

**Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines**

**STELLA DIAGNOSTICS, INC.**

A Wyoming Corporation

50 West Broadway, Suite 300

Salt Lake City, UT 84101

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1 (201) 381-1474

[www.StellaDX.com](http://www.StellaDX.com)

info@stelladx.com

SIC – 7373

**Quarterly Report**

**For the Period Ending: March 31, 2022**

(the “Reporting Period”)

As of March 31, 2022, the number of shares outstanding of our Common Stock was:

97,829,513

As of December 31, 2021, the number of shares outstanding of our Common Stock was:

97,550,655

As of September 30, 2021, the number of shares outstanding of our Common Stock was:

97,550,655

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 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: ☒

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

Yes: ☐ No: ☒

<sup>5</sup> "Change in Control" shall mean any events resulting in:

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

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

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

Present: Stella Diagnostics, Inc. (herein referred to as "STELLA" or the "Company") formerly known as JMD Properties, Inc. (from October 1, 2018 until August 25, 2020, formerly known as 3D Eye Solutions Inc. (from January 10, 2018 until October 1, 2018), formerly known as 3D Entertainment Holdings Inc. (from August 2, 2016 until January 10, 2018), formerly known as Oak River Technology, Inc. (from November 14, 2015 until August 2, 2016) formerly known as 3D Eye Solutions, Inc., formerly known as AFA Music Group, Ltd., formerly known SuperPro Vending Group, Inc, formerly known as Harbour Capital Corp.

The state of incorporation or registration of the issuer and of each of its predecessors (if any) during the past five years; Please also include the issuer's current standing in its state of incorporation (e.g. active, default, inactive):

Incorporated in Wyoming, Active

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors since inception:

None

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

None

The address(es) of the issuer's principal executive office:

50 West Broadway, Suite 300

Salt Lake City, UT 84101

The address(es) of the issuer's principal place of business:

*Check box if principal executive office and principal place of business are the same address:* ☒

\_\_\_\_\_

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

Yes: ☐

No: ☒

If this issuer or any of its predecessors have been the subject of such proceedings, please provide additional details in the space below:

N/A

## **2) Security Information**

Trading symbol: SLDX

Exact title and class of securities outstanding: Common Stock ("Common Stock")

CUSIP: 85853Y104

Par or stated value: \$0.0001

Total shares authorized: 1,000,000,000 as of date: May 19, 2022

Total shares outstanding: 97,829,513 as of date: March 31, 2022

Number of shares in the public float: 158,397 as of date: May 19, 2022

Total number of shareholders of record: 299 as of date: May 19, 2022

*Additional classes of publicly-traded securities (if any): None*

### Transfer Agent

Name: Vstock Transfer, LLC.

Address: 18 Lafayette Place

Address 2: Woodmere, NY 11598

Phone: +1 (212) 828-8436

Email: info@vstocktransfer.com

Is the Transfer Agent registered under the Exchange Act?

Yes: ☒

No: ☐

### Item 3. Issuance History

#### A. Changes to the Number of Outstanding Shares

Check this box to indicate there were no changes to the number of outstanding shares within the past two completed fiscal years and any subsequent periods: ☐

<sup>6</sup> "Public Float" shall mean the total number of unrestricted shares not held directly or indirectly by an officer, director, any person who is the beneficial owner of more than 10 percent of the total shares outstanding (a "control person"), or any affiliates thereof, or any immediate family members of officers, directors and control persons.

<sup>7</sup> To be included in the Pink Current Information tier, the transfer agent must be registered under the Exchange Act.

Number of Shares outstanding as of <u>12/31/2019</u>	<u>Opening Balance:</u> Common: 96,365,470  Preferred: <u>0</u>		*Right-click the rows below and select "Insert" to add rows as needed.						
Date of Transaction	Transaction type (e.g. new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/Entity Shares were issued to (entities must have individual with voting / investment control disclosed).	Reason for share issuance (e.g. for cash or debt conversion) OR Nature of Services Provided (if applicable)	Restricted or Unrestricted as of this filing?	Exemption or Registration Type?
08/20/2020	Cancellation	(3,449,000)	Series B Preferred	\$0.001	No	Jennifer Wainstein, Israel Levy,	Share exchange	R	<u>Exemption:</u> <u>Section</u>

			ed Stock			Adam Venokur, Noah Levy, Robert Welner, Daniel Wainstein			<u>4(a)(2) of the Securitie s Act</u>
08/20/2020	New Issuance	927,514	Series D Preferr ed Stock	\$0.00 1	No	Jennifer Wainstein, Noah Levy, Arie Maor, Daniel Abramson, Gabriel Zelwin, Martin Goldberg, Israel Levy, Daniel Dorman, Ilan Grinberg, Adam Venokur	Share exchange	R	<u>Exempti on: Section 4(a)(2) of the Securitie s Act</u>
08/20/2020	Cancellat ion	(90,000)	Series A Preferr ed Stock	\$0.00 1	No	Jennifer Wainstein, Israel Levy, Adam Venokur, Noah Levy, Robert Welner, Daniel Wainstein	Reverse Merger	R	<u>Exempti on: Section 4(a)(2) of the Securitie s Act</u>
08/20/2020	New issuance	90,000	Series A Preferr ed Stock	\$0.00 1	No	Paul Mann, Joe Abdo, Devandra Agrawal, Parker	Reverse Merger	R	<u>Exempti on: Section 4(a)(2) of the</u>

						Scott, Savid Seaburg			<u>Securities Act</u>
01/29/2021	New Issuance	500,000	Common	\$.0001	No	MDM Worldwide Solutions, Inc./Steven Angel	Consulting Agreement	R	<u>Exemption: Section 4(a)(2) of the Securities Act</u>
04/21/2021	New Issuance	685,185	Common	\$.50	No	Patagonia Global Trading LLC/David Zirulnikoff	Consulting Agreement	R	<u>Exemption: Section 4(a)(2) of the Securities Act</u>
02/18/2022	New Issuance	250,000	Common	\$.65	No	VRG VRG Public Company CFO Services, LLC/Victoria Rudman	Consulting Agreement	R	<u>Exemption: Section 4(a)(2) of the Securities Act</u>
03/14/2022	New Issuance	28,858	Common	\$.34652	No	Taconic Group LLC/Robert Grinberg	RegA Conversion	U	
Shares Outstanding on <u>03/31/2022:</u>	<u>Ending Balance:</u> Common: 97,829,513  Series A Preferred: <u>100,000</u>  Series D Preferred: <u>940,514</u>								



## B. Debt Securities, Including Promissory and Convertible Notes

Use the chart and additional space below to list and describe all outstanding promissory notes, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities.

