

**FLOWER TURBINES, INC.**

A Delaware corporation



**ANNUAL REPORT**

**FOR**

**FISCAL YEAR ENDING DECEMBER 31, 2022**

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## THE COMPANY AND ITS BUSINESS

*This discussion should be read in conjunction with (1) the other sections of this Report, including, but not limited to, “**Management’s Discussion and Analysis of Financial Condition and Results of Operations**,” and the attached Financial Statements and related exhibits, and (2) our Offering Circular for our Regulation A+ offering, including, but not limited to, the sections titled “**Risk Factors**,” and the Supplements thereto. The various sections of this discussion contain a number of forward-looking statements, all of which are based on our current expectations and could be affected by the uncertainties and risk factors described throughout this Report and the Offering Circular.*

### Introduction

We design, manufacture, and sell small vertical axis wind turbines, which, compared with current small drag-type wind turbines, are more aerodynamically efficient, emit less noise and vibrations, and are aesthetically designed. We have solved the aerodynamic blade design issues that plague many of our competitors’ wind turbines. Our goal is to make our sleek, innovative, and efficient small wind turbines the foundation of a large global renewable energy company. We currently offer, one, three, and six-meter high versions of our wind turbines, that can produce power ranging from tens of watts to up to 5,000 watts. We are starting to develop our own wind turbine electronics for both our turbines and eventually others.



In the EU, we are actively selling charging systems in the electric mobility vertical which include stationary poles, outdoor benches, and workstations, which can charge electric bicycles and scooters and other products such as mobile phones. The charging poles are on-grid and off-grid with solar alone or our wind turbines and solar together.



### **The Current Problem**

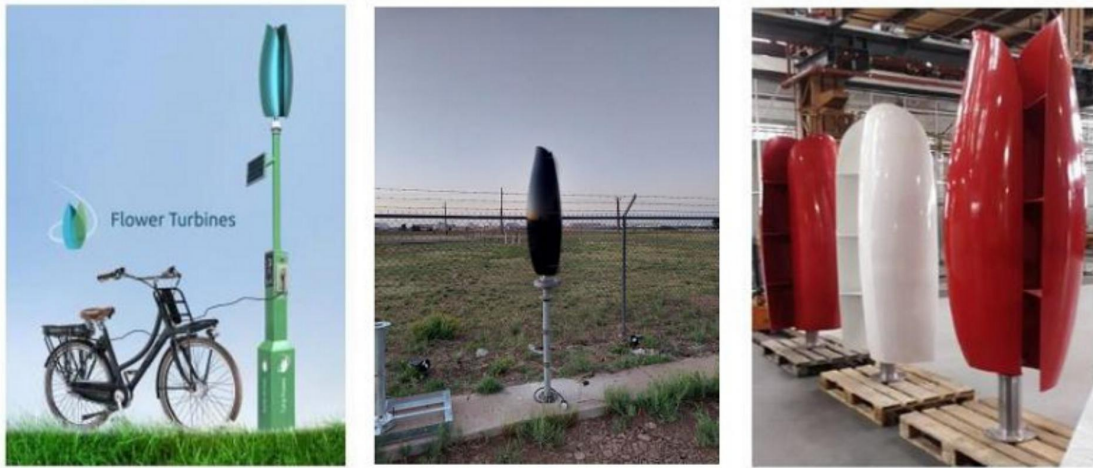
Producing clean energy in or near cities is challenging. Solar energy can be inefficient and expensive in areas without a good solar resource. As a result of the size, weight, vibrational and noise output, and aesthetic appearance of most current wind energy producing devices on the market, their installation and operation in urban and suburban settings, including parking lots and on building rooftops, is impractical or prohibited by zoning laws. In addition, in largely populated areas, the high-speed rotation of windmill blades poses safety and environmental concerns for both humans and wildlife. Where solar is more efficient, adding wind helps to balance the grid, with power at different times of the day and may lead to the need for fewer batteries.

### **Our Solution**

We have designed small and efficient wind turbines that overcome many of these barriers, making the operation, production, and use of wind energy in urban and suburban settings viable. Our turbines offer the following advantages over many of the competing products on the market:

- Small design
- Significantly higher efficiency
- Ability to cluster to reduce cost per unit installation through efficiencies of scale and obtain more energy per square meter
- Low starting speed
- Different sizes for different environments and spaces
- Lower noise and vibration
- Lower maintenance due to lower vibration
- Beautiful and kinetic tulip design
- Significantly lower rotational speed making them safer for humans and animals

We are currently working on various wind turbine innovations that could substantially reduce the cost of turbines, particularly in electronics and installations. We have begun to file patents in this area and it is an additional potential growth area for the company.



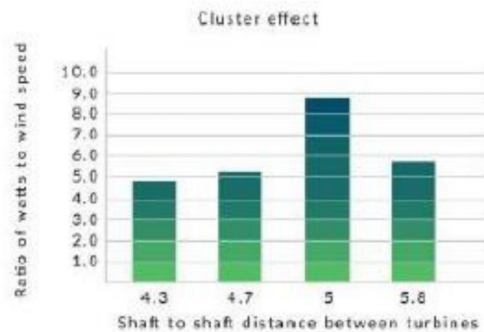
The turbines come in different sizes. The red and white turbines in the illustration are a total of 3 meters high. The turbines are also available in heights of 1 and 6 meters. The black turbine depicted above has blades that are 1 meter high, and the pole height is adjustable.

### **Our Technology**

The efficiency and size of our turbines primarily results from aerodynamic science that increases the efficiency of vertical axis drag-type turbines. Our designs and technology, are the subject of various US and international patents, cover the following art:

- Through segmenting parts of the blade's trailing edge according to a specific formula, our design reduces aerodynamic interference on the trailing edge of the turbine after the wind strikes the blade, resulting in an increase in efficiency.
- Through our tapered design of different degrees of cupping at different heights, which is different from the typical semicircular cup turbine, wind can enter the cups at more angles, making it easier for the turbine to begin spinning from many different wind directions.
- Our drag vertical axis design has a cluster effect, whereby one turbine creates a wind tunnel at a specific distance from the blades that increases the velocity of the wind entering the adjacent turbine if placed within that stream, which, according to preliminary tests, increases power output by 20-50% when two turbines are properly positioned.











- Fluid dynamics in our designs combines internal air space, blade overlap, blade extension, blade diameter, and tip speed ratios, in a manner that we believe makes our turbines more efficient than other small wind turbines on the market. The blades and shaft have optimized air space ratios for greater efficiency so the wind is accelerated internally after it hits the first blade and before it recirculates and hits the second blade.
- Our patent pending process for adding an aerodynamic spoiler to rooftops on which our wind turbines are installed ameliorates the problem of the building's vertical surface which has the effect of scattering the wind force.

In addition, our turbines can reduce transmission cost, through balancing the energy grid load at times when solar systems are not generating power, thereby decreasing the operational cost while increasing power production.

## Our Products

<p><b>Wind &amp; Sun Charging (Type ZW)</b></p> <p>This model is a stand-alone charging station that produces its own electricity with the help of a solar panel and a small version (1 meter) of our Flower Turbine. The energy is then stored within the unit, ready to charge your bicycle, scooter, or mobility scooter. This model is equipped with two power sockets that provide one hour of electricity for each user. Due to its height (4.15 meters) and design, it is very easy to find.</p>	
<p><b>Charging pole (SL)</b></p> <p>Thanks to its sturdy design, the charging pole is ideal for cities. The standard version comes with 2 child-proof and water-proof power sockets. Because it is connected to the grid, it is very simple to use;</p>	

<p>just plug in and charge. This model is also available with 4 power sockets and USB ports to charge all your devices while you are on the move.</p>	
<p><b>Wall and drive-in Charging (Type WL)</b></p> <p>This simple and discrete model comes with 3 charging sockets and can be placed on the wall or integrated into a bicycle rack. These models are ideal for companies and clubs that want to facilitate the mobility of their customers and employees.</p>	
<p><b>Charging Bench</b></p> <p>This solid bench is ideal for public spaces. We are currently redesigning this product for wind and solar input.</p>	
<p><b>Sun Charging (Type Z)</b></p> <p>The small brother of the ZW model is a great alternative for those who want a simpler version and have lower energy requirements. This is a stand-alone charging station, meaning that it does not need to be connected to the grid. The energy is produced by a solar panel and then stored within the unit, available at the push of a button.</p>	
<p><b>Flower Power</b></p> <p>Flower Power is a luxury brand of Flower Turbines featuring artwork on its blades with the turbine electricity to be used for off-grid outdoor illumination and for people to make a statement about climate change. Flower Turbines has already signed one celebrity and artist as a brand ambassador and is developing its own line of artistic turbines. See <a href="http://www.flowerpower.vip">www.flowerpower.vip</a> for details.</p>	

## **Research and Development**

We have been through several cycles of research and development, including computer simulation, patent development, and engineering. Our research and development activities are conducted mostly in the US, and some in Israel and the Netherlands, both internally and with the assistance of high-level external engineers, an academic institution, and engineering agencies to assure our products comply with applicable regulations. Research and development is an important ongoing activity as we are now developing new electronics and rooftop installation products.

## **The Market**

The global Small Wind Turbines market size is expected to gain market growth in the forecast period of 2020 to 2025, with a CAGR of 17.4% in the forecast period of 2020 to 2025 and is expected to reach USD \$316.7 million by 2025, from USD \$166.6 million in 2019. <https://www.marketwatch.com/press-release/small-wind-turbines-market-size-growing-at-174-cagr-to-hit-usd-3167-million-by-2025-2020-08-18>. Flower Turbines is clearly in a high growth market and has the opportunity to increase the size of that market and its growth rate by specifically targeting the underserved markets of location close to people and close to or on buildings because of the combination of quiet and efficiency. Small wind turbines comprise a wide range of wind turbines ranging from micro turbines, to residential turbines and mini turbines. The wind turbines used in these end use applications have power ratings ranging from a few watts to 1,000 watts. Small wind turbines include wind turbines up to 15 meters in diameter. Although vertical axis wind turbines have witnessed rapid growth in the global small wind power market, most of the small wind turbines currently on the market, are conventional horizontal axis wind turbines.

