# BLUE LINE PROTECTION GROUP, INC.

## FORM 10-Q
(Quarterly Report)

Filed 05/06/25 for the Period Ending 03/31/25

| | |
|---|---|
| Address | 5765 LOGAN STREET<br>DENVER, CO, 80216 |
| Telephone | 800-844-5576 |
| CIK | 0001416697 |
| Symbol | BLPG |
| SIC Code | 5900 - Retail-Miscellaneous Retail |
| Industry | Business Support Services |
| Sector | Industrials |
| Fiscal Year | 12/31 |

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

# FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **March 31, 2025**

OR

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

For the transition period from __________________ to _________________

Commission file number: 000-52942

# BLUE LINE PROTECTION GROUP, INC.
**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Nevada**<br>(State or other jurisdiction<br>of incorporation or organization) | **20-5543728**<br>(IRS Employer<br>Identification No.) |
| **5765 Logan St.**<br>**Denver, CO**<br>(Address of principal executive offices) | **80216**<br>(Zip Code) |

**(800) 844-5576**
(Registrant's telephone number, including area code)

**N/A**
(Former name, former address and former fiscal year, if changed since last report)

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| None | N/A | N/A |

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by a checkmark whether the registrant has submitted electronically every Interactive Date File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☐ |
| Non-accelerated filer | ☒ | Smaller reporting company | ☒ |
| | | Emerging growth company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of May 6, 2025, the registrant had 8,250,144 outstanding shares of common stock.

## FORWARD-LOOKING STATEMENTS

The information in this report contains forward-looking statements and information within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, ("the Exchange Act"), which are subject to the "safe harbor" created by those sections. The words "anticipates," "believes," "estimates," "expects," "intends," "may," "plans," "projects," "will," "should," "could," "predicts," "potential," "continue," "would" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements that we make. The forward-looking statements are applicable only as of the date on which they are made, and we do not assume any obligation to update any forward-looking statements. All forward-looking statements in this Form 10-Q are made based on our current expectations, forecasts, estimates and assumptions, and involve risks, uncertainties and other factors that could cause results or events to differ materially from those expressed in the forward-looking statements. In evaluating these statements, you should specifically consider various factors, uncertainties and risks that could affect our future results or operations. These factors, uncertainties and risks may cause our actual results to differ materially from any forward-looking statement set forth in this Form 10-Q. You should carefully consider these risk and uncertainties described and other information contained in the reports we file with or furnish to the SEC before making any investment decision with respect to our securities. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by this cautionary statement.

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**BLUE LINE PROTECTION GROUP, INC.**
**CONSOLIDATED BALANCE SHEETS**

| | March 31, 2025 (unaudited) | December 31, 2024 (audited) |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and equivalents | $ 407,958 | $ 350,890 |
| Accounts receivable | 304,442 | 314,066 |
| Prepaid expenses and deposits | 40,651 | 40,651 |
| Total current assets | 753,051 | 705,607 |
| Long-term assets: | | |
| Right of use assets | 396,525 | 436,918 |
| Machinery and equipment, net of accumulated depreciation of $815,889 and $796,542, respectively | 164,050 | 180,834 |
| Fixed assets of discontinued operations | 2,782 | 2,782 |
| Total long-term assets | 563,357 | 620,534 |
| Security Deposit | 28,960 | 28,960 |
| Total assets | 1,345,368 | 1,355,101 |
| **Liabilities and Stockholders' Deficit** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | $ 251,145 | $ 181,196 |
| Financed lease liabilities | 6,817 | 13,400 |
| Notes payable - related parties | - | - |
| Convertible notes payable - related parties, net of unamortized discount | 363,500 | 363,500 |
| Current portion of operating lease obligation | 185,012 | 178,238 |
| Derivative liabilities | 435,296 | 431,656 |
| Total current liabilities | 1,241,770 | 1,167,990 |
| Long-term liabilities: | | |
| Financed lease liabilities - long term | - | - |
| Notes payable - related parties | 474,485 | 535,889 |
| Operating lease liability-long term | 235,568 | 284,380 |
| Total long-term liabilities | 710,053 | 820,269 |
| Total liabilities | 1,951,823 | 1,988,259 |
| Stockholders' deficit: | | |
| Preferred Stock, $0.001 par value, 1,000,000 shares authorized, 200,000 shares issued and outstanding as of March 31, 2025 and December 31, 2024, respectively | 200 | 200 |
| Common Stock, $0.001 par value, 14,000,000 shares authorized, 8,250,144 and 8,250,144 issued and outstanding as of March 31, 2025 and December 31, 2024, respectively | 8,251 | 8,251 |
| Common Stock, owed but not issued, 129 shares and 129 shares as of March 31, 2025 and December 31, 2024, respectively | 13 | 13 |
| Additional paid-in capital | 10,754,115 | 10,731,214 |
| Accumulated deficit | (11,369,034) | (11,372,836) |
| Total stockholders' deficit | (606,455) | (633,158) |
| Total liabilities and stockholders' deficit | $ 1,345,368 | $ 1,355,101 |

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

**BLUE LINE PROTECTION GROUP, INC.**
**CONSOLIDATED STATEMENTS OF OPERATIONS**
**(Unaudited)**

| | For the three months ended March 31. | |
|---|---|---|
| | 2025 | 2024 |
| Revenue | $ 1,038,795 | $ 1,142,635 |
| Cost of revenue | (388,524) | (377,229) |
| Gross profit | 650,271 | 765,406 |
| | | |
| Operating expenses: | | |
| General and administrative expenses | 612,019 | 567,703 |
| Total expenses | 612,019 | 567,703 |
| | | |
| Operating Income | 38,252 | 197,703 |
| | | |
| Other income (expenses): | | |
| Interest expense | (30,853) | (49,520) |
| Interest income | 43 | - |
| Income / (Loss) on derivative | (3,640) | 9,126 |
| Total other income / (expenses) | (34,450) | (40,394) |
| | | |
| Income/(loss) from operations before income taxes | $ 3,802 | $ 157,309 |
| Provision for income taxes | - | - |
| Net income (loss) | 3,802 | 157,309 |
| | | |
| Net income per common share: Basic and Diluted | $ 0.00 | $ 0.02 |
| Net Income / (loss) per common share: Diluted | $ 0.00 | $ 0.01 |
| | | |
| Weighted average number of | | |
| common shares outstanding- Basic | 8,250,144 | 8,250,144 |
| common shares outstanding- Diluted | 20,869,601 | 23,152,780 |

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

**BLUE LINE PROTECTION GROUP, INC.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE THREE MONTHS ENDED MARCH 31, 2025 and 2024**
**(Unaudited)**

| | For the three months ended March 31, 2025 | For the three months ended March 31, 2024 |
|---|---|---|
| | 2025 | 2024 |
| **Operating activities** | | |
| Net income | $ 3,802 | $ 157,309 |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation | 19,347 | 21,992 |
| Amortization of right to use | 40,393 | 35,741 |
| Noncash operating lease expense | | |
| Stock Option expense | 22,901 | 13,697 |
| Change in fair value of derivative liabilities | 3,640 | (9,126) |
| Changes in operating assets and liabilities: | | |
| (Increase) in accounts receivable | 9,624 | 39,603 |
| Increase (decrease) in accounts payable and accrued liabilities | 69,949 | 58,480 |
| Increase (decrease) in lease obligations | (42,038) | (36,039) |
| Net cash provided by operating activities | 127,618 | 281,657 |
| | | |
| **Cash flows from investing activities** | | |
| Purchase of fixed assets | (2,563) | (7,025) |
| Net cash used in investing activities | (2,563) | (7,025) |
| | | |
| **Financing activities** | | |
| Repayments from notes payable - related party | - | (58,416) |
| Payments on notes payable | (67,987) | (5,732) |
| Net cash used in financing activities | (67,987) | (64,148) |
| | | |
| Net increase in cash | 57,068 | 210,484 |
| Cash - beginning | 350,890 | 585,780 |
| Cash - ending | $ 407,958 | $ 796,264 |
| | | |
| Supplemental disclosures of cash flow information: | | |
| Interest paid | $ 6,443 | $ 30,335 |
| Income taxes paid | $ - | $ - |
| | | |
| Non-cash investing and financing activities: | | |
| Derivative resolution | $ - | $ 22,848 |

