

Sycamore Entertainment Group Inc.

Financial Statements

March 31, 2022

SYCAMORE ENTERTAINMENT GROUP, INC.

FINANCIAL STATEMENTS AND FOOTNOTES
(unaudited)

For the Three Months Ended
31-Mar-22

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SYCAMORE ENTERTAINMENT GROUP, INC.
BALANCE SHEET
(UNAUDITED)

	March 31, 2022	December 31, 2021
ASSETS		
Current assets		
Restricted cash	\$ 30,000	\$ 30,000
Prepaid assets	5,000	-
Total current assets	<u>35,000</u>	<u>30,000</u>
 Intangible assets - net	 381,551	 408,433
Total assets	<u><u>\$ 416,551</u></u>	<u><u>\$ 438,433</u></u>
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	\$ 8,470,120	\$ 6,648,948
Due to investors	6,557,500	6,697,914
Current portion of long-term notes payable	284,642	168,642
Derivative liability on convertible notes	7,648,984	8,353,232
Total current liabilities	<u>22,961,246</u>	<u>21,868,736</u>
 Other liabilities		
Long-term notes payable, related parties	443,945	394,824
Total other liabilities	<u>443,945</u>	<u>394,824</u>
 Total liabilities	<u>23,405,191</u>	<u>22,263,560</u>
 Stockholders' equity		
Common stock (Par value \$0.001, 2,500,000,000 shares authorized; 2,462,630,816 issued and outstanding as of March 31, 2022 and December 31, 2021; Preferred Stock, par value \$0.001, 1 share authorized and issued as of March 31, 2022 and December 31, 2021)	2,462,631	2,462,631
Additional paid-in captial	2,311,654	2,311,654
Accumulated deficit	(27,762,925)	(26,599,412)
Total stockholders' equity	<u>(22,988,640)</u>	<u>(21,825,127)</u>
 Total liabilities and stockholders' equity	<u><u>\$ 416,551</u></u>	<u><u>\$ 438,433</u></u>

See accompanying notes to consolidated financial statements

SYCAMORE ENTERTAINMENT GROUP, INC.
STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the Three Months Ended March 31,	
	2022	2021
Revenues		
VOD and advertising revenue	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>
Cost of sales		
Cost of services	1,826,000	10,086
Total cost of sales	<u>1,826,000</u>	<u>10,086</u>
Gross loss	<u>(1,826,000)</u>	<u>(10,086)</u>
Operating expenses		
Sales and marketing	-	3,900,000
General and administrative	31,052	71,948
Total operating expenses	<u>31,052</u>	<u>3,971,948</u>
Operating loss	<u>(1,857,052)</u>	<u>(3,982,034)</u>
Other income (expense)		
Merchandise sales	-	1,477
Gain/(loss) on derivative liability	704,248	(319,118,000)
Interest expense	(10,709)	(7,288)
Total other income (expense)	<u>693,539</u>	<u>(319,123,811)</u>
Loss before provision for income taxes	<u>(1,163,513)</u>	<u>(323,105,845)</u>
Benefit from income taxes	-	-
Net loss	<u>\$ (1,163,513)</u>	<u>\$ (323,105,845)</u>
Net loss per share of common stock:		
Basic	<u>\$ (0.00)</u>	<u>\$ (0.17)</u>
Fully diluted	<u>\$ (0.00)</u>	<u>\$ (0.02)</u>
Weighted average number of shares outstanding		
Basic	<u>2,462,830,816</u>	<u>1,957,417,066</u>
Fully diluted	<u>3,075,460,816</u>	<u>13,587,251,250</u>

See accompanying notes to consolidated financial statements

SYCAMORE ENTERTAINMENT GROUP, INC.
STATEMENT OF STOCKHOLDERS' EQUITY
(UNAUDITED)

	Common Stock		Additional	Accumulated	Subscription	
	Shares	Amount	Paid-in Capital	Deficit	Payable	Total
Balance, December 31, 2020	<u>1,957,417,066</u>	<u>\$ 1,957,417</u>	<u>\$ -</u>	<u>\$ (240,159,857)</u>	<u>\$ 413,500</u>	<u>\$ (237,788,940)</u>
Net loss, three months ended March 31, 2021	-	-		(323,105,845)	-	(323,105,845)
Balance, March 31, 2021	<u>1,957,417,066</u>	<u>\$ 1,957,417</u>	<u>\$ -</u>	<u>\$ (563,265,702)</u>	<u>\$ 413,500</u>	<u>\$ (560,894,785)</u>
Balance, December 31, 2021	2,462,630,816	\$ 2,462,631	\$ 2,311,654	\$ (26,599,412)	\$ -	\$ (21,825,127)
Net loss, three months ended March 31, 2022	-	-		(1,163,513)	-	(1,163,513)
Balance, March 31, 2021	<u>2,462,630,816</u>	<u>\$ 2,462,631</u>	<u>\$ 2,311,654</u>	<u>\$ (27,762,925)</u>	<u>\$ -</u>	<u>\$ (22,988,640)</u>

See accompanying notes to consolidated financial statements

SYCAMORE ENTERTAINMENT GROUP, INC.
STATEMENT OF CASH FLOWS
(UNAUDITED)