Check this box if there are no outstanding promissory, convertible notes or debt arrangements: ☐

Date of Note Issuance	Outstanding Balance (\$)	Principal Amount at Issuance (\$)	Interest Accrued (\$)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder	Reason for Issuance (e.g. Loan, Services, etc.)
<u>06/27/2014</u>	265,300	<u>50,000</u>	<u>98,516.66 plus</u>	<u>06/27/2015</u>	<u>20% of the lowest intra-day trading prices during the thirty trading days</u>	<u>Mastiff Group, LLC/Jennifer Wainstein</u>	<u>Loan</u>

			<u>penalties</u>		<u>prior to the date of conversion</u>		
<u>04/30/2016</u>	<u>265,300</u>	<u>180,000</u>	<u>85,300</u>	<u>11/30/2019</u>	<u>50% of the average of the three lowest intraday prices for the Company's stock during the previous 20 trading days.</u>	<u>Eddy Vasker</u>	<u>Accrued Salary</u>
<u>12/13/2016</u>	<u>93,006.67</u>	<u>70,000</u>	<u>23,006.67</u>	<u>12/13/2016</u>	<u>50% of the average of the three lowest intraday prices for the Company's stock during the previous 20 trading days.</u>	<u>Noah Levy</u>	<u>Loan</u>
<u>06/29/2017</u>	<u>364,398.63</u>	<u>310,000</u>	<u>54,398.63</u>	<u>06/29/2025</u>	<u>20% of the average of the three lowest intraday trading prices during the preceding twenty trading days</u>	<u>BWTMH Consulting, LLC/Leslie Venokur</u>	<u>Business Consulting Services</u>
<u>06/29/2017</u>	<u>364,398.63</u>	<u>310,000</u>	<u>54,398.63</u>	<u>06/29/2025</u>	<u>20% of the average of the three lowest intraday trading prices during the preceding twenty trading days</u>	<u>Levy Consulting Services, LLC/Noah Levy</u>	<u>Business Consulting Services</u>
<u>07/12/2017</u>	<u>242,266.67</u>	<u>200,000</u>	<u>42,266.67</u>	<u>07/12/2020</u>	<u>70% discount to the price per share paid by investors purchasing common stock during a subsequent financing of not less than \$5,000,000</u>	<u>Adam Venokur</u>	<u>Loan</u>
<u>07/12/2017</u>	<u>60,566.67</u>	<u>50,000</u>	<u>10,566.67</u>	<u>07/12/2020</u>	<u>70% discount to the price per share paid by investors purchasing common stock during a subsequent financing of not less than \$5,000,000</u>	<u>Ira Zaroff</u>	<u>Loan</u>

#### 4) Financial Statements

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

- ☒ U.S. GAAP  
☐ IFRS

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

Name: Mario A. Beckles  
Title: Outside CPA, May 20, 2020 to present  
Relationship to Issuer: Independent, no relationship

The unaudited Balance Sheets and Statement of Stockholders Deficit as of March 31, 2022 and December 31, 2021 and Statement of Operations and Statement of Cashflows for the three months ended March 31, 2022, are included at the end of this report.

#### 5) Issuer's Business, Products and Services

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

Stella Diagnostics, Inc., formerly known as JMD Properties, Inc. ("Stella" or the "Company"), is as a molecular diagnostics-based organization that uses targeted mass spectrometry to determine the level of disease progression in tissue of the lower esophagus. Our proprietary technology is based on rigorous research by domain experts and practicing physicians and can notify providers if common diseases of the esophagus like GERD and Barrett's esophagus express proteins associated with normal or carcinogenic processes. With our panel of biomarkers and targeted proteomics method, the company can better inform gastroenterologists, surgical oncologists and pathologists which patients are high risk for disease progression into precancer or cancer. The predictive panel will be offered as a Laboratory Developed Test ("LDT") in a CAP/CLIA Certified moderate complexity laboratory. With additional R&D and the accumulation of data from our clinical efforts, we will also yield viable new drug targets to inhibit BE pathogenesis and/or treat EC. We believe that informing physicians of the biomarkers playing a role in the pathogenesis of GERD, BE and EC early in the patient's treatment plan will help providers extend lives.

- B. Describe any subsidiaries, parents, or affiliated companies, if applicable, and a description of their business contact information for the business, officers, directors, managers or control persons. Subsidiary information may be included by reference.**

<b>Subsidiary Name</b>	<b>Domicile</b>	<b>Address</b>	<b>Officer/Director</b>	<b>% Owned</b>	<b>Owned By</b>
<u>Stella DX LLC</u>	<u>Delaware</u>	<u>50 West Broadway,</u> <u>Suite 300</u> <u>Salt Lake City,</u> <u>UT 84101</u>	<u>Joe Abdo</u>	<u>100%</u>	<u>Stella</u> <u>Diagnostics,</u> <u>Inc.</u>

- C. Describe the issuers' principal products or services, and their markets**

Please see above.

**6) Issuer's facilities**

Stella Diagnostics, Inc. leases office space in a shared virtual office located at 50 West Broadway, Suite 300, Salt Lake City, Utah 84101. Stella currently has a six month lease for the office space, which automatically renews additional six month term unless cancelled at least 30 days prior to the expiration of the current term. The monthly rent is currently \$69 per month.

**7) Company Insiders (Officers, Directors and Control Persons)**

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<b><u>COMMON STOCK</u></b>						
<u>Name of Officer/Director and Control Person</u>	<u>Affiliation with Company (e.g. Officer/Director/Owner of more than 5%)</u>	<u>Residential Address (City/State Only)</u>	<u>Number of shares owned</u>	<u>Share type/classes</u>	<u>Ownership Percentage of Class Outstanding</u>	<u>Notes</u>
Mastiff Group, LLC/Jennifer Wainstein	Owner of more than 5%	Aventura, FL	67,627,871	Common Stock	69.326%	
Seven Knots, LLC/Daniel Wainstein/Marissa Welner	Owner of more than 5% Director	Great Neck, NY	8,284,444	Common Stock	8.492%	

- (1) Daniel Wainstein is the spouse of Jennifer Wainstein, the majority owner of Mastiff Group. Mr. Wainstein disclaims any beneficial ownership of the shares held by Mastiff Group. Additionally, Mr. Wainstein is an owner of Seven Knots, LLC. Mr. Wainstein has neither voting control nor investment discretion over securities beneficially owned directly by Seven Knots, LLC. Mr. Wainstein's residential address is New York, NY.
- (2) Marissa Welner has voting control and investment discretion over securities beneficially owned directly by Seven Knots, LLC. Ms. Welner's residential address is New York, NY.

