting the proposed reverse split.

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 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 Corruption 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 December 31, 2024, we had total consolidated liabilities of approximately \$43,150,542 million, with 37,020,000 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 OTCPink 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) Issuer's 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 1.5 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 2025 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 4th 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.

The goal of this section is to provide investors with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial owners.

Individual Name (First, Last) or Entity Name (Include names of control person(s) if a corporate entity)	Position/Company Affiliation (ex: CEO, 5% Control person)	City and State (Include Country if outside U.S.)	Number of Shares Owned (List common, preferred, warrants and options separately)	Class of Shares Owned	Percentage of Class of Shares Owned (undiluted)
<u>FAVO Holdings LLC</u>	<u>Officer and Director</u>	<u>Westbury, NY</u>	<u>30,040,149</u>	<u>Common</u> <u>Stock</u>	<u>30.82%</u>
<u>S&T Quin Family Limited</u> <u>Partnership</u>	<u>Officer and Director</u>	<u>Huntington, NY</u>	<u>17,290,850</u>	<u>Common</u> <u>Stock</u>	<u>17.74%</u>
<u>Stewards Investment Capital</u> <u>Limited</u> <u>Glen Steward</u>	<u>Owner</u>	<u>12th Floor,</u> <u>NeXTercom Tower</u> <u>Tower 1, Ebene,</u> <u>Quatre Bornes,</u> <u>Mauritius, 72201</u>	<u>15,000,000</u>	<u>Common</u> <u>Stock</u>	<u>15.39%</u>
<u>LIRO Holdings</u> <u>Rocco Trotta</u>	<u>Owner</u>	<u>Syosset NY</u>	<u>11,100,000</u>	<u>Common</u> <u>Stock</u>	<u>11.38%</u>
<u>Vincent Napolitano</u>	<u>Officer and Director</u>	<u>Westbury, NY</u>	<u>18,750,000</u>	<u>Preferred</u> <u>Stock Series C</u>	<u>100%</u>
<u>Forfront Capital</u> <u>Glen Steward, Bilal Adam and</u> <u>Nathaniel Tsang Mang Kin</u>	<u>Owner: Glen Steward</u> <u>Officer and Director</u>	<u>12th Floor,</u> <u>NeXTercom Tower</u> <u>Tower 1, Ebene,</u> <u>Quatre Bornes,</u> <u>Mauritius, 72201</u>	<u>37,020,000</u>	<u>Preferred</u> <u>Stock Series A</u>	<u>100%</u>
<u>Forfront Capital</u> <u>Glen Steward, Bilal Adam and</u> <u>Nathaniel Tsang Mang Kin</u>	<u>Owner: Glen Steward</u> <u>Officer and Director</u>	<u>12th Floor,</u> <u>NeXTercom Tower</u> <u>Tower 1, Ebene,</u> <u>Quatre Bornes,</u> <u>Mauritius, 72201</u>	<u>4,000,000</u>	<u>Common</u> <u>Stock</u>	<u>4.1%</u>
<u>Vaughan Korte</u>	<u>Chief Financial Officer</u>	<u>Bayville NY</u>	<u>400,000</u>	<u>Common</u> <u>Stock</u>	<u>0.41%</u>
<u>Shaun Quin</u>	<u>President and Director</u>	<u>Huntington, NY</u>	<u>20,000</u>	<u>Common</u> <u>Stock</u>	<u>0.021%</u>
<u>Glen Steward</u>	<u>Chief Strategy Officer and</u> <u>Director</u>	<u>Fort Lauderdale, FL</u>	<u>0</u>	<u>N/A</u>	<u>0%</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

3. Been the subject of a finding, disciplinary order or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, a state securities regulator of a violation of federal or state securities or commodities law, or a foreign regulatory body or court, which finding or judgment has not been reversed, suspended, or vacated;

No

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

N/A

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

No

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

No

- B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party to 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.

As a provider of merchant cash advances with marketing efforts operating across multiple states, our company and its subsidiaries may, at any point in time, be named as a party to various legal proceedings arising in the ordinary course of business. These may include actions alleging breaches of contract, disputes over repayment terms, violations of consumer protection laws (such as the Telephone Consumer Protection Act or state usury laws), unfair or deceptive business practices, or challenges to the enforceability of MCA agreements.

We do have cases in the ordinary course of business currently filed against our subsidiary related to these claims. As to matters that arise in the ordinary course, however, management does not believe that the amount of liability, if any, for any pending matters, individually or in the aggregate, will materially affect our company's consolidated financial position. However, litigation can have a significant effect on our company and its subsidiaries for other reasons, such as defense costs, diversion of management focus and resources, and reputational risks

8) Third Party Service Providers

Provide the name, address, telephone number and email address of each of the following outside providers. You may add additional space as needed.

Securities Counsel

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

Auditor

Name: Nnanna Ogbonna
Firm: Turner, Stone and Company, L.L.P
Address 1: 12700 Park Central Drive, Suite 1400
Address 2: Dallas, TX 75251
Phone: +1 972 239 1660

Investor Relations Consultant:

Name: Scott McGowan
Firm: IBN
Address 1: 1108 Lavaca St, Suite 110 - IBN
Address 2: Austin, TX 78701
Phone: +1 512 354 7000

All other means of Investor Communication:

X (Twitter): @Favocapital
Discord: N/A
LinkedIn: Linkedin/Favocap
Facebook: Facebook/Favocap
Website: www.favocapital.com

Other Service Providers

Provide the name of any other service provider(s) that **that assisted, advised, prepared, or provided information with respect to this disclosure statement**. This includes counsel, broker-dealer(s), advisor(s), consultant(s) or any entity/individual that provided assistance or services to the issuer during the reporting period.

N/A

9) Disclosure & Financial Information

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

Name: **Vaughan Korte**
Title: **Chief Financial Officer**
Relationship to Issuer: **Officer**

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

- ☐ IFRS
☒ U.S. GAAP

C. The following financial statements were prepared by (name of individual):

Name: **Vaughan Korte**
Title: **Chief Financial Officer**
Relationship to Issuer: **Officer**

Describe the qualifications of the person or persons who prepared the financial statements:⁶ **Bachelor of Commerce**

Provide the following qualifying financial statements:

- Audit letter, if audited;
- Balance Sheet;

⁶ The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS and by persons with sufficient financial skills.
OTC Markets Group Inc.
Disclosure Guidelines for the Pink Market (v6.0 January 31, 2025)

- Statement of Income;
- Statement of Cash Flows;
- Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
- Financial Notes

Financial Statement Requirements:

- Financial statements must be published together with this disclosure statement as one document.
- Financial statements must be “machine readable”. Do not publish images/scans of financial statements.
- Financial statements must be presented with comparative financials against the prior FYE or period, as applicable.
- Financial statements must be prepared in accordance with U.S. GAAP or International Financial Reporting Standards (IFRS) but are not required to be audited.

10) Issuer Certification

Principal Executive Officer:

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

I, Vincent Napolitano certify that:

1. I have reviewed this Disclosure Statement for 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.

04/15/2025

/s/ Vincent Napolitano

Principal Financial Officer:

I, Vaughan Korte certify that:

1. I have reviewed this Disclosure Statement for 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.

04/15/2025

/s/ Vaughan Korte



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Favo Capital, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Favo Capital, Inc. and its subsidiaries (the Company) as of December 31, 2024 and 2023, and the related consolidated statements of operations and comprehensive loss, stockholders' deficit, and cash flows for each of the years in the two-year period ended December 31, 2024, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has recurring losses from operations and negative cash flows from operating activities, which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Turner, Stone & Company, L.L.P.

We have served as the Company's auditor since 2023.

