

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

## **BioStem Technologies, Inc.**

2836 Center Port Circle, Pompano Beach, FL 33064

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(954)-380-8342

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SIC Code: 2836

## **Annual Report**

**For the year ended December 31, 2023 (the "Reporting Period")**

### **Outstanding Shares**

As of December 31, 2023, the number of shares outstanding of our Common Stock was: 16,214,390.

As of December 31, 2022, the number of shares outstanding of our Common Stock was: 12,161,047.

### **Shell Status**

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933, Rule 12b-2 of the Exchange Act of 1934 and Rule 15c2-11 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:

### **Change in Control**

Indicate by check mark whether a Change in Control<sup>1</sup> of the company has occurred over this reporting period:

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<sup>1</sup> "Change in Control" shall mean any events resulting in:

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

Yes:  No:

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

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

- a. BioStem Technologies, Inc. (Active)
- b. BioStem Technologies was formerly named Caribbean International Holdings, Inc., until August 28, 2014, when the issuer changed its name to BioStem Technologies, Inc.
- c. Caribbean International Holdings, Inc. was formerly named Caribbean Casino & Gaming Corporation, until November 29, 2012, when it changed its name to Caribbean International Holdings, Inc.
- d. Caribbean Casino & Gaming Corporation was formed on February 12, 2009.

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

Florida; Active Status.

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

None.

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

None.

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

2836 Center Port Circle, Pompano Beach, FL 33064

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

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

\_\_\_\_\_

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

No:  Yes:  If Yes, provide additional details below:

\_\_\_\_\_

## 2) Security Information

### **Transfer Agent**

Name: V Stock Transfer  
Phone: 212-828-8436  
Email: info@vstocktransfer.com  
Address: 18 Lafayette Pl, Woodmere, NY 11598

### **Publicly Quoted or Traded Securities:**

*The goal of this section is to provide a clear understanding of the share information for its publicly quoted or traded equity securities. Use the fields below to provide the information, as applicable, for all outstanding classes of securities that are publicly traded/quoted.*

Trading symbol:	<u>BSEM</u>	
Exact title and class of securities outstanding:	<u>Common</u>	
CUSIP:	<u>090684200</u>	
Par or stated value:	<u>\$0.001</u>	
Total shares authorized:	975,000,000	<u>as of date: December 31, 2023</u>
Total shares outstanding:	16,251,892	<u>as of date: December 31, 2023</u>
Total number of shareholders of record:	1,459	<u>as of date: December 31, 2023</u>

*All additional class(es) of publicly quoted or traded securities (if any):*

NA

### **Other classes of authorized or outstanding equity securities:**

*The goal of this section is to provide a clear understanding of the share information for its other classes of authorized or outstanding equity securities (e.g. preferred shares). Use the fields below to provide the information, as applicable, for all other authorized or outstanding equity securities.*

Exact title and class of the security:	Series A-1 Preferred Stock	
CUSIP (if applicable):	NA	
Par or stated value:	No Par	
Total shares authorized:	300	<u>as of date: December 31, 2023</u>
Total shares outstanding (if applicable):	300	<u>as of date: December 31, 2023</u>
Total number of shareholders of record (if applicable):	3	<u>as of date: December 31, 2023</u>

Exact title and class of the security:	Series B-1 Preferred Stock	
CUSIP (if applicable):	NA	
Par or stated value:	No Par Value	
Total shares authorized:	500,000	<u>as of date: December 31, 2023</u>
Total shares outstanding (if applicable):	5	<u>as of date: December 31, 2023</u>

Total number of shareholders of record as of date: December 31, 2023: 1

**Security Description:**

*The goal of this section is to provide a clear understanding of the material rights and privileges of the securities issued by the company. Please provide the below information for each class of the company's equity securities, as applicable:*

**1. For common equity, describe any dividend, voting and preemption rights.**

Each holder is entitled to one vote for each share of Common Stock held on all matters submitted to a vote of stockholders of the Company. Holders of Common Stock are not entitled to any preemptive rights.

**2. For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions.**

**Series A-1 Convertible Preferred Shares:**

The Company has designated 300 shares of preferred stock as "Series A-1 Convertible Preferred Shares". The Series A-1 Convertible Preferred Shares entitled their holders to a number of votes equal to the number of shares issuable upon conversion times 2,000,000 granting the holders of Series A-1 Convertible Preferred Shares, as a group, effective control of the Company.

Series A-1 Convertible Preferred Shares are convertible, at the option of the holders, or automatically upon a Qualified Public Offering resulting in gross proceeds to the Company of not less than \$30 million, in whole but not in part, into 300 shares of common stock.

Holders of Series A-1 Convertible Preferred Shares are not entitled to receive dividends out of assets legally available thereof, prior and in preference to any declaration or payment of any dividend on the common stock or any other capital stock of the Corporation.

**Series B-1 Convertible Preferred Shares:**

The Company has designated 500,000 shares of preferred stock as "Series B-1 Convertible Preferred Shares".

The Series B-1 Convertible Preferred Shares entitle their holders to votes equal to the number of shares issuable upon conversion.

Each Series B-1 Convertible Preferred Share is convertible, at the option of the holders, or automatically upon a Qualified Public Offering resulting in gross proceeds to the Company of not less than \$30 million, in whole but not in part, into six (6) shares of common stock.

The Series B-1 Preferred Shares shall be entitled to receive an annual dividend, payable in newly issued common stock, in an amount equal to ten percent (10%) of the number of then existing Series B-1 Preferred Shares issued and outstanding prior and in preference to any declaration or payment of any dividend on the common stock or any other capital stock of the Corporation. This Dividend shall be cumulative.

**3. Describe any other material rights of common or preferred stockholders.**

None.

4. Describe any material modifications to the rights of holders of the company's securities that have occurred over the reporting period covered by this report.

None.

3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any changes to the total shares outstanding of any class of the issuer's securities in the past two completed fiscal years and any subsequent interim period.

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

A. Changes to the Number of Outstanding Shares

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

No:  Yes:  (If yes, you must complete the table below)

Shares Outstanding as of Second Most Recent Fiscal Year End:			*Right-click the rows below and select "Insert" to add rows as needed.						
Opening Balance									
Date <u>12/31/2021</u> Common: <u>9,744,180</u>									
Preferred Series A-1: <u>300</u> Preferred Series B-1: <u>5</u>									
Date of Transaction	Transaction type (e.g., new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to.  *You must disclose the control person(s) for any entities listed.	Reason for share issuance (e.g. for cash or debt conversion) - OR-Nature of Services Provided	Restricted or Unrestricted as of this filing.	Exemption or Registration Type.
01/20/2022	New Issuance	9,615	Common	1.04	No	MATT WURM	EMPLOYEE COMPENSATION	RESTRICTED	RULE 4(a)(2)
1/27/2022	New Issuance	20,000	Common	1.07	No	WENDY WESTON	EMPLOYEE COMPENSATION	RESTRICTED	RULE 4(a)(2)
03/22/2022	New Issuance	1,689	Common	1.18	No	JEFFREY HARRISON	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
03/22/2022	New Issuance	1,689	Common	1.18	No	SHAUN OPIE	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)

03/22/2022	New Issuance	1,689	Common	1.18	No	PHYSIOMICS, INC. / DAN SHELLY	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
03/22/2022	New Issuance	2,534	Common	1.18	No	BRANT D. WATSON REVOCABLE LIVING TRUST / BRANT WATSON TRUSTEE	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
03/29/2022	New Issuance	141,090	Common	.70	Yes	RONALD STEIN	DEBT CONVERSION	RESTRICTED	RULE 4(a)(2)
3/31/2022	New Issuance	550,631	Common	.70	Yes	JASON MATUSZEWSKI	CONVERSION OF UNPAID SALARIES TO EQUITY	RESTRICTED	RULE 4(a)(2)
3/31/2022	New Issuance	298,621	Common	.70	Yes	HENRY VAN VURST	CONVERSION OF UNPAID SALARIES TO EQUITY	RESTRICTED	RULE 4(a)(2)
03/31/2022	New Issuance	339,286	Common	.70	Yes	JOHN RADTKE	CONVERSION OF UNPAID SALARIES TO EQUITY	RESTRICTED	RULE 4(a)(2)
3/31/2022	New Issuance	550,631	Common	.70	Yes	ANDREW VAN VURST	CONVERSION OF UNPAID SALARIES TO EQUITY	RESTRICTED	RULE 4(a)(2)
4/4/2022	New Issuance	740	Common	1.35	No	SHAUN OPIE	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
4/4/2022	New Issuance	740	Common	1.35	No	JEFFREY K. HARRISON	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
4/4/2022	New Issuance	740	Common	1.35	No	PHYSIOMICS, INC. / DAN SHELLY	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
4/4/2022	New Issuance	740	Common	1.35	No	BRANT D. WATSON REVOCABLE LIVING TRUST / BRANTWATSON TRUSTEE	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
4/6/2022	New Issuance	7,960	Common	1.25	No	ANTHONY L.G., PLLC / LAURA ANTHONY, ESQ,	COMPENSATION FOR LEGAL SERVICES	RESTRICTED	RULE 4(a)(2)
5/16/2022	New Issuance	633	Common	1.58	No	SHAUN OPIE	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
5/16/2022	New Issuance	633	Common	1.58	No	PHYSIOMICS, INC. / DAN SHELLY	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
5/16/2022	New Issuance	633	Common	1.58	No	JEFFREY HARRISON	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)

5/16/2022	New Issuance	633	Common	1.58	No	BRANT D. WATSON REVOCABLE LIVING TRUST / BRANT WATSON TRUSTEE	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
6/13/2022	New Issuance	505	Common	1.98	No	JEFFREY HARRISON	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
6/13/2022	New Issuance	505	Common	1.98	No	SHAUN OPIE	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
6/13/2022	New Issuance	505	Common	1.98	No	PHYSIOMICS, INC. / DAN SHELLY	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
6/13/2022	New Issuance	505	Common	1.98	No	BRANT D. WATSON REVOCABLE LIVING TRUST /BRANT WATSON TRSUTEE	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
7/1/2022	New Issuance	522	Common	1.92	No	JEFFREY K HARRISON	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
7/1/2022	New Issuance	522	Common	1.92	No	SHAUN OPIE	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
7/1/2022	New Issuance	522	Common	1.92	No	BRANT D. WATSON REVOCABLE LIVING TRUST/ BRANT WATSON TRUSTEE	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
7/1/2022	New Issuance	522	Common	1.92	No	PHYSIOMICS SYSTEMS, LLC / DAN SHELLY	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
7/29/2022	New Issuance	343,877	Common	2.30	No	HENRY W VAN VURST IV	DEBT CONVERSION	RESTRICTED	RULE 4(a)(2)
8/1/2022	New Issuance	436	Common	2.30	No	JEFFREY K HARRISON	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
8/1/2022	New Issuance	436	Common	2.30	No	SHAUN OPIE	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
8/1/2022	New Issuance	436	Common	2.30	No	PHYSIOMICS SYSTEMS, LLC / DAN SHELLY	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
8/1/2022	New Issuance	436	Common	2.30	No	BRANT D. WATSON REVOCABLE	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)

						LIVING TRUST / BRANT WATSON TRUSTEE			
8/10/2022	New Issuance	50,000	Common	2.80	No	MIRTHA FONTE- OKUNSKI	SHARES ISSUED FOR CASH	RESTRICTED	506B
9/1/2022	New Issuance	357	Common	2.80	No	JEFFREY K HARRISON	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
9/1/2022	New Issuance	357	Common	2.80	No	SHAUN OPIE	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
9/1/2022	New Issuance	357	Common	2.80	No	PHYSIOMICS SYSTEMS, LLC / DAN SHELLY	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
9/1/2022	New Issuance	357	Common	2.80	No	BRANT D. WATSON REVOCABLE LIVING TRUST / BRANT WATSON TRUSTEE	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
9/7/2022	New Issuance	10,853	Common	2.76	No	BRANDON POE	BOARD OF DIRECTORS COMPENSATION	RESTRICTED	RULE 4(a)(2)
10/1/2022	New Issuance	312	Common	3.20	No	BRANT D. WATSON REVOCABLE LIVING TRUST / BRANT WATSON TRUSTEE	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
10/1/2022	New Issuance	312	Common	3.20	No	JEFFREY K HARRISON	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
10/1/2022	New Issuance	312	Common	3.20	No	PHYSIOMICS SYSTEMS, LLC / DAN SHELLY	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
10/1/2022	New Issuance	312	Common	3.20	No	SHAUN OPIE	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
10/11/2022	New Issuance	25,000	Common	3.20	No	MICHAEL A FORTUNATO	EMPLOYEE COMPENSATION	RESTRICTED	RULE 4(a)(2)
11/1/2022	New Issuance	284	Common	3.52	No	BRANT D. WATSON REVOCABLE LIVING TRUST/ BRANT WATSON TRUSTEE	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)