	For the Three Months Ended	
	March 31,	
	2022	2021
Cash flows from operating activities		
Net loss	\$ (1,163,513)	\$ (323,105,845)
Adjustments to reconcile net income to net cash provided by operating activities:		
(Gain)/loss on derivative fair value	(704,248)	319,118,000
Amortization expense	26,882	-
Changes in operating assets and liabilities:		
Prepaid expenses	(5,000)	-
Accrued interest expense	(3,778)	7,288
Accounts payable and accrued expenses	1,824,950	(6,964)
Net cash used in operating activities	(24,707)	(3,987,521)
Cash flows from investing activities		
Investment in intangible assets	-	(50,000)
Net cash used in investing activities	-	(50,000)
Cash flows from financing activities		
Net borrowings from investor loans - no specific repayment terms	-	3,953,000
Paydown of notes payable	(23,000)	-
Net loan - related parties	47,707	264
Net cash provided by financing activities	24,707	3,953,264
Net change in cash and cash equivalents	-	(84,257)
Cash and cash equivalents at the beginning of period	30,000	355,187
Cash and cash equivalents at the end of period	\$ 30,000	\$ 270,930
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 14,487	\$ -
Cash paid for taxes	\$ -	\$ -

See accompanying notes to consolidated financial statements

SYCAMORE ENTERTAINMENT GROUP, INC
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 1 – BASIS OF PRESENTATION

The accompanying interim financial statements have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations, and cash flows as of and for the three month periods ended March 31, 2022, and for all periods presented herein, have been made.

It is suggested that these financial statements be read in conjunction with the annual financial statements and notes thereto included in the Company's December 31, 2021 and 2020 annual report filings. The results of operations for the three month periods ended, March 31, 2022 and March 31, 2021 are not necessarily indicative of the operating results for the full year.

Use of Estimates

The preparation of financial statements requires us to make estimates and assumptions that affect the amounts reported and disclosed in the financial statements and the accompanying notes. Actual results could differ materially from these estimates. On an ongoing basis, we evaluate our estimates, including those related to the accounts receivable and sales allowances, fair values of financial instruments, useful lives of intangible assets and property and equipment, inventory valuations, income taxes, and contingent liabilities, among others. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in these interim financial statements are the same as those applied by the Company in its financial statements as at and for the year ended December 31, 2020.

There have been no changes in the Company's significant accounting policies for the three and six month periods ended June 30, 2021 as compared to those disclosed in the Company's financial statement for the year ended December 31, 2020.

The Company's derivative financial instruments consist of embedded derivatives related to the issuance of convertible notes. These embedded derivatives include a conversion feature. As of the inception date of the agreement the debt was not considered conventional as defined Accounting Standards Codification ("ASC") No. 815, "Derivatives and Hedging". The accounting treatment of derivative financial instruments require that the Company record the conversion feature at their fair values then record them at fair value as of each subsequent balance sheet date. Any change in fair value is to be recorded as non-operating, non-cash income or expense at each reporting date.

NOTE 3 – COMMITMENTS AND CONTINGENCIES

Contingencies

The Company may, from time to time, be involved in legal proceedings and disputes that arise in the normal course of business. These matters include product liability actions, patent infringement actions, contract disputes, domestic and international federal, state and local tax reviews and audits, and other matters. The Company also may be subject to litigation and/or adverse rulings or judgments as a result of certain contractual indemnification obligations. The Company records a provision for a liability when management believes that it is both probable that a liability has been incurred and it can reasonably estimate the amount of the loss. The Company believes it has adequate provisions for any such matters. The Company reviews these provisions at least quarterly and adjusts these

SYCAMORE ENTERTAINMENT GROUP, INC
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 3 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

provisions to reflect the impact of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular case.

Several of the Company's notes payable are in default and call for the Company to pay legal fees for any recovery. No noteholder has claimed any legal fees and any claims are not probable and reasonably estimable, therefore no accrual has been recorded in the financial statements.

On December 11, 2020 the Company entered into a contractual agreement to sponsor a vehicle for Chip Ganassi Racing in the Extreme E series. The contract called for payments of \$17,400,000 from 2020 to 2023. As of March 31, 2022 the Company has made payments on this contract of \$5,300,000 and is currently behind on the agreed upon payment schedule which called for payments of \$8,700,000 by December 31, 2021.

On March 31, 2021 the Company entered into a contractual agreement to sponsor a vehicle for Chip Ganassi Racing in the Indycar series. The contract called for payments of \$10,170,000 in 2021 to cover sponsorship for the 2021 and 2022 racing season. As of March 31, 2022 the Company has made payments on this contract of \$100,000 and is currently behind on the agreed upon payment schedule.

Liabilities have not been recorded on the unpaid contract amounts as they are not currently probable or reasonably estimable per ASC 450.

Bank Accounts

From time-to-time the Company may carry balances in its corporate bank accounts above the federally insured limit of \$250,000.

NOTE 4- STOCK AND DEBT ISSUANCES

The Company did not enter into any new debt or equity issuances during the three months ended March 31, 2021 and March 31, 2022.

NOTE 5- CONVERTIBLE NOTE RETIREMENT

On March 16, 2022, one convertible note with a principal balance of \$23,000 and accrued interest of \$14,487 was retired with a cash payment.

SYCAMORE ENTERTAINMENT GROUP, INC
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 6 – SUBSEQUENT EVENTS

Increase in common stock authorized

On May 23, 2022, the Company increased its authorized common shares outstanding to 5,100,000,000.

Convertible note retirement

On May 24, 2022, one convertible note with a principal balance of \$50,000 and accrued interest of \$18,728 was retired with a cash payment.

On May 24, 2022, one convertible note with a principal balance of \$15,000 and accrued interest of \$4,903 was retired with a cash payment.

The increase in authorized common stock and the retirement of the notes relieves the Company of any derivative conversion liability as of May 24, 2022.

As of May 24, 2022, only one convertible note, with remaining principal and interest of \$13,791 through March 31, 2022 with a fixed conversion rate of \$.000025, remains on the books.

On May 7, 2022 an independent director, Jason You, resigned from the board of directors.