Dallas, Texas

April 15, 2025

FAVO CAPITAL, INC.
CONSOLIDATED BALANCE SHEETS

	December 31, 2024	December 31, 2023
ASSETS		
CURRENT ASSETS:		
Cash	\$ 2,751,386	\$ 1,147,295
Advance receivables (net of allowance for credit losses of \$ 19,034,976 and 16,102,278 as of December 31, 2024 and 2023, respectively)	14,542,518	15,281,941
Due from related party	41,307	759
Other current assets	109,753	126,599
Total current assets	<u>17,444,964</u>	<u>16,556,594</u>
NON-CURRENT ASSETS:		
Goodwill	1,219,134	-
Fixed assets, net of accumulated depreciation	143,806	120,683
Intangible assets, net of accumulated amortization	705,000	-
Operating lease right of use asset, net	352,262	314,970
Other assets	371	2,288
Total non-current assets	<u>2,420,573</u>	<u>437,941</u>
TOTAL ASSETS	<u>\$ 19,865,537</u>	<u>\$ 16,994,535</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	1,528,228	652,462
Notes payable, related party	-	1,500,000
Syndicate payable	5,284,505	5,072,691
Due to related party	1,600,000	122,437
Deferred consideration - current	207,721	-
Operating lease obligation - current	146,280	88,009
Total current liabilities	<u>8,766,734</u>	<u>7,435,599</u>
NON-CURRENT LIABILITIES:		
Operating lease obligation - noncurrent	203,369	229,848
Other non-current liabilities	-	45,400
Due to related party	1,600,000	4,700,000
Deferred consideration-noncurrent	351,172	-
Notes payable	32,229,267	25,163,642
Total non-current liabilities	<u>34,383,808</u>	<u>30,138,890</u>
TOTAL LIABILITIES	<u>\$ 43,150,542</u>	<u>\$ 37,574,489</u>
Commitments and Contingencies (Note 10)		
STOCKHOLDERS' DEFICIT		
Series A Preferred stock, par value \$0.0001 per share; 81,250,000 shares authorized; 37,020,000 and 28,420,000 shares issued and outstanding as of December 31, 2024 and 2023, respectively.	3,702	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 December 31, 2024 and 2023.	1,875	1,875
Common stock, par value \$0.0001 per share; 500,000,000 shares authorized; 97,479,734 and 87,554,734 shares issued and outstanding as of December 31, 2024 and 2023, respectively	9,748	8,755
Stock subscription receivable	(1,770,827)	(3,020,831)
Paid in capital	14,315,979	9,154,182
Other comprehensive gain	2,671	-

Accumulated deficit	(35,848,153)	(26,726,777)
Total stockholders' deficit	<u>(23,285,005)</u>	<u>(20,579,954)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ <u>19,865,537</u>	\$ <u>16,994,535</u>

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

FAVO CAPITAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	For the Years Ended December 31,	
	2024	2023
Revenue		
Financing fees	\$ 12,787,262	\$ 11,800,228
	<u>12,787,262</u>	<u>11,800,228</u>
Cost of revenue		
Cost of sales	2,358,114	3,497,364
	<u>2,358,114</u>	<u>3,497,364</u>
Gross profit	10,429,148	8,302,864
Operating expenses		
General and administrative expenses	7,814,809	5,318,338
Allowance for credit losses	4,019,840	5,561,517
Professional fees	2,517,381	1,728,146
Total operating expense	<u>14,352,030</u>	<u>12,608,001</u>
Loss from operations	<u>(3,922,882)</u>	<u>(4,305,137)</u>
Interest expense	(4,643,396)	(3,350,913)
Loss on write down of investment	(1,917)	(17,157)
Gain on sale of fixed asset	4,230	-
Foreign exchange loss	(38,760)	-
Total other income (expenses)	<u>(4,679,843)</u>	<u>(3,368,070)</u>
Net loss before income taxes	\$ <u>(8,602,725)</u>	\$ <u>(7,673,207)</u>
Income tax expenses	(56,055)	-
Net loss	<u>(8,658,780)</u>	<u>(7,673,207)</u>
Preferred shares interest expense	(462,596)	(147,955)
Net loss to common shareholders	<u>(9,121,376)</u>	<u>(7,821,162)</u>
Net loss per common share – basic and diluted	\$ (0.10)	\$ (0.11)
Weighted average common shares outstanding – basic and diluted	92,638,720	68,039,666
Comprehensive loss:		
Net loss	(9,121,376)	(7,821,162)
Unrealized gain on foreign currency translation	2,671	-
Total comprehensive loss	<u>\$ (9,118,705)</u>	<u>(7,821,162)</u>

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

FAVO CAPITAL, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>Series C Preferred Stock</u>		<u>Series A Preferred Stock</u>		<u>Common Stock</u>		<u>Pain in Capital</u>	<u>Subscription receivable</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>Deficit</u>	<u>Stockholders' Deficit</u>
Balance - December 31, 2022	25,000,000	\$ 2,500	-	\$ -	22,954,734	\$ 2,295	\$ 6,357,859	-	\$ (17,720,634)	\$ (11,357,980)
Preferred stock conversion	(6,250,000)	\$ (625)			25,000,000	\$ 2,500	\$ (1,875)			-
Shares issued in common control acquisition.					20,000,000	\$ 2,000	\$ 4,998,000		\$	5,000,000
Adjustment to equity for common control transaction.							(14,200,000)			(14,200,000)
Retained earnings Distribution									(1,184,982)	(1,184,982)
Common stock issued for services					17,200,000	\$ 1,720	\$ 4,298,280		\$	4,300,000
Issuance of common stock for the promissory note extension					2,400,000	240	599,760			600,000
Preferred Stock issuances			28,420,000	\$ 2,842			\$ 7,102,158		\$	7,105,000
Preferred shares interest expense									(147,955)	(147,955)
Subscription Receivable								\$ (3,020,831)		(3,020,831)
Net loss									(7,673,207)	(7,673,207)
Balance - December 31, 2023	<u>18,750,000</u>	<u>\$ 1,875</u>	<u>28,420,000</u>	<u>\$ 2,842</u>	<u>87,554,734</u>	<u>\$ 8,755</u>	<u>\$ 9,154,182</u>	<u>\$ (3,020,831)</u>	<u>\$ (26,726,777)</u>	<u>\$ (20,579,954)</u>

FAVO CAPITAL, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>Series C Preferred Stock</u>		<u>Series A Preferred Stock</u>		<u>Common Stock</u>		<u>Pain in Capital</u>	<u>Subscription receivable</u>	<u>Accumulated Deficit</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total Stockholders' Deficit</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>					
Balance - December 31, 2023	18,750,000	\$ 1,875	28,420,000	\$ 2,842	87,554,734	\$ 8,755	\$ 9,154,182	\$ (3,020,831)	\$ (26,726,777)	\$ -	\$ (20,579,954)
Common stock issued for promissory note extension.					600,000	\$ 60	\$ 149,940				\$ 150,000
Issuance of common stock in connection with private offering, net of issuance costs.					8,000,000	\$ 800	\$ 1,791,600				\$ 1,792,400
Common Stock issued for Simplified Companies acquisition.					1,000,000	\$ 100	\$ 249,900				\$ 250,000
Fair value of deferred shares on Simplified Companies acquisition.							\$ 740,000				\$ 740,000
Common stock issued for services					325,000	\$ 33	\$ 81,217				\$ 81,250
Preferred Stock issuances for cash.			8,600,000	\$ 860			\$ 2,149,140				\$ 2,150,000
Amortization of advisory board shares issued in advance.								\$ 1,250,004			1,250,004
Net loss									(9,121,376)	\$ 2,671	\$ (9,118,705)
Balance - December 31, 2024	<u>18,750,000</u>	<u>\$ 1,875</u>	<u>37,020,000</u>	<u>\$ 3,702</u>	<u>97,479,734</u>	<u>\$ 9,748</u>	<u>\$ 14,315,979</u>	<u>\$ (1,770,827)</u>	<u>\$ (35,848,153)</u>	<u>\$ 2,671</u>	<u>\$ (23,285,005)</u>