<b><u>SERIES A PREFERRED STOCK</u></b>						
<u>Name of Officer/Director and Control Person</u>	<u>Affiliation with Company (e.g. Officer/Director/Owner of more than 5%)</u>	<u>Residential Address (City/State Only)</u>	<u>Number of shares owned</u>	<u>Share type/classes</u>	<u>Ownership Percentage of Class Outstanding</u>	<u>Notes (common shares on an as-converted basis)</u>

Keystone Capital Partners, LLC/Fredric G. Zaino <sup>(1)</sup>	Owner of more than 5% of the Series A Preferred Stock Class	New York, NY	17,100	Series A Preferred Stock	17.1%	164,792,700
Paul Mann	Owner of more than 5% of the Series A Preferred Stock Class	Port Saint Lucie, FL	9,000	Series A Preferred Stock	9%	86,733,000
David Seaburg	Owner of more than 5% of the Series A Preferred Stock Class	Naples, FL	9,000	Series A Preferred Stock	9.0%	86,733,000
Devandra Agrawal	Owner of more than 5% of the Series A Preferred Stock Class	Montclair, CA	17,100	Series A Preferred Stock	17.1%	164,792,700
DEVKI PLLC/Sumeet Mittal, M.D. <sup>(2)</sup>	Owner of more than 5% of the Series A Preferred Stock Class	Paradise Valley, AZ	17,100	Series A Preferred Stock	17.1%	164,792,700
Joseph Michael Abdo	Owner of more than 5% of the Series A Preferred Stock Class, Officer and Director	Salt Lake City, UT	17,100	Series A Preferred Stock	17.1%	164,792,700
Mastiff Group, LLC/Jennifer Wainstein <sup>(3)</sup>	Owner of more than 5% of the Series A Preferred Stock Class, Director	Aventura, FL	7,030	Series A Preferred Stock	7.03%	67,748,110

(1) Mr. Zaino's residential address is New York, NY.

(2) Mr. Mittal's residential address is Paradise Valley, AZ.

(3) Ms. Wainstein's residential address is New York, NY.

<b><u>SERIES D PREFERRED STOCK</u></b>						
<u>Name of Officer/Director and Control Person</u>	<u>Affiliation with Company (e.g. Officer/Director/Owner of more than 5%)</u>	<u>Residential Address (City/State Only)</u>	<u>Number of shares owned</u>	<u>Share type/classes</u>	<u>Ownership Percentage of Class Outstanding</u>	<u>Notes (common shares on an as-converted basis)</u>
Israel Levy Revocable Trust/Israel Levy <sup>(1)</sup>	Owner of more than 5% of the Series D Preferred Stock Class	Deerfield, IL	147,754	Series D Preferred Stock	15.930%	253,943
White Birch Portal, LLC/Adam Venokur <sup>(2)</sup>	Owner of more than 5% of the Series D Preferred Stock Class	New York, NY	261,600	Series D Preferred Stock	28.204%	499,608
Albert Levy	Owner of more than 5% of the Series D Preferred Stock Class	Chicago, IL	72,000	Series D Preferred Stock	7.763%	123,745
Arie Maor	Owner of more than 5% of the Series D Preferred Stock Class	Skokie, IL	96,000	Series D Preferred Stock	10.350%	164,994
Jay Parikh	Owner of more than 5% of the Series D Preferred Stock Class	Dubai, UAE	50,400	Series D Preferred Stock	5.434%	86,622
DASA Portal, LLC/Adam Venokur <sup>(2)</sup>	Owner of more than 5% of the Series D Preferred Stock Class	New York, NY	113,760	Series D Preferred Stock	12.265%	7,314,363

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(1) Mr. Levy's residential address is Deerfield, IL.

(2) Mr. Venokur's residential address is New York, NY.

Except as set forth above, no director or officer of the Company owns any securities of the Company.



**8) Legal/Disciplinary History**

**A. Criminal and legal proceedings of Officers, Directors and Control Persons.**

None of the persons listed above have, in the past 10 years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);
2. 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, or banking activities;
3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or
4. The entry 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.

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

None.

**9) Third Party Providers**

Please provide the name, address, telephone number and email address of each of the following outside providers:

Securities Counsel

Name: Matthew McMurdo, Esq.  
Firm: McMurdo Law Group, LLC  
Address 1: 1185 Avenue of the Americas, 3rd Floor  
Address 2: New York, New York 10036  
Phone: 917-318-2865  
Email: matt@nannaronelaw.com

Accountant:

Name: Mario A. Beckles  
Firm: Beckles & Co  
Address 1: 2001 Hollywood Blvd. Suite 208  
Address 2: Hollywood, FL 33020  
Phone: 954-251-2005

Investor Relations Consultant: N/A

Other Service Providers: N/A

**10) Issuer Certification**

*Principal Executive Officer and Principal Financial Officer:*

I, Mr. David Seaburg, certify that:

1. I have reviewed this quarterly statement of Stella Diagnostics, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: May 19, 2022

Signature:       /s/ David Seaburg      

Name: Mr. David Seaburg

Title: CEO

## **STELLA DIAGNOSTICS, INC. AND SUBSIDIARY**

### **Consolidated Financial Statements**

Quarterly Report for the Fiscal Quarter Ended March 31, 2022

(Unaudited)

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**STELLA DIAGNOSTICS, INC. AND SUBSIDIARY**

**CONSOLIDATED BALANCE SHEET**

**(Unaudited)**

	<b>March 31, 2022</b>	<b>December 31, 2021</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,385	\$ 1,248
Prepaid expenses and other current assets	2,333	583
Total current assets	<u>3,718</u>	<u>1,831</u>
Total assets	<u>\$ 3,718</u>	<u>\$ 1,831</u>
<b>Liabilities and stockholders' deficit</b>		
Current liabilities:		
Accounts payable	\$ 1,291,345	\$ 1,070,396
Accrued expenses	6,758,471	6,299,540
Promissory notes payable	683,467	646,255
Convertible notes payable, current portion	1,556,028	1,486,793
Derivative liability	5,335,219	5,186,128
Series D preferred liability	4,702,570	4,637,570
Common stock settleable liability	826,541	826,541
Simple agreements for future equity	30,000	30,000
Total current liabilities	<u>21,183,643</u>	<u>20,183,223</u>
Convertible notes payable, net of current portion	271,807	271,807
Series A preferred liability	195,780,685	193,007,993
Total liabilities	<u>217,236,135</u>	<u>213,463,023</u>
Commitments and contingencies		

Stockholders' deficit:

