CAPSTONE HOLDING CORP.

f/k/a "Capstone Therapeutics Corp."

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

5141 W. 122nd Street, Alsip, IL 60803

(Address of principal executive offices)

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(708) 371-0660

(Registrant's telephone number, including area code)

www.capstonethx.com

(Registrant's corporate website)

investorinquiries@capstonethx.com

(Registrant's company email)

3845

(Registrant's SIC CODE)

ANNUAL REPORT

For the Year Ended December 31, 2022

(the "Reporting Period")

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	CAPS	OTCQB

The number of shares outstanding of our common stock, par value $0.0005 per share ("common stock"), is 157,610 shares as of December 31, 2022.

The number of shares outstanding of our common stock was 79,277 as of December 31, 2021.

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 ☒

CAPSTONE HOLDING CORP.
ANNUAL REPORT
FOR YEAR ENDED DECEMBER 31, 2022
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CAUTIONARY NOTE ABOUT FORWARD-LOOKING STATEMENTS

This annual report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements other than historical facts that relate to future events or to future performance, and involve known and unknown risks, uncertainties and other factors that may cause actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied. In some cases, forward-looking statements can be identified by the use of terminology such as "may", "could", "expect", "intend", "plan", "seek", "anticipate", "believe", "estimate", "predict", "potential", "continue", or the negative of these terms or other comparable terminology. The reader should not place undue reliance on forward-looking statements since they involve known and unknown risks, uncertainties and other factors which are, in some cases, beyond the Companies' control and which could materially affect actual results, levels of activity, performance or achievements. Factors that may cause actual results to differ materially from current expectations, which we describe in more detail in the section titled "Item 15 - Management's Discussion and Analysis or Plan of Operation", include, but are not limited to:

- the impact of the terms or conditions of agreements associated with funds obtained to fund operations, including the Company's Securities Purchase, Loan and Security Agreement;
- the impact of present and future merger, acquisition, joint venture, collaborative or partnering agreements or the lack thereof;
- failure of the Company's common stock to continue to be listed at the OTCQB stock market; and
- the impact of COVID-19 on operations.

PRESENTATION OF INFORMATION

Unless the context indicated otherwise, all references in this annual report to "we", "our", "us", the "Company" are to the combined business of Capstone Holding Corp. and its consolidated subsidiaries. Furthermore, the financial statements herein this report have been prepared in accordance with the generally accepted accounting principles in the United States ("US GAAP").

AVAILABLE INFORMATION

In 2019, the Company deregistered its common stock with the United States Securities and Exchange Commission ("SEC"). By deregistering its common stock with the SEC, the Company is no longer required to file annual, quarterly, and current reports with the SEC. The Company's common stock is currently quoted on the OTCQB under the trading symbol "CAPS". As part of the OTCQB listing requirements, the Company has adopted the *Alternative Reporting Standard: OTCQB Disclosure Guidelines*, which the Company is required to prepare and post material news, quarterly financial reports and annual audited financials on the OTCQB's website. Although the Company is no longer required to file certain SEC reports, there are some references throughout this document to former filings with the SEC. These references are integral to the readers' understanding of these financial statements and should be read in conjunction with this Annual Report.

PART A – GENERAL COMPANY INFORMATION

Item 1 The exact name of the issuer and its predecessor (if any)

Capstone Holding Corp.

Capstone Therapeutics Corp.

Effective February 17, 2022, the Company changed its name from Capstone Therapeutics Corp. to Capstone Holding Corp. This name change is more representative of our current business model as we seek to create value for our shareholders.

Item 2 The address of the issuer's principal executive offices and address of the issuer's principal place of business

Capstone Holding Corp.
Principal Executive Office
5141 W. 122nd Street
Alsip, IL 60803
(708) 371-0660
www.capstonethx.com

Michael M. Toporek
(Chairman & CEO)
(708) 371-0660
investorinquiries@capstonethx.com

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

Item 3 The jurisdiction and date of the issuer's incorporation or organization

Capstone Holding Corp. was incorporated in the State of Delaware in July 1987 and is currently active and in good standing with the State of Delaware.

PART B – SHARE STRUCTURE

Item 4 The exact title and class of securities outstanding

The Company has only one class of stock outstanding:

Common Stock
(Title)
14068E 208
(CUSIP)
CAPS
(OTCQB trading symbol)

Item 5 Par or stated value and description of the security

A. Par or Stated Value

Common Stock – par value $0.0005
Preferred Stock – par value $0.0005

B. Common or Preferred Stock

The holders of common stock are entitled to one vote per share on all matters submitted to a vote of the stockholders. Holders of common stock do not have cumulative voting rights. The holders of common stock are entitled to dividends if declared by the Company's Board of Directors ("Board of Directors"). There are no redemption or sinking fund provisions applicable to the common stock and holders of common stock are not entitled to any preemptive rights with respect to additional issuances of common stock by the Company.

The Certification of Incorporation also authorizes 5,000 shares of preferred stock. The Company may issue these shares of preferred stock without the approval of the holders of common stock. Our Board of Directors has the authority, without stockholder approval, to create and issue one or more series of such preferred stock and to determine the voting, dividend, and other rights of holders of such preferred stock. We presently have no outstanding shares of preferred stock. The issuance of any of such series of preferred stock may have an adverse effect on the holders of common stock.

The Board of Directors of the Company approved a Tax Benefit Preservation Plan ("Benefit Plan") dated April 18, 2017, between the Company and Computershare Trust Company ("Computershare"). The Benefit Plan and the exercise of rights to purchase Series A Preferred Stock, pursuant to the terms thereof, may delay, defer or prevent a change in control without the approval of the Board of Directors.

Under the Benefit Plan, each outstanding share of our common stock has attached one preferred stock purchase right. Each share of our common stock subsequently issued prior to the expiration of the Benefit Plan will likewise have attached one right. Under specified circumstances involving an "ownership change," as defined in Section 382 of the Internal Revenue Code (the "Code"), the right under the Benefit Plan that attaches to each share of our common stock will entitle the holder thereof to purchase 1/100 of a share of our Series A preferred stock for a purchase price of $5.00 (subject to adjustment), and to receive, upon exercise, shares of our common stock having a value equal to two times the exercise price of the right. The Benefit Plan expires December 31, 2023.

Item 6 The number of shares or total amount of the securities outstanding for <u>each class</u> of securities authorized

Preferred Stock, 5,000 shares authorized, none outstanding in 2022, 2021 or 2020.

Common Stock, 200,000 authorized, 157,610 outstanding[3] at December 31, 2022, and 79,277 outstanding at December 31, 2021 and December 31, 2020.

Public Float [1] at December 31, 2022 was approximately 35,110 shares. Public Float at December 31, 2021 and 2020 was approximately 27,556 shares and 27,334 shares, respectively.

Beneficial shareholders owning at least 100 shares [2] was approximately 164 at December 31, 2022 and 2021. Beneficial shareholders owning at least 100 shares [2] was approximately 165 at December 31, 2020.

Stockholders of record at December 31, 2022 were approximately 26. Stockholders of record were approximately 25 and 29 at December 31, 2021 and 2020, respectively.

[1] For purposes of this calculation only, shares of common stock held by each of the Company's directors and officers on the given date and by each person who the Company knows beneficially owned 5% or more of the outstanding common stock on that date have been excluded in that such persons may be deemed to be affiliates.

[2] Estimate based on beneficial share range analysis, received from Computershare.

[3] On June 15, 2022, BP Peptides, LLC ("Brookstone") exercised its right to convert $1.9 million of accrued interest and debt from its senior secured note into 78,333 shares of the Company's Common Stock (exercised price of $24.75 per share). With this acquisition Brookstone now owns 121,774 shares of the Company's Common Stock.

Item 7 The name and address of the transfer agent

Computershare Trust Company, N.A.
150 Royall Street
Canton, MA 02021
(312) 588-4742

Computershare is currently registered under the Security Exchange Act of 1934, as amended and is an authorized transfer agent subjected to regulation by the SEC.

PART C – BUSINESS INFORMATION

Item 8 The nature of the issuer's business

A. Business Development

Capstone Holding Corp., formerly known as Capstone Therapeutics Corp. and OrthoLogic Corp., was incorporated in Delaware in 1987 as a domestic corporation, with formal name changes in February 2022 and May 2010, respectively. On July 14, 2017, the Company entered into a Securities Purchase, Loan and Security Agreement (the "Agreement") with BP Peptides, LLC. ("Brookstone"). Pursuant to the Agreement, Brookstone funded an aggregate of $3.4 million with net proceeds of approximately $2.7 million after paying off the Convertible Promissory Notes and transaction costs, of which $1.1 million was for the purchase of 13,500,000 new issued shares of our Common Stock and $2.4 million was in the form of a secured loan, due October 15, 2020. Brookstone also purchased 5,041,197 shares of the Company's Common Stock directly from Biotechnology Value Fund affiliated entities, resulting in ownership of 18,541,197 shares.

On January 30, 2018, the Company entered into the First Amendment to Securities Purchase, Loan and Security Agreement (the "Amendment") with Brookstone. The Amendment deferred the quarterly payments of interest until the Secured Debt's maturity, October 15, 2020. In consideration for the deferral, the Company issued a Warrant to Brookstone to purchase up to 6,321,930 shares of the Company's Common Stock with an exercise price of $0.75 per share. The warrants expire on October 15, 2025 (prior to amending) and as of December 31, 2020, all warrants were fully vested and exercisable.

On March 15, 2019, the Company entered into the Second Amendment to Securities Purchase, Loan and Security Agreement (the "Second Amendment") with Brookstone. The Amendment provides additional funding for our operations up to a Maximum Amount of $500.0 thousand. Any additional amounts advance will be added to the current Loan and subject to the same terms and conditions. At Brookstone's sole discretion, the Maximum Amount may be increased to an amount not to exceed $700.0 thousand. The Company borrowed $490.0 thousand against the Maximum Amount through December 31, 2020.

At the Annual Meeting of Stockholders on August 22, 2019, the Company's Stockholders approved a 1,000 to 1 share reverse stock split, which became effective September 10, 2019.