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

FAVO CAPITAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,	
	2024	2023
OPERATING ACTIVITIES:		
Net loss	\$ (9,121,376)	\$ (7,821,162)
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss on investment	1,917	17,157
Allowance for credit losses	4,019,840	5,561,517
Common stock issued for services	81,250	1,279,170
Finance charges for extension of promissory note	40,625	600,000
Operating lease ROU asset amortization	(37,262)	68,507
Amortization of advisory board shares issued in advance.	1,250,004	-
Depreciation and amortization expense	266,364	44,643
Gain on sale of assets	(4,230)	-
Interest expense on deferred consideration	96,424	-
Foreign exchange loss	38,760	-
Changes in assets and liabilities		
Advances receivable	(3,280,417)	(4,716,726)
Due from related party	(40,548)	939,241
Other current assets	16,846	43,753
Accounts payable and accrued liabilities	792,881	63,068
Syndicate payable	211,814	3,627,960
Operating lease obligation	31,792	(64,514)
Due to related party	1,477,563	119,297
Other non-current liabilities	(45,400)	(14,299)
NET CASH USED IN OPERATING ACTIVITIES	\$ (4,203,154)	\$ (252,388)
INVESTING ACTIVITIES:		
Purchase of property and equipment	(52,992)	(40,189)
Sale of property and equipment	11,596	-
Cash paid for Simplified Companies acquisition	(630,000)	-
NET CASH USED IN INVESTING ACTIVITIES	\$ (671,395)	\$ (40,189)
FINANCING ACTIVITIES:		
Proceeds from preferred stock issuance	2,150,000	7,105,000
Cash paid in common control transaction	-	(4,500,000)
Payments made against promissory note -related party	(1,500,000)	-
Payments made against notes payable related party	(3,100,000)	(2,562,000)
Proceeds from notes payable-related party	7,175,000	1,366,000
Proceeds from notes payable	-	875,402
Payments made against notes payable	-	(115,230)
Retained earnings distribution	-	(1,184,982)
Issuance of common stock	1,792,400	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	\$ 6,517,400	\$ 984,190
NET CHANGE IN CASH	1,642,772	691,613
Effect of exchange rate changes on cash	(38,760)	-
CASH – BEGINNING OF PERIOD	1,147,295	455,682
CASH – END OF PERIOD	\$ 2,751,386	\$ 1,147,295

**SUPPLEMENTAL DISCLOSURE
OF CASH FLOWS INFORMATION:**

Cash paid for interest	\$	4,407,854	\$	3,349,561
Cash paid for income taxes		-		-

**NON-CASH INVESTING AND
FINANCING ACTIVITIES:**

Conversion of series C preferred stock	\$	-	\$	2,500
Common stock issued in common control acquisition		-		5,000,000
Issuance of note payable in common control acquisition		-		4,700,000
Issuance of common stock for promissory note extension		150,000		600,000
Issuance of common stock Simplified Companies acquisition		250,000		-
Deferred equity for Simplified Companies acquisition		740,000		-
Deferred commission for Simplified Companies acquisition		462,469		-
Stock issued for serving on advisory board		1,250,004		-

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

FAVO CAPITAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Organization and basis of accounting

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 September 2, 2020, 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. The Company is now a private credit company focused on providing alternative financing solutions to small and medium-sized businesses (SMBs) across the United States. The Company’s business model is centered around direct and syndicated Revenue Based Funding solutions that address the capital needs of SMBs underserved by traditional lending institutions.

On May 31, 2023, the Company entered into an acquisition agreement with the principals of FAVO Group LLC. 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 the Company. As consideration for the transfer, the Company agreed to pay a purchase price of \$14,200,000 in cash, Senior Secured Notes and Common Stock. The Company raised the financing for this transaction by selling 18 million shares of its Series A Preferred Stock at \$0.25 for total of \$4,500,000. \$4,500,000 in cash has been paid to the principles of FAVO Group for the transfer of their membership. \$2,500,000 of this was paid on the closing date of this transaction. The remaining \$2,000,000 was paid as follows: \$1,250,000 on August 31, 2023, and the remaining \$750,000 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.

The accompanying financial statements are prepared on the basis of accounting principles generally accepted in the United States of America (“GAAP”).

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 positive working capital of \$8,678,230 for the year ended December 31, 2024, revenue for the year ended December 31, 2024 of \$12,787,262, a net loss of \$8,658,780 and negative cash generated from operating activities of \$4,224,307 for the year ended December 31, 2024. These conditions raise substantial doubt regarding the Company’s ability to continue as a going concern. The Company has however established ongoing source of revenues but 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. All intercompany accounts, balances and transactions have been eliminated in the consolidation as at December 31, 2024 and December 31, 2023.

Revenue Recognition

The Company's main source of revenue is through agreements for the purchase and sale of future receivables/receipts, commonly referred to as a Merchant Cash Advance. Under the contract, the Company will agree to purchase a specified amount of the customer's future receipts/receivables (the "Purchased Amount") at a discount, in return for providing the customer with upfront proceeds (the "Purchase Price"). The customer is then contractually required to pay the cash related to the future receivables/receipts based on an estimated period and agreed-upon % of the customer's future receivables/receipts that the customer collects. The difference between the Purchased Amount that the customer will repay, and the discounted Purchase Price amount that the Company pays for the future receivables/receipts, is considered the "discount", which reflects the significant collection risk incurred by the Company for its purchase of future receivables/receipts. These purchase of future receivables arrangements do not constitute a revenue contract under ASC 606 "Revenue from Contracts with Customers". Accordingly, the Company accounts for them in accordance with ASC 310 "Receivables"

The Company recognizes revenue on remittances collected by applying the contractual discount to allocate the remittance against the initial principal held as a receivable and revenue. All upfront income from fees, such as origination and processing fees are booked as income on a straight-line method over the initial period of the contract. The same applies to all direct costs incurred upon the execution of the contract, which primarily consists of commissions paid to the Company's internal sales team or external partners for sourcing the contract.

As of December 31, 2024, and 2023, deferred commissions cost included within account receivables was \$842,924 and \$919,280, respectively. Similarly, deferred origination fees included within account receivables was \$192,033 and \$335,679 as of December 31, 2024, and 2023, respectively.

Following table provides the revenue recognized from each offering

Revenue	December 31, 2024	December 31, 2023
MCAs Income and Fees	\$ 10,225,976	\$ 11,286,626
Brokerage Commissions	2,483,084	294,472
Management fee	44,874	-
Others	33,328	219,130
Total Revenue	\$ 12,787,262	\$ 11,800,228

Variable Interest Entities

We determine at the inception of each arrangement whether an entity in which we have made an investment or in which we have other variable interests is considered a variable interest entity ("VIE"). We consolidate VIEs when we are the primary beneficiary. We are the primary beneficiary of a VIE when we have the power to direct activities that most significantly affect the economic performance of the VIE and have the obligation to absorb the majority of their losses or benefits. If we are not the primary beneficiary in a VIE, we account for the investment or other variable interests in a VIE in accordance with applicable GAAP.

Periodically, we assess whether any changes in our interest or relationship with the entity affect our determination of whether the entity is a VIE and, if so, whether we are the primary beneficiary.

Property, equipment and leasehold improvements.

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

Maintenance and repairs are charged to expense as incurred. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the results of operations. Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets.

The estimated useful lives of depreciable assets are as follows:

Computers and equipment	5 years
Office furniture and fixtures	7 years
Vehicles	5 years
Leasehold improvements	Shorter of the lease term or the estimated useful life

Advance receivables

Advance receivables are recorded at net realizable value, net of an allowance for expected credit losses.

Credit Losses on Financial Instruments

For its financial instruments subject to credit risk, consisting of its receivables related to its MCA's, the Company recognizes as an allowance its estimate of lifetime expected credit losses under the current expected credit loss (CECL) model of ASC 326. The approach is based on the Company's internal knowledge and historical default rates over the expected life of the receivables and is adjusted to reflect current economic conditions as well as industry and geographical specific risks. This evaluation takes into account the customer's ability and intention to pay the consideration when it is due along with incorporating changes in the forward-looking estimates. If the expected financial condition of the Company's customers were to improve, the allowances may be reduced accordingly. Movement of Credit Losses for the Year:

		Year ended December 31	
		2024	2023
Balance, beginning of period	\$	16,102,278	\$ 10,842,493
Current period provision		4,019,840	5,561,517
Write-offs		(1,087,141)	(301,732)
Recoveries		-	-
Balance, end of period	\$	19,034,976	16,102,278

The Company had increased write-offs for the period ended December 31, 2024 mainly due to the closing of some of the syndication funds in which the Company participated.

The Company will write off any deals that are deemed to be uncollectible as advised by the Company's third-party collections and legal team or in the event the merchant has filed for bankruptcy. With regards to deals where the Company has syndicated on the deal, the write off is done at the time the syndication partner identifies these deals are no longer collectable.

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 December 31, 2024 and 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 access to 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 note, notes payable, due to and from related parties and advanced receivables. Fair values were assumed to approximate carrying values for these financial instruments due to their short-term maturities.