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

**BLUE LINE PROTECTION GROUP, INC.**
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT**
**FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024**

| | Preferred Stock | | Common Stock | | Paid-in | Stock | Accumulated | Stockholders' |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Capital | Payable | Deficit | Deficit |
| Balance, December 31, 2023 | 20,000 | $ 200 | 8,250,144 | $ 8,251 | $ 10,233,185 | 13 | $ (11,614,577) | $ (1,372,928) |
| Stock options expense | - | - | - | - | 13,697 | - | - | 13,697 |
| Derivative resolution | - | - | - | - | 22,848 | - | - | 22,848 |
| Net income for the three months ended March 31, 2024 | - | - | - | - | - | - | 157,309 | 157,309 |
| Balance, March 31, 2024 | 20,000 | $ 200 | 8,250,144 | $ 8,251 | $ 10,269,730 | 13 | $ (11,457,268) | $ (1,179,074) |
| | | | | | | | | |
| Balance, December 31, 2024 | 20,000 | $ 200 | 8,250,144 | $ 8,251 | $ 10,731,214 | 13 | $ (11,372,836) | $ (633,158) |
| Stock options expense | - | - | - | - | 22,901 | - | - | 22,901 |
| Net income for the three months ended March 31, 2025 | - | - | - | - | - | - | 3,802 | 3,802 |
| Balance, March 31, 2025 | 20,000 | $ 200 | 8,250,144 | $ 8,251 | $ 10,754,115 | 13 | $ (11,369,034) | $ (606,455) |

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

**Blue Line Protection Group, Inc.**
**Notes to Consolidated Financial Statements**

**Note 1 – History and organization of the company**

The Company was originally organized on September 11, 2006 (Date of Inception) under the laws of the State of Nevada, as The Engraving Masters, Inc.

On March 14, 2014, the Company acquired Blue Line Protection Group, Inc., a Colorado corporation formed in February 2014 ("Blue Line Colorado"), as a wholly-owned subsidiary of the Company. The Company provides armed protection and transportation, banking, compliance, and training services to the lawful cannabis industry, including shipment protection, money escorts, asset vaulting and transportation and storage of currency.

On May 2, 2014, the Company changed its name from The Engraving Masters, Inc. to Blue Line Protection Group, Inc. ("BLPG")

On May 6, 2014, the Company effected a forward stock split and a pro-rata increase in its authorized common stock on a basis of 14-to-1, whereby each shareholder received 14 newly issued shares of common stock for each 1 share held. Additionally, the authorized capital of the Company concurrently increased to 1,400,000,000 shares of common stock.

On July 6, 2021, the Company effected a reverse stock split and a pro-rata decrease in its authorized common stock on a basis of 1-for-100, the authorized capital of the Company concurrently decreased to 14,000,000 shares of common stock.

**Note 2 – Accounting policies and procedures**

*Principles of consolidation*

For the periods ended March 31, 2025 and 2024 the consolidated financial statements include the accounts of Blue Line Protection Group, Inc., Blue Line Advisory Services, Inc. (a Nevada corporation; "BLAS"), Blue Line Capital, Inc. (a Colorado corporation; "Blue Line Capital"), Blue Line Protection Group (California), Inc. (a California corporation; "Blue Line California"), Blue Line Colorado, Blue Line Protection Group Illinois, Inc. (an Illinois corporation; "Blue Line Illinois"), BLPG, Inc. (a Nevada corporation; "Blue Line Nevada"), Blue Line Protection Group (Washington), Inc. (a Washington corporation; "Blue Line Washington"). All significant intercompany balances and transactions have been eliminated. BLPG and its subsidiaries are collectively referred herein to as the "Company."

*Interim financial statements*

The unaudited interim consolidated financial statements included herein, presented in accordance with United States generally accepted accounting principles and stated in US dollars, have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. The interim financial statements, in the opinion of management, include all adjustments (all of which are of a normal recurring nature) and disclosures necessary for a fair presentation.

*Basis of presentation*

The consolidated financial statements present the balance sheets, statements of operations, stockholders' equity (deficit) and cash flows of the Company. The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America.

The Company has adopted December 31 as its fiscal year end.

*Derivatives*

The Company evaluates convertible notes payable, stock options, stock warrants and other contracts to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for under the relevant sections of ASC Topic 815-40, *Derivative Instruments and Hedging: Contracts in Entity's Own Equity.*

The result of this accounting treatment could be that the fair value of a financial instrument is classified as a derivative instrument and is marked-to-market at each balance sheet date and recorded as a liability. In the event that the fair value is recorded as a liability, the change in fair value is recorded in the statement of operations as other income or other expense. Upon conversion or exercise of a derivative instrument, the instrument is marked to fair value at the conversion date and then that fair value is reclassified to equity. Financial instruments that are initially classified as equity that become subject to reclassification under ASC Topic 815-40 are reclassified to a liability account at the fair value of the instrument on the reclassification date.

*Use of estimates*

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 and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

*Segment reporting*

The Company operates as a single operating segment as a provider of armed protection and transportation, banking, compliance, and training services to the lawful cannabis industry, including shipment protection, money escorts, asset vaulting and transportation and storage of currency. In accordance with ASC 280 – "*Segment Reporting*", the Company's chief operating decision maker has been identified as the Chief Executive Officer, who reviews operating results to make decisions about allocating resources and assessing performance for the entire Company. Existing guidance, which is based on a management approach to segment reporting, establishes requirements to report selected segment information quarterly and to report annually entity-wide disclosures about products and services, major customers, and the countries in which the entity holds material assets and reports revenue. All material operating units qualify for aggregation under "Segment Reporting" due to their similarities in economic characteristics such as nature of services; and procurement processes. Since the Company operates in one segment, all financial information required by "Segment Reporting" can be found in the accompanying consolidated financial statements.

*Cash and cash equivalents*

The Company maintains a cash balance in a non-interest-bearing account. For the purpose of the statements of cash flows, all highly liquid investments with an original maturity of three months or less are considered to be cash equivalents. As of March 31, 2025 and December 31, 2024, the Company has cash in excess of FDIC insured limits of $22,169 and $0 respectively. There were no cash equivalents as of March 31, 2025 or December 31, 2024.

*Accounts receivable*

Accounts receivables are stated at the amount the Company expects to collect from outstanding balances and do not bear interest. The Company provides for probable uncollectible amounts through an allowance for doubtful accounts, if an allowance is deemed necessary. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable; however, changes in circumstances relating to accounts receivable may result in a requirement for additional allowances in the future. Management evaluates its accounts receivable and determines the requirement for an allowance for doubtful accounts based on its assessment of the current and collectible status of individual accounts with past due balances over 90 days. Account balances are charged against the allowance after all collection efforts have been exhausted and the potential for recovery is considered remote.

*Allowance for uncollectible accounts*

The Company estimates losses on receivables based on known troubled accounts, if any, and historical experience of losses incurred. There was no allowance for doubtful customer receivables at March 31, 2025 and December 31, 2024.