On March 20, 2020, the Company entered into the Third Amendment to Securities Purchase, Loan and Security Agreement (the "Third Amendment") with Brookstone. The Third Amendment extends the Secured Debt's maturity to March 31, 2022, which continues the deferral of interest until the maturity date. In consideration for the deferral, the Company has provided an option, for a period ending December 31, 2021, to convert all or part of the aggregate outstanding principal amount of the Loan, together with all accrued and unpaid interest thereon, into shares of the Company's Common Stock at a conversion price between $10.00 and $30.00 per share as determined by an independent valuation. Additionally, the Company amended the Warrants to determine the exercise price per share, when exercised, at a price between $10.00 and $30.00 per share as determined by an independent valuation through February 1, 2024, and after that date, the lesser of (i) $75.00 per Warrant Share and (ii) the 10-day average closing price per Warrant Share.

Prior to 2020, the Company was focused on pharmaceutical development, specifically in novel peptides and other molecules aimed at helping patients with under-served medical conditions. On December 31, 2020, LipimetiX Development, Inc. ("LipimetiX"), an approximately 62% owned subsidiary of the Company, entered into a License Transfer and Royalty Agreement, which resulted in an exit from the pharmaceutical development business. LipimetiX filed for dissolution under Delaware state law in 2020 and under the terms of the License Transfer and Royalty Agreement, the Company received cash payment of $242.0 thousand on November 3, 2021.

On April 1, 2020, the Company obtained controlling interest in a materials distribution company TotalStone, LLC. ("TotalStone") that distributes masonry stone products for residential and commercial construction in the Midwest and Northeast United States under the trade names Instone and Northeast Masonry Distributors ("NMD"), which going forward is the Company's primary business activity. TotalStone is consolidated in the Company's financials.

On December 21, 2020, Brookstone exercised its right to convert $572.7 thousand of secured debt into 24,900 shares of the Company's Common Stock exercised at $23 per share. With this transaction Brookstone increased their interest to 43,441 shares of the Company's Common Stock or 54.8% of the 79,277 outstanding shares of the Company's Common Stock. Upon execution of this transaction, Brookstone obtained voting control of the Company, as determined by the Company's Amended and Restated Certificate of Incorporation and Bylaws.

On January 15, 2021, the Company acquired a 20% minority interest in a consumer products company, Diamond Products, LLC ("Diamond"), a sexual wellness holding company. The structure of the transaction was as follows: i) Brookstone Acquisition Partners XXI Corporation ("Brookstone XXI") contributed its approximately 95% equity interest in Diamond, which represents approximately 62% equity ownership on a fully-diluted basis, to Diamond Products Holdings, LLC ("DPH"); ii) The Company formed Capstone Beta LLC ("Beta") as a wholly-owned subsidiary, and Beta purchased a portion of Brookstone XXI's interest in DPH; iii) Beta issued a promissory note to Brookstone XXI in the original principal amount of $8.0 million, which bears interest at 1% per annum and has a 36 month term, and secured its obligations thereunder by pledging Beta's interests in DPH; and iv) As additional credit support, the Company issued a limited payment guaranty to Brookstone XXI in the amount of 10% of the principal amount of Beta's promissory note.

Beta's obligations under its promissory note are intended to be serviced by distributions from DPH which, in turn, will largely reflect the contractually-allowable distributions received by DPH from Diamond. It is anticipated that substantially all of the distributions that DPH receives will be applied in the following manner: 99% of the first $8.4 million to Beta; 90% of the next $4.0 million to Beta; and 20% of all future amounts to Beta. As this transaction involved the Company's majority stockholder, it is related-party in nature. The board appointed a special committee of independent directors to negotiate, perform due diligence and close this investment. The special committee relied on an independent valuation of Diamond as well as outside legal advisors to assist in structuring and maintaining its fiduciary independence for the transaction. An independent director of the Company will serve as manager of Beta.

The 20% minority investment in DPH represents an effective 19% equity interest in Diamond and approximately 12% on a fully-diluted basis. The Company does not have the ability to exercise significant influence over operating and financial policies of Diamond and DPH. Investments in non-marketable securities without readily determinable fair values by entities that do not exercise significant influence over the investee are recorded at cost, less impairment, plus or minus observable price changes. The December 31, 2022 and 2021 consolidated balance sheets include the Company's $8.0 million investment in long-term assets and corresponding $8.0 million note payable and plus accrued interest.

On March 15, 2021, the Company entered into the Fourth Amendment to Securities Purchase, Loan and Security Agreement (the "Fourth Amendment"). The Fourth Amendment extends the Secured Debt's maturity to February 1, 2024, which continues the deferral of interest until the maturity date. In Consideration for the deferral, the Company has provided an option, for a period ending February 1, 2024, to convert all or part of the aggregate outstanding principal amount of the Loan, together with all accrued and unpaid interest thereon, into shares of the Company's Common Stock at a conversion price between $10.00 and $30.00 per share as determined by an independent valuation. Furthermore, the Company amended the Warrants to extend the exercise period to October 15, 2028.

On June 15, 2022, the Company entered into the Fifth Amendment to the Securities Purchase, Loan and Security Agreement (the "Fifth Amendment") with Brookstone. With the Fifth Amendment, Brookstone exercised its right to convert $1.9 million of accrued interest and debt from its senior secured note into 78,333 shares of the Company's Common Stock exercised at $24.75 per share. With this acquisition Brookstone now owns 121,774 shares of the Company's Common Stock or 77.3% of the 157,610 outstanding shares of the Company's Common Stock.

The Company currently employs a calendar year-end and our Common Stock commenced trading on the NASDAQ on January 28, 1993 and was delisted on July 21, 2011. Our Common Stock is currently traded on the OTCQB under the symbol "CAPS".

B. *Business of Issuer*

As of April 1, 2020, through the TotalStone transaction, the Company's primary business activity is the distribution of masonry stone products for residential and commercial construction in the Midwest and Northeast United States.

TotalStone, LLC. (DBA "Instone"), a Delaware limited liability company, was formed on October 4, 2006. Instone is engaged in the distribution of pre-cast specialty items and thin stone products and related accessories. All its operations are performed in Illinois, Ohio and New Jersey. Its administrative functions are performed in Illinois and New Jersey. Instone services the Northeast and Midwest regions, which comprise of twenty-five states.

TotalStone, LLC. has a wholly owned single member limited liability company, Northeast Masonry Distributors, LLC. ("NMD", f/k/a NEM Purchaser, LLC.), a Delaware limited liability company. NMD was formed on September 23, 2019. On November 14, 2019, NEM Purchaser, LLC. completed the purchase from Northeast Masonry Distributors, LLC. of substantially all of the assets, relating to a distribution center in Plainville, Massachusetts. NMD is engaged in the light fabrication and distribution of natural stone products. All of its manufacturing and distribution operations are performed in Massachusetts. Administrative functions are performed in Massachusetts and New Jersey. NMD services the Northeast and Midwest regions, which comprise of twenty-five states.

On January 15, 2021, the Company acquired a 20% minority interest in Diamond Products, LLC., a sexual wellness holding company which is accounted for using the cost method (adjusted for impairment and observable price changes).

The Company's SIC Code is 3845, is currently conducting operations and has never been known as a "shell company" as defined by Securities Act Rule 405.

The Company no longer conducts research and development activities. Our costs associated with research and development were $0 for 2022 and 2021.

There are no existing or probable governmental regulations on the business or costs related to compliance with environmental laws as of December 31, 2022, 2021, or 2020.

As of December 31, 2022, on a consolidated basis, we had approximately 52 full-time employees and approximately 2 part-time and contract employees.

Item 9 The nature of products or services offered

A. Principal products or services, and their markets;

The Company distributes manufactured and natural stone cladding products, natural stone landscape products and related goods for residential and commercial construction through a dealer network throughout twenty-five states in Midwestern and Northeastern United States.

B. Distribution methods of the products or services;

We are a wholesale distributor that sells exclusively through our dealer network, serviced by a route truck delivery system out of four distribution centers.

C. Status of any publicly announced new product or service;

We are expanding the product offering we have built, through acquisition, across our entire network of customers. Specifically, we are expanding Natural Stone Landscaping products beyond the business in New England we acquired in late 2019.

D. Competitive business conditions, the issuer's competitive position in the industry, and methods of competition;

The Company is one of the largest wholesale stone distributors of thin veneer masonry products in the United States.

E. Sources and availability of raw materials and the names of principal suppliers;

Our suppliers are both domestic and overseas.

F. Dependence on one or a few major customers;

The Company has a diverse line of products and customers in multiple geographic locations, which prevents us from having dependence on a few customers. We sold to over 450 customers in 2022. Our largest customer accounted for 4% of our total sales and our top 10 customers account for 26% in 6 different states. Our marketing team continues to identify new opportunities as they arise to diversify our portfolio in new marketplaces.

G. Patents, trademarks, licenses, franchises, concessions, royalty agreements or labor contracts, including their duration; and

None

H. The need for any government approval of principal products or services and the status of any requested government approvals.

Our products and services do not require any government approvals.

Item 10 The nature and extent of the issuer's facilities

Capstone Holding Corp's corporate headquarters is located at 5141 W. 122nd Street, Alsip, IL 60803, and is comprised of approximately 77,000 square feet of leased office and warehouse space. The Company's lease agreement was entered into on March 1, 2021. The term of the lease is through July 2028, with an average annual rent of approximately $240.0 thousand.

Furthermore, the Company leases distribution and fabrication hubs located at 1 Red Valley Road, Millstone, NJ, 08510, ("Millstone"), and at 26 Commerce Blvd., Plainville, MA, 02762, ("Plainville"). The Millstone lease was entered into on November 1, 2020, approximately 7.91 acres, and the term of the lease is through October 2027, with an average annual rent of approximately $381.0 thousand. The Plainville lease was entered into on April 1, 2020, approximately 6.43 acres, and the term of the lease is through December 2024, with an annual rent of approximately $158.0 thousand.

On January 25, 2021, the Company closed on the acquisition of approximately 4.99 acres at 9318 Erie Avenue, Navarre, OH, 44633, ("Navarre") for $600.0 thousand. Prior to the Navarre acquisition, the Company leased this property.

On December 29, 2022, the Company closed on the sale of 9318 Erie Avenue, Navarre, OH, 44633, ("Navarre") for $3.2 million. The Company will leaseback the property through December 2047, with an average annual rent of approximately $332.0 thousand. This transaction is accounted for as a finance transaction under the new accounting requirements of ASC 842.