11/1/2022	New Issuance	284	Common	3.52	No	JEFFREY K HARRISON	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
11/1/2022	New Issuance	284	Common	3.52	No	PHYSIOMICS SYSTEMS, LLC / DAN SHELLY	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
11/1/2022	New Issuance	284	Common	3.52	No	SHAUN OPIE	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
11/10/2022	New Issuance	3,489	Common	1.65	No	ANTHONY L.G., PLLC / LAURA ANTHONY	COMPENSATION FOR LEGAL SERVICES	RESTRICTED	RULE 4(a)(2)
12/1/2022	New Issuance	292	Common	3.42	No	BRANT D. WATSON REVOCABLE LIVING TRUST / BRANT WATSON TRUSTEE	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
12/1/2022	New Issuance	292	Common	3.42	No	JEFFREY K HARRISON	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
12/1/2022	New Issuance	292	Common	3.42	No	PHYSIOMICS SYSTEMS, LLC / DAN SHELLY	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
12/1/2022	New Issuance	292	Common	3.42	No	SHAUN OPIE	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
12/8/2022	New Issuance	2,955	Common	3.32	No	BRANDON POE	BOARD OF DIRECTORS COMPENSATION	RESTRICTED	RULE 4(a)(2)
12/21/2022	New Issuance	1,882	Common	1.65	No	ANTHONY L.G., PLLC / LAURA ANTHONY	COMPENSATION FOR LEGAL SERVICES	RESTRICTED	RULE 4(a)(2)
1/4/2023	New Issuance	305	Common	3.28	No	JEFFREY K HARRISON	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
1/4/2023	New Issuance	305	Common	3.28	No	SHAUN OPIE	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
1/4/2023	New Issuance	305	Common	3.28	No	PHYSIOMICS SYSTEMS, LLC / DAN SHELLY	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
1/4/2023	New Issuance	305	Common	3.28	No	BRANT D. WATSON REVOCABLE LIVING TRUST / BRANT WATSON TRUSTEE	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
2/1/2023	New Issuance	5,047	Common	1.65	No	ANTHONY L.G., PLLC	COMPENSATION FOR LEGAL SERVICES	RESTRICTED	RULE 4(a)(2)

2/2/2023	New Issuance	19,000	Common	1.5	No	OLYMPUS 3 ACQUISITIONS, LLC / CHRIS LEONE	COMPENSATION FOR MARKETING SERVICES	RESTRICTED	RULE 4(a)(2)
2/3/2023	New Issuance	322	Common	3.1	No	SHAUN OPIE	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
2/3/2023	New Issuance	322	Common	3.1	No	JEFFREY K HARRISON	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
2/3/2023	New Issuance	322	Common	3.1	No	PHYSIOMICS SYSTEMS, LLC / DAN SHELLY	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
2/3/2023	New Issuance	322	Common	3.1	No	BRANT D. WATSON REVOCABLE LIVING TRUST / BRANT WATSON TRUSTEE	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
2/8/2023	New Issuance	500,000	Common	1.63	No	M.W JENS REALTY INVESTMENT, LLC / MARK JENS	ISSUANCE OF COMMON STOCK TO REPURCHASE NON-CONTROLLING INTEREST IN SUBSIDIARY	RESTRICTED	RULE 4(a)(2)
2/28/2023	New Issuance	252,357	Common	3	No	OLYMPUS 3 ACQUISITIONS, LLC / CHRIS LEONE	CONVERSION FROM DEBT TO EQUITY	RESTRICTED	RULE 4(a)(2)
3/1/2023	New Issuance	19,000	Common	1.5	No	OLYMPUS 3 ACQUISITIONS, LLC / CHRIS LEONE	COMPENSATION FOR MARKETING SERVICES	RESTRICTED	RULE 4(a)(2)
3/1/2023	New Issuance	295	Common	3.39	No	JEFFREY K HARRISON	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
3/1/2023	New Issuance	295	Common	3.39	No	SHAUN OPIE	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
3/1/2023	New Issuance	295	Common	3.39	No	PHYSIOMICS SYSTEMS, LLC / DAN SHELLY	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
3/1/2023	New Issuance	295	Common	3.39	No	BRANT D. WATSON REVOCABLE LIVING TRUST / BRANT WATSON TRUSTEE	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
3/13/2023	New Issuance	6,667	Common	1.5	No	MARTEL PELLERIN	STOCK ISSUED FOR CASH	RESTRICTED	RULE 4(a)(2)

3/23/2023	New Issuance	20,000	Common	1.5	No	EMERY WALDRON	STOCK ISSUED FOR CASH	RESTRICTED	RULE 4(a)(2)
3/23/2023	New Issuance	50,000	Common	1.5	No	EDWARD WALDRON & JULIE WALDRON JTWRS / EDWARD AND JULIE WALDRON TRUSTEES	STOCK ISSUED FOR CASH	RESTRICTED	RULE 4(a)(2)
3/28/2023	New Issuance	63,334	Common	1.5	No	EDWARD WALDRON JR.	STOCK ISSUED FOR CASH	RESTRICTED	RULE 4(a)(2)
4/3/2023	New Issuance	6,667	Common	1.5	No	CHARLES MILLER	STOCK ISSUED FOR CASH	RESTRICTED	RULE 4(a)(2)
4/13/2023	New Issuance	17,333	Common	1.5	No	EMPIRE VENTURES HOLDINGS, LLC / JOSEPH SIRIANNI	STOCK ISSUED FOR CASH	RESTRICTED	RULE 4(a)(2)
4/19/2023	New Issuance	19,000	Common	1.5	No	OLYMPUS 3 ACQUISITIONS, LLC / CHRIS LEONE	STOCK ISSUED FOR CASH	RESTRICTED	RULE 4(a)(2)
4/20/2023	New Issuance	16,667	Common	1.5	No	DONNY PITTMAN	STOCK ISSUED FOR CASH	RESTRICTED	RULE 4(a)(2)
4/24/2023	New Issuance	27,000	Common	1.5	No	PAUL SIHON	STOCK ISSUED FOR CASH	RESTRICTED	RULE 4(a)(2)
5/2/2023	New Issuance	25,000	Common	1.5	No	OLYMPUS 3 ACQUISITIONS, LLC / CHRIS LEONE	COMPENSATION FOR MARKETING SERVICES	RESTRICTED	RULE 4(a)(2)
5/5/2023	New Issuance	442	Common	2.26	No	SHAUN OPIE	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
5/5/2023	New Issuance	442	Common	2.26	No	JEFFREY K HARRISON	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
5/5/2023	New Issuance	442	Common	2.26	No	PHYSIOMICS SYSTEMS, LLC / DAN SHELLY	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
5/5/2023	New Issuance	442	Common	2.26	No	BRANT D. WATSON REVOCABLE LIVING TRUST / BRANT WATSON TRUSTEE	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
5/5/2023	New Issuance	19,000	Common	2.26	No	OLYMPUS 3 ACQUISITIONS, LLC / CHRIS LEONE	COMPENSATION FOR MARKETING SERVICES	RESTRICTED	RULE 4(a)(2)

6/2/2023	New Issuance	16,667	Common	1.5	No	DARYL EBER	STOCK ISSUED FOR CASH	RESTRICTED	RULE 4(a)(2)
6/6/2023	New Issuance	495	Common	2.02	No	SHAUN OPIE	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
6/6/2023	New Issuance	495	Common	2.02	No	JEFFREY K HARRISON	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
6/6/2023	New Issuance	495	Common	2.02	No	PHYSIOMICS SYSTEMS, LLC / DAN SHELLY	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
6/6/2023	New Issuance	495	Common	2.02	No	BRANT D. WATSON REVOCABLE LIVING TRUST / BRANT WATSON TRUSTEE	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
6/6/2023	New Issuance	19,000	Common	1.5	No	OLYMPUS 3 ACQUISITIONS, LLC / CHRIS LEONE	COMPENSATION FOR MARKETING SERVICES	RESTRICTED	RULE 4(a)(2)
6/8/2023	New Issuance	200,000	Common	1.9	No	JOHN RADTKE	EMPLOYEE COMPENSATION	RESTRICTED	RULE 4(a)(2)
7/10/2023	New Issuance	513	Common	1.95	No	JEFFREY K HARRISON	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
7/10/2023	New Issuance	513	Common	1.95	No	SHAUN OPIE	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
7/10/2023	New Issuance	513	Common	1.95	No	PHYSIOMICS SYSTEMS, LLC / DAN SHELLY	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
7/10/2023	New Issuance	513	Common	1.95	No	BRANT D. WATSON REVOCABLE LIVING TRUST / BRANT WATSON TRUSTEE	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
8/1/2023	New Issuance	568	Common	1.76	No	JEFFREY K HARRISON	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
8/1/2023	New Issuance	568	Common	1.76	No	SHAUN OPIE	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
8/1/2023	New Issuance	568	Common	1.76	No	PHYSIOMICS SYSTEMS, LLC / DAN SHELLY	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
8/1/2023	New Issuance	406	Common	1.83	No	BRANT D. WATSON REVOCABLE	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)

						LIVING TRUST / BRANT WATSON			
9/1/2023	New Issuance	576	Common	1.74	No	JEFFREY K HARRISON	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
9/1/2023	New Issuance	576	Common	1.74	No	SHAUN OPIE	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
9/1/2023	New Issuance	576	Common	1.74	No	PHYSIOMICS SYSTEMS, LLC / DAN SHELLY	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
9/8/2023	New Issuance	17,024	Common	1.76	No	BRANDON POE	BOARD OF DIRECTORS COMPENSATION	RESTRICTED	RULE 4(a)(2)
9/13/2023	New Issuance	60,000	Common	2.15	No	PCG ADVISORY, INC. / JEFF RAMSON	STOCK ISSUED FOR CASH	RESTRICTED	RULE 4(a)(2)
9/13/2023	New Issuance	40,000	Common	1.5	No	PROACTIVE CAPITAL PARTNERS, LP / JEFF RAMSON	STOCK ISSUED FOR SERVICES	RESTRICTED	RULE 4(a)(2)
9/21/2023	New Issuance	7000	Common	1.5	No	GLENN & KIM FITZGERALD	STOCK ISSUED FOR CASH	RESTRICTED	RULE 4(a)(2)
10/1/2023	New Issuance	444	Common	2.25	No	JEFFREY K HARRISON	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
10/1/2023	New Issuance	444	Common	2.25	No	SHAUN OPIE	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
10/1/2023	New Issuance	444	Common	2.25	No	PHYSIOMICS SYSTEMS, LLC / DAN SHELLY	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
10/6/2023	New Issuance	20,000	Common	1.5	No	LEWIS SPERBER	STOCK ISSUED FOR CASH	RESTRICTED	RULE 4(a)(2)
10/6/2023	New Issuance	10,000	Common	1.5	No	STEFAN ARNI AUDOLFSSON	STOCK ISSUED FOR CASH	RESTRICTED	RULE 4(a)(2)
10/6/2023	New Issuance	10,000	Common	1.5	No	HARALDUR TRYGGVASON KLEIN	STOCK ISSUED FOR CASH	RESTRICTED	RULE 4(a)(2)
10/12/2023	New Issuance	20,000	Common	1.5	No	YUPING LIU	STOCK ISSUED FOR CASH	RESTRICTED	RULE 4(a)(2)
10/13/2023	New Issuance	1,000,000	Common	1.5	No	MICHAEL R DIETZEN	STOCK ISSUED FOR CASH	RESTRICTED	RULE 4(a)(2)
10/16/2023	New Issuance	16,667	Common	1.5	No	BEAR CREEK CAPITAL LLC / RAY OLIVER	STOCK ISSUED FOR CASH	RESTRICTED	RULE 4(a)(2)
10/17/2023	New Issuance	20,000	Common	1.5	No	HARRIS SPERBER	STOCK ISSUED FOR CASH	RESTRICTED	RULE 4(a)(2)

10/18/2023	New Issuance	16,667	Common	1.5	No	STEVE SIMON	STOCK ISSUED FOR CASH	RESTRICTED	RULE 4(a)(2)
10/19/2023	New Issuance	95,000	Common	1.5	No	OLYMPUS 3 ACQUISITIONS, LLC / CHRIS LEONE	STOCK ISSUED FOR CASH	RESTRICTED	RULE 4(a)(2)
10/19/2023	New Issuance	20,000	Common	1.5	No	LEWIS SPERBER	STOCK ISSUED FOR CASH	RESTRICTED	RULE 4(a)(2)
10/19/2023	New Issuance	16,667	Common	1.5	No	JILL RENEE ARBOLEDA	STOCK ISSUED FOR CASH	RESTRICTED	RULE 4(a)(2)
10/19/2023	New Issuance	13,334	Common	1.5	No	EMERY WALDRON	STOCK ISSUED FOR CASH	RESTRICTED	RULE 4(a)(2)
10/20/2023	New Issuance	20,000	Common	1.5	No	CHARITY BOYD	STOCK ISSUED FOR CASH	RESTRICTED	RULE 4(a)(2)
10/23/2023	New Issuance	33,333	Common	1.5	No	DARLENE GIMBLE	STOCK ISSUED FOR CASH	RESTRICTED	RULE 4(a)(2)
10/23/2023	New Issuance	20,000	Common	1.5	No	JACOB KRAWZE	STOCK ISSUED FOR CASH	RESTRICTED	RULE 4(a)(2)
10/30/2023	New Issuance	33,333	Common	1.5	No	HENRY W VAN VURST IV	STOCK ISSUED FOR CASH	RESTRICTED	RULE 4(a)(2)
11/1/2023	New Issuance	326	Common	3.07	No	JEFFREY K HARRISON	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
11/1/2023	New Issuance	326	Common	3.07	No	SHAUN OPIE	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
11/1/2023	New Issuance	326	Common	3.07	No	PHYSIOMICS SYSTEMS, LLC / DAN SHELLY	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
11/1/2023	New Issuance	526,325	Common	0.70	No	VICTOR MATUSZEWSKI AND KAREN MATUSZEWSKI	CONVERSION OF DEBT TO EQUITY	RESTRICTED	RULE 4(a)(2)
11/1/2023	New Issuance	20,000	Common	1.50	No	EDWARD & JULIE WALDRON	SECURITY CONVERSION	RESTRICTED	RULE 4(a)(2)
11/10/2023	New Issuance	676,215	Common	0.70	No	JEFFREY ROBERT MEILANDER	CONVERSION OF DEBT TO EQUITY	RESTRICTED	RULE 4(a)(2)
12/1/2023	New Issuance	326	Common	3.07	No	JEFFREY K HARRISON	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
12/1/2023	New Issuance	326	Common	3.07	No	SHAUN OPIE	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
12/1/2023	New Issuance	326	Common	3.07	No	PHYSIOMICS SYSTEMS, LLC / DAN SHELLY	COMPENSATION FOR SCIENTIFIC ADVISORY BOARD SERVICES	RESTRICTED	RULE 4(a)(2)
12/8/2023	New Issuance	3,046	Common	3.28	No	BRANDON POE	BOARD OF DIRECTORS COMPENSATION	RESTRICTED	RULE 4(a)(2)

12/8/2023	New Issuance	12,392	Common	3.23	No	THOMAS J. DUGAN	BOARD OF DIRECTORS COMPENSATION	RESTRICTED	RULE 4(a)(2)
12/16/2023	New Issuance	7,989	Common	3.76	No	PATRICK DALY	BOARD OF DIRECTORS COMPENSATION	RESTRICTED	RULE 4(a)(2)
12/23/2023	New Issuance	37,500	Common	2.00	No	WES DE SOUZA	SECURITY CONVERSION	RESTRICTED	RULE 4(a)(2)
Shares Outstanding on Date of This Report:									
<u>Ending Balance</u>									
Ending Balance:									
Date <u>12/31/2023</u> Common: <u>16,214,390</u> Preferred Series A-1: <u>300</u> Preferred Series B-1: <u>5</u>									

**Example:** A company with a fiscal year end of December 31<sup>st</sup>, in addressing this item for its Annual Report, would include any events that resulted in changes to any class of its outstanding shares from the period beginning on January 1, 2022 through December 31, 2023 pursuant to the tabular format above.