With its innovative technology, Flower Turbines aims to change the growth trajectory of the market.

The market for renewable energy is rapidly growing. Small turbines are projected to hit a compound annual growth rate of almost 10% over the next five years, and annual revenue from the small turbine sector is projected to reach \$400M in 2024, growing 42.5% in just five years. Bloomberg predicts (<https://www.renewableenergyworld.com/2019/06/20/bloomberg-predicts-wind-and-solar-will-power-half-the-world-and-bag-9-trillion-investment/>) that wind and solar will power half the world's grid by 2050 and receive \$9 trillion of investment.

The passage of the Green Deal in Europe and legislation in the US are opportunities for the company to grow even faster.

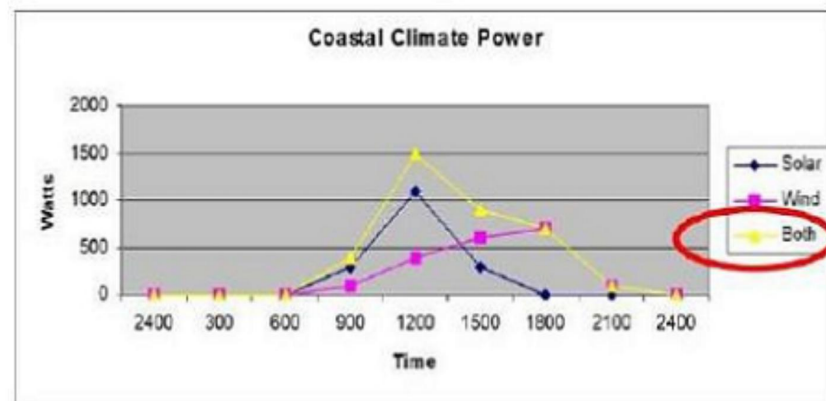
The microgrid market is growing and project managers often want wind to supplement the solar they are using as a base because wind is often available when solar is not.

The charging station market depends on sales of electric bicycles and scooters. A recent report from Deloitte estimates that 300 million electric bikes will be on the world's roads by 2023, which is 50% more than today. See

[https://www2.deloitte.com/content/dam/insights/us/articles/722835\\_tmt-predictions-2020/DI\\_TMT-Prediction-2020.pdf](https://www2.deloitte.com/content/dam/insights/us/articles/722835_tmt-predictions-2020/DI_TMT-Prediction-2020.pdf).



Wind is very available in many parts of the world. We advocate using a combination of both wind and solar in order to provide better coverage over 24 hours. In areas such as Texas where wind is more frequent at night, the proportion of solar to wind might be higher for a particular building. The following is a conceptual illustration of how solar and wind could work together:



## **Competition**

We compete with other manufacturers of wind turbines, and other alternative energy providers such as solar technology. We believe that our turbines provide more than economic value for the customers—something that was often missing with other small turbines. Because we created so many innovative technologies, we believe that we compete more with the grid than with other small turbines. Large turbines are more cost-effective but what counts for a consumer is the cost by the time it reaches them, and that is where we compete.

## **Marketing and Sales**

We have built an in-house sales and marketing team to sell our turbines and charging stations directly and are seeking partnerships with resellers. We are exploring developing a leasing program similar to those commonly used in the solar industry.



We intend to focus marketing our wind turbines in selected markets in the United States and abroad characterized by high winds and high electricity prices, such as the east and west coasts of the United States, the Midwest, Hawaii and the North Sea and Baltic Sea adjacent countries in Europe. We intend to focus marketing our power stations in flat areas of Europe, such as the Netherlands, Belgium, Germany, and Denmark, and in other cities worldwide.

### **Manufacturing**

We have begun manufacturing certain components and assembling certain products in our facility in Lubbock, Texas. We are starting to produce some of our own wind turbine electronics starting with charge controllers. We plan to develop this into a related business in which we sell our electronics to other wind turbine companies. We also outsource manufacturing and assembly to various manufacturers located in the Netherlands.

### **Employees**

We currently have eight full time and three part-time employees, and various contractors in the United States. Flower Turbines B.V., our Netherlands subsidiary, has two full-time employees and three part-time employees. We also use various independent contractors for engineering, project management, marketing, sales, and administrative services.

### **Government Regulation**

We are subject to various federal, state, and foreign governmental regulations related to manufacturing, marketing and sale of our products, such as health and safety codes, environmental laws and zoning laws.

#### *Occupational Safety and Health Administration*

Our operations are subject to regulation of health and safety matters by the U.S. Occupational Safety and Health Administration. We believe that we take appropriate precautions to protect our employees and third parties from workplace injuries and harmful exposure to materials handled and managed at our facilities. However, claims asserted in the future against the Company for work-related injury or illnesses could increase our costs.

#### *Environmental*

Our operations are subject to numerous federal, state and local environmental laws and regulations. Although it is our objective to maintain compliance with these laws and regulations, it may not be possible to quantify with certainty the potential impact of actions regarding environmental matters, particularly remediation and other compliance efforts that we may undertake in the future.

### *Tax Incentives*

The U.S. wind energy industry is significantly impacted by federal tax incentives, which have provided material incentives to develop wind energy generation facilities and thereby impact the demand for our products. One such federal government program is the production tax credit (“PTC”), which provides economic incentives to the owners of wind energy facilities in the form of a tax credit. Wind energy may not be economically viable in certain parts of the country absent such incentives. The increased demand for our products that generally results from the credits and incentives could be impacted by the expiration or curtailment of these programs.

### *Certifications*

Certain tax credits available to purchasers of our products, depend on having third party certification of the turbines’ power curve over a 6-month period by certain accredited organizations. We are tentatively planning to seek such certification. The inverter, which allows the electricity to be synchronized with the grid, usually requires UL certification for on-grid uses. Off the shelf products with UL certification are available. One of our charging products has already received CE certification and we believe others will shortly follow.

Certain countries offer benefits for certification of turbines. An independent body measures the turbine’s output at different wind speeds for 6 months and creates a power curve of wind speed versus power output. While there are significant expenses in obtaining such certifications, the benefits include access to government subsidies or tax deductions for the turbines. These regulations can change every year.

### **Intellectual Property**

We hold or license an aggregate of 41 patents, patent applications and provisional patent applications, issued by various jurisdictions, 18 of which are issued patents. We also own or license various domain names and trademarks or trademark applications, in various jurisdictions, which include “Flower Turbines”, “Flower Power”, “Tulip Power,” “Wind Tulip,” “Charge To Go,” “Bitulip,” “Tritulip”. We also hold various copyrights, as well as trade secrets related to the manufacturing and construction of our turbines. See “Risk Factors - Our intellectual property could be unenforceable or ineffective.”

### **Property**

We lease approximately 6,289 square feet of office space at 2601 SE Loop 289, in Lubbock Texas, pursuant to a 36 month lease which commenced on March 1, 2022. Our base rent is \$2,955 per month for the first 12 months, \$3,014 per month for the second 12 months and \$3,076 for the third twelve months. We also have a three-year lease for an approximately 170 square foot office at a shared office space located at 670 Long Beach Blvd., Suite 201, in Long Beach, New York. We also lease warehouse space at RDM, Scheepsbouwweg 8, C4, Innovation Dock, 3089JW Rotterdam, Netherlands, in exchange for approximately \$4,000 per month. We also lease a 625 square foot office space in Lawrence, New York for \$788 per month. The lease term commenced November 1, 2019 and expires on October 31, 2023

### **Legal Proceedings**

In March 2022, we filed a lawsuit against Universal Energy Inc. and Ventana Tek, LLC in the United States District Court for the Eastern District of New York, alleging infringement on one of our patents.

### **Previous Offerings**

In January 2021, we issued Roy Osinga and Dr. Mark Daniel Farb, respectively, options to purchase 100,000 shares and 500,000 shares of common stock, having an exercise price of \$7.00 per share.

In November 2021, we issued Mr. Stoll an option to purchase 200,000 shares of common stock, having an exercise price of \$7.00 per share.

Between 2021 and 2022, we engaged in a Regulation A+ Offering in which we sold 1,409,440 shares of common stock for \$6.00 per share, or an aggregate offering price of \$8,500,000.

In February 2023, we launched a Regulation A+ Offering to raise up to \$12,000,000 through the sale of common stock for \$12.00 per share.

## **RISK FACTORS**

**Investing in the Shares involves risk. In evaluating us and an investment in the Shares, careful consideration should be given to the following risk factors, in addition to the other information included in this offering Circular. Each of these risk factors could materially adversely affect our business, operating results, or financial condition, as well as adversely affect the value of an investment in the Shares. The following is a summary of the risk factors that we currently believe make this offering speculative or substantially risky. We are still subject to all the same risks faced by all companies in our industry, and to which all such companies in the economy are exposed. These include risks relating to economic downturns, political and economic events, and technological developments (such as cyber-security). Additionally, early-stage companies are inherently riskier than more developed companies. You should consider general risks as well as specific risks when deciding whether to invest.**

***Our financial statements include a going concern note.***

Our ability to continue as a going concern for the next twelve months is dependent upon our ability to generate sufficient cash flows from operations to meet our obligations, and/or to obtain additional capital financing from investors and/or third parties. No assurance can be given that we will be successful in these efforts. These factors, among others, raise substantial doubt about our ability to continue as a going concern for a reasonable period of time.

***We depend on certain key personnel and must attract and retain additional talent.***

Our future success depends on the efforts of key personnel and consultants, especially our sole officer and director, Dr. Mark Daniel Farb. As we grow, we will need to attract and hire additional employees in sales, marketing, design, development, operations, finance, legal, human resources, and other areas. Depending on the economic environment and our performance, we may not be able to locate or attract qualified individuals for such positions when we need them. We may also make hiring mistakes, which can be costly in terms of resources spent in recruiting, hiring, and investing in the incorrect individual and in the time delay in locating the right employee fit. If we are unable to attract, hire, and retain the right talent or make too many hiring mistakes, it is likely that our business will suffer from not having the right employees in the right positions at the right time. This would likely adversely impact the value of your investment.