The 3 operating lease agreements for our offices mentioned above are recognized as rent expense on a straight-line basis over the term of the lease. The company also has approximately fifteen equipment and fleet leases that are recorded as finance leases in accordance with ASC 842.

PART D – MANAGEMENT STRUCTURE AND FINANCIAL INFORMATION

Item 11 Company Insiders

A. Officers and Directors

The following table sets forth certain information as of December 31, 2022 concerning our directors and executive officers:

Name	Age	Positions
Michael M. Toporek	58	Director, Chairman, CEO
Matthew E. Lipman	43	Director, Vice President & Secretary
John M. Holliman, III	69	Director
Fredric J. Feldman, Ph.D.	79	Director
Elwood D. Howse, Jr.	83	Director
Omar Rabbani	41	CFO

Michael M. Toporek, Director, Chairman, CEO

Michael M. Toporek, 58, has served as a director since July 14, 2017. Since 2003, Mr. Toporek has served as the Managing General Partner of Brookstone Partners, a lower/middle market private equity firm based in New York and an affiliate of BP Peptides, LLC. Prior to founding Brookstone Partners in 2003, Mr. Toporek was both an active principal investor and an investment banker. Mr. Toporek began his career in Chemical Bank's Investment Banking Group, later joined Dillon, Read and Co., which became UBS Warburg Securities Ltd. during his tenure, and SG Cowen and Company. Mr. Toporek currently serves on the Board of Trustees of Harlem Academy. Mr. Toporek has a B.A. in Economics and an M.B.A from the University of Chicago. Mr. Toporek brings strategic and financial expertise to the Board as a result of his experience with Brookstone Partners, which the Board believes qualifies him to serve as a director.

Matthew E. Lipman, Director, Vice President & Secretary

Matthew E. Lipman, 43, has served as a director since July 14, 2017. Since 2004, Mr. Lipman has served as Managing Director of Brookstone Partners, a lower middle market private equity firm based in New York and an affiliate of BP Peptides, LLC. Mr. Lipman's responsibilities at Brookstone Partners include identifying and evaluating investment opportunities, performing transaction due diligence, managing the capital structure of portfolio companies and working with management teams to implement operational and growth strategies. In addition, Mr. Lipman is responsible for executing add-on acquisitions and other portfolio company-related strategic projects. From July 2001 through June 2004, Mr. Lipman was an analyst in the mergers and acquisitions group at UBS Financial Services Inc. responsible for formulating and executing on complex merger, acquisition and financing strategies for Fortune 500 companies in the industrial, consumer products and healthcare sectors.

Mr. Lipman has a B.S. in Business Administration from Babson College. Mr. Lipman brings over 15 years of experience working with companies to establish growth strategies and execute acquisitions, is proficient in reading and understanding financial statements, generally accepted accounting principles and internal controls as a direct result of his investment experience evaluating companies for potential investments, the management of financial reporting and capital structure for three portfolio companies, as well as relevant experience in board service, which the Board believes qualifies him to serve as a director.

John M. Holliman, III, Director

John M. Holliman III, 69, has served as a director of the Company since September 1987 and as former Chairman of the Board of Directors from August 1997 through July 2017. Since February 1993 he has been a general partner of entities which are the general partners of Valley Ventures, LP (formerly known as Arizona Growth Partners, LP), Valley Ventures II, LP, Valley Ventures III, LP, Valley Ventures III Annex, LP, all of which are venture capital funds.

John M. Holliman, III has over thirty-nine years of business experience, including service on the boards of over forty companies, commercial lending experience with major financial institutions, and has been active in venture capital financing for over thirty years serving a variety of industries. Mr. Holliman earned a BBA in Finance and a MBA from Southern Methodist University and a Master of International Management from the Thunderbird School of Global Management. During his career Mr. Holliman has gained substantial executive and board level experience in business, finance and operations. The Board believes the experience and knowledge of Mr. Holliman qualifies him to serve on our board.

Fredric J. Feldman, Ph.D., Director

Fredric J. Feldman, Ph.D., 79, has been the President of FJF Associates, a consultant to health care venture capital and emerging companies, since February 1992 and has served as a director of the Company since 1991. From September 1995 to June 1996, he was the Chief Executive Officer of Biex, Inc., a women's healthcare company. He served as Chief Executive Officer of Oncogenetics, Inc., a cancer genetics reference laboratory, from 1992 to 1995. Between 1988 and 1992, Dr. Feldman was the President and Chief Executive Officer of Microgenics Corporation, a medical diagnostics company.

Dr. Feldman received his Ph.D. in analytical chemistry from the University of Maryland. He has been a director of a number of public and private companies involved in the healthcare industry. The Board believes that Dr. Feldman's over 40 years of operating, scientific and business experience in the medical/biotech industry qualifies him for service on our board.

Elwood D. Howse, Jr., Director

Elwood D. Howse, Jr., 83, has served as a director of the Company since September 1987. In 1982, Mr. Howse founded Cable, Howse and Ragen, investment banking and stock brokerage firm, subsequently known as Ragen MacKenzie. In 1977, Mr. Howse co-founded Cable & Howse Ventures, an early-stage venture capital firm focused on technology. In 1976, he served as Vice President, Corporate Finance, for Foster & Marshall, a northwest stock brokerage firm. In 1974 he was the Chief Financial Officer of Seattle Stevedore Company and the Miller Produce Company. Mr. Howse has served as a corporate director and advisor to various public, private and non-profit enterprises. He served on the board of the National Venture Capital Association and is past President of the Stanford Business School Alumni Association. He currently serves on the boards of directors of Formotus, Inc. and a not-for-profit, the NOVIM Group. Mr. Howse holds a BS in Engineering from Stanford University and an MBA from Stanford Graduate School of Business.

The Board believes Mr. Howse's education and experience, particularly Mr. Howse's financial experience, which qualifies him to be designated as our financial expert on our Audit Committee, brings important financial and business experience to the board and qualifies him to serve on our board.

Omar Rabbani, CFO

Omar Rabbani, 41, has served as Chief Financial Officer since April 1, 2020. Mr. Rabbani also serves as Chief Financial Officer of TotalStone, LLC. Prior to his employment with Capstone and TotalStone, Mr. Rabbani was employed as Director of Financial Planning and Analysis for Duravant, LLC. He holds a Bachelor of Science in Accountancy from the University of Illinois at Urbana-Champaign.

Summary Compensation Table – Years Ended December 31, 2022, 2021 and 2020

Name & Principal Position	Year	Salary ($)	Bonus ($)	Stock awards ($)	Option awards ($)	Non-equity incentive plan compensation ($)	Nonqualified deferred compensation earnings ($)	All other compensation ($)	Total ($)
Michael	2020	-	-	-	-	-	-	-	
Toporek	2021	-	-	-	-	-	-	-	
Chairman	2022	-	-	-	-	-	-	48,000	48,000
Matthew	2020	-	-	-	-	-	-	-	
Lipman	2021	-	-	-	-	-	-	-	
VP	2022	-	-	-	-	-	-	48,000	48,000
John M. [1]	2020	8,333	-	-	-	-	50,816	10,000	69,149
Holliman[3]	2021	-	100,000	-	-	-	67,755	12,000	179,755
Director	2022	-	-	-	-	-	28,513	48,000	76,513
Fredric J.	2020	-	-	-	-	-	4,607	10,000	14,607
Feldman	2021	-	-	-	-	-	4,607	12,000	16,607
Director	2022	-	-	-	-	-	1,977	24,000	25,977
Elwood	2020	-	-	-	-	-	3,455	10,000	13,455
Howse	2021	-	-	-	-	-	6,545	12,000	18,545
Director	2022	-	-	-	-	-	-	24,000	24,000
Omar	2020	195,000	-	-	-	-	-	-	195,000
Rabbani[2]	2021	203,000	-	-	-	-	-	-	203,000
CFO	2022	203,000	-	-	-	-	-	-	203,000

Notes:

(1) Mr. Holliman received $8,333 compensation in 2020 for his role as Executive Chairman January 1. 2020 through March 31, 2020.

(2) Mr. Rabbani receives compensation through the Company's subsidiary TotalStone, LLC. where he also serves as CFO.

(3) Mr. Holliman received a $100,000 one-time special bonus in recognition of his contribution in liquidating and dissolving LipimetiX Development.

B. Other Control Persons

BP Peptides, LLC.
(Full name)
232 Madison Avenue Suite 600, New York, NY 10016
(Full address)
121,774 shares of Common Stock
(Number and class of the issuer's securities beneficially owned)

C. Legal/Disciplinary History

Our directors and officers have not been involved in any of the following events in last five years:

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, judgement, or decree, not subsequently reversed, suspended or vacated, by 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 judgement 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 findings or judgement 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.

D. Disclosure of Family Relationships

None

E. Disclosure of Related Party Transactions

TotalStone, LLC is party to an agreement with a related party, BP Peptides, LLC, whereby such entity will provide consulting services totaling $400.0 thousand per annum, billing quarterly. The agreement also provides for an additional management fee equal to 5% of earnings before interest, taxes, depreciation, and amortization ("EBITDA") in excess of $4.0 million. Amounts accrued for such consulting services totaled $419.0 and $713.0 thousand as of December 31, 2022 and 2021, respectively.

Stream Finance, LLC, which serves as a creditor on the Company's mezzanine term loan of $2.0 million, is managed by Brookstone Partners, which has a 77.3% ownership through BP Peptides, LLC, and two board member seats of the Company.

TotalStone, LLC, was leasing a facility from a former officer and current Board Member of TotalStone, LLC for $29.0 thousand per month. As of February 2022, the lessor is no longer a related party.

On December 21, 2020, BP Peptides, LLC exercised its right to convert $572.7 thousand of accrued interest ($538.0 thousand) and secured debt ($35.0 thousand) into 24,900 shares of the Company's Common Stock (exercised price of $23/share). The Company incurred issuance expenses of $5.0 thousand resulting in a net increase in Additional Paid-in Capital of $568.0 thousand.