Use the space below to provide any additional details, including footnotes to the table above:

NA

## B. Promissory and Convertible Notes

Indicate by check mark whether there are any outstanding promissory, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities:

No:  Yes:  (If yes, you must complete the table below)

Date of Note Issuance	Outstanding Balance (\$)	Principal Amount at Issuance (\$)	Interest Accrued (\$)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder. *You must disclose the control person(s) for any entities listed.	Reason for Issuance (e.g. Loan, Services, etc.)
<u>06/01/2023</u>	<u>\$549,426.94</u>	<u>\$750,000</u>	<u>\$0</u>	<u>06/01/25</u>	<u>Holder issued 373,134 Common Stock Purchase Warrants; exercise price \$2.01</u>	<u>Jeffrey Meilander</u>	<u>Loan</u>

Use the space below to provide any additional details, including footnotes to the table above:

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

The purpose of this section is to provide a clear description of the issuer's current operations. (Please ensure that these descriptions are updated on the Company's Profile on [www.otcmarkets.com](http://www.otcmarkets.com)).

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

### Organization and Description of the Business

BioStem Technologies, Inc. (hereinafter “the Company”), was incorporated as Aladdin & Company Trading in Utah on July 7, 2006. On March 2, 2009, Aladdin & Company Trading both changed its name to Caribbean Casino & Gaming Corporation and re-domiciled to Florida. Caribbean Casino & Gaming Corporation further changed its name to Caribbean International Holdings, Inc. on January 7, 2013. The Company then changed its name to BioStem Technologies, Inc. on August 28, 2014. The Company is active and currently in good standing with the State of Florida.

The Company’s fiscal year end is December 31.

**B. List any subsidiaries, parent company, or affiliated companies.**

The Company has one wholly owned, non-operating subsidiary, Nesvik Pharmaceuticals, Inc. Throughout 2022, the Company owed a controlling interest (90%) in an operating subsidiary, Blue Tech Industries, Inc. (d/b/a BioStem Life Sciences, Inc.) or “BSLS”. The remaining 10% ownership of BSLS is reported as non-controlling interest (“NCI”) within the consolidated financial statements. In January 2023, the Company repurchased the 10% noncontrolling interest in BSLS for 500,000 shares of BSEM Common Stock valued at \$1.63 per share.

**C. Describe the issuers’ principal products or services.**

BioStem Technologies is a leading innovator focused on harnessing the natural properties of perinatal tissue in the development, manufacture and commercialization of allografts and regenerative therapies. Leveraging our proprietary BioRetain® processing method, we manufacture perinatal tissue allografts at the highest levels of quality. BioRetain has been developed by applying the latest research in regenerative medicine, focused on maintaining natural growth factors and preserving tissue structure. Our allografts are trusted by top clinicians across a range of specialties.

**5) Issuer’s Facilities**

The goal of this section is to provide a potential investor with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer and the extent in which the facilities are utilized.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer, give the location of the principal plants and other property of the issuer and describe the condition of the properties. If the issuer does not have complete ownership or control of the property (for example, if others also own the property or if there is a mortgage on the property), describe the limitations on the ownership.

If the issuer leases any assets, properties or facilities, clearly describe them as above and the terms of their leases.

The Company owns and operates a 6,100 sq. ft. manufacturing facility with multiple ISO 5 and ISO 7 suites designed for commercial production of human cells, tissues, and cellular based products (“HCT/Ps”). The Company is currently in the process of expanding its manufacturing capacity by doubling its ISO clean room. The additional manufacturing capacity is expected to be operational by within the second half of 2024.

The Company also leases certain laboratory and office equipment accounted for as finance leases within the Company’s financial statements.

**6) Officers, Directors, and Control Persons**

Using the table below, please provide information, as of the period end date of this report, regarding any officers, or directors of the company, individuals or entities controlling more than 5% of any class of the issuers securities, or any



person that performs a similar function, regardless of the number of shares they own. **If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity in the note section.**

Include Company Insiders who own any outstanding units or shares of any class of any equity security of the issuer.

The goal of this section is to provide an investor with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial shareholders.

Names of All Officers, Directors and Control Persons	Affiliation with Company (e.g. Officer Title /Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Names of control person(s) if a corporate entity
<u>Jason Matuszewski</u>	<u>Officer, Director and 5% Stockholder</u>	<u>Boca Raton, FL</u>	<u>1,391,592</u> <u>100</u>	<u>Common</u> <u>Preferred A-1</u>	<u>8.57%</u> <u>33.33%</u>	_____
<u>Andrew VanVurst</u>	<u>Officer, Director and 5% Stockholder</u>	<u>Lighthouse Point, FL</u>	<u>1,692,348</u> <u>100</u>	<u>Common</u> <u>Preferred A-1</u>	<u>10.43%</u> <u>33.33%</u>	_____
<u>Henry VanVurst</u>	<u>Owner of more than 5%</u>	<u>Fort Lauderdale, FL</u>	<u>1,231,948</u> <u>100</u>	<u>Common</u> <u>Preferred A-1</u>	<u>7.59%</u> <u>33.33%</u>	_____
<u>Brandon Poe</u>	<u>Director &lt;5%</u>	<u>San Diego, CA</u>	<u>33,878</u>	<u>Common</u>	<u>&lt;1%</u>	_____
<u>Kenneth Warrington</u>	<u>Director &lt;5%</u>	<u>Gainesville, FL</u>	<u>7,462</u>	<u>Fully Vested Common Stock Options</u>	<u>&lt;1%</u>	_____
<u>Thomas Dugan</u>	<u>Director &lt;5%</u>	<u>Ponte Vedra Beach, FL</u>	<u>12,392</u>	<u>Common</u>	<u>&lt;1%</u>	
<u>Patrick Daly</u>	<u>Director &lt;5%</u>	<u>Raleigh, NC</u>	<u>7,989</u>	<u>Common</u>	<u>&lt;1%</u>	
<u>Michael Fortunato</u>	<u>Officer, Director and 5% Stockholder</u>	<u>Pittsburgh, PA</u>	<u>105,000</u>	<u>Common</u>	<u>&lt;1%</u>	

## 7) Legal/Disciplinary History

A. Identify whether any of the persons or entities listed above have, in the past 10 years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

None

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

None

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

None

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.

None

- B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

None

## **8) Third Party Service Providers**

Provide the name, address, telephone number and email address of each of the following outside providers. You may add additional space as needed.

### Securities Counsel (must include Counsel preparing Attorney Letters).

Name: Jessica Haggard, Esq.  
Firm: Anthony, Linder & Cacomanolis  
Address 1: 1700 Palm Beach Lakes Blvd., Suite 820  
Address 2: West Palm Beach, FL 33401  
Phone: (561) 514-0936  
Email: JHaggard@ALClaw.com

### Accountant or Auditor

Name: Ilyssa Blum  
Firm: Marcum, LLP  
Address 1: 201 East Las Olas Boulevard, 21st Floor  
Address 2: Ft. Lauderdale, FL 33301  
Phone: (954) 320-8020  
Email: Ilyssa.Blum@marcumllp.com

### Investor Relations

Name: Jeff Ramson

Firm: PCG Advisory  
Address 1: 950 Third Avenue, Suite 2700  
Address 2: NY, NY 10022  
Phone: (646) 863-6341  
Email: iramson@pcgadvisory.com

*All other means of Investor Communication:*

X (f/k/a Twitter): X [BSEM Twitter](#)  
Discord: \_\_\_\_\_  
LinkedIn: X [BSEM LinkedIn Page](#)  
Facebook: \_\_\_\_\_  
[Other - Instagram] X [BSEM Instagram Link](#)

#### Other Service Providers

Provide the name of any other service provider(s) that **that assisted, advised, prepared, or provided information with respect to this disclosure statement**. This includes counsel, broker-dealer(s), advisor(s), consultant(s) or any entity/individual that provided assistance or services to the issuer during the reporting period.

Name: NA  
Firm: \_\_\_\_\_  
Nature of Services: \_\_\_\_\_  
Address 1: \_\_\_\_\_  
Address 2: \_\_\_\_\_  
Phone: \_\_\_\_\_  
Email: \_\_\_\_\_

### 9) **Financial Statements**

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

- IFRS  
 U.S. GAAP

B. The following financial statements were prepared by (name of individual)<sup>2</sup>:

Name: **Michael A. Fortunato, CPA**  
Title: **CFO**  
Relationship to Issuer: **Employee**

Describe the qualifications of the person or persons who prepared the financial statements: **The CFO is a licensed CPA and has over 29 years of experience in accounting and financial reporting.**

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<sup>2</sup> The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS and by persons with sufficient financial skills.

Provide the following financial statements for the most recent fiscal year or quarter. For the initial disclosure statement (qualifying for Pink Current Information for the first time) please provide reports for the two previous fiscal years and any subsequent interim periods.

- a. Audit letter, if audited;
- b. Balance Sheet;
- c. Statement of Income;
- d. Statement of Cash Flows;
- e. Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
- f. Financial Notes

## 10) Issuer Certification

### *Principal Executive Officer:*

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

I, Jason V. Matuszewski certify that:

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

April 1, 2024 [Date]

/s/ Jason V. Matuszewski [CEO's Signature]

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

*Principal Financial Officer:*

I, Michael A. Fortunato certify that:

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

April 1, 2024

/s/ Michael A. Fortunato [CFO's Signature]

(Digital Signatures should appear as "/s/ [OFFICER NAME]")



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**BIOSTEM TECHNOLOGIES, INC. AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS**

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**Years Ended December 31, 2023 and 2022**

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**BioStem Technologies, Inc. and Subsidiaries**  
**Consolidated Balance Sheets**

	2023	2022
<b>Current Assets</b>		
Cash	\$ 239,406	\$ 772,136
Accounts receivable, net	11,371,730	37,206
Inventory, net	658,678	395,228
Prepaid expenses and other assets	329,239	281,931
Total current assets	12,599,053	1,486,501
<b>Long-Term Assets</b>		
Property and equipment, net	1,154,856	1,249,784
Construction-in-Process	202,700	103,110
Right-of-use asset, net	11,443	19,832
Intangible assets, net	347,604	362,571
Goodwill	244,635	244,635
Total assets	\$ 14,560,291	\$ 3,466,433
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 1,031,010	\$ 570,115
Bona fide services fee payable	7,787,211	-
Accrued interest	1,697,787	1,478,421
Short-term finance lease	8,988	9,238
Notes payable	4,445,782	3,018,679
Related party convertible notes payable	-	300,000
Other convertible notes payable	-	723,350
Other current liabilities	289,409	228,303
Total current liabilities	15,260,187	6,328,106
<b>Long-Term Liabilities</b>		
Finance lease, less current portion	3,294	11,305
Notes payable, less current portion	265,635	1,026,462
Other long-term liabilities, less current portion	14,850	50,512
Total long term liabilities	283,779	1,088,279
Total liabilities	15,543,966	7,416,385
Commitments and contingencies (Note 13)		
<b>Stockholders' Deficit</b>		
Series A-1 convertible preferred stock, \$0.001 par value authorized, 300 shares; issued and outstanding, 300 shares as of December 31, 2023 and 2022.	-	-
Series B-1 convertible preferred stock, \$0.001 par value authorized, 500,000 shares; issued and outstanding 5 shares as of December 31, 2023 and 2022.	-	-
Common stock, \$0.001 par value authorized, 975,000,000 shares; issued and outstanding 16,214,390 and 12,161,047 shares as of December 31, 2023 and 2022.	16,215	12,162
Additional paid-in capital	44,047,372	33,095,921
Treasury stock, 18,000 shares at cost	(43,346)	(43,346)
Accumulated deficit	(45,003,916)	(37,141,133)
Noncontrolling interest	-	126,444
Total stockholders' deficit	(983,675)	(3,949,952)
Total liabilities and stockholders' deficit	\$ 14,560,291	\$ 3,466,433

See the Notes to the Consolidated Financial Statements

**BioStem Technologies, Inc. and Subsidiaries**  
**Consolidated Statements of Operations**

	Years ended December 31,	
	2023	2022
Revenue, net	\$ 16,685,405	\$ 6,875,202
Cost of goods sold	1,261,750	881,754
Gross profit	<u>15,423,655</u>	<u>5,993,448</u>
Operating Expenses:		
Sales and marketing expenses	11,959,655	954,059
General and administrative expenses	10,066,410	9,252,744
Research and development expenses	327,344	224,775
Depreciation and amortization expense	229,014	243,418
Total operating expenses	<u>22,582,423</u>	<u>10,674,996</u>
Loss from operations	<u>(7,158,768)</u>	<u>(4,681,548)</u>
Other Income (Expense):		
Loss on extinguishment of debt	-	(2,083,197)
Interest expense	(700,326)	(468,153)
Total other income (expense), net	<u>(3,689)</u>	<u>1,102</u>
Total other expense, net	<u>(704,015)</u>	<u>(2,550,248)</u>
Loss from operations before income taxes	<u>(7,862,783)</u>	<u>(7,231,796)</u>
Income taxes	-	-
Net loss	<u>(7,862,783)</u>	<u>(7,231,796)</u>
Less: Net loss attributable to noncontrolling interest	<u>-</u>	<u>(38,847)</u>
Net loss attributable to BioStem Technologies, Inc.	<u>\$ (7,862,783)</u>	<u>\$ (7,192,949)</u>
Basic and diluted loss per share attributable to noncontrolling interest	<u>\$ -</u>	<u>\$ -</u>
Basic and diluted net income (loss) per share attributable to common stockholders of BioStem Technologies, Inc.	<u>\$ (0.57)</u>	<u>\$ (0.63)</u>
Basic and diluted weighted average common shares outstanding	<u>13,707,077</u>	<u>11,404,995</u>

See the Notes to the Consolidated Financial Statements.

