

Supplemental Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines

Xsovt Brands, Inc.

A Nevada Corporation
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Termination of Shell Company Status

This Supplemental Information is being filed to report that XSOVT Brands, Inc. (the Company) has changed its status and is no longer a shell company as defined by the Securities and Exchange Commission.

The Company has self-reported as a shell company since June 21, 2021 on its filings with OTCIQ commencing with the Annual Disclosure Report filed on that date for the yearend December 31, 2019. On its last SEC Form 10-Q Report for the quarter ended June 30, 2011, before a Form 15-12G was filed on May 29, 2019 terminating the Company's reporting obligation, the Company reported that it was not then a Shell company.

On February 13, 2023, the Company reported that it had entered into a Share Exchange Agreement to acquire all of the outstanding equity interests in Virtual Health Holdings, Inc. (VHHI), the owner and operator of four virtual health related businesses operating as the CareClix Companies. On March 6, 2023, that acquisition was completed with the transfer of all equity interests in and assumption of certain liabilities of VHHI to the Company in exchange for 50,000,000 shares of unregistered common stock of the Company, issued to the Solei Liquidating Trust, the sole shareholder of VHHI.

The effective date of the Company's change in shell company status is March 6, 2023.

The reasons the Company believes it is no longer a shell company under the SEC's shell company definition are as follows:

A **shell company**, as defined in Rule 405 of the **Securities Act** of 1933, is an issuer with no or nominal operations and either no or nominal assets, assets consisting solely of cash and cash equivalents, or assets consisting of cash and cash equivalents and nominal other assets.

With the acquisition of VHHI and the CareClix Companies, the Company is now a holding company with significant assets, more than ten years of operating history and with substantial revenues, all as reflected on the audited financial statements of the CareClix Companies for the years ended December 31, 2020 and 2021, filed with this Supplemental Disclosure Statement, the unaudited Consolidated Financial Statements of VHHI and the CareClix Companies for the year ended December 31, 2022, also filed with this Supplemental Disclosure Statement. The consolidated financial statements for the year ended December 31, 2022 are currently being audited by a PCAOB registered accounting firm and the financial statements to be filed with the Company's Quarterly Disclosure Statement for the quarter ended March 31, 2023 will be reviewed by the same audit firm before filing. On completion of the fiscal 2022 audit, the Company intends to file a Form 10 registration statement with the SEC for the common shares of the common as

well as a Form S-1 registration statement for the Company shares issued in the acquisition so those shares can be distributed to the beneficiaries of the Solei Liquidating Trust.

The acquisition of VHHI by the Company will be reported as a reverse merger transaction and VHHI will be treated as the “deemed acquiror” under applicable SEC accounting rules. Accordingly, the financial statements of VHHI will become the financial statements of the acquired entities, including the Company, and the date of inception of VHHI (September 29, 2022) will become the date of inception of the resulting corporate group. Accordingly, the consolidated financial statements of VHHI and its four operating subsidiaries now will be the financial statements of the Company.

Specific to the issue of why the Company is no longer a shell company effective with the acquisition of VHHI and the CareClix Companies: on March 6, 2023

1. The Company is no longer “an issuer with no or nominal operations”. Under the accounting rules relating to reverse merger transactions, the acquisition of VHHI by the Company is required to be treated for accounting purposes as the acquisition by VHHI as the “deemed acquiror, and the old financial statements of the Company are replaced by the financial statements of VHHI and its subsidiaries. The audited financial statements of the CareClix Companies operating in 2020 and 2021 reflect the following results of operations:

	<u>12/31/2021</u>	<u>12/31/2020</u>
Revenues	\$ 3,756,909	\$ 5,076,646
Cost of Sales	<u>886,256</u>	<u>1,154,578</u>
Gross Profit	2,870,653	3,922,068
Operating Expenses	<u>3,338,154</u>	<u>6,082,218</u>
Net Operating Profit (Loss)	\$ (467,501)	\$ (2,160,150)

For the year ended December 31, 2022, the consolidated financial statements for VHHI and the CareClix Companies reflect the following: operating results:

Revenues	\$ 1,906,651
Cost of Sales	<u>302,379</u>
Gross Profit	1,604,272
Operating Expenses	<u>2,515,149</u>
Net Operating Profit (Loss)	\$ (910,877)

2. The Company also is no longer “an issuer...with either no or nominal assets, assets consisting solely of cash and cash equivalents, or assets consisting of cash and cash equivalents and nominal other assets. The audited financial statements of the CareClix Companies for the years ended December 31, 2021 and 2020 reflect the following Balance Sheet information:

	<u>12/31/2020</u>	<u>12/31/2021</u>
ASSETS		
Current Assets	\$1,487,259	\$ 1,431,408
Fixed Assets, net	11,415	30,492
Other Assets, net	<u>1,498,532</u>	<u>1,624,157</u>
TOTAL ASSETS	<u>\$1,997,206</u>	<u>\$3,086,057</u>

LIABILITIES AND SHAREHOLDER EQUITY

LIABILITIES

Current Liabilities	\$ 3,437,039	\$ 4,198,630
Long term Liabilities	<u>50,000</u>	=
TOTAL LIABILITIES	\$ 3,487,039	\$ 4,198,630
SHAREHOLDER DEFICIT	<u>\$(1,489,833)</u>	<u>\$(1,112,573)</u>
TOTAL LIABILITIES AND SHAREHOLDER DEFICIT	<u>\$1,997,206</u>	<u>\$ 3,086,057</u>

For the year ended December 31, 2022, the consolidated financial statements for VHHI and the CareClix Companies, reflect the following assets

ASSETS

Current Assets	\$ 180,386
Fixed Assets, net	1,877
Other Assets, net	<u>23,234,469</u>
TOTAL ASSETS	\$ 23,416,752

LIABILITIES AND SHAREHOLDER EQUITY

LIABILITIES

Current Liabilities	\$ 1,332,372
Long term Liabilities	<u>1,679,325</u>

TOTAL LIABILITIES \$ 3,011,697

SHAREHOLDER EQUITY \$ 20,405,035

TOTAL LIABILITIES AND
SHAREHOLDER DEFICIT \$ 23,416,732

Based on reported assets and actual operating results of the acquired companies, as of March 6, 2023, the Company, as a holding company, does not meet any of the factors listed in the definition of a shell company, especially since the financial statements of the acquired companies (VHHI and the CareClix Companies) became the financial statements of the combined corporate group under the reverse merger accounting rules applicable to the transaction.

Respectfully submitted,



Charles O. Scott
Chairman and CEO
Xsovt Brands, Inc.