On March 31, 2021, the Company acquired a 20% minority interest in a consumer products company, Diamond Products, LLC ("Diamond"), a sexual wellness holding company. The structure of the transaction was as follows: i) Brookstone Acquisition Partners XXI Corporation ("Brookstone XXI") contributed its approximately 95% equity interest in Diamond, which represents approximately 62% equity ownership on a fully-diluted basis, to Diamond Products Holdings, LLC ("DPH"); ii) The Company formed Capstone Beta LLC ("Beta") as a wholly-owned subsidiary, and Beta purchased a portion of Brookstone XXI's interest in DPH; iii) Beta issued a promissory note to Brookstone XXI in the original principal amount of $8.0 million, which bears interest at 1% per annum and has a 36 month term, and secured its obligations thereunder by pledging Beta's interests in DPH; and iv) As additional credit support, the Company issued a limited payment guaranty to Brookstone XXI in the amount of 10% of the principal amount of Beta's promissory note.

Beta's obligations under its promissory note are intended to be serviced by distributions from DPH which, in turn, will largely reflect the contractually allowable distributions received by DPH from Diamond. It is anticipated that substantially all of the distributions that DPH receives will be applied in the following manner: 99% of the first $8.4 million to Beta; 90% of the next $4.0 million to Beta; and 20% of all future amounts to Beta. As this transaction involved the Company's majority stockholder, it is related-party in nature. The board appointed a special committee of independent directors to negotiate, perform due diligence and close this investment. The special committee relied on an independent valuation of Diamond as well as outside legal advisors to assist in structuring and maintaining its fiduciary independence for the transaction. An independent director of the Company will serve as manager of Beta.

The 20% minority investment in DPH represents an effective 19% equity interest in Diamond and approximately 12% on a fully-diluted basis. The Company does not have the ability to exercise significant influence over operating and financial policies of Diamond and DPH. Investments in non-marketable securities without readily determinable fair values by entities that do not exercise significant influence over the investee are recorded at cost, less impairment, plus or minus observable price changes. The December 31, 2022 and 2021 consolidated balance sheets include the Company's $8.0 million investment in long-term assets and corresponding $8.0 million note payable plus accrued interest.

On June 15, 2022, Brookstone exercised its right to convert $1.9 million of accrued interest and debt from its senior secured note into 78,333 shares of the Company's Common Stock exercised at $24.75 per share. With this acquisition Brookstone now owns 121,774 shares of the Company's Common Stock or 77.3% of the 157,610 outstanding shares of the Company's Common Stock.

F. Disclosure of Conflicts of Interest

Our Common Stock is currently trading on the OTCQB operated by the OTC Markets Group, which does not require that the majority of the board of directors be independent. The OTC Markets Group defines an independent director as "a person other than an executive officer or employee of a company or any other person having a relationship which, in the opinion of the company's board of directors, would interfere with the exercise of independent judgement in carrying out their responsibilities as a director". Under this definition, Fredric J. Feldman Ph.D. and Elwood D. Howse Jr. are independent directors.

Item 12 Financial information for the issuer's most recent fiscal period

To the Board of Directors
Capstone Holding Corp.
Alsip, Illinois

Independent Auditor's Report

Opinion

We have audited the accompanying consolidated financial statements of Capstone Holdings Corp. (the Company), which comprise the consolidated balance sheets as of December 31, 2022 and 2021 and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.
In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

/s/ GBQ Partners, LLC
Columbus, Ohio
March 30, 2023

CAPSTONE HOLDING CORP.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	December 31, 2022	December 31, 2021
ASSETS		
Current Assets:		
Cash	$ 23	$ 50
Accounts receivable, net	3,031	3,954
Inventories	17,398	10,946
Other current assets	520	321
Total current assets	20,972	15,271
Long-term Assets:		
Property and equipment, net	1,815	1,801
Goodwill & other intangible assets	23,309	23,446
Right of use assets	3,439	4,132
Deferred tax asset	7,629	8,155
Investment in non-marketable securities	8,000	8,000
Other long-term assets	48	48
Total long-term assets	44,240	45,582
Total Assets	**$ 65,212**	**$ 60,853**
LIABILITIES & EQUITY		
Current Liabilities:		
Accounts payable & other accrued liabilities	$ 2,726	$ 2,680
Line of credit	7,271	4,107
Current portion of long-term debt	1,094	1,603
Current portion, lease liability	797	745
Other current liabilities	-	43
Total current liabilities	11,888	9,178
Long-term liabilities:		
Accrued related party management fee	351	713
Long term debt, net of current portion	16,915	18,447
Lease liability, net of current portion	2,727	3,438
Total long-term liabilities	19,993	22,598
Total Liabilities	31,881	31,776
Totalstone, LLC - Class B Preferred Units	24,105	21,844
TotalStone, LLC - Special Preferred Units	1,054	992
Equity:		
Common Stock $0.0005 par value; 200,000 shares authorized; 157,610 and 79,277 issued as of December 31, 2022 and December 31, 2021, respectively	-	-
Additional paid-in capital	193,044	191,105
Accumulated deficit	(184,872)	(184,864)
Total Equity	8,172	6,241
Total Liabilities, Totalstone, LLC. Preferred Units & Equity	**$ 65,212**	**$ 60,853**

See notes to consolidated financial statements

CAPSTONE HOLDING CORP.
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except share and per share data)

	Twelve Months Ended December 31, 2022	Twelve Months Ended December 31, 2021
Sales	$ 61,651	$ 66,801
Sales returns and allowances	(90)	(58)
Net sales	**61,561**	**66,743**
Cost of goods sold	45,030	50,427
Gross Profit	**16,531**	**16,316**
Selling, general and administrative expenses	12,538	11,680
Income from operations	3,993	4,636
Gain on extinguishment of debt	-	780
Interest and other expense, net	(895)	(1,059)
Income from operations before taxes	3,098	4,357
Income tax expense	783	436
Net Income	**2,315**	**3,921**
Less: Net income attributable to:		
Speical preferred units	(62)	(174)
Class B units preferred return	(2,263)	(3,184)
Net Income (loss) attributable to Capstone Holding Corp. stockholders	**$ (10)**	**$ 563**

See notes to consolidated financial statements

CAPSTONE HOLDING CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Twelve Months Ended December 31, 2022		Twelve Months Ended December 31, 2021	
OPERATING ACTIVITIES				
Net income	$	2,315	$	3,921
Non cash items:				
Depreciation and amortization		241		386
Non-cash Paycheck Protection Program loan forgiveness		-		(780)
Deferred taxes		525		524
Change in other operating items:				
Accounts receivable and other assets		(4,873)		(1,069)
Accounts payable and other accrued liabilities		(1,098)		742
Cash flows provided by (used in) operating activities		(2,890)		3,724
INVESTING ACTIVITIES				
Purchase of property and equipment, net		(173)		(1,173)
Proceeds from sale of assets		-		242
Cash flows used in investing activities		(173)		(931)
FINANCING ACTIVITIES				
Proceeds from debt issuance		730		3,877
Proceeds from sale-leaseback		3,071		-
Borrowings under line of credit, net		5,673		(2,334)
Debt payments		(6,438)		(336)
Issuances of Common Stock		-		(3,950)
Cash flows provided by (used in) financing activities		3,036		(2,743)
NET CHANGE IN CASH & CASH EQUIVALENTS		(27)		50
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		50		-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**$**	**23**	**$**	**50**
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Operating cash flows from finance leases (i.e. Interest)	$	9	$	9
Financing cash flows from finance leases (i.e. principal portion)		120		92
Operating cash flows from operating leases		745		675
Non-cash operating activities:				
Forgiveness of Paycheck Protection Program (PPP) Loan		-		780
Non-cash financing activities:				
Conversion of senior secured note into 78,333 shares of common stock		1,939		-

See notes to consolidated financial statements

CAPSTONE HOLDING CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands, except Common Stock Shares)

	Common Stock	Additional Paid-In Capital	Retained Earnings (Acumulated Deficit)	Total Equity	Class B Units	Special Preferred Unit
Balance at January 1, 2021	79,277	$ 191,105	$ (185,297)	$ 5,808	$ 22,297	$ 1,001
Opening Balance Sheet Reclassification			(130)	(130)	130	
Net income	-	-	3,921	3,921		
Accrued Class B Distributions	-	-	(3,184)	(3,184)	3,184	
Accrued Special Preferred Distributions	-	-	(174)	(174)		174
Class B Distribution	-	-	-	-	(3,767)	
Special Preferred Distribution	-	-	-	-		(183)
Balance at December 31, 2021	**79,277**	**$ 191,105**	**$ (184,864)**	**$ 6,241**	**$ 21,844**	**$ 992**

	Common Stock	Additional Paid-In Capital	Retained Earnings (Acumulated Deficit)	Total Equity	Class B Units	Special Preferred Unit
Balance at January 1, 2022	79,277	$ 191,105	$ (184,864)	$ 6,241	$ 21,844	$ 992
Net income			2,315	2,315		
Accrued Class B Distributions			(2,261)	(2,261)	2,261	
Accrued Special Preferred Distributions			(62)	(62)		62
Debt conversion to Common Stock (78,333 shares)	78,333	1,939		1,939		
Balance at December 31, 2022	**157,610**	**$ 193,044**	**$ (184,872)**	**$ 8,172**	**$ 24,105**	**$ 1,054**

See notes to consolidated financial statements

CAPSTONE HOLDING CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Summary of Significant Accounting Policies

Basis of Presentation and Preparation

The consolidated financial statements include the accounts of Capstone Holding Corp. and it's consolidated subsidiaries. Intercompany accounts and transaction have been eliminated. The preparation of these financial statements and accompanying notes are in accordance with accounting principles generally accepted in the United States of America. In the opinion of management, the financial statements include all adjustments necessary for the fair presentation of our financial position, results of operations, and cash flows, and all adjustment were of a normal recurring nature.

Use of Estimates

The preparation of financial statements in accordance with US GAAP requires management to make a number of assumptions and estimates that affect the reported amounts of assets, liabilities, and expenses in our financial statements and accompanying notes. Management bases its estimates on historical experience and various other assumptions believed to be reasonable. Although these estimates are based on management's assumptions regarding current events and actions that may impact the Company in the future, actual results may differ from these estimates and assumptions.

Accounts Receivable

The Company carries accounts receivable at cost. On a periodic basis, management evaluates receivables to determine if any portion is uncollectable. As of December 31, 2022 and 2021, the allowance for doubtful accounts totaled approximately $106.0 thousand and $55.0 thousand, respectively.