**BioStem Technologies, Inc. and Subsidiaries**  
**Consolidated Statements of Changes in Stockholders' Deficit**  
**For the Years Ended December 31, 2023 and 2022**

	Series A-1		Series B-1		Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Noncontrolling Interest	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount					
<b>Balance as of December 31, 2021</b>	300	\$ -	5	\$ -	9,744,180	\$ 9,744	\$ 24,022,487	\$ (43,346)	\$ (29,948,184)	\$ 165,291	\$ (5,794,008)
Stock based compensation-stock options	-	-	-	-	-	-	2,990,101	-	-	-	2,990,101
Issuance of common stock for services	-	-	-	-	142,731	143	473,708	-	-	-	473,851
Share-based compensation-conversion of unpaid salaries at a discount to market value (Note 13)	-	-	-	-	-	-	1,913,084	-	-	-	1,913,084
Additional paid-in capital-conversion of unpaid salaries (Note 13)	-	-	-	-	1,739,169	1,740	1,224,403	-	-	-	1,226,143
Issuance of common stock for cash	-	-	-	-	50,000	50	49,950	-	-	-	50,000
Conversion of debt and accrued interest to common stock	-	-	-	-	484,967	485	338,991	-	-	-	339,476
Loss on extinguishment of debt (Note 8)	-	-	-	-	-	-	2,083,197	-	-	-	2,083,197
Net loss	-	-	-	-	-	-	-	-	(7,192,949)	(38,847)	(7,231,796)
<b>Balance as of December 31, 2022</b>	300	-	5	-	12,161,047	12,162	33,095,921	(43,346)	(37,141,133)	126,444	(3,949,952)
Stock based compensation-stock options	-	-	-	-	-	-	5,755,856	-	-	-	5,755,856
Issuance of common stock for services	-	-	-	-	312,112	312	913,948	-	-	-	914,260
Issuance of common stock for cash	-	-	-	-	1,586,333	1,586	2,377,914	-	-	-	2,379,500
Conversion of debt and accrued interest to common stock	-	-	-	-	1,454,898	1,455	1,092,679	-	-	-	1,094,134
Issuance of shares for repurchase of noncontrolling interest	-	-	-	-	500,000	500	125,944	-	-	(126,444)	-
Issuance of shares in legal settlement	-	-	-	-	200,000	200	379,800	-	-	-	380,000
Warrant issued with note payable	-	-	-	-	-	-	305,310	-	-	-	305,310
Net loss	-	-	-	-	-	-	-	-	(7,862,783)	-	(7,862,783)
<b>Balance as of December 31, 2023</b>	300	\$ -	5	\$ -	16,214,390	\$ 16,215	\$ 44,047,372	\$ (43,346)	\$ (45,003,916)	\$ -	\$ (983,675)

See the NOTES to the Consolidated Financial Statements.

**BioStem Technologies, Inc. and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (7,862,783.00)	\$ (7,231,796)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	100,668	136,046
Amortization expense	128,356	86,420
Amortization of debt discount	166,291	-
Stock-based compensation expense	5,755,856	4,903,184
Loss on extinguishment of debt	-	2,083,197
Issuance of common stock for services	914,260	473,851
Stock issued for legal settlement	380,000	-
Provision for bad debt	-	150,228
Changes in operating assets and liabilities:		
Accounts receivable	(11,334,524)	112,703
Inventory	(263,450)	(135,180)
Prepaid expenses and other assets	(47,308)	(243,847)
Accounts payable and accrued expenses	460,869	(77,140)
Accrued interest	290,150	226,465
Salaries payable	-	58,721
Bonafide service fee payable	7,787,211	-
Other current liabilities	61,106	(169,582)
Changes in long-term liabilities	(35,662)	(69,695)
Net cash (used in) provided by operating activities	<u>(3,498,960.00)</u>	<u>303,575</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(105,330)	(243,577)
Purchases of assets (see Note 3)	(105,000)	(225,907)
Net cash used in investing activities	<u>(210,330)</u>	<u>(469,484)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayments on PPP loan	-	(18,679)
Borrowings on notes payable	1,568,719	850,000
Repayments on notes payable	(763,398)	(520,833)
Borrowings on convertible note payable	-	250,000
Repayments on finance leases	(8,261)	(12,776)
Issuance of common stock for cash	2,379,500	50,000
Net cash provided by financing activities	<u>3,176,560</u>	<u>597,712</u>
Cash, cash equivalents:		
Net change during the year	(532,730)	431,803
Balance, beginning of year	772,136	340,333
Balance, end of year	<u>\$ 239,406</u>	<u>\$ 772,136</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid for taxes	\$ -	\$ -
Cash paid for interest	<u>\$ 480,960</u>	<u>\$ 226,465</u>
<b>SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Conversion of debt and accrued interest to shares of common stock	<u>\$ 1,094,134</u>	<u>\$ 339,476</u>
Issuance of shares for repurchase of noncontrolling interest	<u>\$ 126,444</u>	<u>\$ -</u>
Conversion of officers unpaid salary to common stock	<u>\$ -</u>	<u>\$ 1,226,143</u>
Warrant issued with note payable	<u>\$ 305,310</u>	<u>\$ -</u>

See the Notes to the Consolidated Financial Statements

**BioStem Technologies, Inc. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**

**Note—1 Organization and Description of Business**

BioStem Technologies, Inc. (hereinafter “the Company”), was incorporated as Aladdin & Company Trading in Utah on July 7, 2006. Aladdin & Company Trading later changed its name to Caribbean Casino & Gaming Corporation and re-domiciled to Florida on March 2, 2009. Caribbean Casino & Gaming Corporation further changed its name to Caribbean International Holdings, Inc. on January 7, 2013. On August 28, 2014, the Company changed its name to BioStem Technologies, Inc.

Since 2018, the Company’s primary business is the development, manufacture, and sale of tissue allografts for the advanced wound care market with a focus on the treatment of diabetic, pressure and venous ulcers. The Company markets and distributes products directly to medical professionals, such as podiatrists and plastic surgeons, through direct and indirect salesforces and indirectly through distributors.

The Company’s fiscal year end is December 31.

**Note—2 Going Concern and Summary of Significant Accounting Policies**

***Going Concern***

As reflected in the accompanying consolidated financial statements, the Company incurred net losses of \$7,862,783, and \$7,231,796 for the years ended December 31, 2023 and 2022, respectively, and has an accumulated deficit and working capital deficit of \$45,003,916 and \$2,661,134 as of December 31, 2023, respectively. These factors raise substantial doubt about the Company’s ability to continue as a going concern.

The ability of the Company to continue its operations is dependent on management’s plans, which includes the raising of capital through debt and/or equity markets, restructuring outstanding debt and additional funding from other traditional financing sources, including convertible debt and/or other term notes, until such time that funds provided by operations are sufficient to fund working capital requirements. The Company may need to incur liabilities with certain related parties to sustain the Company’s operations.

The Company will require additional funding to finance the growth of its current and expected future operations as well as to achieve its strategic objectives. The Company’s cash currently available, along with anticipated revenues, may not be sufficient to meet its cash needs for the near future. There can be no assurance that financing will be available in amounts or terms acceptable to the Company, if at all.

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. These financial statements do not include any adjustments relating to the recovery of the recorded assets or the classification of the liabilities that might be necessary should the Company be unable to continue as a going concern.

***Summary of Significant Accounting Policies***

**Basis of Presentation and Consolidation**

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States (“US GAAP”) and include the accounts of BioStem Technologies, Inc. and all its wholly-owned subsidiaries. All intercompany transactions have been eliminated in consolidation.

# **BioStem Technologies, Inc. and Subsidiaries**

## **Notes to the Consolidated Financial Statements**

### **For the Years Ended December 31, 2023 and 2022**

As of, and for the year ended December 31, 2023, the Company has a wholly-owned, non-operating subsidiary Nesvik Pharmaceuticals, Inc.

Prior to January 2023 the Company owned a controlling interest (90%) in an operating subsidiary, Blue Tech Industries, Inc. (d/b/a BioStem Life Sciences, Inc. or “BSLS”). In January 2023 the Company repurchased the remaining 10% noncontrolling interest (“NCI”) in exchange for common stock of the Company. The 10% NCI of BSLS was reported as NCI within the consolidated financial statements as of and for the year ended December 31, 2022.

On February 27, 2023 (“Acquisition Date”), the Company entered into an agreement to acquire certain tangible and intangible assets of AuxoCell Laboratories, Inc. (“AuxoCell”), a solid tissue processing equipment manufacturing company with corporate offices in Cambridge, Massachusetts. AuxoCell is engaged in the business of preparing formulations, compositions, and devices derived from human placental tissues and cells. The purchase price for AuxoCell was \$105,000 paid in cash. This transaction was accounted for as an asset acquisition. The accounts of AuxoCell have been consolidated with the Company since the Acquisition Date (see Note 3).

#### **Use of Estimates**

The preparation of the consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes.

Such estimates and assumptions impact both assets and liabilities, including but not limited to net realizable value of accounts receivable and inventory, estimated useful lives and impairment of long-lived assets, the valuation of intangible assets, estimated fair value of stock-based payments, and the valuation of deferred tax assets.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the consolidated financial statements, which management considered in formulating its estimate could change in the near term due to one or more future non-conforming events. Accordingly, actual results could differ significantly from estimates.

#### **Risks and Uncertainties**

The Company’s operations are subject to risk and uncertainties including financial, operational, regulatory, and other risks including the potential risk of business failure.

The Company has experienced, and in the future expects to continue to experience, variability in its sales and earnings. The factors expected to contribute to this variability include, among others: (i) the uncertainty associated with the commercialization and ultimate success of the Company’s products; (ii) competition inherent in the markets where products are expected to be sold; (iii) general economic conditions; and (iv) the related volatility of prices pertaining to the cost of sales.

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

The Company considers cash and cash equivalents to include all stable, highly liquid investments with maturities of three months or less. There are no cash equivalents as of December 31, 2023 and 2022.

**BioStem Technologies, Inc. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**

**Concentrations of Risk**

Financial instruments that subject the Company to concentration of risk consist primarily of cash and trade and accounts receivable. The Company maintains its cash balances with large, high-credit quality financial institutions and, at times, such deposits may be more than federally insured limits. The Company has not experienced any losses on its deposits.

Credit risk on accounts receivable is limited due to a large portion of payments made using pre-authorized credit cards. The Company performs ongoing credit evaluations of its customers and maintains allowances for potential credit losses. For any receivables that are deemed not collectible, credit loss allowances are recorded when probable and estimable.

One customer accounted for approximately 98% of accounts receivable as of December 31, 2023. Three customers accounted for approximately 81% of accounts receivable as of December 31, 2022. For the year ended December 31, 2023 the Company generated approximately 82% of its consolidated revenue from one customer. For the year ended December 31, 2022, the Company generated approximately 30% of its consolidated revenue from one customer.

**Accounts Receivable, net**

Accounts receivable, net are carried at the original invoice amount less an allowance for credit losses which is based on our historical experience of actual losses. Accounts receivable, net are considered impaired and written-off when it is probable that all contractual payments due will not be collected in accordance with the terms of the agreement. As a result of this analysis, the Company has reserved for estimated credit losses of \$48,166 and \$115,149 as of December 31, 2023 and 2022, respectively.

Activity related to the Company's allowance for doubtful accounts during the years ended December 31, 2023 and 2022, respectively, was as follows:

	Allowance for Doubtful Accounts	
Balance as of December 31, 2021	\$	-
Credit loss provision		150,228
Write-offs		(35,079)
Balance as of December 31, 2022		115,149
Credit loss provision		26,547
Write-offs		(93,530)
Balance as of December 31, 2023	\$	48,166

**Inventory**

Inventory is stated at the lower of cost or estimated net realizable value. Inventory cost is determined by the first-in, first-out ("FIFO") basis. Inventory costs include raw material, labor, operating overhead, supplies, depreciation and amortization of leased lab equipment and other related costs.

The Company performs an assessment of the recoverability of inventory cost during each reporting period, and it provides a valuation allowance for slow-moving, excess, and obsolete inventories to their estimated net realizable value in the period in which the need for an allowance is first identified. Such impairment charges are recorded within cost of goods sold. As of December 31, 2023 and 2022, the Company estimated a reserve of \$0 and \$25,000, respectively.