***The success of our business is highly correlated to general economic conditions.***

Demand for our products is highly correlated with general economic conditions, as a substantial portion of our revenue is derived from discretionary spending, which typically declines during times of economic instability. Declines in economic conditions in the United States or in other countries in which we operate and may operate in the future may adversely impact our financial results. Because such declines in demand are difficult to predict, we or our industry may have increased excess capacity as a result. An increase in excess capacity may result in declines in prices for our products. Our ability to grow or maintain our business may be adversely affected by sustained economic weakness and uncertainty, including the effect of wavering consumer



confidence, high unemployment, and other factors. The inability to grow or maintain our business would adversely affect our business, financial conditions, and results of operations, and thereby an investment in our common stock.

***Natural disasters and other events beyond our control could materially adversely affect us.***

Natural disasters or other catastrophic events may cause damage or disruption to our operations, international commerce and the global economy, and thus could have a strong negative effect on us. Our business operations are subject to interruption by natural disasters, fire, power shortages, pandemics and other events beyond our control. Although we maintain crisis management and disaster response plans, such events could make it difficult or impossible for us to deliver our products to our customers and could decrease demand for our products.

In addition, if the intensity and frequency of hurricanes, tornados, and other adverse weather conditions results from global warming, or otherwise, the same could affect the viability of our turbines to withstand such adverse weather in certain markets, which could adversely affect our business.

***Developing new products and technologies entails significant risks and uncertainties.***

The failure of our products to meet our performance estimates may be caused by, among other things, unanticipated technological hurdles, difficulties in manufacturing, changes to design and regulatory hurdles. Any of these events could materially and adversely affect our operating performance and results of operations.

***The growth of our business depends on our ability to finance new products.***

We operate in a rapidly changing industry. Technological advances, the introduction of new products and new design and manufacturing techniques could adversely affect our business unless we are able to adapt to the changing conditions. To remain competitive, we must continue to incur significant costs in product development, equipment, facilities and invest in working capital. These costs may increase, resulting in greater fixed costs and operating expenses.

***We face intense competition, and many of our competitors have substantially greater resources than we do.***

We compete with major international and domestic renewable energy companies, including, GE, Siemens, and Enercon. Some of our current and potential competitors have greater market recognition and customer bases, longer operating histories and substantially greater financial, technical, marketing, distribution, purchasing, manufacturing, personnel, and other resources than we do. As a result, they may be able to respond more quickly to changing customer demands or to devote greater resources to the development, promotion, and sales of alternative energy products than we can. In addition, many of our competitors are developing and are currently producing products based on new solar energy technologies that may ultimately have costs similar to, or lower than, our projected costs.

***If our products fail to perform as expected, we may have to recall them and our ability to develop, market and sell our products could be harmed.***

Our products may contain defects in design and manufacture that may cause them not to perform as expected or that may require repair. There can be no assurance that we will not be required to recall any products in the future. There can be no assurance that we will be able to detect and fix any defects in our products prior to their sale. Any product defects or any other failure of our products to perform as expected could harm our reputation and result in adverse publicity, lost revenue, delivery delays, product recalls, product liability claims, harm to our brand and reputation, and significant warranty and other expenses, and could have a material adverse impact on our business, financial condition, operating results and prospects.

***We are exposed to risks associated with product liability claims in the event that the use or installation of our products results in injury or damage.***

Since our products are electricity-delivering devices and our turbines have fast moving blades, it is possible that users or services providers, could be injured or killed by our products, whether by product malfunctions, defects, improper installation or other causes. As a manufacturer of products that are used by consumers, we face an inherent risk of exposure to product liability claims or class action suits in the event that the use of the products we sell or install results in injury or damage. Moreover, to the extent that a claim is brought against us we may not have adequate resources in the event of a successful claim against us. The successful assertion of product liability claims against us could result in potentially significant monetary damages and, if our insurance protection is inadequate, to the extent we hold applicable insurance coverage, could require us to make significant payments.

***We could incur substantial costs to comply with environmental, health and safety (“EHS”) laws and regulations and to address violations of or liabilities under these requirements.***

Our operations are subject to a variety of EHS laws and regulations in the jurisdictions in which we operate and sell products governing, among other things, health, safety, pollution and protection of the environment and natural resources, including the use, handling, transportation and disposal of non-hazardous and hazardous materials and wastes, as well as emissions and discharges into the environment, including discharges to air, surface water, groundwater and soil, product content, performance and packaging. We cannot guarantee that we have been, or will at all times be, in compliance with such laws and regulations. Changes in existing EHS laws and regulations, or their application, could cause us to incur additional or unexpected costs to achieve or maintain compliance. Failure to comply with these laws and regulations, obtain the necessary permits to operate our business, or comply with the terms and conditions of such permits may subject us to a variety of administrative, civil and criminal enforcement measures, including the imposition of civil and criminal sanctions, monetary fines and penalties, remedial obligations, and the issuance of compliance requirements limiting or preventing some or all of our operations. The assertion of claims relating to regulatory compliance, on or off site contamination, natural resource damage, the discovery of previously unknown environmental liabilities, the imposition of criminal or civil fines or penalties and/or other sanctions, or the obligation to undertake investigation, remediation or monitoring activities could result in

potentially significant costs and expenditures to address contamination or resolve claims or liabilities. Such costs and expenditures could have a material adverse effect on our business, financial condition or results of operations. Under certain circumstances, violation of such EHS laws and regulations could result in us being disqualified from eligibility to receive federal government contracts or subcontracts under the federal government's debarment and suspension system.

We also are subject to laws and regulations that impose liability and cleanup responsibility for releases of hazardous substances into the environment. Under certain of these laws and regulations, such liabilities can be imposed for cleanup of currently and formerly owned, leased or operated properties, or properties to which hazardous substances or wastes were sent by current or former operators at our current or former facilities, regardless of whether we directly caused the contamination or violated any law at the time of discharge or disposal. The presence of contamination from hazardous substances or wastes could interfere with ongoing operations or adversely affect our ability to sell, lease or use our properties as collateral for financing. We also could be held liable under third-party claims for property damage, natural resource damage or personal injury and for penalties and other damages under such environmental laws and regulations, which could have a material adverse effect on our business, financial condition and results of operations.

***Our ability to comply with regulatory requirements is critical to our future success, and there can be no guarantee that our businesses are in full compliance with all such requirements.***

As a manufacturer and distributor of wind and other energy industry products we are subject to the requirements of federal, state, local, and foreign regulatory authorities. In addition, we are subject to several authorities setting industry standards. Changes in the standards and requirements imposed by such authorities could have a material adverse effect on us. In the event we are unable to meet any such standards when adopted, our businesses could be adversely affected. We may not be able to obtain all regulatory approvals, licenses, and permits that may be required in the future, or any necessary modifications to existing regulatory approvals, licenses and permits, or maintain all required regulatory approvals, licenses and permits. There can be no guarantee that our businesses are fully compliant with such standards and requirements.

***The U.S. wind energy industry is significantly impacted by tax and other economic incentives. A significant change in these incentives could significantly impact our results of operations and growth.***

The U.S. wind energy industry is significantly impacted by federal tax incentives and state Renewable Portfolio Standards ("RPSs"), which have provided material incentives to develop wind energy generation facilities and thereby impact the demand for our products. One such federal government program is the production tax credit ("PTC"), which provides economic incentives to the owners of wind energy facilities in the form of a tax credit. Despite recent reductions in the cost of wind energy, due to variability in wind quality and consistency, and other regional differences, wind energy may not be economically viable in certain parts of the country absent such incentives. The increased demand for our products that generally results

from the credits and incentives could be impacted by the expiration or curtailment of these programs. A new set of incentives under the Inflation Reduction Act of 2022 have just been released and could affect our finances positively because we sell and manufacture in the US for North America.

***Changes to trade regulation, quotas, duties or tariffs, and sanctions caused by changing U.S. and geopolitical policies, may impact our competitive position or adversely impact our margins.***

New tariffs have resulted in increased prices, including with respect to certain steel products, and could adversely affect our consolidated results of operations, financial position, and cash flows. These tariffs, along with any additional tariffs or trade restrictions that may be implemented by the U.S. or other countries, could result in further increased prices and a decreased available supply of steel and other imported components and inputs. We may not be able to pass price increases on to our customers and may not be able to secure adequate alternative sources of steel on a timely basis.

***Risks of borrowing and restrictions on our ability to borrow.***

We currently have an outstanding loans and may have to seek loans in the future from financial institutions. Typical loan agreements might contain restrictive covenants which may impair our operating flexibility. A default under any loan agreement could result in a charging order that would have a material adverse effect on our business, results of operations or financial condition.

***Our intellectual property could be unenforceable or ineffective.***

One of our most valuable assets is our intellectual property. We own or license from Dr. Farb, various patents issued by various jurisdictions, which cover various aspects of our technology. We also license from Dr. Farb various domain names and trademarks, and we hold various trade secrets related to the manufacturing and construction of our turbines. In addition, we plan to explore other opportunities to patent parts of our core technology; however, such patents may never be issued or certain claims may be rejected or may need to be narrowed, which may limit the protection we are attempting to obtain. In addition, companies, organizations, or individuals, including competitors, may hold or obtain patents, trademarks, or other proprietary rights that would prevent, limit, or interfere with our ability to make, use, develop, sell, or market our products, which would make it more difficult for us to operate our business. These third parties may have applied for, been granted, or obtained patents that relate to intellectual property, which competes with our intellectual property or technology. This may require us to develop or obtain alternative technology, or obtain appropriate licenses under these patents, which may not be available on acceptable terms or at all. Such a circumstance may result in us having to significantly increase development efforts and resources to redesign our technology in order to safeguard our competitive edge against competitors. There is a risk that our means of protecting our intellectual property rights may not be adequate, and weaknesses or failures in this area could adversely affect our business or reputation, financial condition, and/or operating results.



From time to time, we may receive communications from holders of patents or trademarks regarding their proprietary rights. Companies holding patents or other intellectual property rights may bring suits alleging infringement of such rights or otherwise assert their rights and urge us to take licenses. In addition, if we are determined to have infringed upon a third party's intellectual property rights, we may be required to cease deploying our products, pay substantial damages, seek a license from the holder of the infringed intellectual property right, which license may not be available on reasonable terms or at all, and/or establish and maintain alternative branding for our business. We may also need to file lawsuits to protect our intellectual property rights from infringement from third parties, which could be expensive, time consuming, and distract management's attention from our core operations.