Common stock, par value \$0.0001; 1,000,000,000 authorized, 97,829,513 and 97,550,655 shares issued and outstanding as of December 31, 2021 and 2020, respectively	9,783	9,755
Additional paid-in capital	1,082,538	910,066
Accumulated deficit	(218,324,739)	(214,381,013)
Total stockholders' deficit	<u>(217,232,417)</u>	<u>(213,461,192)</u>
Total liabilities and stockholders' deficit	<u><u>3,718</u></u>	<u><u>1,831</u></u>

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

**STELLA DIAGNOSTICS, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**For the Three Months Ended March 31, 2022 and 2021**  
**(Unaudited)**

	For the three month period ended March 31, 2022	For the three month period ended March 31, 2021
Operating expenses:		
Research and development	\$ 163,640	\$ 65,777
General and administrative	779,354	\$ 90,980
Total operating expenses	<u>942,994</u>	<u>\$ 156,757</u>
	-	-
Other income (expense):		
Interest expense	(78,948)	\$ (72,171)
Change in fair value of derivative liability	(149,091)	\$ (149,090)
Change in fair value of Series A preferred liability	(2,772,692)	\$ -
Accretion of Series A preferred liability	-	\$ -
Total other expense	<u>(3,000,731)</u>	<u>\$ (221,261)</u>
Net loss	<u>\$ (3,943,725)</u>	<u>\$ (378,018)</u>
Net loss per common share, basic and diluted	<u>\$ (0.04)</u>	<u>\$ (0.00)</u>
Weighted average common shares outstanding, basic and diluted	<u>97,671,336</u>	<u>\$ 96,365,470</u>

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

**STELLA DIAGNOSTICS, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIT**  
**For the Three Months Ended March 31, 2022 and 2021**  
**(Unaudited)**

	<b>Common Stock</b>				
	<b>Shares</b>	<b>Par</b>	<b>Additional Paid-in Capital</b>	<b>Accumulated Deficit</b>	<b>Total Stockholders' Deficit</b>
Balance, December 31, 2021	97,550,655	\$ 9,755	\$ 910,066	\$ (214,381,013)	\$ (213,461,192)
Issuance of common stock	278,858	28	172,472	-	172,500
Net loss	-	-	-	(3,943,725)	(3,943,725)
Balance, March 31, 2022	97,829,513	\$ 9,783	\$ 1,082,538	\$ (218,324,738)	\$ (217,232,417)

	<b>Common Stock</b>				
	<b>Shares</b>	<b>Par</b>	<b>Additional Paid-in Capital</b>	<b>Accumulated Deficit</b>	<b>Total Stockholders' Deficit</b>
Balance, December 31, 2020	96,365,470	\$ 9,637	\$ -	\$ (197,740,488)	\$ (197,730,851)
Net loss	-	-	-	(378,018)	(378,018)
Balance, March 31, 2021	96,365,470	\$ 9,637	\$ -	\$ (198,118,506)	\$ (198,108,869)

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



**STELLA DIAGNOSTICS, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

**For the Three Months Ended**

**(Unaudited)**

	<b>March 31, 2022</b>	<b>March 31, 2021</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (3,943,725)	\$ (378,018)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation		
Stock-based compensation	133,190	-
Non-cash share settleable board compensation	-	-
Change in fair value of derivative liability	149,091	149,091
Change in fair value of Series A preferred liability	2,772,692	-
Non-cash interest expense	78,948	39,254
Changes in operating assets and liabilities:		-
Prepaid expense and other current assets	1,750	1,750
Accounts payable	191,212	-
Accrued interest and expenses	491,774	32,917
Net cash used in operating activities	(125,068)	(155,006)
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of promissory notes	60,206	-
Proceeds from Series D Preferred stock issuance	65,000	-
Proceeds from convertible notes payable	-	130,000
Net cash provided by financing activities	125,206	130,000
Net increase in cash and cash equivalents	137	(25,006)
Cash and cash equivalents, beginning of period	1,248	37,473

Cash and cash equivalents, end of period	<u>\$ 1,385</u>	<u>\$ 12,467</u>
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The accompanying notes are an integral part of these consolidated financial statements.

**STELLA DIAGNOSTICS, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. NATURE OF THE BUSINESS**

Stella Diagnostics, Inc. and Stella Diagnostics LLC (collectively the “Company”) is a research diagnostics company dedicated to developing molecular diagnostics tools and new drug targets for esophagus diseases and is headquartered in Salt Lake City, Utah and maintains its corporate registration in Wyoming.

Stella Diagnostics LLC was formed on February 13, 2020.

***Reverse Merger***

On August 20, 2020, JMD Properties, Inc. (“JMD”) acquired 100% of the issued and outstanding membership units of Stella Diagnostics LLC pursuant to a merger between the companies (“Transaction” or “Reverse Merger”). Upon consummation of the Transaction, JMD adopted the business plan of Stella Diagnostics LLC and discontinued the pursuit of JMD’s business plan pre-closing. In connection with the Transaction, JMD agreed to acquire all of the outstanding units of Stella Diagnostics LLC in exchange for the issuance of an aggregate 90,000 shares of JMD’s Series A Preferred Stock, representing 90% of its outstanding shares of Series A Preferred Stock. As a result of the Transaction, Stella Diagnostics LLC became a wholly-owned subsidiary of JMD. While JMD was the legal acquirer in the Transaction, Stella Diagnostics LLC was deemed the accounting acquirer. Stella Diagnostics LLC changed its name to Stella DX LLC on August 20, 2020. Immediately after giving effect of the Transaction, JMD changed its name to Stella Diagnostics, Inc.

The financial statements of the Company reflect the operations of Stella Diagnostics LLC as the acquirer for accounting purposes, together with the deemed issuance of shares, equivalent to the shares held by the stockholders of the legal acquirer, JMD, prior to the Transaction, and the recapitalization of the equity of the accounting acquirer. The financial statements include the accounts of the Company since the effective date of the Reverse Merger and the accounts of Stella Diagnostics LLC since inception.

***Going Concern***

Since its inception, the Company has devoted substantially all of its efforts to business planning, research and development, recruiting management and technical staff, and raising capital, and has financed its operations through the issuance of promissory notes and Simple Agreements for Future Equity.

The Company is subject to risks common to companies in the biopharmaceutical industry. There can be no assurance that the Company’s research and development will be successfully completed, that adequate protection for the Company’s intellectual property will be maintained, that any therapeutic products developed will obtain required regulatory approval or that any approved products will be commercially viable. Even if the Company’s development efforts are successful, it is uncertain when, if ever, the Company will generate significant product sales.