*Property and equipment*

Property and equipment is recorded at cost and capitalized from the initial date of service. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective periods. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method for financial statement purposes. The Company uses other depreciation methods (generally accelerated) for tax purposes where appropriate. The estimated useful lives for significant property and equipment categories are as follows:

| | |
|---|---|
| Automotive Vehicles | 5 years |
| Furniture and Equipment | 5 years |
| Buildings and Improvements | the lesser of the life of the lease or the estimated useful life of the lease |

The Company reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition and other economic factors. Based on this assessment there was no impairment as March 31, 2025 and December 31, 2024. Depreciation expense for the three months ended March 31, 2025 and 2024 was $19,347 and $21,992 respectively.

*Impairment of long-lived assets*

The Company accounts for the impairment of its long-lived assets in accordance with ASC Topic 360-10-05, "Accounting for the Impairment or Disposal of Long-Lived Assets." ASC Topic 360-10-05 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the historical cost or carrying value of an asset may no longer be appropriate. The Company assesses recoverability of the carrying value of an asset by estimating the future net cash flows expected to result from the asset, including eventual disposition. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and its fair value or disposable value. As of March 31, 2025 and December 31, 2024, the Company determined that none of its long-lived assets were impaired.

*Concentration of business and credit risk*

The Company has no significant off-balance sheet risks such as foreign exchange contracts, option contracts or other hedging arrangements. The Company's financial instruments that are exposed to concentration of credit risks consist primarily of cash. The Company maintains its cash in bank accounts, which may at times, exceed federally insured limits.

The Company had one major customer which generated 8.7% of total revenue for the three months ended March 31, 2025 and two customers comprised 17% and 14%, respectively of the account receivable balance at March 31, 2025.

The Company had one major customer which generated 9.8% of total revenue for the three months ended March 31, 2024 and one customer comprised 14.4% of the account receivable balance at March 31, 2024.

*Related party transactions*

FASB ASC 850, "Related Party Disclosures" requires companies to include in their financial statements disclosures of material related party transactions. The Company discloses all material related party transactions. Related parties are defined to include any principal owner, director or executive officer of the Company and any immediate family members of a principal owner, director or executive officer.

*Fair value of financial instruments*

The carrying amounts reflected in the balance sheets for cash, accounts payable and related party payables approximate the respective fair values due to the short maturities of these items. The Company does not hold any investments that are available-for-sale.

As required by the Fair Value Measurements and Disclosures Topic of the FASB ASC, fair value is measured based on a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The following table presents the derivative financial instruments, the Company's only financial liabilities, measured and recorded at fair value on the Company's consolidated balance sheet on a recurring basis, and their level within the fair value hierarchy as of March 31, 2025 and December 31, 2024:

**March 31, 2025**

| | Amount | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Embedded conversion derivative liability | $ 435,296 | $ - | $ - | $ 435,296 |
| **Total** | $ 435,296 | $ - | $ - | $ 435,296 |

**December 31, 2024**

| | Amount | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Embedded conversion derivative liability | $ 431,656 | $ - | $ - | $ 431,656 |
| **Total** | $ 431,656 | $ - | $ - | $ 431,656 |

The embedded conversion feature in the convertible debt instruments that the Company issued that became convertible qualified them as derivative instruments since the number of shares issuable under the notes are indeterminate based on guidance in FASB ASC 815, Derivatives and Hedging. These convertible notes tainted all other equity linked instruments including outstanding warrants and fixed rate convertible debt on the date that the instrument became convertible. The valuation of the derivative liability was determined through the use of the Monte Carlo option-pricing model (See Note 7).

*Revenue Recognition*

The Company recognizes revenue when delivery of the promised goods or services is transferred to its customers in an amount that reflects the consideration that the Company expects to be entitled to in exchange for those goods or services. We determine revenue recognition through the following five steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when, or as, the performance obligations are satisfied.

We generate substantially all our revenue from providing services to customers. The Company records revenue when the 5 steps above have been completed.

Effective January 1, 2018, the Company adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific revenue recognition guidance throughout the Industry Topics of the Accounting Standards Codification. The updated guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also provides for additional disclosures with respect to revenues and cash flows arising from contracts with customers. The Company adopted the standard using the modified retrospective approach effective January 1, 2018. The adoption of these standards did not have an impact on the Company's Statements of Operations for the year ended December 31, 2018.

Revenue is characterized by several lines of services and typically the pricing is fixed.

| | Three Months ended March 31, | |
|---|---|---|
| Revenue Breakdown by Streams | 2025 | 2024 |
| Service: Transportation | $ 493,770 | $ 515,973 |
| Service: Currency Processing | $ 543,450 | $ 615,771 |
| Service: Compliance | $ 1,575 | $ 10,891 |
| Total | $ 1,038,795 | $ 1,142,635 |

*Advertising costs*

The Company expenses all costs of advertising as incurred. Advertising expense for the three months ended March 31, 2025 and March 31, 2024 amounted to $83 and $165 respectively.

*General and administrative expenses*

The significant components of general and administrative expenses consist mainly of rent and compensation.

*Share-Based Compensation*

Share-based compensation expense is recorded as a result of stock options granted in return for services rendered. Previously, the share-based payment arrangements with employees were accounted for under ASC 718. On June 20, 2018, the FASB issued ASU 2018-07, which simplifies the accounting for share-based payments granted to nonemployees for goods and services. Under the ASU, most of the guidance on such payments to nonemployees would be aligned with the requirements for share-based payments granted to employees. The Company has adopted the new standard and has made some adjustment with regard to the share-based compensation costs. Under the ASU 2018-07, the measurement of equity-classified nonemployee share-based payments is generally fixed on the grant date and the options are no longer revalued on each reporting date. The expenses related to the share-based compensation are recognized on each reporting date. The amount is calculated as the difference between total expenses incurred and the total expenses already recognized.

The Company used the Black-Scholes option pricing model to estimate the fair value of the options at the grant date using the following ranges of assumptions:

The expected volatility was estimated by using the historical volatility of the Company. The expected life in years represents the period of time that options granted are expected to be outstanding. In accordance with Staff Accounting Bulletin ("SAB") Topic 14, the Company uses the simplified method for estimating the expected term. The Company believes the use of the simplified method is appropriate due to the employee stock options qualifying as "plain-vanilla" options under the criteria established by **SAB Topic 14**. The risk-free rate was based on the United States bond yield rate at the time of grant of the award. Expected annual rate of dividends is based on the fact that the Company has never paid cash dividends and does not expect to pay any cash dividends in the foreseeable future.

*Cost of Revenue*

The Company's cost of revenue primarily consists of labor, fuel costs and items purchased by the Company specifically for the benefit of the Company's clients.

*Basic and Diluted Earnings per share*

Net loss per share is provided in accordance with FASB ASC 260-10, "Earnings per Share". Basic loss per share is computed by dividing losses available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted income (loss) per share gives effect to all dilutive potential common shares outstanding during the period. Dilutive loss per share excludes all potential common shares if their effect is anti-dilutive.

The following is a reconciliation of the numerator and denominator used in the basic and diluted earnings per share ("EPS") calculations for the three months ended March 31, 2025 and 2024.

| | Three Months Ended March 31, 2025 | Three Months Ended March 31, 2024 |
|---|---|---|
| **Numerator:** | | |
| Net income / (loss) | $ 3,802 | $ 157,309 |
| | | |
| **Denominator:** | | |
| Weighted-average shares of common stock | 8,250,144 | 8,250,144 |
| Dilutive effect of convertible instruments | 12,619,457 | 14,902,636 |
| Diluted weighted-average of common stock | 20,869,601 | 23,152,780 |
| | | |
| **Net income per common share from:** | | |
| Basic | $ 0.00 | $ 0.02 |
| Diluted | $ 0.00 | $ 0.01 |

*Dividends*

The Company has not yet adopted any policy regarding payment of dividends. No dividends have been paid or declared since inception.