Provision for Income Taxes

The Company accounts for income taxes in accordance with ASC 740 and other authoritative guidance utilizing the asset and liability method. This method requires the recognition of deferred assets or liabilities for the expected future tax consequences of events that have been included in the financial statements. Deferred tax assets or liabilities are calculated as the difference between the financial statements and the tax bases of assets and liabilities applying enacted tax rates in effect for the period in which the differences are expected to settle. The Company records deferred tax assets or liabilities when management determines it is more likely than not that the tax position will be sustained. A valuation allowance is required for deferred tax assets if, based on available evidence, it is more likely than not that all or some portion of the asset will not be realized due to the inability to generate sufficient taxable income in the period or of the character necessary to use the benefit of the deferred tax asset. On the basis of the evaluation, as of December 31, 2024, the Company has recorded a full valuation allowance against the Company's net deferred tax asset.

We record uncertain tax positions in accordance with ASC 740 on the basis of a two-step process in which (1) we determine whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority. The company has not identified any uncertain tax positions.

We recognize interest and penalties related to unrecognized tax benefits on the income tax expense line in the accompanying consolidated statement of operations. Accrued interest and penalties are included on the related tax liability line in the consolidated balance sheet.

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 December 31, 2024 and 2023, and expenses for the years ended December 31, 2024 and 2023, and cumulative from inception. Actual results could differ from those estimates made by management.

Stock Subscription Receivable

Stock subscription receivables are recorded when the shares have been issued against future services from the subscriber. Since the shares had already been issued and the expense will be recorded when the services are received from the subscriber, the Company recorded the amount as stock subscriptions receivable in the equity section of the consolidated balance sheets.

Warrants

The Company accounts for stock warrants granted either as a liability or equity in accordance with ASC 815-40, Derivatives and Hedging — Contracts in Entity's Own Equity ("ASC 815-40"). Under ASC 815-40, contracts that may require settlement for cash are liabilities, regardless of the probability of the occurrence of the triggering event. Liability-classified warrants are measured at fair value on the issuance date and at the end of each reporting period. Any change in the fair value of the warrants after the issuance date is recorded in the consolidated statements of operations and comprehensive loss as a gain or loss. If warrants do not require liability classification under ASC 815-40, in order to conclude warrants should be classified as equity, the Company assesses whether the warrants are indexed to its common stock and whether the warrants are classified as equity under ASC 815-40 or another applicable GAAP standard. Equity-classified warrants are accounted for at fair value on the grant date with no changes in fair value recognized after the issuance date.

The Company has issued warrants to purchase shares of its common stock in connection with its financing activities. The Company classifies these warrants as equity and recorded the warrants at fair value as of the date of issuance on the Company's consolidated balance sheet with no subsequent remeasurement. The issuance date fair value of the outstanding warrants was estimated using the Black-Scholes Model. The Black-Scholes Model required inputs such as the expected term of the warrants, expected volatility and risk-

free interest rate. These inputs were subjective and required significant analysis and judgment. For the estimate of the expected term, the Company used the full remaining contractual term of the warrant. The estimate of expected volatility assumption is based on the volatility observed on the Company's peer group. The risk-free rate is based on the yield available on U.S. Treasury zero-coupon issues corresponding to the expected term of the warrants.

Syndicate Payable

A portion of the Company's direct funding portfolio are funded by syndication partners who participate alongside the Company in the deal and therefore economically benefit directly from the performance of the deal but also bare the risk with regards to nonperformance. The syndicated portion of an individual deal will vary based on the size of the deal or the syndicated partners participation threshold. All syndication partners sign participation contracts with the Company which details the relationship between the syndicate partner and the Company as well as any relevant collection fees the Company will receive under the relationship.

All deals and the syndicates participation are tracked separately in the Company's customer relationship management ("CRM") which operates on a wallet basis. The syndicate partner has access to the CRM and therefore has the ability to track the performance of every deal as well as monitor any payments received.

Foreign Currency Translation and Transactions

The functional currency of our wholly owned subsidiaries is the applicable local currency. The translation of foreign currencies into U.S. dollars is performed for assets and liabilities using current foreign currency exchange rates in effect at the balance sheet date, and for revenues and expense accounts using average foreign currency exchange rates during the period. Capital accounts are translated at historical foreign currency exchange rates. Translation gains and losses are included in stockholders' equity as a component of accumulated other comprehensive income (loss). Adjustments that arise from foreign currency exchange rate changes on transactions denominated in a currency other than the functional currency are included in other loss on the consolidated statements of operations.

Segment Reporting

The Company's current source of revenue is from one main product, namely Merchant Cash Advances. Our revenue generation is limited to within the United States and although the Company is exploring alternative products to add to its alternative finance offering, none of these have been finalized yet. Our chief operating decision-maker ("CODM") is our Chief Executive Officer ("CEO"). The CEO reviews financial information presented on a consolidated basis for purposes of making operating decisions, assessing financial performance, and allocating resources. We manage our operations and allocate resources as a single operating segment.

Leases

The Company applies the accounting guidance ASC 842, *Leases*. The Company determines if an arrangement contains a lease at inception based on whether there is an identified property, plant or equipment and whether the Company controls the use of the identified asset throughout the period of use. Operating leases are included in the accompanying consolidated balance sheets. Operating lease right of use ("ROU") assets represent the Company's right to use an underlying asset for the lease term. Lease liabilities represent the Company's obligation to make lease payments arising from the lease and are included in current and non-current liabilities. Operating lease ROU assets and lease liabilities are recognized at the lease inception date based on the present value of lease payments over the lease term discounted based on the more readily determinable of (i) the rate implicit in the lease or (ii) the Company's incremental borrowing rate (which is the estimated rate the Company would be required to pay for a collateralized borrowing equal to the total lease payments over the term of the lease). Because the Company's operating leases generally do not provide an implicit rate, the Company estimates its incremental borrowing rate based on the information available at lease commencement date for borrowings with a similar term.

The Company's operating lease ROU assets are measured based on the corresponding operating lease liability adjusted for (i) payments made to the lessor at or before the commencement date, (ii) initial direct costs incurred and (iii) tenant incentives under the lease. The Company does not assume renewals or early terminations unless it is reasonably certain to exercise these options at commencement. The Company elected the practical expedient which allows the Company to not allocate consideration between lease and non-lease components. Variable lease payments are recognized in the period in which the obligation for those payments is incurred. In addition, the Company elected the practical expedient such that it does not recognize ROU assets or lease liabilities for leases with a term of 12 months or less of all asset classes. Operating lease expense is recognized on a straight-line basis over the lease term.

Business Combinations

ASC 805, Business Combinations, provides a model for determining whether an acquisition represents a business combination. In order to be a business, the integrated set of activities of the acquired entity needs to have an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired entity must also pass the “Screen Test” which involves determining whether the acquisition represents an in-substance asset acquisition based on whether the fair value of the gross assets acquired is “substantially all” concentrated in a single asset or group of similar assets.

We use the acquisition method of accounting for business combination transactions, and, accordingly, recognize the fair values of assets acquired and liabilities assumed in our consolidated financial statements. Transaction costs related to the acquisition of the acquired company are expensed as incurred. The allocation of fair values may be subject to adjustment after the initial allocation for up to a one-year period as more information becomes available relative to the fair values as of the acquisition date. The consolidated financial statements include the results of operations of any acquired company since the acquisition date.

Goodwill and Intangible Assets

We recognize the excess of the purchase price over the fair value of identifiable net assets acquired at the acquisition date as goodwill. In accordance with ASC 350, *Intangibles-Goodwill and Other* (“ASC 350”), Goodwill is not amortized but is reviewed for impairment annually and more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. We first perform a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying value. If the reporting unit does not pass the qualitative assessment, then the reporting unit’s carrying value is compared to its fair value. If the fair value of the reporting unit is greater than the reporting unit’s carrying value, then the carrying value of the reporting unit is deemed to be recoverable. If the carrying value of the reporting unit is greater than the reporting unit’s fair value, goodwill is impaired and written down to the reporting unit’s fair value.

Identifiable intangible assets include developed technology, customer relationships, and trade names resulting from acquisitions. Acquired intangible assets are recorded at fair value on the date of acquisition and amortized over their estimated economic lives on a straight-line basis. Acquired intangible assets are presented net of accumulated amortization on the consolidated balance sheets. We review the carrying amounts of intangible assets for impairment at the asset group level whenever events or changes in circumstances indicate that the carrying amount of the asset group may not be recoverable. We measure the recoverability of the asset group by comparing its carrying amount to the future undiscounted cash flows we expect the asset group to generate. If we consider the asset group to be impaired, the impairment to be recognized equals the amount by which the carrying value of the asset group exceeds its fair value. In addition, we periodically evaluate the estimated remaining useful lives of long-lived intangible assets to determine whether events or changes in circumstances warrant a revision to the remaining period of depreciation or amortization.