The Company's losses from operations, negative cash from operations and accumulated deficit, as well as the additional capital that is needed to fund operations within one year of the financial statement issuance date, and concluded such conditions, without raising additional capital, raise substantial doubt about the Company's ability to continue as a going concern. The Company expects to incur substantial expenditures in the foreseeable future for the development of its product candidates and will require additional financing to continue development. The Company intends to pursue funding from the issuance of shares of preferred stock to fund future operations. While the Company continues to seek capital, there can be no assurance that additional financing will be available on acceptable terms, if at all. Accordingly, there is substantial doubt regarding the Company's ability to continue as a going concern. The accompanying financial statements have been prepared as though the Company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

### ***Coronavirus Considerations***

In December 2019, a novel strain of coronavirus (SARS-CoV-2), which causes COVID-19, was reported to have surfaced in China. In March 2020, the World Health Organization declared the outbreak of COVID-19 to be a pandemic, and the world's economies began to experience pronounced effects. Despite the FDA approval of multiple COVID-19 vaccines in late 2020, there remains uncertainty around the extent and duration of disruption and any future related financial impact cannot be reasonably estimated at this time. The actual and perceived impact of the COVID-19 pandemic is changing daily, and its ultimate effect on the Company cannot be predicted. As a result, there can be no assurance that the Company will not experience negative impacts associated with COVID-19, which could be significant. The COVID-19 pandemic may negatively impact the Company's business, financial condition and results of operations by decreasing or delaying the enrollment of patients in the Company's clinical trials or otherwise causing interruptions or delays in the Company's programs and services.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### ***Basis of Presentation***

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial statements. Accordingly, they do not contain all information and footnotes required by accounting principles generally accepted in the United States of America for annual financial statements. In the opinion of the Company's management, the accompanying unaudited financial statements contain all the adjustments necessary (consisting only of normal recurring accruals) to present the financial position of the Company as of September 30, 2021, and the results of operations and cash flows for the periods presented. The results of operations for the nine months ended September 30, 2021 are not necessarily indicative of the operating results for the full fiscal year or any future period.

### ***Principles of Consolidation***

The Company's consolidated financial statements include the accounts of the Stella Diagnostics, Inc. and its wholly owned subsidiary Stella DX LLC. All intercompany balances and transactions have been eliminated in the consolidated financial statements.

### ***Segments***

Management has concluded it has a single reporting segment for purposes of reporting financial condition and results of operations.

### ***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and expenses, and the disclosure of contingent assets and liabilities as of and during the reporting period. The Company bases its estimates and assumptions on various factors that it believes to be reasonable under the circumstances. The Company assesses estimates on an ongoing basis; however, actual results could materially differ from those estimates. Significant items subject to such estimates and assumptions include fair value of stock-based compensation expense and derivative liabilities.

### ***Concentrations of Credit Risk***

Financial instruments that potentially subject the Company to significant concentration of credit risk consist primarily of cash and cash equivalents. Periodically, the Company may maintain deposits in financial institutions in excess of government insured limits. Management believes that the Company is not exposed to significant credit risk as the Company's deposits are held at financial institutions that management believes to be of high credit quality, and the Company has not experienced any losses on these deposits.

### ***Cash and Cash Equivalents***

The Company considers all highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents.

### ***Fair Value of Financial Instruments***

The Company follows the guidance prescribed by FASB Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurements* ("ASC 820"), which establishes the following hierarchy that prioritizes the inputs used to measure fair value:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.

- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). Fair value is defined as the proceeds that would be received for an asset or the exit price that would be paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date.

### ***Research and Development Costs***

Research and development costs are charged to expense as incurred. Research and development costs consist of expenses incurred in performing research and development activities, including salaries and benefits, materials and supplies, preclinical expenses, stock-based compensation expense, depreciation of equipment, contract services, and other outside expenses. Costs for certain development activities are recognized based on an evaluation of the progress to completion of specific tasks using information provided to the Company by its vendors on their actual costs incurred. Payments for these activities are based on the terms of the individual arrangements, which may differ from the pattern of costs incurred, and are reflected in the financial statements as prepaid or accrued research and development. The capitalized amounts are expensed as the related goods are delivered or services are performed.

### ***Leases***

The Company applies the provisions of the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2016-02, "*Leases*" ("ASC 842") to all leases. At the inception of an arrangement, the Company determines whether the arrangement is or contains a lease based on specific facts and circumstances, the existence of an identified asset(s), if any, and the Company's control over the use of the identified asset(s), if applicable. Operating lease liabilities and their corresponding right-of-use assets are recorded based on the present value of future lease payments over the expected lease term. The interest rate implicit in lease contracts is typically not readily determinable. As such, the Company will utilize the incremental borrowing rate, which is the rate incurred to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment.

The Company has elected not to separate lease and non-lease components as a single component. Operating leases are recognized on the balance sheet as ROU lease assets, lease liabilities current and lease liabilities non-current. Fixed rents are included in the calculation of the lease balances while variable costs paid for certain operating and pass-through costs are excluded. Lease expense is recognized over the expected term on a straight-line basis.

Beginning in November 2020, the Company entered into a virtual office lease in New York City, New York, for the purposes of maintaining a mailing address at a cost of \$59 per month. The initial term of the lease was for six months and automatically renews on a month-to-month basis thereafter. Short-term operating leases, which have an initial term of 12 months or less are not recorded on the statement of financial condition in accordance with the practical expedient provided in ASC 842.

### ***Income Taxes***

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the Company's financial statements and tax returns. Deferred tax assets and liabilities are determined based upon the differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities and for loss and credit carryforwards, using enacted tax rates expected to be in effect in the year in which the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that these assets may not be realized. The Company determines whether it is more likely than not that a tax position will be sustained upon examination. If it is not more likely than not that a position will be sustained, none of the benefit attributable to the position is recognized. The tax benefit to be recognized for any tax position that meets the more-likely-than-not recognition threshold is calculated as the largest amount that is more than 50% likely of being realized upon resolution of the contingency. The Company accounts for interest and penalties related to uncertain tax positions as part of its provision for income taxes.

### ***Convertible Preferred Stock***

The Company has classified Series A and Series D Preferred Stock as liabilities in the accompanying balance sheet, in accordance with ASC 480, as the shares represent fixed monetary amounts known at inception. Therefore, the Series A and Series D Preferred Stock are considered share-settled liabilities. The Series A and Series D Preferred Stock were initially recorded at fair value and are adjusted to fair value each reporting period with changes reflected in the Statement of Operations. The Company has recorded a portion of the initial carrying value of the Series D Preferred Stock as part of the merger transaction (see Note 3).