***We rely on third parties to provide services essential to the success of our business.***

We rely on third parties to provide a variety of essential business functions for us, including research and development, engineering, manufacturing, shipping, advertising, retailing, and distribution. It is possible that some of these third parties will fail to perform their services or will perform them in an unacceptable manner. Any significant delays or other complications in maintaining our research and development partners, third party manufacturers, or manufacturing our products, including, but not limited to, complications associated with production or supply chain, or regulatory approvals, or any disruptions or failures to maintain our relationships, could materially damage our brand, business, prospects, financial condition, and operating results. There is currently a risk that the coronavirus outbreak in countries around the world may disrupt parts supply. We intend to mitigate this risk through inventory and supply chain management practices.

***If we are unable to adequately control the costs associated with operating our business, our business, financial condition, operating results and prospects will suffer.***

If we are unable to maintain a sufficiently low level of costs for manufacturing, marketing, selling, and distributing our products relative to their selling prices, our operating results, gross margins, business, and prospects could be materially and adversely impacted. Many of the factors that impact our operating costs are beyond our control. If we are unable to keep our operating costs aligned with the level of revenues we generate, our operating results, business and prospects will be harmed.

***We do not own all of our intellectual property.***

We have a royalty free license to use certain patents, trademarks, copyrights and other intellectual property rights from Dr. Farb, all of them pursuant to a 20 year, royalty free, world-wide, exclusive license, and an assignment to Leviathan Energy Wind Lotus, Ltd. Therefore, our investors will not receive any benefits associated with the ownership of such intellectual property rights. Although our license has a term of 20 years, if we were to default under the license agreement and lose our ability to use these patents, trademarks and other intellectual property, it would have a material adverse impact on our business, financial condition, operating results and prospects, and you could lose your investment.

***Terms of our current and subsequent financings may adversely impact your investment.***

We are currently engaged in a Regulation A+ Offering to raise up to \$12,000,000 through the sale of common stock for \$12.00 per share. Even if we are successful in such offering, we may need to engage in common equity, debt, or preferred stock financings in the future. Your rights and the value of your investment in the common stock could be reduced. Interest on debt securities could increase costs and negatively impact operating results. Preferred stock could be issued in series from time to time with such designations, rights, preferences, and limitations as needed to raise capital. The terms of preferred stock could be more advantageous to those investors than to the holders of common stock, including, but not limited to, having dividend and liquidation preferences. In addition, if we need to raise more equity capital from the sale of equity securities, institutional or other investors may negotiate terms at least as, and possibly more, favorable than the terms of your investment.

***Because no public trading market for our common stock currently exists, it will be difficult for you to sell the common stock and, if you are able to sell the common stock, you may have to sell them at a substantial discount to the price you paid for the common stock.***

While our common stock has registered to be listed on StartEngine Secondary, we have not yet commenced such listing, and therefore, there is no public trading market. In addition, we may never commence such listing, and if we do, we may terminate such listing at any time. Even if we commence such listing, an active public trading market may never develop. Until the common stock is listed on an exchange on which there is an active trading market, if ever, you may not be able to sell your common stock, unless through a private sale in which the buyer meets the applicable suitability and minimum purchase standards. Therefore, it will be difficult for you to sell your common stock promptly or at all. If you can sell your common stock, you may have to sell them at a substantial discount to the price you paid for the common stock.

***Investors in our common stock will have to assign their voting rights.***

The holders of common stock issued in this offering will grant an irrevocable voting proxy to our chief executive officer (the “**Proxy**”), that will limit their ability to vote their common stock until the occurrence of certain events specified in the proxy, which may never occur. The inability of the holders of common stock issued in this offering to vote their common stock, and the provision of a voting proxy to our chief executive officer, could have an anti-takeover effect as a potential acquirer may wish to call a special meeting of stockholders for the purpose of considering the removal of directors or an acquisition offer, in which case the investors would not have the right to vote in favor of the same.

***Our sole director and chief executive officer has voting control.***

As of the date of this Offering Circular, Dr. Mark Daniel Farb our sole executive officer and director, holds over 70% of our common stock, and via voting proxies, holds substantially all voting power. As a result, Dr. Farb is able to control our management and affairs and most matters requiring stockholder approval, including, but not limited to, the election of directors and approval of significant corporate transactions. This concentration of ownership and voting power

could have an anti-takeover effect as a potential acquirer may wish to call a special meeting of stockholders for the purpose of considering the removal of directors or an acquisition offer, in which case the investors would not have the right to vote in favor of the same.

***We are not likely to pay cash dividends in the foreseeable future.***

We currently intend to retain any future earnings for use in the operation and expansion of our business. Accordingly, we do not expect to pay any cash dividends in the foreseeable future but will review this policy as circumstances dictate.

## **REGULATORY INFORMATION**

The company has not previously failed to comply with the requirements of Regulation Crowdfunding.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION**

The following is a discussion of our financial condition and results of operations for the twelve-month period ended December 31, 2022 (the “**2022 Annual Period**”), and the twelve-month period ended December 31, 2021 (the “**2021 Annual Period**”). This discussion should be read in conjunction with our audited consolidated financial statements and the related notes included in this report.

### **Overview**

Our predecessor-in-interest, Flower Turbines, LLC, was formed as a New York limited liability company on September 15, 2013, and converted into Flower Turbines, Inc., a Delaware corporation, on December 27, 2019. Our headquarters are in Lawrence, New York. We develop and manufacture wind turbines.

On March 27, 2019, we formed Flower Turbines B.V., a Netherlands company, to sell, install, and develop sustainable energy solutions in the European Union. In January 2020, we extended our business into the electric mobility vertical through Flower Turbines B.V.’s acquisition of a product line of charging stations, which include stationary poles, outdoor benches, and workstations, which can charge electric vehicles and other products such as mobile phones. The charging stations generate power through wind, solar, and grid energy. We outfit some of these charging stations with our wind turbines.

## **Results of Operation**

### ***2022 Annual Period Compared to 2021 Annual Period***

#### *Revenues*

For the 2022 Annual Period we had revenues of \$247,208, compared to \$338,643 for the 2021 Annual Period. The decrease in revenues during the 2022 Annual Period is primarily, as a result of fewer sales of turbines by Flower Turbines B.V. The first sales from US production began in June 2022.

#### *Cost of Goods Sold*

For the 2022 Annual Period our costs of goods sold was \$573,805, compared to \$477,995 for the 2021 Annual Period. The increase in the cost of goods sold during the 2022 Annual Period is primarily a result of an increase in material costs and logistics expenses.

#### *Gross Loss*

For the 2022 Annual Period our gross loss was \$326,597, compared to \$139,352 for the 2021 Annual Period.

#### *Operating Expenses*

For the 2022 Annual Period, our total operating expenses were \$3,363,713, consisting of \$789,919 for research and development expenses, \$18,500 for sales and marketing expenses, and \$2,555,294 for general and administrative costs. For the 2021 Annual Period, our total operating expenses were \$2,998,210, consisting of \$330,537 for research and development expenses, \$12,754 for sales and marketing expenses, and \$2,654,919 for general and administrative costs. The increase in operating expenses during the 2022 Annual Period, primarily the result of increased research and development expenses relating to our development of new charging systems, increased patent prosecution costs, and increased staff.

#### *Loss from Operations*

For the 2022 Annual Period we had an operating loss of \$3,690,310, compared to an operating loss of \$3,137,562 for the 2021 Annual Period. The increase in operating loss during the 2022 Annual Period is primarily the result of increased research and development expenses.

#### *Other Income/Expenses*

For the 2022 Annual Period, we had total other income and expenses of -\$19,066, compared to other income and expense of -\$4,104 for the 2021 Annual Period.



### *Net Loss*

For the 2022 Annual Period we had a net loss of \$3,709,376, compared to a net loss of \$3,141,666 for the 2021 Annual Period.

### **Liquidity and Capital Resources**

Since our inception, we have raised over \$11,000,000 through various securities offerings, which we have used for operations, including, approximately \$2,100,000 from Regulation CF Campaigns, and approximately \$8,900,000 through our Regulation A+ offering. As of December 31, 2022, we had total current assets in the amount of \$1,320,249 consisting of \$252,441 in cash, \$18,309 in prepaid expenses, \$123,909 in accounts receivables, \$438,364 in inventory and \$487,226 in investments. As of December 31, 2021, we had total current assets in the amount of \$5,164,702 consisting of \$2,350,678 in cash, \$78,224 in prepaid expenses, \$133,151 in accounts receivables, \$131,097 in other assets, \$139,230 in inventory and \$2,332,322 in funds held in escrow related to our Regulation A+ offering. The substantial decrease in cash as of December 31, 2022, compared to December 31, 2021, is primarily the result of investment in the business and operating expenses.

As of March 31, 2023, and excluding any future proceeds raised in our current Regulation A+ offering, we had sufficient operating capital to fund our operations through September 2023.

As of December 31, 2022, we had total liabilities in the amount of \$545,433, compared to \$549,737 in total liabilities as of December 31, 2020.

We will incur significant additional costs in commercializing our products, including, but not limited to, in production, marketing, sales and customer service, and intend to continue to fund our operations through funds received from this Offering. We may also engage in additional debt and/or equity financings as determined to be necessary. If we are unable to obtain sufficient amounts of additional capital, we may be required to reduce the scope of our planned development, which could harm our business, financial condition and operating results. Accordingly, our independent auditors report includes a paragraph regarding substantial doubt about our ability to continue as a going concern.

### **Debt**

In November 2019, Flower Turbines B.V., our subsidiary, entered into an unsecured loan agreement with Rabobank, pursuant to which two installments were advanced having in the aggregate principal amount of \$56,135, and which matures in 84 months. This first advance was in the amount of \$28,068, bears interest at 7.5% per annum, and requires monthly interest payments for 84 months with a final balloon payment on the maturity date. The second advance was in the amount of \$28,067, bears interest at 7.5% per annum, requires interest only payments for the first 24 months, principal and interest payments of \$468 for the next 60 months, with a final balloon payment on maturity date. The total unpaid principal balances on the loans were \$55,934 as of December 31, 2021.