**BioStem Technologies, Inc. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**

The table below presents the Company’s inventory values, by category, as of December 31, 2023 and 2022, respectively:

	<b>2023</b>	<b>2022</b>
Raw Materials	\$ 69,473	\$ 74,040
Finished Goods	589,205	346,188
Total-gross value	658,678	420,228
Less: valuation allowance	-	(25,000)
Total net realizable value	\$ 658,678	\$ 395,228

**Property and Equipment and Construction in Progress**

Property and equipment (“PP&E”) consists of land, building and building improvements, machinery and equipment, computer and office equipment, furniture and fixtures. The Company separately presents construction-in-progress (“CIP”) on the consolidated balance sheet. CIP is related to the construction or development of PP&E that has yet to be placed into service for its intended use. Land and assets held as CIP are not depreciated.

PP&E is stated at cost, less accumulated depreciation. Depreciation expense commences once a PP&E asset is ready for its intended use and is computed using the straight-line method based on the estimated useful lives of the related assets as follows:

<b>Category</b>	<b>Estimated Useful Life</b>
Land	Infinite (not depreciated)
Building and Building Improvements	3–39 years
Machinery and Equipment	3-7 years
Computer and Office Equipment	3 years
Furniture and Fixtures	5-7 years
Construction in Progress	Not depreciated until placed into service

The useful lives of PP&E are determined when those assets are initially recognized. The useful lives in the table above represents the best estimate of the useful lives based on current facts and circumstances but may differ from the actual useful lives due to changes to business operations, changes in the planned use of assets, and technological advancements if and when management determines a change in the estimated useful life assumption for any asset, the remaining carrying amount of the asset is accounted for prospectively and depreciated or amortized over the revised estimated useful life.

Repair and maintenance costs are charged to expense as incurred. Upon sale or retirement of property, plant and equipment, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in the consolidated financial statements.

**Goodwill, Acquired Intangible Assets, and Other Long-Lived Assets**

*Goodwill*

Goodwill represents the excess of the purchase price of an acquired business over the fair value of the identifiable assets acquired and liabilities assumed. Goodwill is not amortized but is tested for impairment at least annually (as of December 31), or more frequently if events or circumstances indicate the carrying value may no longer be recoverable



# **BioStem Technologies, Inc. and Subsidiaries**

## **Notes to the Consolidated Financial Statements**

### **For the Years Ended December 31, 2023 and 2022**

and that an impairment loss may have occurred. Circumstances that could trigger an impairment test include, but are not limited to, a significant adverse change in the business climate or legal factors, an adverse action or assessment by a regulator, or unanticipated competition. The Company operates as one segment, which is the sole reporting unit, and therefore goodwill is tested for impairment at the consolidated level.

In January 2022, the Company adopted the provisions of Account Standards Update (“ASU”) 2017-04 *Intangibles - Goodwill and Other* (Topic 350): Simplifying the Test for Goodwill Impairment. The amendments in this ASU simplify the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test and eliminating the requirement for a reporting unit with a zero or negative carrying amount to perform a qualitative assessment. Because the book value of the Company’s reporting unit is negative, the Company is not required to perform a qualitative assessment. Management believes, based on the price of its common stock as of December 31, 2023 that the fair value of the reporting unit is greater than the book value of the reporting unit. As such, it is unlikely that goodwill is impaired as of December 31, 2023 and no impairment charge was recorded in either period presented.

No impairment losses were recognized by the Company for the years ended December 31, 2023 and 2022, respectively.

#### ***Acquired Intangible Assets***

The Company’s intangible assets were acquired in business combinations and were recognized at fair value using generally accepted valuation methods deemed appropriate for the type of intangible asset acquired and reported net of accumulated amortization, separately from goodwill.

Intangible assets with finite lives are amortized over their estimated useful lives. Intangible assets include developed technology and customer relationships.

Amortization of intangible assets with finite lives is calculated on the straight-line method based on the following estimated useful lives:

Website and software development costs	5 years
Intellectual property	5 years
Customer relationships	7 years

Acquired intangible assets with finite useful lives are reviewed for impairment when events or changes in circumstances suggest that the carrying value of these assets may not be recoverable. No impairment losses were recognized by the Company for the years ended December 31, 2023 and 2022.

#### ***Long-Lived Assets***

Long-lived assets consist primarily of PP&E, CIP and intangible assets with finite lives. The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Factors that the Company considers in deciding when to perform an impairment review include, but not limited to, significant underperformance of the business in relation to expectations, significant negative industry or economic trends and significant changes or planned changes in the use of the assets. When such an event occurs, the Company determines whether there has been impairment by comparing the anticipated undiscounted future net cash flows to the related asset group’s carrying value. If an asset is determined to be impaired, the asset is written down to fair value, which is determined based either on discounted cash flows or appraised value, depending on the nature of the asset. The Company did not record any impairment of other long-lived assets during the years ended December 31, 2023 and 2022, respectively.

# **BioStem Technologies, Inc. and Subsidiaries**

## **Notes to the Consolidated Financial Statements**

### **For the Years Ended December 31, 2023 and 2022**

#### **Business Combinations**

We account for business combinations under the acquisition method of accounting. The purchase price of each acquired business is allocated to the tangible and intangible assets acquired and the liabilities assumed on the basis of their respective fair values on the date of acquisition. Any excess of the purchase price over the fair value of the separately identifiable assets acquired and the liabilities assumed is allocated to goodwill. Conversely, any excess of the fair value of assets acquired and liabilities assumed over the purchase prices is accounted for as a bargain purchase.

Purchase price allocations are based on information regarding the fair value of assets acquired and liabilities assumed as of the dates of acquisition. We determine the fair values used in purchase price allocations for intangible assets based on historical data, estimated discounted future cash flows, and expected royalty rates for trademarks and trade names as well as certain other assumptions. The valuation of assets acquired, and liabilities assumed requires several judgments and is subject to revision as additional information about the fair value of assets and liabilities becomes available. Additional information, which existed as of the acquisition date but at that time was unknown to us, may become known during the remainder of the measurement period, a period not to exceed twelve months from the acquisition date.

#### **Advertising Expenses**

The Company expenses advertising costs as incurred. The Company incurred \$198,168 and \$93,288 in advertising expenses for the years ended December 31, 2023 and 2022, respectively, which are included as part of general and administrative expenses within the statements of operations.

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

Research and development costs include personnel costs for the Company's research and development personnel, expenses related to improvements to the manufacturing process, enhancements to the Company's currently available products, and additional investments in the product and platform development pipeline. The Company expenses research and development costs as incurred. Research and development costs were \$327,344 and \$224,775 for the years ended December 31, 2023 and 2022, respectively, as presented on the consolidated statements of operations.

#### **Leases**

The Company accounts for leases by applying ASU No. 2016-02, *Leases* ("ASC 842"). The Company elected to not to apply ASC 842 to arrangements with lease terms of 12 months or less.

In accordance with ASC 842, the Company determines if an arrangement is, or contains a lease at inception or modification of the arrangement. An arrangement is, or contains a lease, if there are identified assets and the right to control the use of the assets is conveyed to the Company over a period in exchange for consideration. Control over the use of the identified asset means the Company has both the right to obtain substantially all the economic benefits from the use of the asset and the right to direct the use of the asset.

Lease right-of-use (ROU) assets and lease liabilities are recognized at commencement date and initially measured based on the present value of lease payments over the defined lease term. Interest and amortization expense are recognized over the lease term using the effective interest method. In the absence of a readily determinable interest rate, the Company discounts the expected future lease payments using an incremental borrowing rate based on information in effect at the lease commencement date. Lease terms include optional renewal periods when it's reasonably certain on the commencement date that such option will be exercised. See Note 9, *Finance Leases and Related Obligation* for further finance lease-related disclosures.

# **BioStem Technologies, Inc. and Subsidiaries**

## **Notes to the Consolidated Financial Statements**

### **For the Years Ended December 31, 2023 and 2022**

#### **Stock Based Compensation –Employees and Non-Employees**

The Company accounts for stock options with service-based conditions, performance-based conditions and market-based conditions and restricted stock (“RSU”s) to employees, directors and third-party service providers, based on their estimated fair value on the date of grant. The fair value and derived service period of stock options with market-based vesting conditions is estimated using the Monte Carlo valuation model. The fair value of each service-based and performance-based stock option grant is estimated on the date of grant using the Black-Scholes option-pricing model. The Company has limited public float and lacks Company-specific historical and implied volatility information for its stock. Therefore, the Company estimates its expected stock price volatility based on the historical volatility of publicly traded peer companies and expects to continue to do so until such time as it has adequate historical data regarding the volatility of its own traded stock price. The expected term of the Company’s stock options has been determined utilizing the simplified method for awards that qualify as “plain-vanilla” options. The risk-free interest rate is determined by reference to the U.S. Treasury yield curve in effect at the time of grant of the award for time periods approximately equal to the expected term of the award. The expected dividend yield is zero since the Company has never paid cash dividends on its common stock and does not expect to pay any cash dividends in the foreseeable future.

Stock-based compensation expense associated with market-based stock options is recognized over the derived service period estimated using a Monte Carlo valuation method. Stock-based compensation associated with service-based stock options is recognized on a straight-line basis over the vesting term. Stock-based compensation expense associated with performance-based options is recognized when the performance measure is probable of being achieved.

The fair value of RSUs is based on the fair value of the Company’s stock on the date of grant. The Company recognizes stock-based compensation expense for RSUs on a straight-line basis over the vesting term.

The Company accounts for forfeitures as they occur.

#### **Revenue Recognition**

The Company records revenue from product sales in accordance with ASC 606 (“ASC 606”), *Revenue from Contracts with Customers*.

The Company recognizes revenue from product sales at a point in time when control of the Company’s product has transferred to the customer, which generally occurs upon shipment. Shipping and handling costs are included as a component of revenue and are passed through to customers with an equal offsetting amount included in cost of goods sold.

Revenue is recognized in an amount that reflects the consideration that the Company expects to receive in exchange for the product, which is generally fixed. Based on prior experience, and the nature of the product, variable consideration resulting from product discounts is not material.

Returns from customers are not accepted. Accordingly, there is no provision for sales returns recorded for any period presented.

#### ***Distribution and Services Agreement***

During the year ended December 31, 2023, the Company executed a distribution and services agreement (“D&S Agreement”) with a large medical distributor located in the United States (the “Distributor”) for the distribution of the Company’s Amnio Wrap 2 (“AW2”) product. The Company licenses the rights to manufacture and commercialize AW2 from an unrelated party and in conjunction with the licensing arrangement, pays a per square centimeter license fee for all AW2 products sold by the Distributor.

**BioStem Technologies, Inc. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**

The Distributor purchases the AW2 product from the Company at a fixed fee per square centimeter (“Sales Price”) with no right of return. Separately, the Distributor invoices the Company monthly for distinct sales, marketing and distribution services it provides on behalf of the Company (“Bona Fide Services Fee or BFSF”).

The BFSF is consideration payable to the Distributor for a distinct service the Distributor is providing to the Company. In accordance with ASC 606-10-32-26, such distinct services provided by a customer are accounted for in the same way that other purchases from suppliers would be accounted for. If the amount of consideration payable to the customer exceeds the fair value of the distinct good or service that the entity receives from the customer, then the entity shall account for such an excess as a reduction of the transaction price.

The Company has determined that the fair value of the BFSF does not exceed the consideration paid to the Distributor for these services. Therefore, the Company records, as revenue, the Sales Price per cm<sup>2</sup> for all AW2 products sold to the Distributor upon shipment and recognizes the BFSF as an operating expense within general and administrative expenses.

During the year ended December 31, 2023, revenues earned from the shipment of AW2 under the distribution and services agreement were \$13,625,947 and BFSF were \$9,536,800 which is included in selling and marketing expenses on the consolidated statement of operations. As of December 31, 2023, accounts receivable due under this arrangement was \$11,126,598 and amounts due to Distributor for BFSF \$7,787,211 which has been presented as Bona Fide Services Fee payable on the consolidated balance sheet.

***Disaggregation of Revenue***

The following table provides information about revenue disaggregated by major products categories:

	<b>For the years ended December 31,</b>			
	<b>2023</b>		<b>2022</b>	
Membrane product net revenue	\$	14,542,269	\$	4,044,360
Cord product net revenue		2,143,136		2,830,842
<b>Total net revenue</b>	<b>\$</b>	<b>16,685,405</b>	<b>\$</b>	<b>6,875,202</b>

***Contract Balances***

The following table provides information about the Company’s accounts receivables and contract liabilities from contracts with customers as of December 31, 2023 and 2022:

	<b>2023</b>		<b>2022</b>	
Accounts receivable	\$	11,371,730	\$	37,206
Contract liabilities	\$	8,731	\$	8,065

Accounts receivable represent the Company’s unconditional rights to consideration for product shipped. Contract liabilities represent amounts collected from customers upfront upon placement of an order for product which is included in other current liabilities in the Company’s balance sheets. The Company generally recognizes revenue from contract liabilities within the following fiscal year.

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**Contract Costs**

The Company incurs incremental costs to obtain contracts with its customers. These costs consist primarily of sales commissions paid to our sales force. As the expected period of amortization is not expected to exceed one year, the Company has elected to expense such costs as incurred.

**Cost of Goods Sold**

Cost of goods sold represents costs directly related to the production of the Company's products and are costs passed through to customers. Products sold are typically shipped directly to the customer with costs associated with shipping and handling included as a component of cost of goods sold. Costs associated with any inventory write-downs resulting from quarterly physical inventory counts are also included within cost of goods sold.