### ***Stock-based Compensation***

The Company accounts for stock options granted in accordance with Accounting Standards Codification ("ASC") 718, *Compensation-Stock Compensation*, or ASC 718. The Company recognizes compensation expense for awards to employees and nonemployees based on the grant date fair value of stock-based awards on a straight-line basis over the period during which an award holder provides service in exchange for the award. For awards subject to performance conditions, the Company recognizes compensation expense using an accelerated recognition method over the remaining service period when management determines that achievement of the milestone is probable. Management evaluates when the achievement of a performance-based milestone is probable based on the expected satisfaction of the performance conditions as of the reporting date. The fair value is calculated using the Black-Scholes option pricing model. The Company recognizes stock-based award forfeitures as they occur rather than estimating a forfeiture rate in accordance with the guidance per ASU No. 2016-09.

### ***Recently Issued Accounting Pronouncements***

**Income Taxes**—In December 2019, the FASB issued ASU No. 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes, which simplifies the accounting for income taxes by removing certain exceptions to the general principles in the existing guidance for income taxes and making other minor improvements. The amendments are effective for annual reporting periods beginning after December 15, 2020 with early adoption permitted. The Company does not expect the adoption of ASU No. 2019-12 to have a significant impact on its financial statements.

**Convertible Notes**—In September 2020, the FASB issued ASU No. 2020-06, Debt-Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging-Contracts in Entity's Own Equity (Subtopic 815-40); Accounting for Convertible Instruments and Contracts in an Entity's Own Equity, which addresses the complexity in accounting for certain financial instruments with characteristics of liabilities and equity. The amendments are effective for annual reporting periods beginning after December 15, 2021 with early adoption permitted. The Company does not expect the adoption of ASU No. 2020-06 to have a significant impact on its financial statements.

**Earnings Per Share** – In May 2021, the FASB issued ASU No. 2021-04, Earnings Per Share (Topic 260), Debt— Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging— Contracts in Entity's Own Equity (Subtopic 815-40), which addresses accounting for modifications or exchanges of freestanding equity-classified instruments that remain equity classified after modification or exchange. The amendments are effective for annual reporting periods beginning after December 15, 2021, including interim periods within those fiscal years. The Company does not expect the adoption of ASU No. 2021-04 to have a significant impact on its financial statements.

### **3. REVERSE MERGER**

As described in Note 1, the Reverse Merger was accounted for as a reverse recapitalization per ASC Topic 805, "Business Combinations" ("ASC 805"). Under reverse capitalization accounting, Stella Diagnostics LLC is considered the acquirer for accounting and financial reporting purposes and assumed the liabilities of JMD. The liabilities assumed by Stella Diagnostics LLC are reported at their historical amounts. The financial statements of the Company reflect the operations of Stella Diagnostic LLC for accounting purposes together with a deemed issuance of shares, equivalent to the shares held by the former stockholders of the legal acquirer and a recapitalization of the equity of the accounting acquirer. The annual consolidated financial statements include the accounts of the Company since the effective date of the reverse capitalization and the accounts of Stella Diagnostics LLC since inception.

The following summarizes the estimated fair value of the liabilities assumed at the date of the Reverse Merger:



Accounts payable	\$ 214,652
Accrued expenses	4,271,547
Convertible notes payable	1,409,190
Derivative liability	4,387,779
Series A preferred liability	17,800,019
Series D preferred liability	4,637,570
	<u>\$ 32,720,756</u>

No assets were assumed as part of the Reverse Merger.

#### 4. ACCRUED EXPENSES

Accrued expenses as of March 31, 2022 and December 31, 2021 consisted of the following:

	March 31, 2022	December 31, 2021
	<hr/>	<hr/>
Accrued salaries pre-merger	\$ 3,833,787	\$ 3,833,787
Accrued salaries post-merger	1,748,682	1,550,000
Accrued interest pre-merger	437,760	437,760
Accrued board fees	538,554	442,304
Accrued other	199,689	35,689
	<hr/>	<hr/>
	\$ 6,758,472	\$ 6,299,540
	<hr/>	<hr/>

#### 5. FAIR VALUE MEASUREMENTS

The Company's financial instruments consist of cash and cash equivalents, accounts payable, accrued expenses, promissory notes, convertible notes and the derivative liability related to the convertible notes. The carrying amount of cash and cash equivalents, accounts payable and accrued expenses is considered a reasonable estimate of fair value due to the short-term nature of those instruments.

##### *Level 3 financial instruments*

**Convertible Notes** - The derivative liability related to the convertible notes (see Note 6) and its embedded beneficial conversion feature for the settlement of the notes upon a qualified financing or voluntary event was valued at \$4,387,779 as of the date of the Merger Agreement using a present value calculation of the conversion feature. The valuation is based on the following inputs (primarily Level 3): the estimated probability of certain qualified financing events occurring ranging from 25% to 75%, the discount awarded

upon conversion ranging from 50% to 80% and a discount rate of 6%. An increase in these inputs may result in a higher fair value and an increase in the expense from a change in fair value of the derivative liability.

The following table presents a roll forward for the embedded beneficial conversion feature using significant unobservable inputs (Level 3) for the period from the Merger Agreement of August 20, 2020 to March 31, 2022:

Fair value of embedded derivative liability as of August 20, 2020	\$ 4,387,779
Change in fair value of derivative liability	201,986
Fair value of embedded derivative liability as of December 31, 2020	<u>4,589,765</u>
Change in fair value of derivative liability	596,363
Fair value of embedded derivative liability as of December 31, 2021	<u>5,186,128</u>
Change in fair value of derivative liability	149,091
Fair value of embedded derivative liability as of March 31, 2022	<u><u>\$ 5,335,219</u></u>

**Series A Liabilities** – The carrying value of Series A liabilities (see Note 7) is the fair value using a present value calculation of the redemption feature. The valuation is based on the following inputs (primarily Level 3): the redemption floor of \$2,000 per share and a discount rate of 6%. An increase in the redemption value may result in a higher fair value and an increase in the expense from a change in fair value of Series A liabilities.

**Series D Liabilities** – The carrying value of Series D liabilities (see Note 7) is the fair value of the conversion feature. The valuation is based on the following inputs (primarily Level 3): the estimated probability of certain voluntary elections or financing events of 0% to 100%, respectively, and the discount awarded upon conversion of 20%. An increase in the discount awarded upon conversion may result in a higher fair value and a charge to expense from a change in fair value of Series D liabilities.