## Plan of Operations

We are investing in the continued growth of our brand and are seeking to hit the following milestones during 2023:

- Launch of small, medium, and large sized wind turbines in the United States.
- EU\$500,000 in revenue from sales by Flower Turbines B.V., in the European Union.
- US\$500,000 in revenue from sales of small turbines in the United States.
- US\$1,000,000 in revenue from exports of turbines outside of the United States.
- Increase concentration of sales in the EU time by adding salespeople and their support and outsourcing all production with drop shipping.
- Developing projects to sell electricity as well as turbines.

The extent to which we will be able to complete the milestones outlined above is dependent upon the success of our marketing efforts and our utilization of cash.

## DIRECTORS, EXECUTIVE OFFICERS AND SIGNIFICANT EMPLOYEES

The following table sets forth information about our executive officers and directors.

Name	Position	Age	Term of Office	Approximate Hours per week for part-time employees
Dr. Mark Daniel Farb	Chief Executive Office, Chief Financial Officer, Secretary & Director	67	December 2019 – Present	Full Time
Warren Stoll	Chief Operating Officer	66	January 2022 - Present	Full Time

**There are no arrangements or understandings between our executive officers and directors and any other persons pursuant to which the executive officer or director was selected to act as such.**

*Dr. Mark Daniel Farb*, has served as our chief executive officer, chief financial officer, secretary and sole director, since our inception in December 2019. Prior thereto, Dr. Farb served as the Manager of our predecessor-in-interest, Flower Turbines LLC, since its founding in September 2014. In 2006, Dr. Farb founded Leviathan Energy, a group of renewable energy companies in Israel and the U.S. and has been serving as its sole officer and director since its founding. Both Leviathan Energy Hydroelectric and Leviathan Energy Wind Lotus, a predecessor of Flower Turbines, won the prestigious Eurogia label for their work. A strong believer in the importance of ecology and an avid hiker, Dr. Farb is a thought leader in the area of renewable energy. He has filed over 60 patents, written over 100 books, and his small wind invention, the Wind Tulip, a predecessor of our existing products, was featured at Bloomfield Science Museum in Jerusalem as one of Israel's top 45 technologies in 2011. Flower Turbines Inc. was chosen by Pepperdine University Business School as among 30 finalists for the Most Fundable US Companies for 2020 out of 4500 companies researched.

**Warren Stoll**, has served as our Chief Operating Officer since May 2021. Prior to joining Flower Turbines, between June 2017 and May 2021, he served as Chief Executive Officer of Loan Time, a fintech platform for medical loans, and between September 2009 and June 2017, he served as an independent consultant assisting clients navigate the real estate market and the risks related to real estate investments. Throughout his career, Mr. Stoll has led a series of technology and real estate businesses. Beginning in 1979, Mr. Stoll raised venture capital for four start-ups, and led each company from inception to growth to a successful sale. In 1982, he founded Einstein software, which developed the Einstein word processor, which he subsequently sold to Microsoft. He has also located, analyzed, appraised, and negotiated the purchase and sale of numerous commercial properties. Mr. Stoll has a BA from CSUN and a JD from Southwestern School of Law. He is an avid fisherman, a devoted grandfather, and a champion chess player.

### **Compensation**

The table below reflects the annual compensation of each of the three highest paid persons who were executive officers or directors, during the fiscal year ended December 31, 2022:

<b>Name</b>	<b>Capacities in which compensation received</b>	<b>Cash Compensation</b>	<b>Other Compensation</b>	<b>Total Compensation</b>
Mark Daniel Farb 670 Long Beach Blvd., Suite 201 Long Beach, NY 11561	Chief Executive Officer, Chief Financial Officer, Secretary and Director	\$ 183,000	\$ 0	\$ 183,000
Roy Osinga Marconistraat 16, 12 <sup>th</sup> Fl. 3029 AK Rotterdam, Netherlands	Regional Director EU	\$ 69,825(1)	\$ 0	\$ 69,825(1)
Warren Stoll	COO	\$ 147,000	\$ 0	\$ 147,000

(1) Paid in Euros, and includes EU\$24,000 in severance payments.

## PRINCIPAL SECURITY HOLDERS

Set forth below is information regarding the beneficial ownership of our outstanding common stock (which are our only voting securities) as of March 31, 2023, by (i) each person whom we know owned, beneficially, more than 10% of the outstanding common stock, and (ii) all of the current officers and directors as a group. We believe that, except as noted below, each named beneficial owner has sole voting and investment power with respect to the shares listed. Unless otherwise indicated herein, beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and includes voting or investment power with respect to shares beneficially owned.

<b>Title of class</b>	<b>Name and address of beneficial owner</b>	<b>Amount and nature of Beneficial ownership</b>	<b>Amount and nature of beneficial ownership acquirable (1)</b>	<b>Percent of class</b>
Common Stock	Dr. Mark Daniel Farb 670 Long Beach Blvd., Ste 201 Long Beach, NY 11561	7,311,000	250,000	70.12%
Common Stock	Warren Stoll 670 Long Beach Blvd., Ste 201 Long Beach, NY 11561	0	20,000	0.19%
Common Stock	All directors and officers as a group (2 persons)	7,311,000	270,000	70.31%

(1) Includes stock options that are immediately exercisable for \$7.00 per share.

## RELATED PARTY TRANSACTIONS

We paid Dr. Farb \$50,000 for consulting services for the year ended December 31, 2020. In addition, during 2019, we paid \$2,171 to Dr. Farb for housing expenses in Rotterdam.

On February 19, 2019, Flower Turbines B.V., our wholly owned subsidiary, and Dr. Farb, entered into a Participation Agreement with PortXL Netherlands, B.V., pursuant to which Flower Turbines B.V., was admitted to a startup accelerator program operated by PortXL. Pursuant to the agreement, Flower Turbines, B.V., agreed that Dr. Farb, and no less than one other designee of Flower Turbines, B.V., would actively participate in the accelerator program for a minimum of three (3) months.

In connection therewith, on May 1, 2019, we and Flower Turbines B.V., entered into a Shareholders Agreement with Dr. Farb, Roy Osinga and PortXL, pursuant to which (1) we agreed to issue PortXL, eight percent (8%) of the capital stock of Flower Turbines, B.V., in exchange for €15,000 in cash and 85,000 in services. In addition, Dr. Farb and Flower Turbines LLC, granted Flower Turbines B.V., a royalty free, irrevocable, unconditional, exclusive and perpetual license to use, in connection with the sale, installation and development of sustainable energy solutions in France, Belgium, Netherlands, Germany, and Denmark, any intellectual property previously or thereafter developed by Dr. Farb or Flower Turbines LLC. Flower Turbines, B.V., also granted PortXL certain anti-dilution rights in connection with the issuance of additional shares of Flower Turbines B.V.'s capital stock at a pre-money valuation of less than €4,000,000. The agreement also includes a drag along right and tag along right, and the right of Flower Turbines, B.V., to repurchase the capital stock issued to PortXL, in exchange for €320,000. On April 10, 2020, Flower Turbines B.V., initiated a repurchase of all its shares of capital stock owned by PortXL Netherlands B.V., in exchange for €45,000, all of which was paid January 1, 2021.

Upon formation of Flower Turbines, B.V., Roy Osinga, our Regional Director EU, was issued 4% of the capital stock of Flower Turbines B.V. In June 2022, Flower Turbines Inc. purchased those shares for \$50,000 as part of a departure agreement. Flower Turbines BV is now 100% owned by Flower Turbines Inc.

In January 2020, Leviathan Energy Wind Lotus, Ltd., an Israeli company, wholly owned and controlled by Dr. Farb, assigned certain patents to us in exchange for \$1.00.

In January 2020, Dr. Farb granted us an exclusive, worldwide, royalty free license to use and commercialize various patents, trademarks, copyrights, and domain names related to our business. The term of the license is 20 years.

In exchange for six (6) loans we made to Flower Turbines B.V., between September 2019 and May 2020, Flower Turbines B.V. issued us six Promissory Notes in the aggregate principal amount of \$191,850. Each of the Notes accrues interest at a rate of 5% per annum and are due and payable on the earlier of 5 years and the date Flower Turbines B.V. has sufficient capital to repay the loans. Interest only payments are due on each Note on December 31<sup>st</sup> of each year. In March 2020, Flower Turbines B.V., paid \$10,866 in partial satisfaction of the initial note.

On February 12, 2020, we entered into an agreement with Flower Turbines B.V., pursuant to which we agreed to transfer to Flower Turbines B.V., our intellectual property related



specifically to the European Union, including, but not limited to, patents, trademarks and domain names. Flower Turbines B.V. agreed to pay all costs incurred with respect to such intellectual property. Both parties also agreed that each shall have a royalty free right to use each other's intellectual property. We also agreed to share certain costs and expenses related to the development of intellectual property in the future.

On April 20, 2020, we entered into an agreement with Flower Turbines B.V., pursuant to which we agreed to sell to Flower Turbines B.V., any of our products or components it desires to purchase in exchange for our manufacturing costs plus 7.5%. In addition, Flower Turbines B.V. agreed to sell us any of our products or components it desires to purchase in exchange for its manufacturing costs plus 7.5%. The agreement also provides that Flower Turbines B.V. shall have the exclusive right to sell its products and our products within the European Union, unless otherwise approved by us, and that we have the exclusive right to sell Flower Turbines B.V.'s products anywhere in the world outside of the European Union.

In January 2021, we issued Mr. Osinga and Dr. Farb, respectively, options to purchase 100,000 shares and 500,000 shares of common stock, having exercise prices of \$7.00 per share. Mr. Osinga's options have expired.

In November 2021, we issued Mr. Stoll an option to purchase 200,000 shares of common stock, having an exercise price of \$7.00 per share.