*Income Taxes*

The Company follows FASB Codification Topic 740-10-25 (ASC 740-10-25) for recording the provision for income taxes. Deferred tax assets and liabilities are computed based upon the difference between the financial statement and income tax basis of assets and liabilities using the enacted marginal tax rate applicable when the related asset or liability is expected to be realized or settled. Deferred income tax expenses or benefits are based on the changes in the asset or liability each period. If available evidence suggests that it is more likely than not that some portion or all of the deferred tax assets will not be realized, a valuation allowance is required to reduce the deferred tax assets to the amount that is more likely than not to be realized. Future changes in such valuation allowance are included in the provision for deferred income taxes in the period of change.

Deferred income taxes may arise from temporary differences resulting from income and expense items reported for financial accounting and tax purposes in different periods. Deferred taxes are classified as current or non-current, depending on the classification of assets and liabilities to which they relate. Deferred taxes arising from temporary differences that are not related to an asset or liability are classified as current or non-current depending on the periods in which the temporary differences are expected to reverse.

*Recent Pronouncements*

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures,* which requires entities to report incremental information about significant segment expenses included in a segment's profit or loss measure as well as the title and position of the chief operating decision maker ("CODM"). The new standard also requires interim disclosures related to reportable segment profit or loss and assets that had previously only been disclosed annually. The Company adopted ASU 2023-07 effective December 31, 2024 on a retrospective basis. As a result, the Company has enhanced its segment disclosures in this report to include the presentation of depreciation and amortization, interest and joint venture expenses by segment and the disclosure of its CODM. The adoption of this ASU only affects the Company's disclosures with no impact to its financial condition or results of operations

**Note 3 – Going concern**

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As shown in the accompanying financial statements, the Company has an accumulated deficit and had a working capital deficit as of March 31, 2025. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

In order to continue as a going concern, the Company will need, among other things, additional capital resources. The Company is significantly dependent upon its ability, and will continue to attempt, to secure additional equity and/or debt financing. There are no assurances that the Company will be successful in obtaining additional capital.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts of and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

**Note 4 – Commitments and contingencies**

*Contingencies*

On November 6, 2015, Daniel Sullivan sent a wage claim demand to the Company. Mr. Sullivan purports to have had an Independent Contractor Agreement with the Company which provides he is entitled to certain compensation and to be reimbursed for Company expenses. The demand claims unpaid compensation in the amount of $8,055 and unreimbursed expenses in the amount of $154,409.

Mile High Real Estate LLC, an entity owned by Mr. Sullivan, sent correspondence to the Company stating the Mr. Sullivan and/or Mile High Real Estate LLC loaned the Company either directly or directly to contractors, material suppliers or utilities for operating and building remodeling in the amount of $98,150.

On January 13, 2025 the District Court for the City and County of Denver issued an order stating that the Company is legally released from all liabilities owed to Daniel Sullivan and Mile High Real Estate, LLC since the collection of any amounts no longer owed to these persons is barred by the Colorado statute of limitations. All amounts have been recorded as a contribution of capital during the year ended December 31, 2024.

On April 14, 2016, the Company entered into an agreement with a third party to provide the Company with investor relations services. Upon signing the agreement, the Company paid the investor relations consultant $75,000 and agreed to issue the consultant 1,500,000 shares of its restricted common stock. The agreement required the Company to pay the consultant an additional $75,000 prior to June 14, 2016. The Company cancelled the agreement and is of the opinion that the shares are not owed to the consultant.

*Finance leases*

On June 17, 2022, the Company recorded finance lease obligation for a leased vehicle for $69,255. The Company made a down payment of $2,882 which included delivery fees, taxes and its first month payment and agreed to make 36 monthly payments of $2,338, including sales tax. The Company recognized this arrangement as a finance lease based on the determination that the lease exceeded 75% of the economic life of the underlying asset.

| Future minimum lease payments as of March 31, 2025 | | |
|---|---|---|
| 2025 | $ | 225,589 |
| 2026 | $ | 157,915 |
| 2027 | $ | 88,835 |
| 2028 | $ | 14,879 |
| Thereafter | | - |
| Total minimum lease payments | $ | 487,218 |

*Operating Leases*

On October 27, 2016 the Company sold its building located at 5765 Logan Street Denver, Colorado to an unrelated third party for $1,400,000. The Company repaid the mortgage on the building in the amount of $677,681. After the sale, the Company leased the building from the purchaser of the property. The lease is for an initial term of ten years, with the Company having the option to extend the term of the lease for two additional five-year periods. The lease requires rental payments of $10,000 per month which will increase 2% annually. The Company paid a $30,000 deposit at the inception of the lease.

On May 29, 2018 the Company leased a building located at 4328 E. Magnolia Street, Phoenix, Arizona. The lease is for an initial term of one year, with the Company having the option to extend the term of the lease for additional four year periods. The lease requires rental payments of $3,880 per month which will increase 2% annually. The Company paid a $4,369 deposit at the inception of the lease. The lease was renewed and extended for an additional five year period, with a starting rent of $6,379.20 per month which will increase 4% annually.

The Company adopted ASC 842 and recorded right of use asset and operating lease liability of $1,082,241. The Company used 12% as incremental borrowing rate as is the average interest rate of the Company's outstanding third party note. The lease agreement gives the Company the option to renew it for two additional 5 year terms but the Company did not consider it likely to exercise that option. Therefore, the Company did not include such amounts in its computations of the present value of remaining lease payment on the adoption date.

Supplemental balance sheet information related to leases is as follows:

March 31, 2025

| **Operating Leases** | **Classification** | | **March 31, 2025** |
|---|---|---|---|
| Right-of-use assets | Operating right of use assets | $ | 396,525 |
| Total | | $ | 396,525 |
| Current lease liabilities | Current operating lease liabilities | $ | 185,012 |
| Non-current lease liabilities | Long-term operating lease liabilities | $ | 235,568 |
| Total | | $ | 420,580 |

Lease term and discount rate were as follows:

| | **March 31, 2025** |
|---|---|
| Weighted average remaining lease term (years) | 4.25 |
| Weighted average discount rate | 12% |

The following summarizes lease expenses for three months ended March 31, 2025:

Finance lease expenses:

| | | |
|---|---|---|
| Depreciation/amortization expense | $ | 40,393 |
| Interest on lease liabilities | | 13,461 |
| Finance lease expense | $ | 53,854 |

Supplemental disclosures of cash flow information related to leases were as follows:

| | | March 31, 2025 |
|---|---|---|
| Cash paid for operating lease liabilities | $ | 54,810 |

December 31, 2024

| **Operating Leases** | **Classification** | | **December 31, 2024** |
|---|---|---|---|
| Right-of-use assets | Operating right of use assets | $ | 436,918 |
| Total | | $ | 436,918 |
| Current lease liabilities | Current operating lease liabilities | $ | 178,238 |
| Non-current lease liabilities | Long-term operating lease liabilities | $ | 284,380 |
| Total | | $ | 462,618 |

Lease term and discount rate were as follows:

| | **December 31, 2024** |
|---|---|
| Weighted average remaining lease term (years) | 5.0 |
| Weighted average discount rate | 12% |

The following summarizes lease expenses for year ended December 31, 2024:

Finance lease expenses:

| | | |
|---|---|---|
| Depreciation/amortization expense | $ | 137,907 |
| Interest on lease liabilities | | 65,717 |
| Finance lease expense | $ | 203,624 |

Supplemental disclosures of cash flow information related to leases were as follows:

| | | **December 31, 2024** |
|---|---|---|
| Cash paid for operating lease liabilities | $ | 218,833 |

**Note 5 – Fixed assets**

Machinery and equipment consisted of the following at:

| | | March 31, 2025 | | December 31, 2024 |
|---|---|---|---|---|
| Automotive vehicles | $ | 577,386 | $ | 577,386 |
| Furniture and equipment | $ | 108,265 | $ | 108,265 |
| Machinery and Equipment | $ | 145,294 | $ | 142,731 |
| Leasehold improvements | $ | 148,994 | $ | 148,994 |
| Fixed assets, total | $ | 979,939 | $ | 977,376 |
| Total: accumulated depreciation | $ | (815,889) | $ | (796,542) |
| Fixed assets, net | $ | 164,050 | $ | 180,834 |

At March 31, 2025 and December 31, 2024 the Company had $2,782 of fixed assets associated with discontinued operations.