The Company amortizes intangible assets subject to amortization on the basis of their expected periods of benefit, generally 4 to 10 years. The Company does not have indefinite-lived intangible assets other than goodwill.

Useful life of the intangible assets are as follows:

	Useful life (In years)
Trade Name	10
Developed Technology	4
Customer relationships	4

Deferred Consideration

The Company elected to account for the deferred consideration under ASC 825, Financial Instruments (“ASC 825”). Accordingly, deferred consideration was recognized at their fair value at the closing of the transaction and are subsequently remeasured each reporting period with changes in fair value recorded in other income (expense) in the consolidated statements of operations and comprehensive loss until settlement. The fair value of the deferred consideration was determined by discounting future payments using the Company’s cost of borrowing.

Subsequent Event

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

Adoption of Recent Accounting Pronouncements

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280 - Improvements to Reportable Segment Disclosures)*. ASU 2023-07 will improve reportable segment disclosure requirements, primarily through enhanced annual and interim disclosures about significant segment expenses that are regularly provided to the CODM. The disclosure required under ASU 2023-07 is required for public entities with a single reportable segment. ASU 2023-07 will be effective for the Company for annual periods beginning on January 1, 2024 and interim periods beginning on January 1, 2025. The amendments of this guidance apply retrospectively to all prior periods presented in the consolidated financial statements. Early adoption is permitted. The amendments were applied retroactively to all prior periods presented in the consolidated financial statements and adoption of ASU 2023-07 do not have a material impact on our consolidated financial statements.

Recently issued accounting guidance - not yet adopted:

In November 2024, the Financial Accounting Standards Board (FASB), issued Accounting Standards Update (ASU) 2024-04, *Debt-Debt with Conversions and Other Option*. ASU 2024-04 is intended to clarify requirements for determining whether certain settlements of convertible debt instruments, including convertible debt instruments with cash conversion features or convertible debt instruments that are not currently convertible, should be accounted for as an induced conversion. This ASU is effective for all entities for annual reporting periods beginning after December 15, 2025, and interim reporting periods within those annual reporting periods, with early adoption permitted. The Company is currently evaluating the potential impact of this guidance on its disclosures.

On November 04, 2024, the FASB issued ASU 2024-03, *Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses* (ASU 2024-03), which requires new disclosures to disaggregate prescribed natural expenses underlying any income statement caption. ASU 2024-03 is effective for annual periods in fiscal years beginning after December 15, 2026, and interim periods thereafter. Early adoption is permitted. ASU 2024-03 applies on a prospective basis for periods beginning after the effective date. However, retrospective application to any or all prior periods presented is permitted. We are assessing the impact that ASU 2024-03 will have on our consolidated financial statements and disclosures, if any.

In March 2024, the United States Securities and Exchange Commission (SEC) issued Final Rulemaking Release No. 33-11275: *The Enhancement and Standardization of Climate-Related Disclosures for Investors*. This release is intended to improve consistency, completeness and transparency related to climate risks and events. The disclosure requirements related to this new rule will be phased in, and effective for the Company beginning in fiscal year 2027 on a prospective basis. The Company is currently evaluating the potential impact of this release on its financial statements and disclosures.

In March 2024, the Financial Accounting Standards Board (FASB), issued Accounting Standards Update (ASU) 2024-01, *Compensation—Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards*. This ASU intends to provide an illustrative example intended to demonstrate how entities that account for profits interest and similar awards would determine whether a profits interest award should be accounted for in accordance with Topic 718. This ASU is effective for all public entities for annual reporting periods beginning after December 15, 2024, and interim reporting periods within those annual reporting periods, with early adoption permitted. The Company is currently evaluating the potential impact of this guidance on its disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* (ASU 2023-09), which enhances the annual income tax disclosures for the effective tax rate reconciliation and income taxes paid. The amendments are effective for public business entities, for annual periods beginning after December 15, 2024 and for annual periods beginning after December 15, 2025 for all other entities. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. ASU 2023-09 applies on a prospective basis to annual financial statements for periods beginning after the effective date. However, retrospective application in all prior periods presented is permitted. We are assessing the impact that ASU 2023-09 will have on our consolidated financial statements, if any.

In October 2023, the FASB issued ASU 2023-06, *Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*. This ASU covers a variety of codification topics, and the effective date for each amendment will be the date on which the SEC's removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited. The Company is currently evaluating the potential impact of this guidance on its disclosures.

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 – Acquisitions

Simplified Companies acquisition in 2024:

On January 2, 2024, the Company completed the acquisition by acquiring 100% membership interest in DBOSS Funding, LLC (dba Simplified Funding), LendTech CRM Solutions, LLC, and Believe PMF EIRL (collectively “Simplified Companies”).

The Simplified Companies are engaged in the business of using proprietary software and call centers in the Dominican Republic and Florida to offer secured and unsecured financial products and services to clients with funders across the United States. The business generates revenue from the commissions generated from the funders.

The primary reason for the business combination is to grow direct funding business and improve overall margins by leveraging the synergies between the Company and the Simplified Companies.

In accordance with ASC 805, the acquisition was accounted for as a business combination under the acquisition method. The purchase consideration was allocated to the working capital, tangible and intangible assets acquired based on their estimated fair values as of the acquisition date with the excess recorded as goodwill, as follows:

Goodwill	\$	1,219,134
Tangible assets		48,862
Intangible assets		900,000
Net assets acquired	\$	2,167,996

The following table sets forth the components of identifiable intangible assets acquired and their estimated useful lives as of the date of acquisition (in thousands):

	Fair Value	Useful life (in years)
Trade Name	\$ 200,000	10
Developed Technology	\$ 650,000	4
Customer Relationships	\$ 50,000	4

The fair value of the intangible asset was determined by applying the income approach, direct cost method and multi period excess earnings method. The fair value measurements are based on significant unobservable inputs, including management estimates and assumptions, and thus represents Level 3 measurements.

There was no transaction costs associated with the acquisition for the year ended December 31, 2024.

The goodwill balance is primarily attributed to the assembled workforce and synergies after the acquisition. No material measurement period adjustments were recognized during the year ended December 31, 2024.

Favo Capital Inc. obtained control of the Simplified Companies upon transfer of cash consideration to the selling shareholders. The total consideration transferred in the acquisition was \$2,167,996, consisting of the following:

Cash	\$	400,000
Working capital adjustment		85,527
Equity		250,000
Deferred equity		740,000
Deferred commission		692,469
Total purchase consideration	\$	2,167,996

The aggregate purchase consideration includes 4,000,00 shares of the Company's common stock for a fair value of \$740,000 to be issued after the acquisition date in tranches. The fair value of these shares on the acquisition date is included in additional paid-in capital.

The amounts of revenue and earnings of Simplified Companies included in the Company's consolidated income statement from the acquisition date to the year ending December 31, 2024 are as follows:

		December 31, 2024
Revenue	\$	2,180,380
Net profit/ (loss)	\$	(591,127)

We are unable to provide the pro forma information required under ASC 805-10-50-2(h) as the disclosure is impracticable since the required pre-acquisition historical information could not be obtained from the acquiree.

The Company entered into Business commission agreement with selling shareholder for new business referrals and business renewals. As these business commissions are paid primarily for the benefit of the acquirer and based on post combination efforts by the selling shareholder, these commissions have been accounted separately from the business combination. The Company recognized commission expenses of \$489,557 for the year ended December 31, 2024, included under general and administrative expenses in the consolidated statement of operations and comprehensive loss.

FAVO Group Acquisition in 2023:

On May 31, 2023, the Company entered into an acquisition with the principals of FAVO Group LLC. 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. Stewards Investment Capital Limited will also serve on the advisory board for a 3 year term and for these services they will receive 15,000,000 shares of the Company's common stock.

Business activities of the entities acquired through common control is as follows:

Favo Group LLC- Acted as the management company and tasked with ensuring smooth operations across all entities.
Favo Funding LLC- Direct Merchant Cash Advance Funder. FAVO Capital Inc syndicated deals with FAVO Funding LLC.
Honeycomb Sub Fund LLC- Syndication company that syndicates on deals with other third-party funders.
Fore Funding LLC- The sales office for FAVO Funding LLC and also acts as broker for other third-party funders.
Favo Funding CA LLC- Direct Merchant Cash Advance Funder for businesses in California state, no activity for the periods presented.
Fore Funding CA LLC- Sales office for business in California state, no activity for the periods presented
Favo Group Human Resources LLC- Payroll processing for Favo Capital Inc.