**Net Loss Per Share**

Basic net loss per share is computed by dividing the net loss by the weighted-average number of common shares outstanding for the period. Diluted net loss is computed by adjusting net loss to reallocate undistributed earnings based on the potential impact of dilutive securities, including outstanding common stock options, restricted stock awards, warrants to purchase common stock, convertible preferred stock, and common stock issuable in connection with convertible notes. For periods in which the Company has reported net losses, diluted net loss per share is the same as basic net loss per share because dilutive common shares are not assumed to have been issued if their effect is anti-dilutive.

For the years ended December 31, 2023 and 2022, the following potentially dilutive shares were excluded from the computation of diluted loss per share as including them would have been anti-dilutive:

	<u>2023</u>	<u>2022</u>
Stock options	6,117,462	5,672,462
Stock warrants	1,885,135	478,456
Preferred stock	330	330
<b>Total</b>	<u><u>8,002,927</u></u>	<u><u>6,151,248</u></u>

**Income Taxes**

The Company accounts for income taxes in accordance with the asset and liability method. Under the asset and liability method, deferred assets and liabilities are recognized based upon anticipated future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases. The provision for income taxes is comprised of the current tax liability and the change in deferred tax assets and liabilities. The Company establishes a valuation allowance to the extent that it is more likely than not that deferred tax assets will not be recoverable against future taxable income.

Deferred tax assets and liabilities are measured using the enacted tax rates that will be in effect for the years in which those tax assets are expected to be realized or settled. The Company regularly assesses the likelihood that its deferred tax assets will be realized from recoverable income taxes or recovered from future taxable income based on the realization criteria set forth in the relevant authoritative guidance. To the extent that the Company believes any amounts are not more likely than not to be realized, the Company records a valuation allowance to reduce its deferred tax assets. The realization of deferred tax assets is dependent upon future earnings, if any, the timing and amount of which are uncertain. Accordingly, as of December 31, 2023 and 2022, the net deferred tax assets have been fully offset by a valuation allowance. If the Company subsequently realizes deferred tax assets that were previously determined

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## **Notes to the Consolidated Financial Statements**

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to be unrealizable, the respective valuation allowance would be reversed, resulting in an adjustment to earnings in the period such determination is made.

In addition, the calculation of tax liabilities involves dealing with uncertainties in the application of complex tax regulations. The Company recognizes potential liabilities based on its estimate of whether, and the extent to which, additional taxes will be due. The Company accounts for uncertain tax positions in accordance with the relevant guidance, which prescribes a recognition threshold and measurement approach for uncertain tax positions taken or expected to be taken in a Company's income tax return, and provides guidance on recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The guidance utilizes a two-step approach for evaluation uncertain tax positions. Step one, Recognition, requires a Company to determine if the weight of available evidence indicates a tax position is more likely than not to be sustained upon audit. Step two, Measurement, is based on the largest amount of benefit, which is more likely than not to be realized on ultimate settlement. A liability is reported for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. Any interest and penalties related to unrecognized tax benefits are recorded as income tax expense.

#### **Fair Value Measurements**

The Company defines fair value as the exchange price that would be received from the sale of an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The authoritative guidance describes three levels of inputs that may be used to measure fair value:

- Level I—Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets;
- Level II—Observable inputs other than Level I prices, such as unadjusted quoted prices for similar assets or liabilities in active markets, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and
- Level III—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These inputs are based on the Company's own assumptions used to measure assets and liabilities at fair value and require significant management judgment or estimation.

The categorization of a financial instrument within the fair value hierarchy is based upon the lowest level of input that is significant to its fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires management to make judgments and consider factors specific to the assets or liabilities.

The Company's financial instruments that are carried at fair value consist of only cash, a Level I asset, as of December 31, 2023 and 2022.

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

In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)*, which requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost. This standard was effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years with early adoption permitted. In November 2019, the FASB issued ASU No. 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815) and Leases (Topic 842): Effective Dates*, which defers the effective date of Topic 326. As a smaller reporting Company, Topic 326 will now be effective for the Company beginning January 1, 2023. The Company adopted this ASU January 1, 2023 and it did not have a significant impact on its consolidated financial statements and related disclosures.

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In August 2020, the FASB issued ASU No. 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity* (ASU 2020-06). ASU 2020-06 simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts in an entity’s own equity. Those instruments that do not have a separately recognized embedded conversion feature will no longer recognize a debt issuance discount related to such a conversion feature and would recognize less interest expense on a periodic basis. It also removes from ASC 815-40-25-10 certain conditions for equity classification and amends certain guidance in ASC Topic 260 on the computation of EPS for convertible instruments and contracts in an entity’s own equity. An entity can use either a full or modified retrospective approach to adopt the ASU’s guidance. As a smaller reporting Company, the Company is required to adopt this ASU for the fiscal year beginning January 1, 2024, with early adoption permitted for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. The Company adopted this ASU January 1, 2022 and it did not have a significant impact on its consolidated financial statements and related disclosures.

In May 2022, the FASB issued ASU No. 2022-04, *Earnings Per Share (Topic 260), Debt— Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging— Contracts in Entity’s Own Equity (Subtopic 815-40)* (ASU 2022-04). ASU 2022-04 updates current accounting guidance for modifications or exchanges of freestanding equity-classified written call options that remain equity-classified after modification or exchange as an exchange of the original instrument for a new instrument. The ASU specifies that the effects of modifications or exchanges of freestanding equity-classified written call options that remain equity after modification or exchange should be recognized depending on the substance of the transaction, whether it be a financing transaction to raise equity (topic 340), to raise or modify debt (topic 470 and 835), or other modifications or exchanges. If the modification or exchange does not fall under topics 340, 470, or 835, an entity may be required to account for the effects of such modifications or exchanges as dividends which should adjust net income (or loss) in the basic EPS calculation. This guidance was effective for fiscal years beginning after December 15, 2022, with early adoption permitted. The Company is required to apply the amendments within this ASU prospectively to modifications or exchanges occurring on or after the effective date of the amendment. The Company adopted this ASU January 1, 2023 and it did not have a significant impact on its consolidated financial statements and related disclosures.

**Recently Issued Accounting Pronouncements Not Yet Adopted** In December 2023, FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* (ASU 2023-09). The ASU focuses on income tax disclosures around effective tax rates and cash income taxes paid. ASU 2023-09 requires public business entities to disclose, on an annual basis, a rate reconciliation presented in both dollars and percentages. The guidance requires the rate reconciliation to include specific categories and provides further guidance on disaggregation of those categories based on a quantitative threshold equal to 5% or more of the amount determined by multiplying pretax income (loss) from continuing operations by the applicable statutory rate. For entities reconciling to the US statutory rate of 21%, this would generally require disclosing any reconciling items that impact the rate by 1.05% or more. ASU 2023-09 is effective for public business entities for annual periods beginning after Dec. 15, 2024 (generally, calendar year 2025) and effective for all other business entities one year later. Entities should adopt this guidance on a prospective basis, though retrospective application is permitted. The adoption of ASU 2023-09 is expected to have a financial statement disclosure impact only and is not expected to have a material impact on the Company’s consolidated financial statements.

In November 2023 the FASB issued ASU 2023-07, *Segment Reporting – Improvements to Reportable Segment Disclosures*. The ASU will now require public entities to disclose its significant segment expenses categories and amounts for each reportable segment. Under the ASU, a significant segment expense is an expense that is:

- significant to the segment,
- regularly provided to or easily computed from information regularly provided to the chief operating decision maker (CODM), and
- included in the reported measure of segment profit or loss.

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The ASU is effective for public entities for fiscal years beginning after December 15, 2023 and interim periods in fiscal years beginning after December 15, 2024 (calendar year public entity will adopt the ASU in its 2024 Form 10-K). The ASU should be adopted retrospectively unless its impracticable to do so. Early adoption of the ASU is permitted, including in an interim period. The adoption of ASU 2023-07 is expected to have a financial statement disclosure impact only and is not expected to have a material impact on the Company's consolidated financial statements.

Other pronouncements issued by the FASB or other authoritative accounting standards groups with future effective dates are either not applicable or are not expected to be significant to the Company's financial position, results of operations or cash flows.

**Note 3—Property and Equipment**

The following table presents property and equipment as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Building	\$ 433,448	\$ 433,448
Building Improvements	694,134	688,394
Land	75,000	75,000
Machinery and Equipment	930,334	930,334
Computer and Office Equipment	64,702	64,702
Furniture and Fixtures	68,066	68,066
Total property and equipment	<u>2,265,684</u>	<u>2,259,944</u>
Less: Accumulated Depreciation	<u>(1,110,828)</u>	<u>(1,010,160)</u>
Total property and equipment, net	<u>\$ 1,154,856</u>	<u>\$ 1,249,784</u>

Depreciation expense was \$100,668 and \$136,046 for the years ended December 31, 2023 and 2022, respectively.

**Note 4—Intangible Assets Other Than Goodwill**

The following table presents intangible assets other than goodwill as of December 31, 2023 and 2022:



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	<b>2023</b>		
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>
Intellectual property	\$ 152,000	\$ 53,307	\$ 98,693
Website & software development costs	225,907	61,279	164,628
Customer relationships	354,000	269,717	84,283
<b>Total</b>	<b>\$ 731,907</b>	<b>\$ 384,303</b>	<b>\$ 347,604</b>

	<b>2022</b>		
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>
Intellectual property	\$ 47,000	\$ 29,095	\$ 17,905
Website & software development costs	225,907	16,099	209,808
Customer relationships	354,000	219,142	134,858
<b>Total</b>	<b>\$ 626,907</b>	<b>\$ 264,336</b>	<b>\$ 362,571</b>

During each of the years ended December 31, 2023 and 2022, amortization expense was \$119,967 and \$73,384, respectively.

Future expected amortization expense of intangible assets is as follows:

<b>Year Ending December 31,</b>		
2024	\$	123,466
2025		104,372
2026		66,181
2027		50,085
2028		3,500
<b>Total</b>	<b>\$</b>	<b>347,604</b>

**Note— 5 Notes Payable**

The following table presents the carrying value of the Company's notes payable as of December 31, 2023 and 2022:

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	<u>December 31, 2023</u>	<u>December 31, 2022</u>
On July 27, 2018, the Company entered into a Bridge Loan Agreement and Promissory Note, with an interest rate of 0.50% per month for the first six months and 0.75% per month through the Maturity Date of July 27, 2019. This agreement has not been repaid on the maturity date and is currently in default (1).	\$ 1,000,000	\$ 1,000,000
On October 5, 2018, the Company entered into a Bridge Loan Agreement and Promissory Note, with an interest rate of 0.50%, per month for the first six months and 0.75% per month through the Maturity Date of October 5, 2019. This agreement has not been repaid on the maturity date and is currently in default (1).	2,000,000	2,000,000
On April 29, 2022, the Company entered an \$850,000 mortgage note at 8.25 percent per annum with a maturity date of May 1, 2024. Between June 1, 2022, and the maturity date, the Company is required to make monthly interest only payments of \$6,021 with a balloon payment of \$850,000 due May 1, 2024. The loan is secured by the corporate headquarters building.	850,000	850,000
On April 30, 2020, the Company obtained a \$263,400 Paycheck Protection Program ("PPP") Term Note from a financial institution. Loan was subject to forgiveness if certain criteria were met, if not, due in five years with 1% of interest. Payments were deferred for the first seven months of the loan. In 2021, \$193,354 of the note was forgiven and the remaining balance will be repaid.	26,462	45,141
On May 18, 2020, the Company obtained a \$150,000 Economic Injury Disaster Loan. Installment payments, including principal and interest, of \$731 monthly, began 30 months from the promissory note or November 18, 2022. Interest will accrue at an annual rate of 3.75%.	150,000	150,000
The Company obtained three separate loans from the same lender and aggregate principal of \$284,719. The loans bear interest at a rate of 26.40% per annum. The Company is required to make minimum monthly payments of \$18,831. The loans mature after various times through August 2024. This loan is secured by the Company's receivables, inventory and other tangible and intangible assets.	80,748	-
On June 1, 2023, the Company issued a promissory note in the amount of \$750,000 with an interest rate of 12.0% per annum. Between July 1, 2023 and the maturity date of May 25, 2025 the Company is required to make minimum monthly payments of \$35,305 monthly. The Note is an unsecured obligation (2).	549,427	-
On September 13, 2023, the Company entered an \$279,800 financing arrangement with a lender. The financing is collateralized by a portion of the Company's outstanding accounts receivable. The Company is required to make 36 weekly payments of \$7,772.	155,444	-
On September 14, 2023, the Company entered an \$278,000 financing arrangement with a lender. The financing is collateralized by a portion of the Company's outstanding accounts receivable. The Company is required to make 36 weekly payments of \$7,723.	162,155	-
In July 2023, the Company issued a promissory note in the amount of \$50,000 with an interest rate of 1% per annum and a maturity date of September 30, 2023 extended to December 2023. This note is currently in default.	50,000	-
<b>Total notes payable</b>	<b>5,024,236</b>	<b>4,045,141</b>
<i>Less: unamortized discounts</i>	<i>(312,819)</i>	<i>-</i>
<b>Total notes payable</b>	<b>4,711,417</b>	<b>4,045,141</b>
<i>Less: current portion of notes payable, net of unamortized discounts of \$249,213</i>	<i>(4,445,782)</i>	<i>(3,018,679)</i>
<b>Notes payable-long-term, net of unamortized discounts of \$63,606</b>	<b>\$ 265,635</b>	<b>\$ 1,026,462</b>

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<sup>(1)</sup> In August 2019, the Company received notice from GMA Bridge Fund, LLC that the Company is in default for the loan that matured on July 27, 2019, for non-payment and gave the Company notice that the note which matured on October 5, 2019, was also in default. The Company continues to accrue interest on these loans and is in discussion with the lender to renegotiate the terms of these notes.