## **OUR SECURITIES**

Our authorized capital stock consists of 20,000,000 shares of common stock, \$0.0001 par value per share. In December 2021, we engaged in a 1-for-10 forward stock split. As of March 31, 2023, we had 10,512,839 shares of common stock outstanding. In September 2020, we adopted a 2020 Omnibus Incentive Plan. Up to 800,000 shares may be subject to awards under the Plan. As of March 31, 2023, we had outstanding options to purchase 700,000 shares of common stock which have exercise prices of \$7.00 per share.

We have a warrant to purchase up to \$250,000 in shares of common stock, based on a valuation equal to the greater of either (i) a twenty percent (20%) discount to the price per share of securities sold in the next round of equity financing in the minimum amount of \$100,000, or (ii) 1.5 times the highest discount offered to investors in such financing.

The rights of investors in the common stock are governed by our Certificate of Incorporation and the Subscription Agreement, and are described below.

### **Certificate of Incorporation**

Our Certificate of Incorporation may be amended by our Board of Directors and by the vote of the holders of a majority of the outstanding shares, to increase the number of authorized shares, and there is no limit on the number of shares that may be authorized and issued. The Board of Directors, with the approval of the holders of our common stock, by a majority vote, may also amend the Certificate of Incorporation to create one or more series of preferred stock that have rights, preferences and privileges senior to the rights, preferences and privileges of the common stock.



### *Dividends*

The holders of our common stock will be entitled to receive pro rata dividends, if any, declared by our Board of Directors out of legally available funds, however, subject to any preferential right of the holders of any preferred stock that may be authorized and issued in the future.

### *Liquidation*

Upon our liquidation, dissolution or winding-up, the holders of our common stock are entitled to share ratably in all assets that are legally available for distribution, however, subject to any preferential right of the holders of any preferred stock that may be authorized and issued in the future.

### *Voting Rights*

The holders of our common stock are entitled to one vote per share, however, the holders of common stock issued in this offering shall grant a voting proxy to our chief executive officer, that will limit investors' ability to vote their common stock until the occurrence of events specified in the proxy. See "Securities Being Offered - Voting Proxy".

### *Other Rights*

The holders of our common stock have no preemptive, subscription, redemption or conversion rights.

### **What it means to be a minority holder**

As a minority holder you will have limited ability, if at all, to influence our policies or any other corporate matter, including the election of directors, changes to our company's governance documents, additional issuances of securities, company repurchases of securities, a sale of the company or of assets of the company or transactions with related parties.

### **Dilution**

Investors should understand the potential for dilution. The investor's stake in a company could be diluted due to the company issuing additional shares. In other words, when the company issues more shares, the percentage of the company that you own will decrease, even though the value of the company may increase. You will own a smaller piece of a larger company. This increase in number of shares outstanding could result from a stock offering (such as an initial public offering, another crowdfunding round, a venture capital round or angel investment), employees exercising stock options, or by conversion of certain instruments (e.g. convertible notes, preferred shares or warrants) into stock.

If we decide to issue more shares, an investor could experience value dilution, with each share being worth less than before, and control dilution, with the total percentage an investor owns being less than before. There may also be earnings dilution, with a reduction in the amount earned per share (though this typically occurs only if we offer dividends, and most early stage companies are unlikely to offer dividends, preferring to invest any earnings

into the company).

The type of dilution that hurts early-stage investors most occurs when the company sells more shares in a "down round," meaning at a lower valuation than in earlier offerings.

If you are making an investment expecting to own a certain percentage of the company or expecting each share to hold a certain amount of value, it's important to realize how the value of those shares can decrease by actions taken by the company. Dilution can make drastic changes to the value of each share, ownership percentage, voting control, and earnings per share.

The common stock sold in the Regulation CF offering, may not be transferred by any purchaser, for a period of one-year beginning when the securities were issued, unless such securities are transferred:

- (1) to the Company;
- (2) to an accredited investor;
- (3) as part of an offering registered with the SEC; or
- (4) to a member of the family of the purchaser or the equivalent, to a trust controlled by the purchaser, to a trust created for the benefit of a member of the family of the purchaser or the equivalent, or in connection with the death or divorce of the purchaser or other similar circumstance.

### **Valuation**

We sold shares in our most recent Regulation A campaign at a pre-money valuation of \$124M million. We created our valuation internally based on evaluations of multiple factors, including, but not limited to, financial model regarding growth and projections, evaluation of comparable companies at similar stages, a valuation of our IP assets, and an industry multiple.

## SIGNATURES

Pursuant to the requirements of Sections 4(a)(6) and 4A of the Securities Act of 1933 and Regulation Crowdfunding (§ 227.100-503), the issuer certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form C and has duly caused this Form to be signed on its behalf by the duly authorized undersigned, on May 31, 2023.

**FLOWER TURBINES, INC**

DocuSigned by:  
By: Dr. Mark Daniel Farb  
F97C229EBDC44C3  
Daniel Farb, Chief Executive Officer

Exhibit A

**FINANCIAL STATEMENTS**

**Flower Turbines, Inc.**  
**A Delaware Corporation**

Consolidated Financial Statements and Independent Auditor's Report  
December 31, 2022 and 2021

## **Flower Turbines, Inc.**

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**FLOWER TURBINES, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**As of December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 252,441	\$ 2,350,678
Prepaid expenses	18,309	78,224
Accounts receivable	123,909	133,151
Other assets	-	131,097
Inventory	438,364	139,230
Investments	487,226	-
Funds held in escrow	-	2,332,322
Total Current Assets	<u>1,320,249</u>	<u>5,164,702</u>
Non-Current Assets:		
Property and equipment, net	162,519	40,580
Intangible assets	87,452	-
Right of use asset	<u>99,434</u>	<u>-</u>
Total Non-Current Assets	<u>349,405</u>	<u>40,580</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,669,654</u></u>	<u><u>\$ 5,205,282</u></u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Liabilities:		
Current Liabilities:		
Accounts payable	\$ 98,444	\$ 281,651
Deferred revenue	239,864	146,912
Right of use liability - current	49,605	-
Accrued expenses	46,899	64,240
Notes payable - current	<u>3,962</u>	<u>3,676</u>
Total Current Liabilities	<u>438,774</u>	<u>496,479</u>
Long-Term Liabilities:		
Notes payable - net of current	40,785	53,258
Right of use liability - net of current	<u>65,874</u>	<u>-</u>
Total Long-Term Liabilities	<u>106,659</u>	<u>53,258</u>
Total Liabilities	<u><u>545,433</u></u>	<u><u>549,737</u></u>
Stockholders' Equity:		
Common stock, \$0.0001 par, 20,000,000 shares authorized, 9,975,566 and 9,971,680 shares issued and outstanding as of December 31, 2022 and 2021, respectively.	998	998
Additional paid-in capital	10,395,467	10,223,395
Accumulated deficit	(9,222,540)	(5,513,164)
Accumulated other comprehensive loss	<u>(49,704)</u>	<u>(55,684)</u>
Total Stockholders' Equity	<u><u>1,124,221</u></u>	<u><u>4,655,545</u></u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u><u>\$ 1,669,654</u></u>	<u><u>\$ 5,205,282</u></u>

See Independent Auditor's Report and accompanying notes, which are an integral part of these consolidated financial statements.

**FLOWER TURBINES, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE**  
**INCOME/(LOSS)**  
**For the years ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Net revenues	\$ 247,208	\$ 338,643
Cost of net revenues	<u>(573,805)</u>	<u>(477,995)</u>
Gross profit/(loss)	(326,597)	(139,352)
Operating Expenses:		
General & administrative	2,555,294	2,654,919
Sales & marketing	18,500	12,754
Research and development	<u>789,919</u>	<u>330,537</u>
Total Operating Expenses	3,363,713	2,998,210
Loss from operations	<u>(3,690,310)</u>	<u>(3,137,562)</u>
Other Income/(Expense):		
Interest expense	(4,902)	(4,469)
Interest income	-	423
Other expense	<u>(14,164)</u>	<u>(58)</u>
Total Other Income/(Expense)	(19,066)	(4,104)
Net loss	<u>(3,709,376)</u>	<u>(3,141,666)</u>
Foreign currency translation gain/(loss)	<u>5,980</u>	<u>(40,133)</u>
Other comprehensive loss	<u>\$ (3,703,396)</u>	<u>\$ (3,181,799)</u>
Basic and diluted net loss per share	<u>\$ (0.37)</u>	<u>\$ (0.33)</u>
Weighted average shares outstanding - basic and diluted	<u>9,973,623</u>	<u>9,464,027</u>

See Independent Auditor's Report and accompanying notes, which are an integral part of these consolidated financial statements.

**FLOWER TURBINES, INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**For the years ended December 31, 2022 and 2021**

	Common Stock				Accumulated	
	Number of	Amount	Additional	Accumulated	Other	Total
	Shares		Paid-In Capital	Deficit	Comprehensive	Stockholders'
					Loss	Equity
Balance at January 1, 2021	8,947,960	\$ 900	\$ 2,464,674	\$ (2,371,498)	\$ (15,551)	\$ 78,525
Issuance of shares - Regulation A	903,960	90	8,065,207	-	-	8,065,297
Shares issued in exchange for cash	119,760	8	556,605	-	-	556,613
Offering costs	-	-	(863,091)	-	-	(863,091)
Net loss	-	-	-	(3,141,666)	(40,133)	\$ (3,181,799)
Balance at December 31, 2021	9,971,680	998	10,223,395	(5,513,164)	(55,684)	4,655,545
Issuance of shares - Regulation A	3,886	-	199,252	-	-	199,252
Offering costs	-	-	(27,180)	-	-	(27,180)
Net loss	-	-	-	(3,709,376)	5,980	(3,703,396)
Balance at December 31, 2022	9,975,566	\$ 998	\$ 10,395,467	\$ (9,222,540)	\$ (49,704)	\$ 1,124,221

See Independent Auditor's Report and accompanying notes, which are an integral part of these consolidated financial statements.