As consideration for the acquisition, the Company will pay \$14,200,000 in cash, Senior Secured Notes and equity to an entity (FAVO Holdings LLC) owned by the previous members, namely Shaun Quin and Vincent Napolitano.

The Company raised the financing for this transaction by selling 18 million shares of its Series A Preferred Stock at \$0.25 for total of \$4,500,000. \$4,500,000 in cash has been paid to the principals of FAVO Group for the transfer of their membership. \$2,500,000 of this financing was paid on the closing date of this transaction. The remaining \$2,000,000 was paid as follows: \$1,250,000 on August 31, 2023 and the remaining \$750,000 on October 26, 2023.

As the Company 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 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. At time of acquisition Vincent Napolitano and Shaun Quin combined held 76% of the Company's common stock and Vincent Napolitano held 18,750,000 of the Company's series C preferred stock. As at June 30, 2023 post the acquisition Vincent Napolitano and Shaun Quin combined held 56% of the Company's common stock and Vincent Napolitano held 18,750,000 of the Company's series C preferred stock.

The ownership of the entities at the time of the acquisition was as follows:

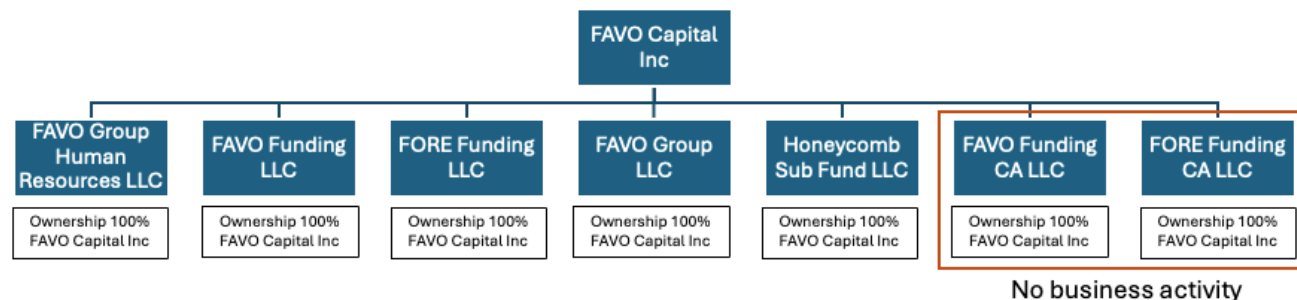
Entity	Vincent Napolitano	Shaun Quin	FAVO Group LLC
FAVO Group LLC	65%	35%	
FAVO Group Human Resources LLC		1%	99%
FAVO Funding LLC	65%	35%	
Honeycomb Sub Fund LLC	65%	35%	
FORE Funding LLC	65%	35%	
FORE Funding CA LLC	65%	35%	
FAVO Funding CA LLC	65%	35%	

As a result of the acquisition, the prior period consolidated financial statements for the periods in which the entities were under common control have been adjusted. Accordingly, the Company's prior period consolidated financial statements from the date of common control under FAVO have been adjusted to include the financial information of all the entities for that same period. The \$14.2 million consideration has been adjusted in equity given it's a common control transaction.

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 as at when common control was established have been included in the Consolidated balance sheet of the Company, following are the assets acquired and liabilities assumed:

Current assets	\$	18,075,101
Fixed assets		85,771
Other non-current assets		779,512
Total Assets	\$	18,940,384
Current liabilities	\$	316,130
Other liabilities		2,943,005
Long term liabilities		19,723,409
Total liabilities	\$	22,982,544
Net liabilities	\$	(4,042,160)

Post acquisition the Company's organizational structure is as follows.



The acquisition further enhances the funding capabilities of the Company as a direct to merchant funder and reduced costs by internalizing the management company. Through the acquisition, the Company also now has an internal sales department that can be leveraged to fund more internal deals. The acquisition also gave the Company access to a larger capital pool, given the FAVO Group of companies already had raised a substantial amount of capital.

Note 5 – Fair Value Measurements

The Company records its financial assets and liabilities at fair value. The carrying amounts of certain of the Company's financial instruments, including cash, trade and other receivables, net, and accounts payable, approximate their fair value due to their short maturities. Fair value is defined as the exchange price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The accounting guidance for fair value establishes a framework for measuring fair value and a fair value hierarchy that prioritizes the inputs used in valuation techniques. The accounting standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

Level 1 - Observable inputs, such as unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs, either directly or indirectly, other than quoted prices in active markets for identical assets or liabilities, such as quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities; therefore, requiring an entity to develop its own valuation techniques and assumptions.

An entity may choose to measure many financial instruments and certain other items at fair value at specified election dates.

The Company's Simplified Companies deferred consideration was carried at fair value, determined according to Level 3 inputs in the fair value hierarchy described above. Any subsequent changes in the estimated fair value of the deferred consideration are recorded in the consolidated statements of operations.

The following tables set forth the Company's fair value hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as follows:

				December 31, 2024			
				Level 1	Level 2	Level 3	Total
Liabilities:							
Deferred consideration (current and non-current)	\$	-	-			558,893	558,893

				December 31, 2023			
				Level 1	Level 2	Level 3	Total
Liabilities:							
Deferred consideration (current and non-current)	\$	-	-			-	-

Note 6 – Fixed Assets

At December 31, 2024 and 2023, fixed assets consisted of the following:

				December 31, 2024			December 31, 2023		
	Cost	Accumulated depreciation	Net Book Value		Cost	Accumulated depreciation	Net Book Value		
Computers	\$ 102,507	\$ 71,929	\$ 30,578		\$ 64,615	\$ 44,111	\$ 20,504		
Furniture and Fixtures	28,786	12,753	16,033		14,802	2,767	12,035		
Office Equipment	112,111	19,495	92,616		34,721	7,053	27,668		
Vehicles	-	-	-		90,285	40,629	49,657		
Leasehold improvements	12,643	8,064	4,579		13,871	3,052	10,819		
	<u>\$ 256,047</u>	<u>\$ 112,241</u>	<u>\$ 143,806</u>		<u>\$ 218,295</u>	<u>\$ 97,612</u>	<u>\$ 120,683</u>		

Depreciation expense for the years ended December 31, 2024 and 2023 was \$71,364 and \$44,643, respectively. The Company evaluates the recoverability of the carrying value of equipment when events and circumstances indicate that such assets might be impaired. There were no such charges during the year ended December 31, 2024.

During the years ended December 31, 2024, the Company sold vehicle costing \$ 90,285, for which the company has charged accumulated depreciation of \$56,077 till the date of sale. \$40,000 has been received as sale proceeds for sale of vehicle, and the Company recognized gain on sale of vehicle of \$5,792. The Company has written off furniture and fixtures, and leasehold improvements with net book value of \$1,319 and recognized the same as loss on write off of assets. There were \$0 gain or loss on sale/ write off of assets as of December 31, 2023.

Note 7 – Related Party Transactions

During the years ended December 31, 2024 and 2023 the Company incurred costs of \$1,020,000 and \$510,000, respectively, under the management agreement between FAVO Holdings LLC and the Company.

During the years ended December 31, 2024 and 2023 the Company paid interest on the notes payable of \$210,142 and \$268,825, respectively, to FAVO Holdings LLC.

During the years ended December 31, 2024 and 2023 the Company paid expenses on behalf of FAVO Holdings LLC in the amount of \$119,587 and \$5,945, respectively. As at December 31, 2024 and 2023, \$15,418 and \$135, respectively, remained outstanding.

On July 7, 2023, the Company issued 15,000,000 shares of common stock to a Stewards Investment Capital Limited to serve on the advisory board for a period of 3 years term as per the advisory board agreement. The Company recorded the issuance of shares as stock subscription receivable, as services are not yet rendered and amortizing the same over the 3 years term. For the years ended December 31, 2024 and 2023, the company amortized an amount of \$1,250,004 and \$729,169, respectively, from stock subscription receivable. During the years ended December 31, 2024 and 2023, Stewards Investment Capital Limited also received cash compensation of \$240,000 and 120,000, respectively, for advisory board services.