Accounts Payable

Accounts payable includes accrued and deferred officer compensation that is payable at various times and amounts on occurrence of certain performance levels or approval by the Company's Board of Directors. As of December 31, 2022, there was no deferred officer compensation and $30.4 thousand as of December 31, 2021.

Advertising Costs

Advertising and promotional expenses are expensed in the period incurred unless there are material costs that benefit future periods. The consolidated financial statements currently do not reflect any prepaid advertising expenses. For 2022 and 2021, advertising expenses were $283.0 thousand and $151.0 thousand, respectively.

Cash

Cash consists of balances held in a commercial bank account.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and trade accounts receivable. The Company places cash with high credit quality institutions. During the normal course of business, balances in these accounts may exceed the maximum amount insured by the Federal Deposit Insurance Corporation ("FDIC"). Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers comprising the Company's diverse customer base and generally short payment terms. Management believes there is no business vulnerability regarding concentrations of accounts receivable and sales due to the strong relationships and financial strength of our customers.

Goodwill and Other Intangible Assets

Goodwill represents costs in excess of the estimated fair values of acquired net assets in a business combination. Goodwill and other intangible assets with indefinite lives are reviewed annual for impairment. The Company does not amortize goodwill and intangible assets with indefinite lives. Intangible assets with finite lives, consists of a non-compete agreement, amortized over the term of the agreement.

Long-lived Asset Impairments

Long-lived assets and certain identifiable intangibles are reviewed for impairment whenever events of changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assts are considered to be impaired, the impairment to be recognized is measured by the amount of which the carrying amount of the assets exceeds the fair value of the assets. For 2022 and 2021, no impairment charges were necessary.

Inventories

Inventories consisting of finished goods are stated at the lower of cost, determined by the average cost method, or net realizable value. Inventories also include deposits placed on inventory purchases for shipments not yet received. Significant prepaid inventory may be located overseas. At December 31, 2022 and 2021, the total prepaid inventory balance was $1.4 million and $1.3 million, respectively. The reserve for obsolete inventory at December 31, 2022 and 2021, totaled $301.0 thousand and $405.0 thousand, respectively.

Payroll Protection Program Loan Accounting Policy

Currently, there is no authoritative guidance under US GAAP that addresses accounting and reporting related to a for profit business entity that receives forgivable debt from a government entity. Accordingly, management has elected to recognize forgivable debt received from a government entity as debt until debt extinguishment occurs when the Company is legally released from being the obligor. The Company applied for and received full loan forgiveness from the United States Small Business Administration ("SBA") for principal and accrued interest during 2021, which is presented as gain from extinguishment of debt in the accompanying consolidated statements of income.

Property and Equipment

Property and equipment is stated at cost and is depreciated over the estimated useful lives ranging from three to forty years. Depreciation is computed by using the straight-line method for financial reporting purposes and straight-line and accelerated methods for income tax purposes. Property and equipment is comprised of building, machinery & equipment, computer equipment, leasehold improvements, software, office equipment, vehicles, and furniture & fixtures. Maintenance and repairs are charged to expense as incurred.

Research and Development

Research and development costs are expensed as incurred and were not significant in the periods presented.

Shipping and Handling

The Company includes shipping and handling expenses in cost of goods sold.

Note 2 Revenue Recognition

Sales are recognized when revenue is realized or becomes realizable and has been earned, net of sales tax. In general, revenue is recognized at a point in time, which is usually upon shipment of the product. Amounts billed related to shipping and handling, which are not significant, are included in revenue. Our sales predominantly contain a single delivery element and revenue is recognized at a point in time when ownership, risks and rewards transfer. For 2022 and 2021, there are no estimates of variable considerations represented in revenue.

Note 3 Property and Equipment, Net.

A summary of the Company's property and equipment as of is as follows in ("000's"):

	December 31, 2022		December 31, 2021	
Property and Equipment, Net.				
Land and buildings	$	685	$	685
Machinery and equipment		842		807
Computer equipment		230		192
Computer software		259		259
Furniture and fixtures		332		310
Leasehold Improvements		736		658
Total property and equipment	$	3,084	$	2,911
Accumulated depreciation and amortization		(1,269)		(1,110)
Total property and equipment	**$**	**1,815**	**$**	**1,801**

Depreciation and amortization expense on property and equipment for 2022 and 2021 was $241.0 thousand and $229.0 thousand, respectively.

Note 4 Accounts Receivable, Net.

The timing of revenue recognition, billings and cash collections results in billed accounts receivable on the consolidated balance sheet. Amounts are billed upon contractual completion in accordance with agreed-upon contractual terms. Accounts receivable, net is as follows in ("000's):

	December 31, 2022		December 31, 2021	
Accounts Receivable				
Accounts receivable, gross	$	3,138	$	4,008
Less: Allowance for doubtful accounts		(106)		(54)
Total accounts receivable, net.	**$**	**3,031**	**$**	**3,954**

Note 5 Line of Credit

On June 29, 2015, TotalStone, LLC established a Revolving Credit Note which has been amended since. Under the terms of the Third Amended and Restated Revolving Credit Note with Berkshire Bank, executed on November 22, 2021, TotalStone, LLC is permitted to borrow up to $14.0 million for working capital purposes. Advances under the credit agreement are limited to a formula-based amount of up to eighty-five (85%) percent of the face amount of the TotalStone, LLC "Eligible Accounts Receivable" plus about fifty-five (55%) percent of the face amount of the TotalStone, LLC "Finished Goods Inventory" up to a maximum amount of $8.0 million. Interest charged on unpaid principal amount of the Credit Agreements bear a rate per annum of LIBOR plus 2.5%. The balance outstanding on the line of credit was $7.2 million and $4.1 million as of December 31, 2022 and 2021, respectively, with a maturity date of December 1, 2025. Interest charged on unpaid principal amount of the Credit Agreements bear a rate per annum of LIBOR plus 2.5%.

Note 6 Debt

As of December 31, 2022, the Company had $18.0 million in long-term debt, with $1.1 million payable within 12 months. A summary of the Company's long-term debt is as follows in ("000's"):

	December 31, 2022	December 31, 2021
Long-Term Debt		
Note payable BP Peptides, LLC "Brookstone" secured by an interest in all of Capstone's assets. The secured loan bears interest at 6% per annum, with interest payable quarterly and a maturity date of April 1, 2024.	$ 733	$ 2,648
Mezzanine term loan to Stream Finance, LLC collateralized by substantially all of TotalStone, LLC's assets and subordinated to the Bank term notes. Interest is calculated monthly as the Base Rate divided by the Adjustment Factor of 0.75, but shall not exceed fifteen percent (15%) per annum (see further details herein), with a maturity date of November 14, 2023.	2,060	2,060
Seller's note with Avelina Masonry, LLC with interest accruing at LIBOR plus four and one-half percent (4.50%). Monthly payments of $48.0 thousand.	1,094	1,671
Term note agreement with Berkshire Bank with interest totaling $83.3 thousand paid over 48 consecutive months, commencing January 2022.	3,000	4,000
Navarre sale leaseback finance obligation with lease term through December 31, 2047.	2,970	-
Term note agreement with Berkshire Bank that bears interest of 3.29% per annum and a maturity date of February 28, 2041. Was paid in full on December 29, 2022.	-	582
Promissory note with Avelina Masonry LLC and James Palatine (the "Sellers"). Promissory note had two tranches that bore interest between three (3%) and seven (7%) per annum based on Target Gross Profits and was repaid in full on June 15, 2022.	-	1,008
Auto loan from VW Credit, Inc. with an interest rate of 3.99% per annum over 48 months commencing January 1, 2020.	10	20
Secured promissory note with Brookstone Partners plus accrued interest to acquire a minority interest in Diamond Products Holding. Interest shall accrue at one percent (1%) per annum with a maturity date of March 31, 2024.	8,142	8,061
	18,009	20,050
Less: current portion	(1,094)	(1,603)
Total long-term debt	**$ 16,915**	**$ 18,447**

Mezzanine Term Loan – Stream Finance, LLC.

Table A or Table B

Level	Adjusted EBITDA of TotalStone (exclusive of Northeast)	Rate		Level	Adjusted EBITDA of TotalStone and Northeast	Rate
I	Greater than $2,500,000	12%		I	Greater than $4,000,000	12%
II	Less than or equal to $2,500,000, but greater than or equal to $2,000,000	10%		II	Less than or equal to $4,000,000, but greater than or equal to $3,500,000	10%
III	Less than $2,000,000	8%		III	Less than $3,500,000	8%

Note 7 Leases

As of December 31, 2022, the balance of our right-of-use ("ROU") assets was $3.4 million, net and lease liabilities of $3.5 million, included in current portion, lease liability and lease liability, net of current portion. The maturity of our lease liabilities as of December 31, 2022 is as follows in ("000's"):

Year	**Finance**	**Operating**
2023	$ 127	$ 762
2024	82	778
2025	32	638
2026	9	656
2027	-	602
Thereafter	-	84
Total undiscounted Lease Payments	250	3,520
Less: Present value discount	(10)	(236)
Total Lease Liability	**$ 240**	**$ 3,284**

Lease expense recognized for our consolidated leases is as follows in ("000's"):

	Twelve months Ended December 31, 2022	**Twelve months Ended December 31, 2021**
Finance leases		
Amorization expense	$ 121	$ 95
Interest expense	9	9
Operating leases		
Straight-line rent expense	779	719
Total lease expense	**$ 909**	**$ 823**

The following summarizes additional information related to our leases for 2022 and 2021 in ("000's"):

	Twelve months ended December 31, 2022		Twelve months ended December 31, 2021	
	Finance	Operating	Finance	Operating
Weighted-average remaining lease terms (years)	2.3	4.8	2.9	5.7
Weighted-average discount rate	3.77%	2.95%	3.67%	2.95%
ROU assets obtained in exchange for new lease liabilities	$ 99	$ -	$ 87	$ 1,529

Note 8 Goodwill and Other Intangible Assets

As of December 31, 2022 and 2021, the Company had $23.3 million and $23.5 million, respectively, in goodwill and other intangible assets. Goodwill activity is as follows in ("000's"):

	Goodwill
Balances as of December 31, 2020	$ 23,286
Acquisitions	-
Other Adjustments	-
Balance as of December 31, 2021	$ 23,286

	Goodwill
Balances as of December 31, 2021	$ 23,286
Acquisitions	-
Other Adjustments	-
Balance as of December 31, 2022	$ 23,286

The following tables summarize the Company's other intangible assets in ("000's"):

	As of December 31, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Non-compete agreements	$ 50	$ (20)	$ 30
Customer lists	231	(231)	-
Total definite-lived intangible assets	281	(251)	30
Indefinite-lived intangible assets	130	-	130
Total intangible assets	$ 411	$ (251)	$ 160

	As of December 31, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Non-compete agreements	$ 50	$ (30)	$ 20
Customer lists	231	(231)	-
Other	11	(8)	3
Total definite-lived intangible assets	292	(269)	23
Indefinite-lived intangible assets	-	-	-
Total intangible assets	$ 292	$ (269)	$ 23

Expected amortization expense related to other intangible assets held as of December 31, 2022 is as follows in ("000's"):

Year		
2023	$	13
2024		10
2025		-
2026		-
Thereafter		-
Total	$	23

Note 9 TotalStone Preferred Units

The Company owns 100% of TotalStone's outstanding common voting units and receives certain funding from TotalStone, in exchange for potential benefits to the combined organization from the use of the Company's Federal Net Operating Loss and other tax benefit carryovers. The existing holders of TotalStone's common stock received Class B Preferred Units valued at $20.5 million, with a quarterly dividend. The preferred units are redeemable July 1, 2023 and if not redeemed the Class B Preferred Units holders will be allowed to appoint three of the five TotalStone, LLC. Board of Directors.