## 6. DEBT

### ***Convertible Notes***

In conjunction with the Reverse Merger, the Company assumed several convertible note agreements (“Convertible Notes”), which were issued at various dates between June 2014 and July 2017, totaling an aggregate of \$1,321,957 of which 201,957 is from related parties. Interest is accruing on the Convertible Notes at original annual interest rates ranging from 5% to 10% with maturity dates through June 2025. For the Convertible Notes in which the maturity dates were prior to December 31, 2020, the interest rates have increased to the default annual rate of 18%.

The Convertible Notes contain conversion features, which include qualified financing and voluntary conversions. Some of the Convertible Notes included a provision whereby the Convertible Notes could be automatically convertible upon a qualified financing, at the election of the Company, at a conversion rate ranging from 50% to 70% of the per share price paid by investors in the financing. At certain times ranging from immediate to 1 year after issuance. The Convertible Notes were eligible for voluntary conversion into Common Stock at certain times ranging from immediate to 1 year after issuance, at a conversion rate ranging from 20% to 70% of the value per share of either the average trading prices over various periods or the future issuance of Common Stock.

The Company evaluated the settlement features included within the Convertible Notes and determined that none of the features was predominant. Also, the Company determined that the features met the definition of a derivative and required bifurcation. The derivative was recorded at fair value based on the occurrence of a triggering event taking place during the term of these Convertible Notes.

The following table shows changes to the carrying values of the Convertible Notes and associated embedded derivatives for the period August 20, 2020 to March 31, 2022:

	<b>Convertible Notes and Accrued Interest</b>	<b>Derivative Liability</b>
	<hr/>	<hr/>
Balance at August 20, 2020	\$ 1,409,190	\$ 4,387,779
Additional accrued interest	44,246	-
Accretion of debt discount	28,220	-
Change in fair value of derivative	-	201,986
Balance at December 31, 2020	<hr/> 1,481,656	<hr/> 4,589,765
Additional accrued interest	119,928	-
Accretion of debt discount	157,016	-
Change in fair value of derivative	-	596,363
Balance at December 31, 2021	<hr/> \$ 1,758,600	<hr/> \$ 5,186,128
Additional accrued interest	29,982	-
Accretion of debt discount	39,254	-
Change in fair value of derivative	-	149,091

Balance at March 31, 2022

\$	1,827,836	\$	5,335,219
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### ***Promissory Notes***

During the period of January 2021 and September 2021, the Company entered into promissory note agreements totaling an aggregate of \$318,000. The Promissory Notes bear interest at 4.00% and mature one year from the issue date. The holders of the Promissory Notes may exchange the principal and accrued interest for securities sold by the Company in a Reg A offering. In addition, the holders of the Promissory Notes and the Company have agreed to continue accruing interest after the maturity date. For the three months ended March 31, 2022 and 2021, the Company recorded accrued interest expense on the Promissory Notes of \$ 15,252 and \$ 3,652, respectively.

### ***Simple Agreements for Future Equity***

In July and August 2020, the Company received an aggregate of \$40,000 in exchange for entering into a Simple Agreement for Future Equity ("SAFE") with two investors. Upon the completion of an equity financing of Preferred Stock, the SAFE proceeds will convert into the Preferred stock at a 20% discount. If there is no equity financing within one year from receiving the SAFE proceeds, the investors may elect to convert the SAFE proceeds into the most recent financing at a 20% discount or receive their proceeds plus interest at an annual rate of 8%. If no election is made by the investor, the SAFE term extends for an additional six months. The Company has evaluated the SAFE agreements and determined they are liabilities.

## **7. PREFERRED STOCK LIABILITIES**

In conjunction with the formation of the Company in February 2020 and after giving effect to the Reverse Merger, 90,000 shares of Series A Preferred Stock were issued for aggregate proceeds of \$90. In conjunction with the Merger Agreement, an additional 10,000 shares of Series A Preferred Stock and 927,514 shares of Series D Preferred Stock were recorded at a carrying value of \$17,799,929 and \$4,637,570, respectively. There are no Series B Preferred shares issued or outstanding.

On September 1, 2020, the Company filed an amendment to the Certificate of Designation to reduce the authorized shares of Series B Preferred Stock from 10,000,000 shares to 3,500,000 shares.

As of December 31, 2021, the Company's Preferred Stock consists of the following:

	Shares Authorized	Shares Issued and Outstanding
Series A Preferred	100,000	100,000
Series B Preferred	3,500,000	-
Series D Preferred	5,000,000	940,514

Preferred stock activity for the period February 13, 2020 (inception) to March 31, 2022 is as follows:

	Series A		Series D	
	Preferred Stock Liability		Preferred Stock Liability	
	Shares	Amount	Shares	Amount
Balance, February 13, 2020 (inception)	-	\$ -	-	\$ -
Issuance of founder shares	90,000	90	-	-
Effect of merger	10,000	17,799,929	927,514	4,637,570
Change in fair value of Series A preferred liability	-	164,207,618	-	-
Balance, December 31, 2020	100,000	182,007,637	927,514	4,637,570
Change in fair value of Series A preferred liability	-	11,000,356	-	-
Balance, December 31, 2021	100,000	193,007,993	927,514	4,637,570
Issuance of RegA shares	-	-	13,000	65,000
Change in fair value of Series A preferred liability	-	2,772,692	-	-
Balance, March 31, 2022	100,000	\$ 195,780,685	940,514	\$ 4,702,570

The significant rights, preferences and privileges of Preferred Stock as of September 30, 2021:

#### ***Series A Preferred Stock***

**Conversion** - Shares of Series A Preferred Stock automatically convert into shares of common stock upon

the earlier of a reverse stock split or August 20, 2022. In the event of a reverse stock split, each share of Series A Preferred shall be converted into the number of common stock equal to 0.01% of the total number of shares of common stock outstanding. As of December 31, 2020, there were 96,365,470 shares of common stock outstanding, the conversion factor upon a reverse stock split was 9,637 shares of common stock for every share of Series A Preferred, and the total number of shares that would be exchanged in the event of a reverse stock split would be 963,654,700 shares of common stock.

If there is no reverse stock split before August 20, 2022, each share of Series A Preferred shall be automatically converted into the number of common stock equal to the fair value of a share of Series A Preferred as determined by a third party valuation, but not less than \$2,000. As of the date of the Merger Agreement, the minimum value of common stock to be issued would be \$200,000,000 based on 100,000 shares of Series A Preferred issued and outstanding. The Company has evaluated this conversion feature and determined that the Series A Preferred is a liability, the carrying value as of the date of the Merger Agreement is \$177,999,288 and the difference between that carrying value and \$200,000,000 is to be accreted over the period from the Reverse Merger and the automatic conversion date of August 20, 2022. For the three months ended March 31, 2022, the Company recorded accretion of Series A preferred liability of \$149,091 in other expense.