In 2023, before the FAVO Group acquisition in May 2023 (Note 4) by Favo Capital Inc., Favo Group LLC and Fore Funding LLC distributed their profits \$296,935 and \$888,047, respectively, as per the terms and conditions in the LLC agreements. The profits were distributed to the members of the LLC, respectively, namely Vincent Napolitano and Shaun Quin.

Executive compensation

For the years ended December 31, 2024 and 2023, compensation to executives of the Company was \$1,707,261 and \$1,581,979, respectively. Below are the details by Executive.

	December 31, 2024		December 31, 2023	
	Non - Equity	Equity	Non - Equity	Equity
Chief Executive Officer				
Vincent Napolitano	\$ 940,491	-	\$ 879,018	-
President				
Shaun Quin	534,166	-	538,963	-
Chief Financial Officer				
Vaughan Korte	210,763	-	163,998	-
Chief Strategy Officer				
Glen Steward	21,841	-	-	-
Total	\$ 1,707,261	-	\$ 1,581,979	-

Non - Equity compensation includes payroll, compensation under the management and consulting agreements, vehicle allowance, fuel and medical expenses. The compensation under the management agreement includes payments made to FAVO Holdings LLC, which is currently owned 65% by Vincent Napolitano and 35% by Shaun Quin. The compensation under the consulting agreement includes payments made to Korte LLC, a company owned 50% by Vaughan Korte.

During the years ended December 31, 2024 and 2023, the Company incurred costs of \$83,482 and \$0, respectively, payable to Korte LLC for CFO services. The Company's CFO has transitioned from a full-time consultant to now an Officer of the Company under the employment agreement effective June 1, 2024.

Note 8 – Notes payable – related party

During the years ended December 31, 2024 and 2023, the Company received \$2,800,000 and \$1,366,000 from its revolving note agreement with FAVO Holdings and paid back \$4,300,000 and \$2,562,000, respectively. The balance due on this note as of December 31, 2024 and 2023, was \$0 and \$1,500,000, respectively.

During the year ended December 31, 2023, the Company issued \$4,700,000 to FAVO Holdings LLC in senior secured notes associated with the FAVO Group acquisition. During the year December 31, 2024, the company paid \$1,500,000 to FAVO Holding LLC. The balance due on this note as of December 31, 2024 and 2023, was \$3,200,000 and \$4,700,000, respectively.

Note 9 – Notes payable

On January 26, 2024, the Company entered into the additional secured promissory note with J&T Family Trust for additional commitment of \$2,000,000 at a 14% effective interest rate.

On June 14, 2024, the Company entered into the renewal of secured promissory note with J&T Family Trust which provided (i) for additional commitments with an aggregate principal amount of \$5,000,000 (ii) extended the maturity date of the notes to July 1, 2026, and (iii) increased the interest rate from 14% to 15% for all the outstanding LIRO group promissory notes. The Company incurred debt issuance cost of \$150,000 by issuing common stock of 600,000 shares at \$0.25 per share. The debt issuance cost has been recorded as a direct reduction against the notes and amortized over the life of the associated note as a component of interest expense.

The Company plans to use these proceeds for short-term trade finance business and working capital.

The Company received additional funds from other investors of \$175,000.

As of December 31, 2024 and 2023, the total outstanding note principal were \$32,338,642 and \$25,163,642, respectively, and the unamortized debt issuance costs associated with the note were \$109,375 and \$0, respectively.

Note 10 – Commitments and contingencies

Operating leases

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 accrues interest based on a weighted average interest rate of 5.52% and a weighted average lease term 72 months.

On January 2, 2024, the company acquired two leases as part of Simplified Companies acquisition as described below. Each lease was recognized and measured at fair value based on the remaining lease term at the date of acquisition by applying ASC 842 - Leases. The fair value of the ROU assets and Lease liabilities acquired was \$171,492 as of the acquisition date. The office spaces for these leases are located in Lauderhill, Florida and Bonao, Dominic Republic.

During the year ended December 31, 2024, the Company also added a second call center location in Le Vega, Dominican Republic.

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

Lease Classification	December 31, 2024		December 31, 2023	
ROU Assets:				
Operating	\$	352,261	\$	314,970
Total ROU assets	\$	352,261	\$	314,970
Liabilities				
Current:				
Operating	\$	146,280	\$	88,009
Noncurrent:				

Lease Classification	December 31, 2024	December 31, 2023
Operating	203,369	229,848
Total lease liabilities	\$ 349,649	\$ 317,857

Maturity of Lease Liabilities	Operating
2025	\$ 146,280
2026	144,027
2027	86,554
Total lease payments	\$ 376,861
Less: Interest	27,212
Present value of lease liabilities	\$ 349,649

Schedule of weighted average remaining lease term and discount rate

	December 31, 2024	December 31, 2023
Operating leases:		
Weighted average remaining lease term (years)	2.58	4
Weighted average discount rate	5.52%	5.52%

Note 11- Net loss per share attributable to common stockholders

Because the Company was in a net loss position for the years ended December 31, 2024 and 2023, basic net loss per share is the same as diluted net loss per share as the inclusion of all potential common shares outstanding would have been antidilutive.

The following table sets forth the computation of basic and diluted net loss per share attributable to common stockholders:

	December 31, 2024	December 31, 2023
Numerator:		
Net Loss	\$ (9,121,376)	\$ (7,821,162)
Denominator:		
Weighted average shares of common stock outstanding, basic and diluted	92,638,720	68,039,666
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.10)	\$ (0.11)

The financial instruments that could potentially dilute basic earnings per share in the future and that have been excluded from the computation of diluted net loss per share because including them would have had an antidilutive effect were as follows:

	As of December 31, 2024	2023
Convertible preferred stock series A and series C	55,770,000	47,170,000
Warrants	8,000,000	-
Total	63,770,000	47,170,000

Note 12 – Income taxes

U.S. and foreign components of income (loss) before income taxes were as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
U.S	\$ (8,490,960)	\$ (7,673,207)
Foreign	(111,765)	-
Total	\$ (8,602,725)	\$ (7,673,207)

Provision for income taxes for the year ended December 31, 2024 and 2023 are as follows:

	<u>As of December 31,</u>	
	<u>2024</u>	<u>2023</u>
Current		
Federal	\$ -	\$ -
State - incl franchise taxes	-	-
Foreign	56,055	-
	\$ 56,055	\$ -
Deferred		
Federal	\$ -	\$ -
State - incl franchise taxes	-	-
Foreign	-	-
	\$ -	\$ -

The differences between the company's income tax benefit and the benefit computed at the 21% United States statutory income tax rate were as follows:

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
Income tax recovery at statutory rates (at a rate of 21% for all years presented)	\$ (1,903,717)	\$ (1,611,374)
State income taxes, net of federal benefit	(439,486)	-
Expenses not deducted for tax purposes	106,405	21,019
Prior year true up	(530,368)	-
Foreign tax expenses	56,055	-
Change in Valuation Allowance	2,767,166	1,590,355
	\$ 56,055	\$ -

The tax effects of the temporary differences and carryforwards that give rise to deferred tax assets and liabilities are as follows:

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
Deferred tax assets		
Net operating loss carryforwards	\$ 5,613,438	\$ 2,884,919
Deferred commissions	25,199	-
Amortization of intangible assets	27,596	-
Charitable contributions	1,081	2,331
Operating lease liability	91,381	-
Total deferred tax assets	5,758,695	2,887,250
Valuation allowance	(5,666,084)	(2,898,918)
Net deferred tax assets	\$ 92,611	\$ (11,667)
Deferred tax liabilities		
Right-of-use asset	(92,064)	-

Depreciation		(547)		11,667
Total deferred tax liabilities	\$	(92,611)	\$	-
Net deferred tax liabilities	\$	-	\$	-

The Company accounts for income taxes in accordance with ASC 740 and other authoritative guidance utilizing the asset and liability method. This method requires the recognition of deferred assets or liabilities for the expected future tax consequences of events that have been included in the financial statements. Deferred tax assets or liabilities are calculated as the difference between the financial statements and the tax bases of assets and liabilities applying enacted tax rates in effect for the period in which the differences are expected to settle. The Company records deferred tax assets or liabilities when management determines it is more likely than not that the tax position will be sustained. A valuation allowance is required for deferred tax assets if, based on available evidence, it is more likely than not that all or some portion of the asset will not be realized due to the inability to generate sufficient taxable income in the period or of the character necessary to use the benefit of the deferred tax asset. On the basis of the evaluation, as of December 31, 2024, the Company has recorded a full valuation allowance against the Company's net deferred tax asset.