Depreciation expense for the three months ended March 31, 2025 and March 31, 2024 was $19,347 and $21,992 respectively.

**Note 6 – Notes payable – related parties**

**Long-term liabilities: Notes payable – related parties**

As of December 31, 2021 the Company owed MKM Capital Advisors and two related entities $128,600 plus accrued interest of $70,088. The amount owed to the MKM entities was represented by three Promissory Notes dated between February 6, 2015 and July 7, 2016. In March 2022 the MKM entities agreed to (i) consolidate the Promissory Notes into a new note in the principal amount of $128,600 and (ii) forgive the accrued interest of $70,088. The new Promissory Note is due and payable on December 27, 2026 and bears an interest (from December 27, 2021 to the date of payment) of 5% per year. During the three months ended March 31, 2025, the Company repaid $6,010 of principal. Accrued interest as of March 31, 2025 and December 31, 2024, amounted to $0. As of March 31, 2025 and December 31, 2024, the balance owed on the loan is $46,441 and $52,451, respectively.

As of December 31, 2021 the Company owed CGDK, LLC $1,185,217, plus accrued interest of $452,246. The amount owed to CGDK was represented by seven Promissory Notes dated between July 9, 2015 and August 6, 2018. In March 2022, CGDK agreed to (i) consolidate the Promissory Notes into a new note in the principal amount of $1,185,217 and (ii) forgive the accrued interest of $452,246. The new Promissory Note is due and payable on December 31, 2026 and bears interest (from January 1, 2022 to the date of payment) at 5% per year. During the year ended December 31, 2022, the loan was assumed by Doyle Knudson a related party. During the three months ended March 31, 2025 the Company repaid $55,394 of principal and accrued interest. As of March 31, 2025 and December 31, 2024, the balance on the loan is $428,044 and $483,438, respectively.

**Current liabilities: Notes payable – related parties**

On July 31, 2014, the Company borrowed $98,150 from an entity controlled by a former officer and shareholder of the Company. The loan is due and payable on demand and bears no interest. On November 4, 2024, the Company submitted a motion for default judgement and was awarded a judgement in favor of the Company. The judgement released the Company from all liabilities owed to this entity. As of December 31, 2024, the principal balance owed on this loan is $0.

As of December 31, 2014, a related party loaned the Company $180,121, in the form of cash and expenses paid on behalf of the Company. The loan is due and payable on demand and bears no interest. The Company repaid $125,500 towards this note during 2015. On November 4, 2024, the Company submitted a motion for default judgement and was awarded a judgement in favor of the Company. The judgement released the Company from all liabilities owed to this entity. As of December 31, 2024 the principal balance owed on this loan was $0.

**Current Liabilities: Convertible notes payable to related parties**

As of December 31, 2021 the Company owed Hypur Inc. $688,500 plus accrued interest. The amounts owed to Hypur were represented by eight Promissory Notes dated between September 20, 2016 and September 3, 2019. By an agreement effective January 31, 2022, the Company and Hypur agreed to the following:

- On March 3, 2022 the Company paid Hypur $137,500, which was applied to principal of the notes.
- On or before each date shown below, the Company paid Hypur $12,500, which applied to principal of the notes.

| Date | Amount |
|---|---|
| March 31, 2022 | $ 12,500 |
| April 30, 2022 | $ 12,500 |
| May 31, 2022 | $ 12,500 |
| June 30, 2022 | $ 12,500 |

- On or before July 31, 2022 the Company agreed to pay Hypur $137,500, which will apply to principal of the notes.
- All principal amounts owed to Hypur under the Promissory Notes will bear interest at 7.5% per year between January 31, 2022 and July 31, 2022 as long as the Company is not in default under the terms of its agreement with Hypur.

- If by July 31, 2022 all payments required by the Company's agreement with Hypur have been made in a timely fashion, Hypur will forgive $250,000 of accrued interest owed by the Company under the Promissory Notes.

- After July 31, 2022 future payment plans will be negotiated, provided however that any principal amounts owed to Hypur under the Promissory Notes after July 31, 2022 will not bear interest in excess of 7.5% per year with a default rate of 12% per year.

- Hypur will waive any default rights between January 31, 2022 and August 31, 2022 on a month-to-month basis so long as all payments required by the Company's agreement with Hypur have been made.

During the year ended December 31, 2023 the Company repaid a total of $64,393. The amount claimed to be due by Hypur Inc. as of December 31, 2023 and December 31, 2022 is $363,500 and $329,256, respectively, although these amounts are disputed by the company. Hypur forgave $250,000 of accrued interest owed by the Company under the Promissory Notes, which was recognized as additional paid in capital. During the year ended December 31, 2024 there were two payments made toward accrued interest totaling $19,659.44. As of March 31, 2025 and December 31, 2024 the principal balance owed on this loan was $363,500 and $363,500, respectively.

Although Hypur Inc. has notified the Company that the notes were in default as of September 1, 2022, it is the Company's position that the notes are not in default. Nevertheless, the Company began accruing default interest of 12% per year as of September 1, 2022.

On September 1, 2016, the Company entered into, a convertible promissory note with Hypur Ventures, L.P., a Delaware limited partnership (the "Hypur Ventures") which is a related party, pursuant to which the Company borrowed $75,000. The loan was due 180 days from the date of issuance and bears interest at 10% per annum. The note is convertible into common stock at a price of $.05 per share. The note is mandatory redeemable into common stock if the price per share is over $.50 per share during a 10 day period. The principal balance owed on this loan at December 31, 2023, and December 31, 2022 was $75,000 and $75,000, respectively. Upon default, the note bears a default rate of interest of 15% per annum, and if the default has not been remedied within 30 days, the redemption price would be 150% of the principal amount. Although Hypur Ventures has notified the Company that the note was in default as of January 2, 2022, it is the Company's position is that the note is not in default. Nevertheless, the Company began accruing default interest as of January 2, 2022. On November 13, 2024 the Company repaid the loan in full.

On October 14, 2016, the Company entered into a convertible promissory note with Hypur Ventures, pursuant to which the Company borrowed $100,000. The loan was due 180 days from the date of issuance and bears interest at 10% per annum. The note is convertible into common stock at a price of $.05 per share. The note is mandatory redeemable into common stock if the price per share is over $.50 per share during a 10 day period. The principal balance owed on this loan at December 31, 2023 and December 31, 2022 was $100,000 and $100,000, respectively. Upon default, the note bears a default rate of interest of 15% per annum, and if the default has not been remedied within 30 days, the redemption price would be 150% of the principal amount. Although Hypur Ventures has notified the Company that the note was in default as of January 2, 2022, it is the Company's position is that the note is not in default. Nevertheless, the Company began accruing default interest as of January 2, 2022. On November 13, 2024 the Company repaid the loan in full.

On March 7, 2017, the Company borrowed $100,000 from Hypur Ventures. The loan is due 180 days from March 7, 2017 and bears interest at 10% per annum. The loan is convertible into shares of the Company's common stock at a price of $.05 per share. The loan will automatically convert into shares of the Company's common stock if the price of the Company's common stock is over $.50 per share during any ten-day period. The principal balance owed on this loan December 31, 2023 and December 31, 2022 was $100,000 and $100,000 respectively. Upon default, the note bears a default rate of interest of 15% per annum, and if the default has not been remedied within 30 days, the redemption price would be 150% of the principal amount. Although Hypur Ventures has notified the Company that the note was in default as of January 2, 2022, it is the Company's position is that the note is not in default. Nevertheless, the Company began accruing default interest as of January 2, 2022. On November 13, 2024 the Company repaid the loan in full.