**FLOWER TURBINES, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Cash Flows From Operating Activities</b>		
Net loss	\$(3,709,376)	\$(3,141,666)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	30,858	11,322
Inventory reserve charge	344,362	-
Changes in operating assets and liabilities:		
(Increase)/Decrease in accounts receivable	9,242	(124,591)
(Increase)/Decrease in prepaid expenses	60,245	(42,940)
(Increase)/Decrease in other assets	131,097	(78,630)
(Increase)/Decrease in inventory	(643,496)	(98,250)
(Increase)/Decrease in right of use asset	(99,434)	-
Increase/(Decrease) in accounts payable	(183,205)	182,668
Increase/(Decrease) in accrued expenses	(17,342)	44,653
Increase/(Decrease) in deferred revenue	92,952	52,205
(Increase)/Decrease in right of use liability	115,479	-
Net Cash Used In Operating Activities	<u>(3,868,618)</u>	<u>(3,195,229)</u>
<b>Cash Flows From Investing Activities</b>		
Patent costs	(87,452)	(31,320)
Purchase of investments	(487,226)	-
Purchase of property of equipment	<u>(152,797)</u>	<u>(40,772)</u>
Net Cash Used In Investing Activities	<u>(727,475)</u>	<u>(72,092)</u>
<b>Cash Flows From Financing Activities</b>		
Payments on notes payable	(12,188)	(5,207)
Proceeds from issuance of stock	2,531,244	6,476,179
Offering costs	<u>(27,180)</u>	<u>(863,091)</u>
Net Cash Provided By Financing Activities	<u>2,491,876</u>	<u>5,607,881</u>
Cash effects of foreign currency translation loss	5,980	(40,133)
Net Change In Cash	(2,098,237)	2,300,427
Cash at Beginning of Period	<u>2,350,678</u>	<u>50,251</u>
Cash at End of Period	<u>\$ 252,441</u>	<u>\$ 2,350,678</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid for interest	\$ 4,902	\$ 4,469
Cash paid for income taxes	\$ -	\$ -

See Independent Auditor's Report and accompanying notes, which are an integral part of these consolidated financial statements.

**FLOWER TURBINES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**As of December 31, 2022 and 2021 and for the years then ended**

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**NOTE 1: NATURE OF OPERATIONS**

Flower Turbines, Inc. and subsidiary (collectively the “Company”), is a corporation formed under the laws of Delaware. The Company was originally incorporated as a New York limited liability company on September 25, 2013 under the name Flower Turbines, LLC. The LLC converted to a Delaware corporation on December 26, 2019. The Company develops unique designs for wind turbines. On March 27, 2019 Flower Turbines B.V. (the “Subsidiary”) was formed in the Netherlands. Flower Turbines B.V. was a 96% owned subsidiary of the Company and was formed for the sale, installation, and development of sustainable energy solutions inside Europe. During 2022, the Company purchased the remaining 4% interest in the subsidiary and the Company is now the sole owner.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation and Basis for Consolidation

The Company prepares consolidated financial statements in accordance with generally accepted accounting principles in the United States of America (GAAP). These consolidated financial statements include all accounts of Flower Turbines, Inc., along with its wholly owned subsidiary, Flower Turbines B.V. All transactions and balances between and among the aforementioned companies have been eliminated in consolidating the accounts for consolidated financial statement presentation. The accounting and reporting policies of the Company conform to GAAP. The Company adopted the calendar year as its basis of reporting.

Basis of Presentation

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America (GAAP). The Company has adopted the calendar year as its basis of reporting.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Noncontrolling Interests

Noncontrolling interests represents minority owners’ share of net income or losses and equity in the Company’s majority-owned consolidated subsidiary. During 2019, the Company owned 88% of the subsidiary, in 2020, the Company acquired an additional 8% of the subsidiary, and in June 2022 acquired an additional 4% of the subsidiary, at which time it became a wholly owned subsidiary of the Company. The financial statements have been retrospectively adjusted to reflect the change, and that there was no impact on net loss for the period ended December 31, 2021.

Cash Equivalents

For the purpose of the statement of cash flows, cash equivalents include time deposits, certificate of deposits, and all highly liquid debt instruments with original maturities of three months or less.

See accompanying Independent Auditor’s Report

**FLOWER TURBINES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are carried at their estimated collectible amounts. Accounts receivable are periodically evaluated for collectability based on past credit history with clients and other factors. Provisions for losses on accounts receivable are determined on the basis of loss experience, known and inherent risk in the account balance, and current economic conditions. As of December 31, 2022 and 2021, the Company carried receivables of \$147,196 and \$133,151 and allowances of \$23,287 and \$0 against such, all respectively.

Inventory & Shipping and Handling Costs

Inventory is stated at the lower of cost or market and accounted for using the specific identification method. As of December 31, 2022 and 2021, the Company had \$0 and \$64,448 of inventory in transit, respectively and the remainder consisted of finished goods held for sale.

Property and Equipment

The Company has a policy to capitalize expenditures with useful lives in excess of one year and costs exceeding \$1,000 as property and equipment and depreciates such assets on a straight-line basis over estimated useful lives (5 years). The Company's property and equipment is assessed annually for indications of impairment. The Company's property and equipment are recorded at costs of \$194,780 and \$48,289 and are presented net of accumulated depreciation of \$32,261 and \$7,709 as of December 31, 2022 and 2021, respectively. Depreciation expense of \$30,858 and \$11,322 were recorded for the years ended December 31, 2022 and 2021, respectively.

Deferred Offering Costs

The Company complies with the requirement of FASB ASC 340-10-S99-1. Prior to the completion of the offering these costs are capitalized as deferred offering costs on the balance sheet. The deferred offering costs are charged to stockholders' equity upon the completion of the offering. There were no deferred offerings costs capitalized to the balance sheet as of December 31, 2022 and 2021, respectively.

Fair Value of Financial Instruments

Financial Accounting Standards Board ("FASB") guidance specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 primarily consists of financial instruments whose value is based on quoted market prices such as exchange-traded instruments and listed equities.

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**FLOWER TURBINES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (e.g., quoted prices of similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active).

Level 3 - Unobservable inputs for the asset or liability. Financial instruments are considered Level 3 when their fair values are determined using pricing models, discounted cash flows or similar techniques and at least one significant model assumption or input is unobservable.

	Total	Level 1	Level 2	Level 3
Investment in equity securities	\$ 78,754	\$ 78,754	\$ -	\$ -
Total	\$ 78,754	\$ 78,754	\$ -	\$ -

The Company holds domestic municipal bonds totaling \$408,472 and is classified as held to maturity and the Company reviews the investments on an annual basis to determine possible impairments. No impairment was recorded for the year ended December 31, 2022.

The Company holds investments in equity securities totaling \$78,754, the Company records the assets at fair value and reviews the investments on an annual basis to determine possible impairments. No impairment was recorded for the year ended December 31, 2022.

The carrying amounts reported in the balance sheets approximate their fair value.

Concentrations of Credit Risk

The Company's financial instruments that are exposed to concentrations of credit risk consist of its cash. The Company will place its cash and cash equivalents with financial institutions of high credit-worthiness and has a policy to not carry a balance in excess of FDIC insurance limits.

Basic Income/(Loss) per Common Share

Basic income (loss) per share is calculated by dividing the Company's net loss applicable to common shareholders by the weighted average number of common shares during the period. Diluted earnings per share is calculated by dividing the Company's net loss available to common shareholders by the diluted weighted average number of shares outstanding during the year. The diluted weighted average number of shares outstanding is the basic weighted number of shares adjusted for any potentially dilutive debt or equity.

Company's management plans to assess the financial strength and credit worthiness of any parties to which it extends funds, and as such, it believes that any associated credit risk exposures are limited. As of December 31, 2022, the Company did not hold funds in excess of FDIC insurance limits.

Revenue Recognition

ASC Topic 606, "Revenue from Contracts with Customers" establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers.

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**FLOWER TURBINES, INC.**  
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Revenues are recognized when control of the promised goods or services are transferred to a customer, in an amount that reflects the consideration that the Company expects to receive in exchange for those goods or services. The Company applies the following five steps in order to determine the appropriate amount of revenue to be recognized as it fulfills its obligations under each of its agreements: 1) identify the contract with a customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to performance obligations in the contract; and 5) recognize revenue as the performance obligation is satisfied.

Revenue is recognized when control of the promised goods or services is transferred to customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. As a practical expedient, the Company does not adjust the transaction price for the effects of a significant financing component if, at contract inception, the period between customer payment and the transfer of goods or services is expected to be one year or less.

Each product sold to a customer typically represents a distinct performance obligation. The Company satisfies its performance obligation and revenue is recorded at the point in time when products are installed as the Company has determined that this is the point that control transfers to the customer. The Company invoices customers upon delivery of the products, and payments from such customers are due upon invoicing.

75% and 46% of revenue came from 6 and 2 customers during the year ended December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, \$239,864 and \$146,912 of deferred revenue were recorded, respectively. The \$146,912 of deferred revenue was recognized as revenue in the year ended December 31, 2022. Revenues are recognized on these arrangements after the units are produced and fulfilled to the customers, and all other revenue recognition criteria are achieved. Substantially, all revenue recorded for the years ended December 31, 2022 and 2021 were for sales through the subsidiary.

Research and Development

The Company expenses research and development costs when incurred.

Advertising Costs

The Company's policy regarding advertising is to expense advertising when incurred.

Income Taxes

The Company uses the liability method of accounting for income taxes as set forth in ASC 740, *Income Taxes*. Under the liability method, deferred taxes are determined based on the temporary differences between the consolidated financial statement and tax basis of assets and liabilities using tax rates expected to be in effect during the years in which the basis differences reverse. A valuation allowance is recorded when it is unlikely that the deferred tax assets will be realized.

The Company assesses its income tax positions and records tax benefits for all years subject to examination based upon its evaluation of the facts, circumstances and information available at the reporting date. In accordance with ASC 740-10, for those tax positions where there is a greater than 50% likelihood that a tax benefit will be sustained, our policy is to record the largest amount of tax benefit that is more likely than not to be realized upon ultimate settlement with a taxing authority that

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has full knowledge of all relevant information. For those income tax positions where there is less than 50% likelihood that a tax benefit will be sustained, no tax benefit will be recognized in the consolidated financial statements. The Company has determined that there are no material uncertain tax positions.