These NOLs do not expire and may be used to offset future taxable income, subject to applicable tax laws and limitations. The Company's federal NOLs carried forward as of December 31, 2024 are \$21,479,789.

We record uncertain tax positions in accordance with ASC 740 on the basis of a two-step process in which (1) we determine whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority. The company has not identified any uncertain tax positions.

We recognize interest and penalties related to unrecognized tax benefits on the income tax expense line in the accompanying consolidated statement of operations. Accrued interest and penalties are included on the related tax liability line in the consolidated balance sheet. The Company has recorded no penalties and interest in the tax expense for the years ending December 31, 2024 and 2023.

The Company's income tax returns are open for Examination by U.S. federal and state taxing authorities for the tax years ending December 31, 2021 to December 31, 2023. The Company is not currently under examination by any taxing authorities.

Note 13 – Variable Interest Entity (“VIE”)

The Company holds variable interest in a VIE which is not consolidated because it was determined that the Company is not the primary beneficiary of the VIE. The Company's involvement with the entity is in the form of direct membership interest and management fee arrangement for program of investment management for assets of VIE. The Company's maximum exposure to loss relating to non-consolidated VIE is the carrying value of its initial investment in the VIE.

The Company's maximum exposure to loss relating to the non-consolidated VIE is as follows:

Non- Consolidated VIE	December 31, 2024	December 31, 2023
Unconsolidated VIE assets	\$ 2,526,636	\$ -
Unconsolidated VIE liabilities	\$ (2,405,143)	\$ -
Due from related party	\$ 1,475	\$ -
Favo Capital Inc. exposure	\$ 1,475	\$ -

Note 14 – Stockholders Equity

Common Stock

On May 31, 2023, pursuant to Certificate of Designation for the Series C Preferred Stock, Mr. Vincent Napolitano converted 6,250,000 Series C Preferred shares into 25,000,000 shares of common stock 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 at a price of \$0.25 per share to a Stewards Investment Capital Limited for serving on the advisory board for a 3 year term from June 2023 to May 2026. The outstanding stock subscription receivable pertains to remaining service period from Jan 2025 to May 2026 and there are no significant conditions or contingencies associated with the services.

On July 14, 2023, the Company issued 400,000 shares of common stock 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 in connection with the promissory note extension.

On December 5, 2023, the Company issued 200,000 shares of common stock to a third party for services valued at \$50,000.

In 2023, before the FAVO Group acquisition in May 2023 (Note 4) by Favo Capital Inc., Favo Group LLC and Fore Funding LLC distributed their profits \$296,935 and \$888,047 respectively as per the terms and conditions in the LLC agreements. The profits were distributed to the members of the LLC respectively, namely Vincent Napolitano and Shaun Quin.

On February 28, 2024, the Company issued 1,000,000 shares of common stock to ROBINPAWS LLC as part of the purchase consideration for the business acquisition.

On February 28, 2024, the Company issued 125,000 shares of common stock to a consultant for services valued at \$ 31,250.

On July 24, 2024, the Company issued 200,000 shares of commons stock to a consultant for services valued at \$50,000.

On July 24, 2024, the Company issued 600,000 shares of common stock to LIRO Holdings for the extension of their existing notes valued at \$150,000.

Securities Purchase agreement

On September 9, 2024, the Company entered into a securities purchase agreement (the “Purchase Agreement”) with certain purchasers (the “Purchasers”) for the purchase and sale of Company’s securities consisting of 8,000,000 units (the “Common Units”). With respect to (i) 8,000,000 of the Common Units, each such Common Unit consisted of one share of the Company’s common stock with a par value \$0.0001 per share (“Common Stock”), common warrants (“Warrants”) to purchase one Common Stock, for every one share of common stock purchased and a pre-funded warrant (“Pre-funded Warrant”) to purchase 3/200th share of Common Stock purchased. Pursuant to the Purchase Agreement, the Common stock were sold at a purchase price of \$0.25 per share, five-year Common warrants having exercise price of \$0.40 per share and the Pre-funded warrants having exercise price of \$0.0001 per share. The sale of the Units to the Purchasers closed on December 12, 2024 (the “Closing Date”). The aggregate gross proceeds to the Company from the December 2024 Offering were approximately \$2,000,000, before deducting placement agent fees and expenses and other transaction costs of \$207,600.

As of December 31, 2024 and 2023, 97,479,734 and 87,554,734 shares of common stock with par value of \$0.0001 remains outstanding, respectively.

Common Stock Warrants

On September 9, 2024, the Company entered into a securities purchase agreement with certain purchasers and issued 8,000,000 common stock warrants.

As of December 31, 2024 and 2023, the following common stock warrants were outstanding:

Issuance date	Expiration date	Balance sheet classification	Exercise price per share	December 31, 2024	December 31, 2023
December 11, 2024	December 11, 2029	Stockholders' equity	\$0.40	8,000,000	-
				8,000,000	-

The fair value of common stock warrants issued at exercise price of \$0.40 per share was determined using Black-Scholes model to be \$0.14 per share, based on the following assumptions:

	December 31, 2024
Dividend Yield	0%
Expected Volatility	75%
Risk- free interest rate	4.09%
Expected term	5 Years

The aggregate fair value of the Common Stock Warrants of \$1,087,831 is classified in stockholders' equity on the consolidated balance sheet.

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 Custodian Ventures, LLC, 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 C shall not be subject to adjustment unless specifically authorized.

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

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

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

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

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

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

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

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

As of December 31, 2024 and 2023, 18,750,000 shares of Series C preferred stock remained outstanding, respectively.

Series A Preferred Stock

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

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.

From June 30, 2023 to 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 and additional investments.

In the year ended December 31, 2024, the Company issued another 8,600,000 shares of Series A Preferred Stock to Forefront Capital LLC for additional investment.

As of December 31, 2024 and 2023, 37,020,000 and 28,420,000 shares of Series A preferred stock with par value of \$0.0001 remained outstanding, respectively.

Note 15. Segment Information

We operate and manage our business as a single segment for the purposes of assessing performance and making operating decisions. Our chief executive officer, who is our CODM, reviews the Company's financial information on a consolidated basis for purposes of evaluating financial performance and allocating resources. Our CODM evaluates company performance based on net loss, as included in the consolidated statements of operations and comprehensive loss, ensuring resource allocation decisions support company goals. The measure of segment assets is total assets, as included in the consolidated balance sheets. Refer to the consolidated financial statements for other financial information regarding our single reportable segment.

The following table presents certain financial data for the Company's reportable segment, including significant segment expenses regularly provided to the chief operating decision maker to assess performance of the Company.

	As of December 31,	
	2024	2023
Revenue	\$ 12,787,262	\$ 11,800,228
Cost of revenues	(2,358,114)	(3,497,364)
General and administrative expenses	(7,814,809)	(5,318,338)
Selling, general and administrative expenses	(4,019,840)	(5,561,517)
Professional fee	(2,517,381)	(1,728,146)
Other segment expenses	(4,679,843)	(3,368,070)
Net loss before income taxes	\$ (8,602,725)	\$ (7,673,207)

Other segment expenses consist of interest expenses, loss on write down of investment and gain on sale of property, equipment and exchange loss. These are disclosed in the consolidated statements of operations and comprehensive loss.

Note 16– Subsequent Events

Subsequent events have been evaluated through April 15, 2025, which is the date these Consolidated Financial Statements were available for issuance. Except for the events noted below, we are not aware of any subsequent events that would require recognition or disclosure in the Consolidated Financial Statements.

On February 12, 2025, the Company's Board approved the following in line with the letter of engagement signed with D Boral Capital Securities LLC regarding the Company's underwritten offering. To offer and sell (i) \$15,000,000 in shares of common stock or more depending on the outcome once underwritten, (ii) an over-allotment of 15% of the offering in shares of common stock at the option of Boral Securities (the "Option Shares"), and (iii) the Corporation is authorized to file a resale prospectus for the selling shareholders of the Corporation that participated in the bridge financing and signed registration rights agreements.

On February 28, 2025, the Company issued Robinpaws LLC 2,000,000 shares of common stock in line with the business purchase agreement for Simplified Companies acquisition.