The Company re-measured the fair value of derivative liabilities on March 31, 2025 and December 31, 2024. See Note 7.

**Note 7 – Derivative Liability**

The Company analyzed the conversion options for derivative accounting consideration under ASC 815, Derivatives and Hedging, and determined that an instrument should be classified as a liability when a conversion option becomes effective.

The derivative liability in connection with the conversion feature of the convertible debt is measured using level 3 inputs.

The change in the fair value of derivative liabilities is as follows:

| | | |
|---|---|---|
| Balance – December 31, 2024 | $ | 431,656 |
| Settlement of derivatives upon conversion | $ | - |
| Gain on change in fair value of the derivative | $ | 3,640 |
| Balance – March 31, 2025 | $ | 435,296 |

The table below shows the option-pricing model inputs used by the Company to value the derivative liability at each measurement date:

| | Three months ended March 31, 2025 | Year ended December 31, 2024 |
|---|---|---|
| Expected term | .25 years | .25 years |
| Expected average volatility | 179.6% | 167.1% |
| Expected dividend yield | - | - |
| Risk-free interest rate | 4.13% | 4.13% |

**Note 8 – Stockholders' deficit**

The Company was originally authorized to issue 100,000,000 shares of common stock and 1,000,000 shares of preferred stock. On May 6, 2014, the Company effected a forward stock split and a pro-rata increase in its authorized common stock on a basis of 14-to-1, whereby each shareholder received 14 newly issued shares of common stock for each 1 share held. Additionally, the number of authorized shares increased to 1,400,000,000 shares of common stock.

On July 6, 2021, the Company effected a reverse stock split and a pro-rata decrease in its authorized common stock on a basis of 1-for-100, the authorized capital of the Company concurrently decreased to 14,000,000 shares of common stock. The Company issued a total of 1,570 shares of common stock due to rounding on the reverse stock split.

***Preferred stock***

On May 3, 2016, the Company entered into, an agreement with Hypur Ventures, L.P., a Delaware limited partnership (the "Hypur Ventures") which is a related party pursuant to which the Company sold to Hypur Ventures, in a private placement, 10,000,000 shares of the Company's preferred stock and 5,000,000 common stock warrants with a five year term and an exercise price of $0.10, at a purchase price of $0.05 per share for gross proceeds of $500,000. The shares of preferred stock are convertible into shares of the Company's common stock. The preferred stock has such other rights, preferences and privileges as are set forth in a certificate of designation filed with the Nevada Secretary of State. The Company evaluated the convertible preferred stock under FASB ASC 470-20-30 and determined it contained a beneficial conversion feature. The intrinsic value of the beneficial conversion feature was determined to be $114,229. The beneficial conversion feature was fully amortized and recorded as a deemed dividend.

Between July and August of 2016 Hypur Ventures purchased an additional 10,000,000 shares of the Company's preferred stock and 5,000,000 common stock warrants with a five year term and an exercise price of $0.10, at a purchase price of $0.05 per share for net proceeds of $445,000, net of legal fees of $55,000. The shares of preferred stock are convertible into shares of the Company's common stock. The preferred stock has such other rights, preferences and privileges as are set forth in a certificate of designation filed with the Nevada Secretary of State. The Company evaluated the convertible preferred stock under FASB ASC 470-20-30 and determined it does not contain a beneficial conversion feature. The intrinsic value of the beneficial conversion feature was determined to be $0.

The preferred stock is convertible at any time at the election of Hypur Ventures. The preferred stock will automatically convert to common stock if the closing price of the Company's common stock equals or exceeds $0.50 per share over any consecutive twenty day trading period. The preferred stock terms include a one-time purchase price preference. No preferential dividends apply to the preferred stock. The preferred stock attributes include weighted average anti-dilution protection, rights to appoint one director, pre-emptive rights to purchase future offerings of securities by the Company, demand and piggy-back registration rights.

The Company has reserved thirty million shares of common stock that may be issued upon the conversion and/or exercise of the preferred stock and the warrants.

**Note 9 – Options and warrants**

***Options***

All stock options have an exercise price equal to the fair market value of the common stock on the date of grant. The fair value of each option award is estimated using a Black-Scholes-Merton option valuation model. The Company has not paid any cash dividends on its common stock and does not anticipate paying any cash dividends in the foreseeable future. Consequently, the Company uses an expected dividend yield of zero in the Black-Scholes-Merton option valuation model. Volatility is an estimate based on the calculated historical volatility of similar entities in industry, in size and in financial leverage, whose share prices are publicly available. The expected life of awards granted represents the period of time that they are expected to be outstanding. The Company has no historical experience with which to establish a basis for determining an expected life of these awards. Therefore, the Company only gave consideration to the contractual terms and did not consider the vesting schedules, exercise patterns and pre-vesting and post-vesting forfeitures significant to the expected life of the option award. The Company bases the risk-free interest rate used in the Black-Scholes-Merton option valuation model on the implied yield currently available on U.S. Treasury issues with an equivalent remaining term equal to the expected life of the award.

On May 3, 2023, the Company issued Andrew Berman, a Director of the Company, an option to purchase 350,000 shares of the Company's common stock. The option is exercisable at a price of $0.21 per share and expires on September 30, 2027. Options to purchase 50% of the shares can be exercised immediately. Options to purchase 25% of the shares can be exercised after June 30, 2023. Options to purchase 25% of the shares can be exercised after March 30, 2024. At that time, the Company also issued Mr. Berman an option to purchase an additional 400,000 shares of the Company's common stock. The option is exercisable at a price of $.21 per share. The option to purchase these 400,000 shares will not be exercisable unless and until the Company (i) sells all or substantially all of its assets or (ii) the Company mergers with another entity and the Company is not the surviving entity in the merger. Notwithstanding the above, the option will not be issued if condition (i) or (ii) are not met by September 29, 2027, in which case the option will expire on September 30, 2027.

The following is a summary of the Company's stock option activity for the three months ended March 31, 2025:

| | *Number Of Options* | *Weighted-Average Exercise Price* |
|---|---|---|
| Outstanding at December 31, 2024 | 3,297,000 | $ 0.21 |
| Granted[(1)] | - | $ - |
| Expired | - | $ - |
| Cancelled | (30,000) | $ 0.21 |
| Outstanding at March 31, 2025 | 3,267,000 | $ 0.21 |
| Options exercisable at March 31, 2025 | 2,530,250 | $ 0.21 |

The following tables summarize information about stock options outstanding and exercisable at March 31, 2025:

**OPTIONS OUTSTANDING AND EXERCISABLE AT MARCH 31, 2025**

| Range of Exercise Prices | *Number of Options Outstanding* | *Weighted-Average Remaining Contractual Life in Years* | *Weighted-Average Exercise Price* | *Number Exercisable* | *Weighted-Average Exercise Price* |
|---|---|---|---|---|---|
| $ 0.21 | 3,267,000 | 2.50 | $ 0.21 | 2,530,250 | $ 0.21 |

Total stock-based compensation expense in connection with options and modified awards recognized in the consolidated statement of operations for three months ended March 31, 2025 and March 31, 2024 was $22,901 and $13,697, respectively.

The Company used the Black-Scholes option pricing model to estimate the fair value of the options at the grant date using the following ranges of assumptions:

The expected volatility was estimated by using the historical volatility of the Company. The expected life in years represents the period of time that options granted are expected to be outstanding. In accordance with Staff Accounting Bulletin (“SAB”) Topic 14, the Company uses the simplified method for estimating the expected term. The Company believes the use of the simplified method is appropriate due to the employee stock options qualifying as “plain-vanilla” options under the criteria established by **SAB Topic 14**. The risk-free rate was based on the United States bond yield rate at the time of grant of the award. Expected annual rate of dividends is based on the fact that the Company has never paid cash dividends and does not expect to pay any cash dividends in the foreseeable future.