(2) In connection with the issuance of the \$750,000 promissory note, the lender received 373,134 common stock warrants with an exercise price of \$2.01 and exercise period of five years. The Company recorded a debt discount of \$305,310 based on the relative fair value of the warrants. The fair value of the warrants was determined using a Black-Scholes pricing model and the following assumptions: expected term 3 years, risk free interest rate of 3.98%, and volatility of 107.74%.

On December 5, 2018, the Company issued a \$250,000 Promissory Note, which originally bore interest at a rate of 18.0% per annum and matured on August 30, 2019. In March 2020, the Promissory Note was amended, and the interest rate reduced to 8.0% and the maturity date extended to March 5, 2022. On March 24, 2022, the note was amended to extend the due date to December 31, 2023 and to provide for the noteholder to convert this note into shares of the Company's common stock at a \$0.70 conversion price. On March 29, 2022, the noteholder elected to convert all amounts due under this note into 141,090 shares of common stock.

<b>Year Ending December 31,</b>		
2024	\$	4,694,995
2025		186,652
2026		3,918
2027		4,068
2028		4,223
Thereafter		130,380
Total		5,024,236
Less: unamortized discounts		(312,819)
Total notes payable	\$	<u>4,711,417</u>

#### **Note— 6 Convertible Notes Payable**

The table below presents convertible notes payable as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
On May 17, 2019, a convertible note with original principal of \$400,000, was amended and restated to include in the principal unpaid interest to date of \$73,450 and require interest only payments of \$4,734 per month at a rate of 12.0% per annum with a maturity of June 1, 2022. The conversion option within the original promissory note was also eliminated. On March 31, 2022, the note was modified to extend the maturity date of the note to December 31, 2023, and to provide for the noteholder to convert this note into shares of the Company's common stock at a \$0.70 conversion price. On November 10, 2023, the lender elected to convert the unpaid principal of \$473,350 into 676,215 shares of the Company's common stock.	\$ -	\$ 473,250
Total	\$ -	\$ 473,250
Less: current portion of convertible notes payable	-	(473,250)
Convertible notes payable, noncurrent	<u>\$ -</u>	<u>\$ -</u>

On December 23, 2022, the Company issued a convertible promissory note in the amount of \$250,000 at a simple interest rate of 5% per annum. Upon maturity on December 23, 2024, all amounts due and owing under the note automatically convert into common stock at a price of \$1.00 per share. The noteholder had the right from time to time, commencing on or after the issuance date, to convert any or all amounts due under the note to common shares. In February 2023 the noteholder converted all amounts due under the note, including accrued interest of \$2,357, into 252,357 shares of the Company's common stock.

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**Note— 7 Related Party Convertible Notes Payable**

The table below presents related party convertible notes payable as of December 31, 2023 and 2022:

	2023	2022
On February 5, 2018 and October 4, 2018, the Company issued two promissory notes aggregating \$300,000, to a shareholder and immediate family member of the Company's CEO, at an interest rate of 8.0% per annum and a maturity date of December 31, 2022. The notes were amended on March 25, 2022, to extend the due date of the note to December 31, 2023 and to include a provision to convert all amounts due under the note at \$0.70 per share. On November 1, 2023, the lender elected to convert the unpaid principal and accrued interest of \$368,427 into 526,325 shares of the Company's common stock.	\$ -	\$ 300,000
<b>Total Related Party Notes Payable</b>	<b>\$ -</b>	<b>\$ 300,000</b>
Less: Current Portion	-	(300,000)
Total Related Party Notes Payable	\$ -	\$ -

As described in the tables above, certain notes were amended in March 2022 which included 1) the extension of the maturity dates of the notes and 2) the addition of a conversion feature which allowed the noteholders to convert all amounts due under the notes into shares of the Company's common stock at a conversion price of \$0.70. Because the modified notes included a substantive conversion feature not in the original notes, the Company accounted for the restructured notes as an extinguishment.

For the year ended December 31, 2022, the Company recorded a loss on the extinguishment of debt in the amount of \$2,083,197 which represents the estimated fair value of the amended notes over the book value of the original notes.

For the years ended December 31, 2023 and 2022, interest expense related to the notes disclosed in Notes 6, 7, and 8 was \$607,593 and \$443,958, respectively. For the years ended December 31, 2023 and 2022, interest expense incurred on the related party notes payable was \$20,000 and \$16,530, respectively. As of December 31, 2023 and 2022, accrued interest related to all notes is \$1,697,787 and \$1,478,421, respectively, which includes \$0 and \$48,427 of accrued interest on related party notes payable, respectively.

**Note—8 Other Long-Term Liabilities**

Other current and long-term liabilities consist of settlements related to finance arrangements for equipment abandoned by the Company but for which there is an ongoing obligation. The table below presents the Company's other long-term liabilities as of December 31, 2023 and 2022:

	2023	2022
Equipment finance lease #1: The original agreement was dated September 12, 2018, for a total amount due of \$142,345. The Company was in default for non-payment as of December 31, 2020. The Company settled with the lender on July 15, 2022, for a total of \$105,000 to be paid as follows: (1) \$1,800 per month beginning July 16, 2021, through June 16, 2022; (2) payments of \$2,000 per month beginning July 16, 2022, through June 16, 2023; and (3) payments of \$2,475 per month from July 16, 2023, through June 16, 2025.	\$ 44,550	\$ 71,400
Equipment finance lease #2: The original agreement with one finance Company dated September 2018 for a total amount due of \$130,621; stated interest rate of 11.9% to be repaid over 60 months.	5,962	37,759
Equipment finance lease #3: The original agreement with one finance Company dated December 2018 for a total amount of \$43,837; stated interest rate of 12.26% to be repaid over 60 months.	-	11,048
Total	\$ 50,512	\$ 120,207
Less: current portion (included in other current liabilities)	(35,662)	(69,695)
Total-Other long-term liabilities	\$ 14,850	\$ 50,512

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Future cash commitments related to other long-term liabilities are as follows:

<b>Year Ending December 31:</b>	
2024	\$ 35,662
2025	14,850
Total	<u>\$ 50,512</u>

**Note— 9 Finance Leases and Related Obligations**

The Company leases certain specialized equipment under leases classified as finance leases. The equipment leases were entered into between April 2017 and August 2019 maturing between January 2022 and February 2025 and include bargain purchases options at the end of the leases. The Company’s significant judgments include determining whether an arrangement is or contains a lease, the determination of the discount rate used to calculate the lease liability, and whether lease incentives are reasonably certain to occur in the initial measurement of the lease liability. Finance lease assets and lease liabilities are recognized at commencement date and initially measured based on the present value of lease payments over the defined lease term. Interest and amortization expense are recognized over the lease term using the effective interest method.

A contract is or contains an embedded lease if the contract meets all the below criteria:

- There is an identified asset
- The Company has the right to obtain substantially all the economic benefit of the asset; and
- The Company has the right to direct the use of the asset.

For initial measurement of the present value of lease payments and for subsequent measurement of lease modifications, the Company is required to use the rate implicit in the lease. The Company uses its incremental borrowing rate, which is a collateralized rate, for leases without a rate implicit in the lease. The application of the incremental borrowing rate is performed on a lease-by-lease basis and approximates the rate at which the Company could borrow, on a secured basis for a similar term, an amount equal to its lease payments in a similar economic environment. The weighted average interest rates for the Company’s finance leases is 7.58%

The following table summarizes the Company’s finance lease assets and lease liabilities as of December 31, 2023 and 2022:

<b>Balance Sheet Classification</b>		<b>2023</b>	<b>2022</b>
<b>Assets</b>			
Finance noncurrent	ROU asset, net	\$ 11,443	\$ 19,832
<b>Liabilities</b>			
Finance current	Short-term finance lease	8,989	9,238
Finance noncurrent	Long-term finance lease	3,294	11,305
Total lease liabilities		<u>\$ 12,283</u>	<u>\$ 20,543</u>

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The following table shows the Company’s future lease commitments due in each of the next two years:

<b>Year Ending December 31</b>	<b>Finance Lease Payments</b>
2024	\$ 8,989
2025	4,494
Total lease payments	13,483
Less: Imputed interest	(1,200)
Total lease payments	<u>\$ 12,283</u>

**Note— 10 Stockholders’ Deficit**

***Series A-1 Convertible Preferred Shares***

The Company has designated 300 shares of preferred stock with a par value of \$.001 as “Series A-1 Convertible Preferred Shares”.

The Series A-1 Convertible Preferred Shares entitle their holders to a number of votes equal to the number of shares issuable upon conversion times 2,000,000 granting the holders of Series A-1 Convertible Preferred Shares, as a group, effective control of the Company.

Each Series A-1 Convertible Preferred Shares are convertible, at the option of the holders, or automatically upon a Qualified Public Offering resulting in gross proceeds to the Company of not less than \$30 million, in whole but not in part, into 300 shares of common stock.

Holders of Series A-1 Convertible Preferred Shares are not entitled to receive dividends, out of assets legally available thereof, prior and in preference to any declaration or payment of any dividend on the common stock or any other capital stock of the Corporation.

As of December 31, 2023 and 2022, there are 300 shares of Series A-1 Convertible Preferred Shares outstanding.

***Series B-1 Convertible Preferred Shares***

The Company has designated 500,000 shares of preferred stock with a par value of \$.001 as “Series B-1 Convertible Preferred Shares”.

The Series B-1 Convertible Preferred Shares entitle their holders to votes equal to the number of shares issuable upon conversion.

Each Series B-1 Convertible Preferred Share is convertible, at the option of the holders, or automatically upon a Qualified Public Offering resulting in gross proceeds to the Company of not less than \$30 million, in whole but no in part, into 6 shares of common stock.

The Series B-1 Preferred Shares shall be entitled to receive an annual dividend, payable in newly issued common stock, in an amount equal to ten percent of the number of then existing Series B-1 Preferred Shares issued and outstanding prior and in preference to any declaration or payment of any dividend on the common stock or any other capital stock of the Corporation. This Dividend shall be cumulative.

As of December 31, 2023 and 2022, there are 5 shares of Series B-1 Convertible Preferred Shares outstanding.

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***Common Stock***

The Company is authorized to issue 975,000,000 shares of common stock with a par value of \$0.001 per share as of December 31, 2023 and 2022.

During the year ended December 31, 2023 the Company completed private sales of 249,333 shares of common stock at \$1.50 and 1,337,000 common stock units which consisted of 1 share of common stock and one (1) common stock warrant with an exercise price of \$1.50 and exercise period of five years at \$1.50 per unit for aggregate gross proceeds of \$2,379,500.

During the year ended December 31, 2022, the Company completed private sales of 50,000 common stock units at \$1.00 per unit for gross proceeds of \$50,000.

***Common Stock Warrants***

The following table presents the Company's common stock warrant activity for the years ended December 31, 2023 and 2022:

	Number of Shares Underlying Warrants	Weighted Average Exercise Price	Weighted Average Remaining Term (Years)
Outstanding as of January 1, 2022	540,956	\$ 4.30	1.99
Granted	50,000	\$ 2.00	-
Forfeited	(112,500)	\$ 5.00	-
Outstanding as of December 31, 2022	478,456	\$ 3.90	1.67
Granted	1,710,135	\$ 2.00	-
Forfeited	(303,456)	\$ 5.00	-
Outstanding and exercisable as of December 31, 2023	1,885,135	\$ 2.00	4.27

During the year ended December 31, 2023, 373,135 warrants were issued with a note payable (see Note 6) and 1,337,000 warrants were issued in connection with a private placement of comm stock and common stock warrant units for cash (see above). As of December 31, 2023 warrants outstanding consisted primarily of warrants to service providers, warrants issued with debt and warrants issued with the sale of units in a private placement (see above). During the year ended December 31, 2022, 50,000 warrants were issued in connection with the sale of common stock.

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**Note— 11-Stock Based Compensation**

***Stock Options***

The fair value of service-and performance-based stock options granted to employees and non-employees was estimated on the grant date using the Black-Scholes valuation model with the following assumptions:

	2023	2022
Dividend yield	0%	0%
Expected term	6 years	6 years
Risk-free interest rates	3.50% - 4.84%	1.37% - 2.44%
Expected volatility	109.96% - 123.95%	88.03% -88.98%

*Dividend Yield* – The dividend yield is assumed to be zero as the Company has never paid dividends and has no current plans to do so.

*Expected Term* – The expected term represents the period that the Company’s stock-based awards are expected to be outstanding. The Company determines the expected term using the simplified method as the Company does not have sufficient historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior. The simplified method deems the term to be the average of the time-to-vesting and the contractual life of the options.

*Expected Volatility* – Since the Company does not have a sufficient trading history of its common stock, the expected volatility is derived from the average historical stock volatilities of several unrelated public companies within the Company’s industry that the Company considers to be comparable to its business over a period equivalent to the expected term of the stock option grants.

*Fair Value of Common Stock*– The fair value of common stock is based on the closing price of the Company’s common stock, as reported on Over-the-Counter Market (“OTC”) on the date of grant.

The following table summarizes activity under the Company’s stock option plan:

	Number of Shares Underlying Options	Weighted Average Exercise Price	Weighted Average Remaining Term (Years)	Intrinsic Value
Outstanding as of January 1, 2022	1,040,000	\$ 1.05	5.88	\$ 2,017,600
Granted	4,682,462	\$ 1.97	-	-
Forfeited	(50,000)	\$ -	-	-
Outstanding as of December 31, 2022	5,672,462	\$ 1.80	9.07	6,750,230
Granted	862,500	\$ 2.55	-	2,854,875
Forfeited	(417,500)	\$ -	-	-
Outstanding as of December 31, 2023	6,117,462	\$ 1.90	8.16	\$ 24,225,150
Vested and exercisable as of December 31, 2023	3,367,462	\$ 1.83	7.53	\$ 13,570,872

The weighted-average grant date fair value of options granted during the years ended December 31, 2023 and 2022 was \$2.60 and \$3.35, respectively. During the year ended December 31, 2023, the Company recognized \$352,602 of stock-based compensation which is included in general and administrative expenses on the consolidated statements of operations. As of December 31, 2023, total unrecognized stock-based compensation expense for service based option grants was \$972,363 which is expected to be recognized over a straight-line basis over a weighted-average period of 3.27 years.