The Company accounts for income taxes with the recognition of estimated income taxes payable or refundable on income tax returns for the current period and for the estimated future tax effect attributable to temporary differences and carryforwards. Measurement of deferred income items is based on enacted tax laws including tax rates, with the measurement of deferred income tax assets being reduced by available tax benefits not expected to be realized in the immediate future.

From its inception until December 26, 2019, at which time the LLC was converted to a corporation, the Company was subject to taxation as a limited liability company, and therefore was treated as a partnership for federal and state income tax purposes with all income tax liabilities and/or benefits of the Company being passed through to the members. As such, no recognition of federal or state income taxes for the Company have been provided for in the accompanying consolidated financial statements during that period.

For the period after the December 26, 2019 conversion to a corporation, the Company was taxed as a corporation. The Company estimates it will have a net operating loss carryforward of \$4,725,420 as of December 31, 2022. The Company pays federal and New York income taxes at a combined effective rate of approximately 26% and has used this effective rate to derive a net deferred tax asset of \$1,228,609 as of December 31, 2022, resulting from its net operating loss carryforward. Due to uncertainty as to the Company's ability to generate sufficient taxable income in the future to utilize the net operating loss carryforwards, the Company has recorded a full valuation allowance to reduce the net deferred tax asset to zero, there was no net operating loss recorded for December 31, 2022. The 2022 tax returns have not yet been filed as of the issuance of these consolidated financial statements. All tax periods since inception remain open to examination by the taxing jurisdictions to which the Company is subject.

Foreign Currency

The consolidated financial statements are presented in United States Dollars, ("USD"), which is the reporting currency and the functional currency of the Company's U.S. operations. The functional currency for the Subsidiary is its local currency. In accordance with ASC 830, *Foreign Currency Matters*, foreign denominated monetary assets and liabilities are translated to their USD equivalents using foreign exchange rates which prevailed at the balance sheet date. Non-monetary assets and liabilities are translated at exchange rate prevailing at the transaction date. Revenue and expenses were translated at the prevailing rate of exchange at the date of the transaction. Related translation adjustments are reported as a separate component of stockholders' equity, whereas gains or losses resulting from foreign currency transactions are included in results of operations. At December 31, 2022 and 2021, the foreign currency translation gain/(loss) was \$5,981 and (\$40,133), respectively.

Leases

On January 1, 2022, the Company adopted ASC 842, *Leases*, as amended, which supersedes the lease accounting guidance under Topic 840, and generally requires lessees to recognize operating and finance lease liabilities and corresponding right-of-use (ROU) assets on the balance sheet and to

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provide enhanced disclosures surrounding the amount, timing and uncertainty of cash flows arising from lease arrangements. The Company adopted the new guidance using a modified retrospective method. Under this method, the Company elected to apply the new accounting standard only to the most recent period presented, recognizing the cumulative effect of the accounting change, if any, as an adjustment to the beginning balance of net assets. Accordingly, prior periods have not been restated to reflect the new accounting standard. The cumulative effect of applying the provisions of ASC 842 had no material impact on net assets.

The Company elected transitional practical expedients for existing leases which eliminated the requirements to reassess existing lease classification, initial direct costs, and whether contracts contain leases. Also, the Company elected to present the payments associated with short-term leases as an expense in statements of operations. Short-term leases are leases with a lease term of 12 months or less. The adoption of ASC 842 had no impact on the Company's balance sheet as of January 1, 2022.

**NOTE 3: GOING CONCERN**

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. The Company is a business that has not yet generated profits since inception, has sustained losses of \$3,709,376 and \$3,141,666 for the years ended December 31, 2022 and 2021, respectively, and has negative cash flows from operations for the years ended December 31, 2022 and 2021, respectively and the Company is reliant on continual financing.

The Company's ability to continue as a going concern in the next twelve months is dependent upon its ability to utilize existing fundraising capital to increase sales and obtain capital financing from investors sufficient to meet current and future obligations and deploy such capital to produce profitable operating results. Management has evaluated these conditions and plans to raise capital as needed to satisfy its liquidity needs through its Regulation A offering in 2023 and increasing its sales. No assurance can be given that the Company will be successful in these efforts. The balance sheet does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

**NOTE 4: STOCKHOLDERS' EQUITY**

Capital Structure

The Company was originally incorporated as a New York limited liability company. The membership interests in such and associated members' equity were applied to stockholders' equity and the members were issued common stock in the corporation in exchange for their membership interests in the LLC. Upon conversion to a Delaware corporation in December 2019, the Company authorized 2,500,000 shares of common stock at \$0.0001 par value. During 2021, the Company executed a 10-1 stock split and amended its Articles of Incorporation increasing its authorized shares to 20,000,000. As of December 31, 2022 and 2021, 9,975,566 and 9,971,680 shares of common stock were issued and outstanding, respectively.

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**FLOWER TURBINES, INC.**  
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Stock and Membership Units

In 2022, the Company had raised \$199,252 through issuance of its common stock pursuant to an offering under Regulation A, where 3,886 shares were issued at \$51.27 per share. In 2021, the Company had raised \$8,065,297 through issuance of its common stock pursuant to an offering under Regulation A, where 903,960 shares were issued at \$8.92 per share. In 2021, the Company raised \$556,613 through issuance of its common stock, where 119,760 shares were issued at \$4.65 per share. As of December 31, 2022 and 2021, there was \$0 and \$2,332,322 of funds held in escrow, respectively, related to these issuances. Direct offering costs related to its financing activities totaled \$27,180 and \$863,091 for the years ended December 31, 2022 and 2021, respectively.

Flower Turbines B.V. was a party to an Employment Agreement with Mr. Osinga. The employment agreement has a term of one year, which commenced January 1, 2020, and provides for a monthly base salary of €6,000. The Company also agreed that Mr. Osinga shall receive a commission equal to 5% of the total revenue generated in Europe, above €150,000. The Company agreed that if they were able to generate €500,000 or more in revenue in Europe during 2020, the Company shall issue Mr. Osinga an additional number of shares of Flower Turbines B.V. equal to 3% of the outstanding share capital. The employment agreement was terminated in June 2022 and his shares were purchased by the Company.

Options

During the year ended December 31, 2021, the Company issued 800,000 options that had no intrinsic value, and as such, no expense was recorded. 100,000 of those were for Mr. Osinga, who is no longer entitled to them as of June 2022 by leaving the Company.

**NOTE 5: OPERATING LEASES**

Effective July 2017, the Company entered into a lease agreement for a car. The lease term commenced July 2017 and expired in June 2022. Monthly lease obligations under the lease were \$271 per month. The lease was paid off in 2021.

The Company entered into a lease agreement for office space. The lease term commenced November 1, 2019 and expired on October 31, 2020. Monthly lease obligations under the lease were \$1,039 per month. Lease expense for the years ended December 31, 2022 and 2021 totaled \$0 and \$80,797, respectively.

On March 1, 2022, the Company entered into a 36-month lease agreement for office space. The lease requires escalating monthly lease payments ranging from \$2,955 to \$3,076. Lease expense for the year ended December 31, 2022 totaled \$27,680.

The following is a schedule of operating lease liability as of December 31, 2022:

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2023	\$	49,605
2024		50,348
2025		16,932
2026		10,224
2027		1,704
Total undiscounted cash flows		128,813
Unamortized interest		(13,334)
Present value of operating lease liability	\$	<u>115,479</u>
Operating lease liability, current	\$	49,605
Operating lease liability, non-current		65,874
Present value of operating lease liability	\$	<u>115,479</u>

**NOTE 6: RELATED PARTY TRANSACTIONS**

During 2019, the Company advanced funds to the founder of the Company, these funds were paid back in 2020. As of December 31, 2022 and 2021, the balance due from the stockholder under the arrangement was \$0 and \$0, respectively. The advance bore no interest and had no maturity date, but was fully returned. The founder of the Company was paid \$0 and \$10,000 for consultant services for the year ended December 31, 2022 and 2021, respectively.

**NOTE 7: LOANS PAYABLE**

On November 4, 2019 the Subsidiary entered into a loan agreement with a bank for total principal of \$56,134. Loan A is for principal of \$28,068 and bears interest at 7.5%. The loan requires monthly interest payments for 84 months with a final balloon payment on the maturity date. Loan B is for principal of \$28,067, bears interest at a 7.5% fixed rate. The loan requires interest only payments for the first 24 months, followed by principal and interest payments of \$468 for the next 60 months, followed by a balloon payment on the last day of the loans. Loans A and B are unsecured. Interest expense for these loans totaled \$4,902 and \$4,469 the years ending December 31, 2022 and 2021, respectively. Accrued interest payable totaled \$0 for the years ended December 31, 2022 and 2021. Total unpaid principal balance was \$44,746 and \$55,934 as of December 31, 2022 and 2021, respectively.

Future minimum principal payments under the loans are as follows as of December 31:

2023	3,962
2024	4,269
2025	4,601
2026	4,850
2027	4,955
Therafter	<u>22,110</u>
Total	<u>\$ 44,747</u>

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**NOTE 8: RECENT ACCOUNTING PRONOUNCEMENTS**

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This ASU requires a lessee to recognize a right-of-use asset and a lease liability under most operating leases in its balance sheet. The ASU is effective for annual and interim periods beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted. The Company adopted this standard during the current period.

Management does not believe that any recently issued, but not yet effective, accounting standards could have a material effect on the accompanying consolidated balance sheet. As new accounting pronouncements are issued, the Company will adopt those that are applicable under the circumstances.

**NOTE 9: COMMITMENTS, CONTINGENCIES, AND CONCENTRATIONS**

The Company may be subject to pending legal proceedings and regulatory actions in the ordinary course of business. The results of such proceedings cannot be predicted with certainty, but the Company does not anticipate that the final outcome, if any, arising out of any such matter will have a material adverse effect on its business, financial condition or results of operations. The Company also has unknown impacts from the ongoing COVID-19 pandemic.

**NOTE 10: SUBSEQUENT EVENTS**

Management's Evaluation

The Company has evaluated subsequent events through May 31, 2023, the date the consolidated financial statements were available to be issued. Based on the evaluation, no additional material events were identified which require adjustment or disclosure other than those below.

The Company has raised \$1.4 million of proceeds from stock issued in 2023.