**Note 10 – Subsequent events**

**None.**

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

You should read the following discussion and analysis of financial condition and results of operations in conjunction with the consolidated financial statements and related notes appearing elsewhere in this Report.

We were originally incorporated in Nevada on September 11, 2006, under the name The Engraving Masters, Inc. (the "Company").

On May 2, 2014, we changed our name to Blue Line Protection Group, Inc.

On February 8, 2021, our directors approved a 100-for-1 reverse split of our common stock. The reverse stock split became effective in the public market in July 2021.

We provide armed protection and transportation, currency processing, compliance and training services for businesses engaged in the legal cannabis industry. During the three months ended March 31, 2025 approximately 45% of our revenue was derived from transportation services. The remaining 55% of our revenue was derived from currency processing services (54%) and compliance services (1%).

Our operations are based out of the Denver, Colorado and Phoenix, Arizona metropolitan areas. Our corporate headquarters are located at 5765 Logan Street, Denver, CO 80216.

**Principal Services**

Cultivation facilities are the producers of legal cannabis that eventually make its way to consumers. Growers' operations typically span a large geographic footprint, making them susceptible to theft, as are shipments from the growers to testing laboratories or to retail dispensaries. Additionally, due to current federal marijuana legislation and banking environment, growers are finding it increasingly difficult to secure their cash, purchase equipment and obtain financing for expansion.

Dispensaries are the retail face of the legal cannabis industry. All legal sales of cannabis products are transacted through dispensaries that are state-licensed. To maintain their licenses, dispensaries must comply with a variety of state-mandated reporting requirements, including reporting every gram of cannabis passing in and out of the store. Dispensaries also face financing and banking challenges similar to those that growers encounter.

We do not grow, test or sell cannabis.

Our services cover the following:

*Armed Protection and Transportation*

Fundamental to the legal cannabis industry is the protection of product and cash throughout the distribution channel. Manufacturers ship samples of their product to independent laboratories where the samples are tested for compliance with state-mandated parameters. If the samples are in compliance, the product is then shipped to the retail dispensaries, where it is sold to the public.

Due to the current banking and regulatory environments, payments between each step in the distribution network are predominantly made in cash from the customer. Therefore, these businesses are forced into having to transport bags of money between growers and dispensaries and their own vaults or storage facilities.

The risk of theft of cash and product is present at every stage, even when they are not in transit. Accordingly, all cannabis businesses require security measures to prevent theft, mitigate risk to employees and maintain regulatory compliance.

We began our security and protection operations in Colorado in February 2014. Since that time, we have become one of the largest legal cannabis protection services companies in the state. We offer a fully integrated approach to managing the movement of cannabis and cash from growers through dispensaries via armed and armored transport, currency processing, vaulting and related credit. Currency processing services generally include counting, sorting and wrapping currency.

In 2018 we expanded our operations into Arizona and Nevada, and in 2022 we began servicing the New Mexico market.

We currently supply asset protection via armored transportation and currency processing services to licensees in Colorado, Arizona, Nevada and New Mexico, out of our two business locations. We are focused on encompassing all compliance needs on behalf of our clients, as mandated by the State and Federal authorities for the protection, transport and sale of cannabis.

*Banking*

The banking system in the U.S. is, in most states, federally regulated. Possession or distribution of marijuana violates federal law, and banks that provide support for those activities face the risk of prosecution and assorted sanctions. Currently, almost all payments for the sales of cannabis are made in cash, due the inability of sellers to obtain merchant processing accounts. As a result, processing money from marijuana sales puts federally insured banks at risk of drug trafficking and racketeering charges, so they've refused to open accounts for marijuana-related businesses.

Marijuana businesses that can't use banks may have too much cash they can't safely put away, leaving them vulnerable to criminals. Jurisdictions that allow cannabis sales want a channel to receive taxes, so safely securing cash is of paramount importance.

In February 2014, the Obama administration gave banks a road map for conducting transactions with cannabis sellers operating within state regulations so these companies can deposit cash, make payroll and pay taxes like a traditional business. The move was designed to let financial institutions serve such businesses while ensuring that they know their customers' legitimacy and remain obligated to report possible criminal activity. Various "safe banking" proposals have circulated through Congress, but none have been passed to date. Also, on April 30, 2024, the U.S. Drug Enforcement Administration announced its intent to reschedule cannabis as a less dangerous drug under the Controlled Substances Act (Schedule I to Schedule III). While a historic shift to generations of American drug policy, this act would not by itself solve the cannabis industry's banking troubles either.

We have created a means for the banks to validate compliance with the federal mandate mentioned above. Currently only a security company could match the compliance requirements as only we can vertically integrate the source of funds through the Federally required 12 steps, summarized as from grow, to sale, (to those of approved age or license), to purchaser, to funds received, to where the funds were held, to vault, to third party validation, to tax, to profits, to access to the banking system etc. We are uniquely positioned, through a number of partnership and cooperation agreements, to provide banking solutions to our clients.

*Compliance*

Laws concerning business procedures and practices are changing across the nation. It's hard to keep up with all the changes, and business owners have to balance their day-to-day operations with remaining compliant with and responsive to regulatory agencies. Blue Line Protection Group provides daily on-site compliance verification to ensure that local business owners are operating lawful and inspection-ready establishments. Our security experts, trained in "crime prevention through environmental design" (CPTED) techniques, can provide crucial advice about enhancing the interior and exterior security of your establishment.

We communicate regularly with local and national government representatives to ensure that we remain the top-tier security and protection group in the states where we do business. Retail establishments aren't the only ones who have to remain compliant with the pertinent laws - we do, as well.

With the addition of our compliance module clients can be confident they will not lose their license for some small or large error by their staff that might put their cannabis license in jeopardy. Their license being, in most instances, their most valuable asset. We are relieving them of several burdens they are ill suited to comply with. (Most licensees were formally acting outside the law prior to the legislation and have little to no compliance experience).

*Training*

Many of our security personnel have established military or police backgrounds. We ensure our employees are prepared to offer clients, their staff and customers a safe and secure environment. All members of our armored transportation team and security operators are required to undertake our mandatory, rigorous 40-hour introductory compliance and training curriculum created and supervised by veteran law enforcement officers. They also undergo required annual training and firearm requalification to maintain proper licensing.

We also offer businesses, houses of worship and the general public a wide variety of safety, security and personal defense courses and firearms training.

**Growth Strategy**

1. Expand into new markets to establish first-mover advantages.
2. Market ourselves through strategic alliances and affiliations.
3. Acquire or joint venture with guard and alarm businesses throughout the USA if they represent good value and a good fit with our expansion plans. Organic growth will not suffice for the rapid growth of this industry and our ability to provide service immediately requires variations of this strategy.
4. Increase our client base to the participants in the cannabis value chain. Offering our superior chain of control compliance and software.
5. Develop and offer value-added, complementary or supplementary services.

The development of the legal markets for cannabis is a function of state legislation. As a result, while specific markets may not be currently available, we actively monitor the progress of legislation and know with some degree of certainty when new geographic markets will be coming on line. This allows us to target our limited sales and marketing resources to those new markets. In this way, we believe the current legislative environment works in our favor - if the whole country were currently a potential market our limited resources would result in an inability to effectively cover all potential market territories. With limited markets open we can better cover those available territories.

**Industry Background**

The total market for marijuana, is estimated to exceed the economic value of corn and wheat combined. Marijuana is widely considered the largest cash crop in the United States. Businesses have been positioning themselves for years, each trying to establish a leadership position in the legal cannabis industry, projected to reach as high as $35 billion in retail sales by 2025.