In addition, as part of the merger, the Mezzanine lender accepted $873.0 thousand as a Special Preferred Unit in lieu of debt. The Special Preferred Unit has a preferential distribution position but does not earn a preferred return.

On November 26, 2021, TotalStone, LLC's Managers amended TotalStone, LLC's *Fourth Amended and Restated Limited Liability Company Agreement*, effective April 1, 2020, to approve a one-time distribution to its Members and a payment on the outstanding debt under the Stream Credit Agreement (referenced in *Item 10*) totaling $4.5 million. This distribution was financed by $570.0 thousand in cash and $4.0 million of new debt. The breakout of this distribution is summarized in the table below in ("000's"):

Member	Distribution		Mezz Debt	Stream Finance, LLC	
Special Preferred	$	183	Principal	$	550
Class B Preferred		3,767	Interest		69
Total	**$**	**3,950**	**Total**	**$**	**619**

Note 10 TotalStone Warrants

In connection with the April 2020 TotalStone transaction, 1,175 warrants to purchase class A common interest in TotalStone were granted to TotalStone management. The warrants have a purchase price of $0.01 per warrant unit and vest in equal annual installments over the three-year period ended March 31, 2023. Vested warrants may be exercised through March 31, 2030 subject to continuing employment. The fair value of the warrants granted was not significant and accordingly no equity-based compensation has been recognized in the statement of income.

Note 11 Stockholders' Equity

In June 2015, our stockholders approved the 2015 Equity Incentive Plan (the "2015 Plan") and reserved 1,000,000 shares of our common stock for issuance. At December 31, 2022, no shares remained available to grant under the Plan and all granted shares are fully vested.

Stock-based compensation expense reflects the fair value of stock-based awards measured at the grant date and recognized over the relevant vesting period. The Company generally estimates the fair value of each stock-based award on the measurement date using the Black-Scholes option valuation model which incorporates assumptions as to stock price volatility, the expected life of the options, risk-free interest rate and dividend yield. No options were granted in 2022 or 2021.

Stock Compensation

There were no stock compensation costs, option grants or stock options exercised in 2022 or 2021. At December 31, 2022, there were no remaining unamortized non-cash stock compensation costs.

As of December 31, 2022 and 2021, there were approximately 1,753 and 2,328 options exercisable and vested at a weighted average exercise price of $0.22 and $0.20, respectively. In addition, the Company issued a Warrant to Brookstone to purchase up to 6,322 shares of the Company's Common Stock with an exercise price between $10.00 and $30.00 per share, as determined by an independent valuation, through April 1, 2024, and after that date, the lesser of (i) $75.00 per warrant share and (ii) the 10-day average closing price of the Company's common stock. The warrant expires October 15, 2028 and provides for quarterly vesting of shares in amounts approximately equal to the amount of quarterly interest payable that would have been payable under the Agreement, converted into shares at $0.075.

Preferred Stock

We have 5,000 shares of authorized preferred stock, the terms of which may be fixed by our Board of Directors. We presently have no outstanding shares of preferred stock. Our Board of Directors has the authority, without stockholder approval, to create and issue one or more series of such preferred stock and to determine the voting, dividend and other rights of holders of such preferred stock. If we raise additional funds to continue operations, we may issue preferred stock. The issuance of any of such series of preferred stock may have an adverse effect on the holders of common stock.

The Board of Directors of the Company approved a Tax Benefit Preservation Plan ("Benefit Plan") dated April 18, 2017, between the Company and Computershare. The Benefit Plan and the exercise of rights to purchase Series A Preferred Stock, pursuant to the terms thereof, may delay, defer or prevent a change in control without the approval of the Board. In addition to the anti-takeover effects of the rights granted under the Benefit Plan, the issuance of preferred stock, generally, could have a dilutive effect on our stockholders.

Under the Benefit Plan, each outstanding share of our common stock has attached one preferred stock purchase right, Each share of our common stock subsequently issued prior to the expiration of the Benefit Plan will likewise have attached one right. Under specified circumstances involving an "ownership change," as defined in Section 382 of the Internal Revenue Code ("the Code"), the right under the Benefit Plan that attaches to each share of our common stock will entitle the holder thereof to purchase 1/100 of a share of our Series A Preferred Stock for a purchase price of $5.00 (subject to adjustment), and to receive, upon exercise, shares of our common stock having a value equal to two times the exercise price of the right. The Benefit Plan expires December 31, 2023.

Note 12 TotalStone, LLC 401(K) Retirement Savings Plan

TotalStone, LLC maintains a defined contribution pension plan, which covers all employees electing to participate after completing certain service requirements. Employer contributions are made at the Company's discretion. Generally, the Company makes safe harbor matching contributions equal to 100% of employee contribution up to 4% of the employee's Plan Compensation, as defined. Each participant is 100% vested in in their salary deferral and the safe harbor Company's matching contributions. Other employer discretionary contributions are subject to a graded vesting schedule.

Note 13 Income Taxes

The components of deferred income tax assets are as follows as of December 31 ("000's"):

	2022	2021
Accruals and reserves	$ 536	$ 536
Net operating loss carryforwards	29,931	30,992
Valuation allowance	(22,838)	(23,373)
Net, deferred income tax assets	**$ 7,629**	**$ 8,155**

ASC 740 requires that a valuation allowance be established when it is more-likely-than-not that all or a portion of a deferred tax asset will not be realized. Changes in valuation allowances from period-to-period are included in the tax provision in the period of change. In determining whether a valuation allowance is required, the Company takes into account all evidence with regard to the utilization of a deferred tax asset including past earnings history, expected future earnings, the character and jurisdiction of such earnings, unsettled circumstances that, if unfavorably resolved, would adversely affect utilization of a deferred tax asset, carryback and carryforward periods, and tax strategies that could potentially enhance the likelihood of realization of a deferred tax asset. Management has evaluated the available evidence about future taxable income and other possible sources of realization of deferred tax assets and has established a valuation allowance of approximately $22.8 million and $23.4 million at December 31, 2022 and 2021, respectively. The valuation allowance reduces deferred tax assets to an amount that management believes will more likely than not be realized. The change in the valuation allowance from 2020 to 2021 was not material.

The components of the income tax provision (benefit) are as follows in ("000's):

	2022	2021
Federal:		
Current	$ -	$ -
Deferred	525	525
	525	525
State and local:		
Current	258	(89)
Deferred	-	-
	258	(89)
Income tax provision	$ 783	$ 436

The Company has accumulated approximately $143 million in federal and $16 million in state net operating loss carryforwards ("NOLs") and approximately $3.9 million of research and development tax credit carryforwards. The federal NOLs generated before 2018 have 20 year carryforward periods with NOLs generated in 2018 and after having no expiration period. Federal NOLs generated in 2018 and after total $1.2 million. The Arizona state NOL's expire in different periods through 2038. The availability of these NOL's to offset future taxable income could be limited in the event of a change in ownership, as defined in Section 382 of the Internal Revenue Code.

A reconciliation of the difference between the provision for income taxes and income taxes at the statutory U.S. federal income tax rate is as follows in ("000's"):

	2022	2021
Income tax provision at statutory rate	$ 651	$ 915
State and local income taxes	258	(19)
Income attributable to TotalStone preferred units	(314)	(285)
Non-taxable income from PPP Loan forgiveness	-	(164)
Other	76	(11)
	$ 783	**$ 436**

Note 14 Subsequent Events

The Company has evaluated subsequent events through March 30, 2023, the date which the financial statements were available to be issued.

On March 8, 2023, the Company entered into the Ninth Amendment to the Revolving Credit, Term Loan and Security Agreement (the "Ninth Amendment"). The Ninth Amendment permits a prepayment of $761.0 thousand on mezzanine term loan to Stream Finance, LLC and a payment of $389.0 thousand to the Special Preferred Unit holders.

Item 13 Similar financial information for such part of the two preceding fiscal years as the issuer or its predecessor has been in existence.

The Company's audited financial statements for 2020 are included in the Company's Annual Report for the year ended December 31, 2020, filed with the OTCQB at www.otcqb.com and are incorporated by reference in this Annual Report.

Item 14 The name, address, telephone number, and the email address of each of the following outside providers that advise the issuers on matter relating to operations, business development and disclosure:

1. *Investment Banker*

None

2. *Promoter*

None

3. *Securities Counsel*

General Counsel
Haddock Law PLLC
Rand Haddock – Partner
8990 East Raintree Drive #100
Scottsdale, AZ 85260
Office: 480-720-6058
rhaddock@piperhaddocklaw.com

Securities Counsel
Nixon Peabody LLP
Robert A. Drobnak – Partner
70 West Madison St. Suite 5200
Chicago, IL 60602
Office: 312-977-4348
radrobnak@nixonpeabody.com

4. *Accountant or Auditor*

Auditor
GBQ Partners, LLC
Tom Powers – Partner
230 West Street Suite 700
Columbus, OH 43215
614-947-5215
tpowers@gbq.com

Preparation of the Company's financial statements is the responsibility of the Company. The Company's independent auditors, GBQ Partners, LLC, are responsible for expressing an opinion on these financial statements based on its audit.