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Intrinsic value is measured using the fair market value as of December 31, 2023 and 2022 less the applicable weighted average exercise price.

***Market-Based Option Grants***

In July 2023, the Board of Directors approved and amended executive employment agreements for the Company’s Chief Executive Officer (“CEO”) and Chief Operating Officer (“COO”). Commencing July 15, 2023 the CEO and COO annual base salary is \$275,000 each. Additionally, in October 2023 the Board of Directors granted 2,250,000 options at an exercise price of \$2.00, to both the CEO and COO, for a total of 4,500,000 options, with vesting of options based on Sustained Market Capitalization targets as follows:

Vesting Trigger	Number of Options Vested
On the date Sustained Market Capitalization first equals or exceeds \$29,268,520	900,000
On the date Sustained Market Capitalization first equals or exceeds \$58,537,040	900,000
On the date Sustained Market Capitalization first equals or exceeds \$117,074,080	900,000
On the date Sustained Market Capitalization first equals or exceeds \$175,611,120	900,000
On the date Sustained Market Capitalization first equals or exceeds \$234,148,160	900,000

Sustained Market Capitalization is the average market capitalization for the 90 trading days immediately prior to the date of such determination. Upon vesting, the options may be exercised for up to 10 years after the date of grant.

The Company estimated the fair value of this market-based award using Monte Carlo simulation. The Company estimates the expected term based on a future exercise assumption. The weighted average derived service period for this award is 6.0 years. The optionee has up to 10 years to exercise any vested options. The risk-free interest rate is based on the United States Treasury yield curve in effect at the time of grant for zero-coupon U.S. Treasury notes. The expected volatility is derived from the average historical stock volatilities of several public companies within the Company’s industry that the Company considers to be comparable to its business over a period equivalent to the derived term of the stock option grant award. The following assumptions were used to estimate the fair value of this award:

Stock price on date of grant	\$ 1.63
Exercise Price	\$ 2.00
Dividend yield	—%
Risk-free interest rate	4.25%
Expected volatility	80.01%

The total grant date fair value of these market-based awards is estimated at \$14,829,290. For the year ended December 31, 2023, the Company recognized \$5,403,254 of stock-based compensation as a component of general and administrative expense for these awards. Unrecognized stock-based compensation for these market based awards as

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of December 31, 2023 was \$6,782,168, which is expected to be recognized over the remaining derived service period of 3.1 years. In March 2023 the first market capitalization triggers were achieved resulting in the vesting of 900,000 options.

In August 2021, the Company approved a stock option grant to an employee of the Company exercisable for up to 400,000 shares of the Company’s common stock provided that certain market capitalization targets are met. Market capitalization is the product of (i) the number of shares of common stock outstanding and (ii), the closing price per share of common stock as quoted on the OTC market. This stock option grant does not contain a time vesting or service condition other than, the employee must be an employee when the market capitalization targets are met for the stock options to vest.

The market capitalization targets, as well as the number of options that vest, are shown in the table below:

Market Capitalization Targets	Number of Options Vested
On the date market capitalization first exceeds \$10,000,000	100,000
On the date market capitalization first exceeds \$20,000,000	100,000
On the date market capitalization first exceeds \$30,000,000	100,000
On the date market capitalization first exceeds \$40,000,000	100,000

The Company estimated the fair value of this market-based award using Monte Carlo simulation. The Company estimated the expected term based on a future exercise assumption. The weighted average derived service period for this award was 1.2 years. The optionee has up to 10 years to exercise any vested options. The risk-free interest rate is based on the United States Treasury yield curve in effect at the time of grant for zero-coupon U.S. Treasury notes. The expected volatility is derived from the average historical stock volatilities of several public companies within the Company’s industry that the Company considers to be comparable to its business over a period equivalent to the derived term of the stock option grant award. The following assumptions were used to estimate the fair value of this award:

Stock price on date of grant	\$ 1.07
Exercise Price	\$ 1.07
Dividend yield	—%
Risk-free interest rate	1.45%
Expected volatility	125%

The total grant date fair value of this market-based award was estimated at \$330,000. For the years ended December 31, 2023 and 2022, the Company recognized \$0 and \$126,644, respectively, of stock-based compensation as a component of general and administrative expense for this award. As of December 31, 2022, all options issued in connection with this award were fully vested and exercisable.

***Restricted Stock Awards***

The fair value of restricted stock awards (“RSA”) is based on the closing price of the Company’s common stock on the OTC market. The following table summarizes the restricted stock award activity:

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***Restricted Stock Units***

	<b>Shares Outstanding</b>	<b>Weighted Average Grant Date Fair Value</b>	
Unvested balance-January 1, 2023	42,277	\$	4.27
Granted	312,112		2.49
Vested	(307,008)		2.18
Unvested balance-December 31, 2023	47,381	\$	2.32

The Company issues restricted stock units with immediate vesting and service based vesting conditions to various service providers. RSAs with service-based vesting are expensed over the related service period. During the year ended December 31, 2023 the Company issued 312,112 restricted common stock shares to service providers resulting in \$914,260 in stock-based compensation. As of December 31, 2023 47,381 of the restricted shares granted remain unvested and \$109,860 of unrecognized compensation expense which will be recognized through December 2024. The Company estimated the fair value of the shares based on the price as quoted on the OTC market on the date of grant.

Total stock-based compensation expense for all stock-based awards, including common stock options, restricted stock awards, common stock warrants and unpaid salary conversion to equity (see Note 13) was \$6,670,116 and \$5,377,036 for the years ended December 31, 2023 and 2022, respectively, and is included in General and administrative expenses within the statements of operations.

**Note— 13 Commitments and Contingencies**

***Legal Matters***

From time to time, claims are made against the Company in the ordinary course of business, which could result in litigation. Claims and associated litigation are subject to inherent uncertainties and unfavorable outcomes could occur, such as monetary damages, fines, penalties, or injunctions prohibiting the Company from selling one or more products or engaging in other activities. The occurrence of an unfavorable outcome in any specific period could have a material adverse effect on the Company's results of operations for that period or future periods. The Company is not presently a party to any pending or threatened legal proceedings.

During the year ended December 31, 2023, the Company settled a legal matter by issuing an individual 200,000 shares of common stock with an estimated fair value of \$380,000 based on quoted market price which has been reflected as a component of general and administrative expense.

***Unpaid Salaries Settled in Shares of Common Stock***

Prior to and continuing through 2022, the Company's current CEO, former CEO, COO and VP of sales elected to forgo their cash compensation to conserve the Company's cash position. As of December 31, 2022, the total amount due for unpaid salaries to these four individuals was \$1,167,418 of which, \$243,995 was owed to the Company's previous CEO, a related party.

In March 2022, these individuals elected to convert all their unpaid salaries into 1,739,169 shares of the Company's common stock at a \$0.70 conversion price approved by the board of directors (See the Consolidated Statements of Changes in Stockholders' Deficit). Due to the conversion price was less than the quoted market price of the Company's stock on the date of conversion, an additional stock-based compensation charge of \$1,913,084 was incurred for the year ended December 31, 2022. As of December 31, 2023 and 2022, there are no salaries payable due to any of these individuals.

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**401(k) Plan**

In 2022, the Company began to offer the BioStem Inc. Employee 401(k), (“Retirement Plan”), a defined contribution plan. Under the Retirement Plan, eligible employees may defer a portion of their pretax salaries, but not more than the statutory limits. The Retirement Plan provides for a discretionary employer cash matching contribution. The Company plans to make matching cash contributions equal to 100% of employee contributions not exceeding 5%. The Company’s total expense for planned matching contributions was immaterial for the years ended December 31, 2023 and 2022.

**Note— 14 Income Taxes**

For the years ended December 31, 2023 and 2022, the loss before income taxes was (\$116,953) and (\$7,231,796), respectively. The Company had an effective tax rate of (0.00%) and (0.00%) for the years ended December 31, 2023 and 2022, respectively. The reconciliation of the statutory federal income tax rate to the Company’s effective tax rate for the years ended December 31, 2023 and 2022 were as follows:

	<b>2023</b>	<b>2022</b>
Tax at federal statutory rate	(21.00%)	(21.00%)
Permanent differences	0.04%	5.80%
State tax	1.73%	(3.14%)
Change in tax rates	(-0.78%)	
Change in valuation allowance	20.01%	23.22%
Other	0.00%	(4.88)%
<b>Total</b>	<b>(0.00%)</b>	<b>(0.00%)</b>

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due. Deferred taxes relate to differences between the basis of assets and liabilities for financial and income tax reporting which will be either taxable or deductible when the assets or liabilities are recovered or settled.

The following table presents tax expenses by jurisdiction for the years ended December 31, 2023 and 2022:

	<b>2023</b>	<b>2022</b>
<b>Current</b>		
U.S. Federal	\$ -	\$ -
U.S. State	-	-
<b>Total current provision</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Deferred</b>		
U.S. Federal	\$ (1,143,089)	\$ (1,368,342)
U.S. State	135,718	(283,116)
<b>Total deferred provision</b>	<b>(1,007,371)</b>	<b>(1,651,458)</b>
<b>Change in valuation allowance</b>	<b>1,007,371</b>	<b>1,651,458</b>
<b>Total provision for income taxes</b>	<b>\$ -</b>	<b>\$ -</b>

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The table below presents the effects of temporary differences that gave rise to significant portions of deferred tax assets and liabilities as of December 31, 2023 and 2022:

	2023	2022
<b>Deferred tax assets:</b>		
Net operating loss carryforward	\$ 8,106,640	\$ 7,713,886
Stock-based compensation	2,320,504	1,869,762
Research and development credits	30,240	-
Capitalized research and development expenses	62,244	-
Allowance for doubtful accounts	12,208	-
Nondeductible charitable contributions	1,364	-
Interest expense	-	12,274
Inventory reserve	-	6,336
Intangible assets	55,588	40,138
Gross deferred tax assets	10,588,788	9,642,396
Less valuation allowance	(10,538,820)	(9,531,450)
Total deferred tax assets	<u>\$ 49,968</u>	<u>\$ 110,946</u>
<b>Deferred tax liability:</b>		
Fixed Assets	\$ (49,968)	\$ (110,946)
Net deferred tax assets	<u>\$ -</u>	<u>\$ -</u>

The Company has Federal and Florida net operating loss (“NOLs”) carryforwards of approximately \$34.4 million and \$20.3 million, respectively, as of December 31, 2023. The federal NOLs generated in the years ended December 31, 2014, through 2017 of \$13.6 million begin to expire in 2034 and can be used to offset taxable income in its entirety. Federal NOLs generated after December 31, 2017, of \$20.8 million, have an infinite carryforward period but are subject to 80% deduction limitation based upon pre-NOL deduction taxable income. Florida NOLs generated after December 31, 2017, of \$20.3 million, have an infinite carryforward period but are subject to 80% deduction limitation based upon Florida tentative adjusted federal income for years beginning after December 31, 2020.

The utilization of the Company’s net operating loss carryforwards and research tax credit carryovers could be subject to annual limitations under Section 382 and 383 of the Internal Revenue Code of 1986, as amended (the “Code”), and similar state tax provisions, due to ownership change limitations that may have occurred previously or that could occur in the future. These ownership changes limit the amount of net operating loss carryforwards and other deferred tax assets that can be utilized to offset future taxable income and tax, respectively. In general, an ownership change, as defined by Section 382 and 383 of the Code, results from transactions increasing ownership of certain stockholders or public groups in the stock of the corporation by more than 50 percent points over a three-year period. The Company has not completed an analysis of an ownership change under Section 382 of the Code. To the extent that a study is completed and an ownership change is deemed to occur, the Company’s net operating losses and tax credits could be limited.

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based on consideration of these items, management has determined that enough uncertainty exists relative to the realization of the deferred income tax asset balances to warrant the application of a full valuation allowance as of December 31, 2023 and 2022.

There was no income tax expense for the years ended December 31, 2023 and 2022.

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Uncertain Tax Positions:

As of December 31, 2023 the Company does not have any unrecognized tax benefits.

**Note— 15 Subsequent Events**

The Company has evaluated all transactions and events after the balance sheet date through April 1, 2024 the date on which these financials were available to be issued, and except as already included below, has determined that no additional disclosures are required.

On January 8, 2024, the Board of Directors approved the appointment of a new Chief Commercial Officer (“CCO”) to the Company. As part of this appointment, the Board of Directors also approved the granting of 200,000 options to purchase the Company’s common stock at an exercise price of \$6.29. The total grant date fair value of this award is approximately \$1,022,000 and vests over four (4) years.

On January 31, 2024, the Company’s Board of Directors authorized the issuance of 295,000 options to purchase the Company’s common stock to fifteen (15) employees of the Company. The total grant date fair value of the options was \$1,949,950 and vest over four (4) years.

During the first quarter of 2024, the second Sustained Market Capitalization target was met for the CEO and COO market-based stock option award (see Note 12) resulting in the vesting of an additional 900,000 option awards.

On March 15, 2024, the Company entered a thirty-eight (38) month lease for office space commencing April 1, 2024. Monthly lease payments are \$10,405, \$10,580 and \$10,750 for the periods from June 1, 2024 through May 31, 2025, June 1, 2025 through May 31, 2026 and June 1, 2026 through May 31, 2027, respectively.