**Properties**

We lease our offices in Denver, Colorado pursuant to a lease which expires on October 26, 2026. We have the option to extend the term of the lease for two additional five-year periods. The lease requires rental payments of approximately $11,487 per month which increases 2% annually.

We lease our offices in Phoenix, Arizona pursuant to a lease which expires on May 31, 2028. We have the option to extend the term of the lease for one additional five-year period. The lease requires rental payments of approximately $6,380 per month which increases 4% annually.

We also offer security monitoring, asset vaulting, and VIP and dignitary protection.

**Results of Operations**

Material changes in line items in our Statement of Operations for the three months ended March 31, 2025 as compared to the same period last year, are discussed below:

| Item | Increase (I) or Decrease (D) | Reason |
|---|---|---|
| Revenue | D | Change in customer base |
| Cost of revenue | I | Increase in distance traveled and personnel |
| General and administrative expenses | I | Increase in maintenance and overhead costs |
| Loss on derivative securities | I | Change in valuation |

**Capital Resources and Liquidity**

Our material sources and <uses> of cash during the three months ended March 31, 2025 and 2024 were:

| | | 2025 | 2024 |
|---|---|---|---|
| Cash provided by operations | $ | 127,618 | 281,687 |
| Purchase of fixed assets | | (2,563) | (7,025) |
| Loan payments | | (67,987) | (64,148) |

As of March 31, 2025 we did not have any material capital commitments other than loan payments.

During the next twelve months, we anticipate that we will incur approximately $1,200,000 of general and administrative expenses in order to execute our current business plan. We also plan to incur significant sales, marketing, research and development expenses during the next 12 months. We will need additional financing to pay for the expenses described above. We may not be able to obtain the additional funding we require on terms that are favorable to us or at all.

Other than as disclosed above, we do not anticipate any material capital requirements for the twelve months ending March 31, 2026.

Other than as disclosed above, we do not know of any:

- trends, demands, commitments, events or uncertainties that will result in, or that are reasonable likely to result in, our liquidity increasing or decreasing in any material way; or

- any significant changes in our expected sources and uses of cash.

We do not have any commitments or arrangements from any person to provide us with any equity capital.

**Off-Balance Sheet Arrangements**

We have not entered into any off-balance sheet arrangements.

**Critical Accounting Policies**

Management considers the following policies critical because they are both important to the portrayal of our financial condition and operating results, and they require management to make judgments and estimates about inherently uncertain matters.

*Accounts receivable.* Accounts receivable are stated at the amount we expect to collect from outstanding balances and do not bear interest. We provide for probable uncollectible amounts through an allowance for doubtful accounts if an allowance is deemed necessary. The allowance for doubtful accounts is our best estimate of the amount of probable credit losses in our existing accounts receivable; however, changes in circumstances relating to accounts receivable may result in a requirement for additional allowances in the future. On a periodic basis, management evaluates our accounts receivable and determines the requirement for an allowance for doubtful accounts based on its assessment of the current and collectible status of individual accounts with past due balances over 90 days. Account balances are charged against the allowance after all collection efforts have been exhausted and the potential for recovery is considered remote.

*Revenue recognition*. In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)," which supersedes the revenue recognition requirements in Accounting Standards Codification 605, "Revenue Recognition." This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASC 606-10-50-5 requires that entities disclose disaggregated revenue information in categories (such as type of good or service, geography, market, type of contract, etc.) that depict how the nature, amount, timing, and uncertainty of revenue and cash flow are affected by economic factors. ASC 606-10-55-89 explains that the extent to which an entity's revenue is disaggregated depends on the facts and circumstances that pertain to the entity's contracts with customers and that some entities may need to use more than one type of category to meet the objective for disaggregating revenue. In August 2015, the FASB issued ASU No. 2015-14, which deferred the effective date of the new revenue standard by one year, and allowed entities the option to early adopt the new revenue standard as of the original effective date. There have been multiple standards updates amending this guidance or providing corrections or improvements on issues in the guidance. The requirements for these standards relating to Topic 606 are effective for interim and annual periods beginning after December 15, 2017. This standard permitted adoption using one of two transition methods, either the retrospective or modified retrospective transition method.

We adopted these standards at the beginning of the first quarter of fiscal 2018 using the modified retrospective method. The adoption of these standards did not have an impact on our Statements of Operations for the nine months ended March 31, 2025.

*Stock-based compensation.* We record stock based compensation in accordance with the guidance in ASC Topic 505 and 718, which requires us to recognize expenses related to the fair value of our employee stock option awards. This eliminates accounting for share-based compensation transactions using the intrinsic value and requires instead that such transactions be accounted for using a fair-value-based method. We recognize the cost of all share-based awards on a graded vesting basis over the vesting period of the award.

*Equity Instruments.* We account for equity instruments issued in exchange for the receipt of goods or services from non-employees in accordance with FASB ASC 718-10.

## ITEM 4. CONTROLS AND PROCEDURES

**Disclosure Controls and Procedures**

An evaluation was carried out under the supervision and with the participation of our management, including our Principal Financial Officer and Principal Executive Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report on Form 10-Q. Disclosure controls and procedures are procedures designed with the objective of ensuring that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, such as this Form 10-Q, is recorded, processed, summarized and reported, within the time period specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and is communicated to our management, including our Principal Executive Officer and Principal Financial Officer, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. Based on that evaluation, our management concluded that, as of March 31, 2025 our disclosure controls and procedures were not effective due to the material weaknesses identified during the audit of our financial statements for the year ended December 31, 2024.

**Change in Internal Control over Financial Reporting**

Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles in the United States. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance of achieving their control objectives.

There were no changes in our internal control over financial reporting that occurred during the fiscal quarter covered by this report that materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II

### ITEM 1. LEGAL PROCEEDINGS

On August 27, 2024 Hypur Inc. filed an arbitration proceeding against the Company. Hypur's arbitration claim requests an award of $363,500, representing the principal payments due Hypur pursuant to four promissory notes payable to Hypur, plus interest, costs and attorneys' fees.

The Company filed an answer denying Hypur's claim and counterclaimed against Hypur for Hypur's breach of contract and breach of the duty of good faith and fair dealing. The Company's counterclaim seeks damages in an amount to be determined at the arbitration hearing for compensatory and punitive damages, including damages relating to the Company's share price which Hypur's actions have caused.

### ITEM 6. EXHIBITS

| Exhibit No. | Description of Exhibit |
|---|---|
| 31.1 | Rule 13a-14(a) Certifications |
| 31.2 | Rule 13a-14(a) Certifications |
| 32 | Section 1350 Certifications |
| 101.INS | Inline XBRL Instance Document |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

## SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

**BLUE LINE PROTECTION GROUP, INC.**

May 6, 2025

By: ____________________________
Daniel Allen, Principal Executive, Financial and Accounting Officer

**EXHIBIT 31.1**

CERTIFICATIONS

I, Daniel Allen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Blue Line Protection Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have significant role in the registrant's internal control over financial reporting.

May 6, 2025

By: ________________________________

Daniel Allen, Principal Executive Officer

**EXHIBIT 31.2**

CERTIFICATIONS

I, Daniel Allen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Blue Line Protection Group, Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have significant role in the registrant's internal control over financial reporting.

May 6, 2025

By: ______________________________

Daniel Allen, Principal Financial Officer

**EXHIBIT 32**

In connection with the Quarterly Report of Blue Line Protection Group, Inc. (the "Company") on Form 10-Q for the period ending March 31, 2025 as filed with the Securities and Exchange Commission (the "Report"), Daniel Allen, the Company's Chief Executive and Financial Officer, certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

May 6, 2025

By: ______________________________

Daniel Allen, Principal Executive and Financial Officer