5. *Public Relations Consultant*

None

6. *Investor Relations Consultant*

None

Item 15 Management's Discussion and Analysis or Plan of Operation.

These statements are based on current expectations and assumptions regarding future events and business performance and involve known and unknown risks, uncertainties and other factors that may cause industry trends or our actual results, level of activity, performance, or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these statements. These financial statements and notes thereto should be read in conjunction with the audited financial statements and related notes included in our Annual Report for the fiscal years ended December 31, 2021 & 2020, filed with the OTCQB. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following is management's discussion of the Company's consolidated financial statements and results of operations for the years ended December 31, 2022 & 2021 in ("000's"):

	Three months ended December 31, 2022	Three months ended December 31, 2021	Twelve months ended December 31, 2022	Twelve months ended December 31, 2021
Revenue	$ 11,078	$ 13,776	$ 61,651	$ 66,743
Gross Profit	$ 2,890	$ 3,710	$ 16,531	$ 16,316
Gross Profit %	26.1%	26.9%	26.8%	24.4%
Income for operations	**$ 311**	**$ 306**	**$ 3,993**	**$ 4,636**

Results of Operations Comparing Three Months Ended December 31, 2022 to 2021.

Revenue: Revenue related to our operations was $11.0 million in 2022 compared to $13.7 million in 2021. Revenue decreased between 2022 and 2021 due to lower volume of natural and manufactured stone products, partially offset by price increases of natural and manufactured stone products.

Gross Profit: Gross profit related to our operations was $2.8 million in 2022 compared to $3.7 million in 2021. Gross profit decreased between 2022 and 2021 due to lower volume of natural and manufactured stone products, partially offset by price increases of natural and manufactured stone products.

Income from Operations: Income from operations was $311.0 thousand in 2022 compared to $306.0 thousand in 2021. Income from operations was stagnant between 2022 and 2021 due to lower volume of natural and manufactured stone products, offset by price increases of natural and manufactured stone products and lower SG&A expenses.

Results of Operations Comparing Twelve Months Ended December 31, 2022 to 2021.

Revenue: Revenue related to our operations was $61.6 million in 2022 compared to $66.7 million in 2021. Revenue decreased between 2022 and 2021 due to lower volume of natural and manufactured stone products, partially offset by price increases of natural and manufactured stone products.

Gross Profit: Gross profit related to our operations was $16.5 million in 2022 compared to $16.3 million in 2021. Gross profit increased between 2022 and 2021 due to price increase in natural and manufactured stone products, partially offset by volume of natural and manufactured stone products.

Income from Operations: Income from operations was $3.9 million in 2022 compared to $4.6 million in 2021. Income from Operations decreased between 2022 and 2021 due to lower volume of natural and manufactured stone products and higher SG&A, partially offset by price increases of natural and manufactured stone products.

Diamond Products, LLC (Pipedream Products)

Diamond Products, LLC is a holding company which owns Pipedream Products, one of the largest designers, manufactures and distributors of proprietary romance products in the United States. Diamond's product portfolio includes adult toys, lingerie, games, lotions and creams that are sold globally in over 80 countries through 5,000 retailers as well as e-commerce websites. Diamond is a privately-held company based in Chatsworth, CA.

The Company is accounting for its investment using the cost method of accounting. Under the cost method of accounting, operating activity is not recorded except when distributions are received or due to the Company. The Company will receive minimum distributions of the greater of 12% of taxable income allocated to it or the actual tax due on taxable income allocated to it. For the twelve months ended December 31, 2022, the Company received a $334.0 thousand tax distribution from Diamond Products, LLC as reimbursement for our California state tax liability.

Extinguishment of Debt

In connection with the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), in April 2020, the Company was approved for a term note which allowed for available funds of $780.0 thousand, with interest at a fixed rate of 1%. The original repayment terms included principal and interest payments beginning in October 2020 through April 2022. In June of 2020, the PPP Flexibility Act of 2020 was signed into law, which revised the deferral period for PPP loans, allowing the Company to defer payment until ten months after the end of the loan forgiveness covered period or when forgiveness is received. Under the terms of the PPP, up to 100% of the loan (and related interest expense) may be forgiven if the proceeds are used for covered expenses and certain other requirements related to wage rates and maintenance of full-time equivalents are met. In 2021, the Company applied for and received full loan forgiveness from the U.S. Small Business Administration ("SBA") for principal and accrued interest, recognized as gain on extinguishment of debt in the consolidated statement of operations.

Liquidity and Capital Resources

The Company's primary source of cash is from the distribution of masonry stone products for residential and commercial construction in the Midwest and Northeast United States. We believe our balance of $23.0 thousand in cash and $5.7 million in cash availability on our Revolving Credit Note ("Revolver") as of December 31, 2022, will be sufficient to satisfy our cash requirements over the next 12 months and beyond. The Company believes we will be able to continue to borrow funds on our Revolver when and as required.

Seasonality

The Company historically experiences higher sales during our second and third quarters due to the favorable weather in the Midwestern and Northeastern United States for new constructions and remodels.

Other Arrangements.

None

PART E – ISSUANCE HISTORY

Item 16 List of securities offerings and shares issued for services in the past two years.

On December 21, 2020, Brookstone converted $572.7 thousand of accrued interest and secured debt into 24,900 shares of the Company's Common Stock ($23 per share conversion price).

On June 15, 2022, Brookstone convert $1.9 million of accrued interest and secured debt into 78,333 shares of the Company's Common Stock ($24.75 per share conversion price).

PART F – EXHIBITS

Item 17 Material Contracts.

The following is a list of all contracts which the Company is a party to and which currently can reasonably be regarded as material to a security holder of the Company as of the date of this Annual Report:

Exhibit No.	Description	Incorporated by Reference to:
3.1	Amended and Restated Certificate of Designation of Series A Preferred Stock, executed June 24, 2014	Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission ("SEC") on June 24, 2014
3.2 P	Bylaws of the Company	Exhibit 3.4 to the Company's Amendment No. 2 to Registration Statement on Form S-1 (No. 33-47569) filed with the SEC on January 25, 1993 ("January 1993 S-1")
3.3	Restated Certificate of Incorporation, as amended through June 24, 2014	Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2014, filed with the SEC on August 14, 2014
3.4	Second Amended and Restated Certificate of Incorporation as amended through June 22, 2015, including the Amended and Restated Certificate of Designation of Series A Preferred Stock	Exhibit 3.1 to the Company's Registration Statement filed on Form S-1 with the SEC on June 26, 2015
3.5	LipimetiX Development, Inc., Certificate of Incorporation and By Laws	Exhibit 3.3 to the Company's Registration Statement filed on Form S-1 with the SEC on June 26, 2015
3.6	Certificate of Amendment to the Restated Certificate of Incorporation	Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on August 26, 2019
3.7	Certificate of Amendment to the Restated Certificate of Incorporation	Exhibit 3.1 to this Annual Report
10.1 P	Form of Indemnification Agreement (*)	Exhibit 10.16 to the Company's January 1993 S-1
10.16	Series B Preferred Stock and Warrant Purchase Agreement – Exhibit B – Form of Warrants	Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on August 26, 2016
10.17	Series B Preferred Stock and Warrant Purchase Agreement – Exhibit C – Form of Amended and Restated Certificate of Incorporation of LipimetiX Development, Inc.	Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on August 26, 2016

10.18	Series B Preferred Stock and Warrant Purchase Agreement – Exhibit F – Form of Registration Rights Agreement	Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on August 26, 2016
10.19	Securities Purchase, Loan and Security Agreement dated July 14, 2017, by and between Capstone Therapeutics Corp. and BP Peptides, LLC	Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on July 17, 2017
10.20	Promissory Note dated July 14, 2017, payable to BP Peptide, LLC	Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on July 17, 2017
10.21	Registration Rights Agreement dated July 14, 2017, by and between Capstone Therapeutics Corp. and BP Peptides, LLC	Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on July 17, 2017
10.22	First Amendment to Securities Purchase Loan and Security Agreement dated January 30, 2018, by and between Capstone Therapeutics, Corp. and BP Peptides, LLC	Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 1, 2018
10.23	Warrant to Purchase Common Stock dated January 30, 2018	Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on February 1, 2018
10.26	Second Amendment to Securities Purchase Loan and Security Agreement dated March 15, 2019, by and between Capstone Therapeutics, Corp. and BP Peptides, LLC	Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on March 19, 2019
10.27	Third Amendment to Securities Purchase Loan and Security Agreement dated March 27, 2020, by and between Capstone Therapeutics, Corp. and BP Peptides, LLC	Filed as Exhibit 10.1 to the Annual Report for the year ended December 31, 2019
10.28	Amended and Restated Warrant to Purchase Common Stock dated March 27, 2020	Filed as Exhibit 10.2 to the Annual Report for the year ended December 31, 2019
10.29	Totalstone, LLC, Fourth Amended and Restated Limited Liability Company Agreement. Executed as of March 27, 2020 and Effective as of April 1, 2020	Filed as Exhibit 10.3 to the Annual Report for the year ended December 31, 2019
10.30	Totalstone, LLC, Warrants No. 1-5 to purchase Class A Common Stock. Executed as of March 27, 2020 and effective as of April 1, 2020	Filed as Exhibit 10.1 to the Quarterly Report for quarter ended March 31, 2020
10.31	Amended and Restated Credit Agreement Dated November 14, 2019 by and between TotalStone, LLC, Northeast Masonry Distributors, LLC and Stream Finance, LLC (a related party)	Filed as Exhibit 10.1 to the Quarterly Report for quarter ended June 30, 2020
10.32	Consent and Amendment to Amended and Restated Credit Agreement Dated November 14, 2019 by and between TotalStone, LLC, Northeast Masonry Distributors, LLC and Stream Finance, LLC (a related party), effective March 27, 2020	Filed as Exhibit 10.2 to the Quarterly Report for quarter ended June 30, 2020
10.34	Non-negotiable Secured Subordinated Promissory Note by and between TotalStone, LLC and Northeast Masonry Distributors, LLC	Filed as Exhibit 10.3 to the Quarterly Report for quarter ended June 30, 2020
10.35	Non-negotiable Secured Subordinated Contingent Value Promissory Note by and	Filed as Exhibit 10.4 to the Quarterly Report for quarter ended June 30, 2020