There are no other rights to convert into common stock.

***Dividend*** - Holders are not entitled to dividends, but Series A Preferred holders shall first receive, or simultaneously receive, a dividend if declared on any other class or series of capital stock.

***Voting*** – Series A Preferred stockholders and common stockholders vote together as one class on an as converted basis. Series A Preferred stockholders are entitled to vote on all matters and shall have the number of votes equal to the number of shares of common stock into which the shares of Series A Preferred Stock held by such holder are convertible upon a reverse stock split. Certain actions such as mergers, acquisition, liquidation, dissolution, and the wind up of the business, must be approved by the holders of at least 95% of the then outstanding shares of Series A Preferred.

***Liquidation*** – There are no liquidation rights.

#### ***Series B Preferred Stock***

***Conversion*** - Shares of Series B Preferred are convertible, at the option of the holder, at any time, into the number of shares of common stock equal to the Series B conversion price divided by 50% of the average closing price of a share of common stock for the 20 trading days immediately preceding the date of conversion. The Series B conversion price is initially set at \$1.00 per share.

***Dividend*** – The holders of Series B Preferred are not entitled to dividends, but Series B Preferred holders shall first receive, or simultaneously receive, a dividend if declared on any other class or series of capital stock.

**Voting** - The holders of Series B Preferred are not entitled to vote except for certain actions such as mergers, acquisition, liquidation, dissolution, and the wind up of the business, must be approved by the holders of at least 50% of the then outstanding shares of Series B Preferred.

**Liquidation** - Upon liquidation, dissolution or winding up of business, the holders of Series B Preferred are entitled to receive a liquidation preference in priority to holders of common stock at the original Series B Preferred issue price plus any accrued but unpaid dividends. If assets available for distribution are insufficient to satisfy the liquidation payment to holders in full, assets available for distribution will be allocated among holders based on their pro rata shareholdings.

#### ***Series D Preferred Stock***

**Conversion** - Shares of Series D Preferred are convertible, at the option of the holder, at any time, into the number of shares of common stock equal to the Series D conversion price divided by 80% of the average closing price of a share of common stock for the 20 trading days immediately preceding the date of conversion. The Series D conversion price is initial set at \$4.00 per share. The Company has evaluated this conversion feature and determined that the Series D Preferred is a liability and the carrying value reflects the beneficial conversion of the 80% discount valued at \$772,928.

In the event that the Company is unsuccessful in issuing additional shares of Series D Preferred, the existing holders of Series D Preferred have the right to convert each share of Series D Preferred into 4.16667 shares of Series B Preferred.

**Dividends** - The holders of Series D Preferred are not entitled to receive dividends nor entitled to receive a dividend if declare on any other class or series of capital stock.

**Voting** - The holders of Series D Preferred are not entitled to vote except for certain actions such as mergers, acquisition, liquidation, dissolution, and the wind up of the business, must be approved by the holders of at least 50% of the then outstanding shares of Series D Preferred.

**Liquidation** - Upon liquidation, dissolution or winding up of business, the holders of Series D Preferred are entitled to receive a liquidation preference in priority to holders of common stock at the original Series D issue price of \$5.00 per share. If assets available for distribution are insufficient to satisfy the liquidation payment to holders in full, assets available for distribution will be allocated among holders based on their pro rata shareholdings.

## **8. STOCKHOLDERS' DEFICIT**

### ***Common Stock***

As of December 31, 2021, the Company has authorized 1,000,000,000 shares of Common Stock.

For the period ending March 31, 2021, the Company awarded 250,000 shares of Common Stock to a consultant for services and 28,858 shares for a conversion. The fair value of the awards were based on the most recent closing prices of the Common Stock on the respective award dates. The aggregate fair value totaled \$191,319.

### ***Rights of Common Stock***

The holders of the common stock are entitled to one vote for each share of common stock. Subject to the payment in full of all preferential dividends to which the holders of the Preferred Stock are entitled, the holders of common stock shall be entitled to receive dividends out of funds legally available. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, after the payment or provision for payment of all debts and liabilities of the Company and all preferential amounts to which the holders of Preferred Stock are entitled with respect to the distribution of assets in liquidation, the holders of common stock shall be entitled to share ratably in the remaining assets of the Company available for distribution.

## **9. RELATED PARTY TRANSACTIONS**

In 2020, the Company agreed to issue 1,927,310 shares of common stock to its board members for no consideration. These shares have not been issued as of March 31, 2022. The Company determined fair value for its common stock based on the closing price in the public market. Based on the fair value of the Company's common stock on each the date each of the board member agreements entered that the aggregate liability for the awards in 2020 total \$277,533 and has recorded a related non-cash expense in the statement of operations under general and administrative.

In 2021, the Company agreed to issue 528,458 shares of common stock to its new board members for no consideration. These shares have not been issued as of March 31, 2022. The Company determined fair value for its common stock based on the closing price in the public market. Based on the fair value of the Company's common stock on each the date each of the board member agreements entered that the aggregate liability for the awards in 2021 total \$549,008 and has recorded a related non-cash expense in the statement of operations under general and administrative.

## **10. NET LOSS PER SHARE**

Basic net loss per share attributable to common stockholders is calculated by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period, adjusted for outstanding shares that are subject to repurchase.



Diluted net loss per share is computed by giving effect to all potentially dilutive securities outstanding for the period using the treasury stock method or the if-converted method based on the nature of such securities. The Company has reported net losses for all periods presented, therefore diluted net loss per common share attributable to common stockholders is the same as basic net loss per common share attributable to common stockholders, because potentially dilutive common shares are not assumed to have been issued if their effect is anti-dilutive.

Basic and diluted net loss per share attributable to common stockholders was calculated at March 31, 2022 and 2021 as follows:

	For the three months ended	
	March 31, 2022	March 31, 2021
Numerator:		
Net loss	\$ (3,943,725)	\$ (378,018)
Denominator:		
Weighted average common shares outstanding, basic and diluted	97,671,336	96,365,470
Net loss per common share, basic and diluted	\$ (0.04)	\$ -

The following table sets forth the potentially dilutive securities that have been excluded from the calculation of diluted net loss per share because to include them would be anti-dilutive (in common stock equivalent shares) at September 30, 2021 and 2020:

	As of March 31,	
	2021	2021
Series A Preferred	200,000,000	200,000,000
Series B Preferred	-	-
Series D Preferred	3,710,056	3,710,056
Total shares of common stock equivalents	203,710,056	449,581,674

## 12. SUBSEQUENT EVENTS

The Company has concluded that no subsequent events have occurred that require disclosure.