	between NEM Purchaser, LLC and Northeast Masonry Distributors, LLC	
10.36	Brookstone Partners IAC, Inc. Amended and Restated Management Agreement Dated March 1, 2020 by and between TotalStone, LLC and Brookstone Partners IAC, Inc.	Filed as Exhibit 10.5 to the Quarterly Report for quarter ended June 30, 2020
10.38	Third Amendment to Revolving Credit, Term Loan and Security Agreement Dated November 14, 2019 by and among TotalStone, LLC, Northeast Masonry Distributors, LLC, and Berkshire Bank	Filed as Exhibit 10.6 to the Quarterly Report for quarter ended June 30, 2020
10.39	First Amended & Restated Operating Agreement of Stream Finance, LLC Dated November 5, 2019 by and among Stream Finance, LLC, the Managing Member, and each of the Members executing this Agreement	Filed as Exhibit 10.7 to the Quarterly Report for quarter ended June 30, 2020
10.40	Fourth Amendment to Securities Purchase Loan and Security Agreement dated March 15, 2021, by and between Capstone Therapeutics, Corp. and BP Peptides, LLC	Filed as Exhibit 10.1 to the Annual Report for the year ended December 31, 2020
10.41	Limited Liability Agreement dated January 1, 2021, of Capstone Beta, LLC	Filed as Exhibit 10.1 to the Quarterly Report for the quarter ended March 31, 2021
10.42	Secured Promissory Note dated March 31, 2021, between Capstone Beta, LLC and Brookstone Acquisition Partners XXI Corporation	Filed as Exhibit 10.2 to the Quarterly Report for the quarter ended March 31, 2021
10.43	Limited Payment Guarantee dated March 31, 2021, between Capstone Therapeutics Corp. and Brookstone Acquisition Partners XXI Corporation	Filed as Exhibit 10.3 to the Quarterly Report for the quarter ended March 31, 2021
10.44	Diamond Products Holdings Amended and Restated Limited Liability Company Agreement dated January 15, 2021	Filed as Exhibit 10.4 to the Quarterly Report for the quarter ended March 31, 2021
10.45	First Amendment to the Second Amended and Restated Limited Liability Company Agreement of Diamond Products, LLC dated January 15, 2021	Filed as Exhibit 10.5 to the Quarterly Report for the quarter ended March 31, 2021
10.46	License Transfer and Royalty Agreement by and between Anji Pharmaceutical Inc. and LipimetiX Development, Inc. dated December 31, 2020	Filed as Exhibit 10.6 to the Quarterly Report for the quarter ended March 31, 2021
10.47	Consent and First Amendment to the Fourth Amended and Restated Operating Agreement dated March 27, 2020 and Effective as of November 26, 2021	Filed as Exhibit 10.1 to the Annual Report for the year ended December 31, 2021
10.48	Exercise of secured debt and interest conversion option by majority shareholder, BP Peptides, LLC.	Filed as Exhibit 10.1 to the Quarterly Report for the quarter ended June 30, 2022
10.49	Written Consent of the Board of Managers of TotalStone, LLC dated March 8, 2023	Filed as Exhibit 10.1 to the Annual Report for the year ended December 31, 2022

Item 18 Articles of Incorporation and Bylaws.

The information required by this Item 18 has been included in the Company's previous filings with the SEC and is herein incorporated by reference. A complete set of Articles of Incorporation and Bylaws can be found in the Investor Relations section of the Company's website. There have been no amendments to the Certificate of Incorporation or the Bylaws since those previously filed with the SEC except as follows:

The Company amended its Amended and Restated Certificate of Incorporation on February 5, 2020 as follows:

The first sentence of Section 5 of the Restated Certificate of Incorporation is deleted and replaced by the following:

"5. Authorized Capital. The total number of shares of stock which the Corporation shall have authority to issue is 205,000 shares, consisting of 200,000 shares of common stock having a par value of $.0005 per share (the "Common Stock") and 5,000 shares of preferred stock having a par value of $.0005 per share (the "Preferred Stock")."

Section 9 of the Amended and Restated Certificate of Incorporation is deleted and replaced by the following:

"9. Action by Consent of Stockholders. Any action required or permitted to be taken by the stockholders may be effected at a duly called and noticed annual or special meeting of such stockholders or may be taken without a meeting, without prior notice, and without a vote, if owners of a majority of the Company's outstanding shares eligible to vote on matters at a Special Shareholder Meeting (called in accordance with the Company's Certificate of Incorporation) or an Annual Shareholder Meeting, request the Company's Board of Directors to accept written notice from a majority shareholder of its vote on the matters in the Special Shareholder Meeting or an Annual Shareholder Meeting in a consent voting format and to waive other requirements of shareholder notice and physical or proxy voting procedures; and the Company's Board of Directors is authorized to accept such notice and take such actions."

The Company amended its Amended and Restated Certificate of Incorporation on February 17, 2022 as follows:

"1. Name. The name of the corporation is Capstone Holding Corp."

Item 19 Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

None

Item 20 Issuer's Certifications.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Michael M. Toporek, III, certify that:

1. I have reviewed this annual disclosure statement of Capstone Holding Corp;

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: March 30, 2023

/s/ Michael M. Toporek

Michael M. Toporek, III
Chairman of the Board & Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Omar Rabbani, certify that:

4. I have reviewed this annual disclosure statement of Capstone Holding Corp;

5. 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

6. 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: March 30, 2023

/s/ Omar Rabbani

Omar Rabbani
Chief Financial Officer

WRITTEN CONSENT OF THE BOARD OF MANAGERS OF

TOTALSTONE, LLC

March 8, 2023

The undersigned, being all of the members of the board of managers (the "Board") of TotalStone, LLC, a Delaware limited liability company (the "Company"), hereby adopt the following resolutions by written consent without a special meeting pursuant to Section 18-404(d) of the Limited Liability Company Act of Delaware, as amended:

WHEREAS, Northeast Masonry Distributors, LLC (f/k/a NEM Purchaser, LLC), a Delaware limited liability company ("Northeast") and TotalStone Properties, LLC, a Delaware limited liability company ("Properties" and, together with Company and Northeast, the "Companies") are each a wholly-owned subsidiary of the Company, and the Company is the managing member of each of Northeast and Properties (in such capacity, the "Managing Member");

WHEREAS, the Companies propose to enter into that certain Ninth Amendment to Revolving Credit, Term Loan and Security Agreement dated as of the date hereof, by and among the Companies and Berkshire Bank (the "Ninth Amendment"; all capitalized terms used but not defined herein shall have the meaning assigned to such term in the Ninth Amendment) which, among other things, permits a prepayment of up to $761,076.50 on the Subordinated Loans and a payment of up to $388,923.50 on the Stream Preferred Equity Investment (such permitted transactions, the "Stream Payments") and makes certain other amendments to the Loan Agreement;

WHEREAS, following a review and due consideration of the terms of the Ninth Amendment, the Board has determined that the transactions contemplated by the Ninth Amendment, including the consummation of the Stream Payments, are advisable and in the best interests of the Companies and that the Companies will derive direct and indirect economic benefit as a result of the consummation of the Ninth Amendment and the transactions related thereto.

NOW, THEREFORE, BE IT RESOLVED, that the Ninth Amendment be and hereby is approved and adopted in all respects, and that each of the Companies is hereby authorized to each into and deliver the Ninth Amendment and each other Loan Document (as hereinafter defined) and to perform its obligations thereunder;

FURTHER RESOLVED, that each manager of TotalStone (each, a "Company Authorized Person") be, and each of them hereby is, authorized, empowered and directed, on behalf of TotalStone, in its own capacity and as managing member of Properties and Northeast, to negotiate, execute and deliver any agreements, certificates, instruments or documents with respect to the Stream Payments (the Ninth Amendment and all such agreements, certificates, instruments or documents are collectively referred to herein as the "Loan Documents"), in each case, as such Company Authorized Person deems necessary, appropriate or desirable to carry out the purposes and intent of these resolutions and to consummate the Stream Payments, the execution and delivery of each such Loan Document to be conclusive evidence of the approval of the Board, Totalstone, in its own capacity, TotalStone, in its capacity as managing member of Properties, and/or TotalStone, in its capacity as managing member of Northeast, as applicable;

FURTHER RESOLVED, that any Company Authorized Person may authorize any officer, employee or agent of, or counsel to, the Companies, or any of their subsidiaries to take any and all actions and to execute and deliver any and all documents, agreements, certificates and instruments referred to in the foregoing resolutions in place of or on behalf of such Company Authorized Person, with full power as if the such Company Authorized Person were taking such action itself; and further

FURTHER RESOLVED, that all actions, preparations, executions and deliveries and filings of all documents, agreements, certificates and instruments in the name and on behalf of each of the Companies or any of their subsidiaries, under its respective corporate seal or otherwise, and all fees and expenses incurred or paid by an officer or any manager of any of the Companies as such officer or manager deems necessary, appropriate or desirable to carry out the purposes and intent of, and to consummate, any and all of the transactions contemplated by the foregoing resolutions prior to the date hereof are hereby authorized, approved, adopted, ratified and confirmed in all respects.

FURTHER RESOLVED, that this consent may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which, when taken together, shall constitute but one and the same instrument;

RESOLVED FURTHER, that this written consent may be executed in multiple counterparts, each of which shall be deemed an original for all purposes, and together shall constitute one and the same written consent;

RESOLVED FURTHER, that for purposes of this consent, a facsimile copy, an e-mail of a PDF file or other form of electronic transmission (including via DocuSign) containing a copy of the signature page of the person executing this consent shall be effective as an original signature and effective as an execution counterpart thereof; and

RESOLVED FURTHER, that any member of the Board is hereby authorized to certify and deliver copies of these resolutions and the names of the persons authorized to act on behalf of the applicable entities in connection with the transactions contemplated by these resolutions.

[*signature pages to follow*]

IN WITNESS WHEREOF, the undersigned have executed this written consent as of the date first written above.

BOARD OF MANAGERS:

Michael Toporek
____
Michael Toporek

Matthew Lipman
____
Matthew Lipman

John M. Holliman, III
____
Jock Holliman

Gordon Strout
____
Gordon L. Strout

____
Joel Charlton