ANNEX C

Comparison of Draft Form 10-Q

Quarter Ended March 31, 2024

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A
(Amendment No. 1)

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended: March 31, 2024

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ____________ to _____________

Commission File Number: 000-49709

CARDIFF LEXINGTON CORPORATION

(Exact name of registrant as specified in its charter)

Nevada	**84-1044583**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3753 Howard Hughes Parkway, Suite 200, Las Vegas, NV	**89169**
(Address of principal executive offices)	(Zip Code)

844-628-2100
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒	Smaller reporting company ☒
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of May 8, 2024, there were 13,019,963 shares of common stock of the registrant issued and outstanding.

EXPLANATORY NOTE

Cardiff Lexington Corporation (the "Company") is filing this Amendment No 1 on Form 10-Q ("Amendment") to amend its Quarterly Report on Form 10-Q for the three months ended March 31, 2024, which was originally filed with the Securities and Exchange Commission on May 10, 2024 (the "Form 10-Q").

This Amendment is being filed to correct an error in the Company's previously filed report on Form 10-Q for the three months ended March 31, 2024 as a result of a change in classification of credit loss expense to net revenue. Additionally, the Company filed this Amendment to respond to certain comments received from the staff of the Securities and Exchange Commission on August 16, 2024. The Form 10-Q, as amended by this Amendment, continues to be as of May 10, 2024 and does not reflect events occurring after May 10, 2024.

CARDIFF LEXINGTON CORPORATION

Quarterly Report on Form 10-Q
Period Ended March 31, 2024

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PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

CARDIFF LEXINGTON CORPORATION AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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CARDIFF LEXINGTON CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2024 AND DECEMBER 31, 2023
(UNAUDITED)

	March 31, 2024	December 31, 2023 (Restated)
ASSETS		
Current assets		
Cash	$ 1,253,552	$ 866,943
Accounts receivable-net	14,649,930	13,305,254
Prepaid and other current assets	7,100	5,000

Total current assets	15,910,582	14,177,197
Property and equipment, net	31,296	34,661
Land	540,000	540,000
Goodwill	5,666,608	5,666,608
Right of use - assets	416,441	289,062
Due from related party	4,979	4,979
Other assets	35,404	33,304
Total assets	$ 22,605,310	$ 20,745,811
LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expense	$ 2,104,109	$ 2,047,131
Accrued expenses - related parties	4,323,057	4,733,057
Accrued interest	668,729	620,963
Right of use - liabilities	195,934	157,669
Due to director and officer	45,844	120,997
Notes payable	3,599,345	2,136,077
Convertible notes payable, net of debt discounts of $11,305 and $24,820, respectively	3,820,545	3,807,030
Net liabilities of discontinued operations	237,643	237,643
Total current liabilities	14,995,206	13,860,567
Notes payable	144,511	144,666
Operating lease liability – long term	213,958	119,056
Total liabilities	15,353,675	14,124,289
Mezzanine equity		
Redeemable Series N Senior Convertible Preferred Stock - 3,000,000 shares authorized, $0.001 par value, stated value $4.00, 868,056 shares issued and outstanding at March 31, 2024 and December 31, 2023	3,996,462	3,891,439
Redeemable Series R Senior Convertible Preferred Stock - 5,000 shares authorized, $0.001 par value, stated value of $1,200, 165 shares issued and outstanding at March 31, 2024 and December 31, 2023	317,194	307,980
Redeemable Series X Senior Convertible Preferred Stock - 5,000,000 shares authorized, $0.001 par value, stated value of $4.00 par value; 375,000 shares issued and outstanding at March 31, 2024 and December 31, 2023	1,728,082	1,690,685
Total Mezzanine Equity	6,041,738	5,890,104
Stockholders' equity		
Series B Preferred Stock - 3,000,000 shares authorized, $0.001 par value, stated value of $4.00, 1,360,679 and 2,139,478 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively	5,442,716	8,557,912
Series C Preferred Stock - 500 shares authorized, $0.001 par value, stated value of $4.00, 99 and 123 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively	396	492
Series E Preferred Stock - 1,000,000 shares authorized, $0.001 par value, stated value $4.00, 155,750 shares issued and outstanding at March 31, 2024 and December 31, 2023	623,000	623,000
Series F-1 Preferred Stock - 50,000 shares authorized, $0.001 par value, stated value $4.00, 35,752 shares issued and outstanding at March 31, 2024 and December 31, 2023	143,008	143,008
Series I Preferred Stock - 15,000,000 shares authorized, $0.001 par value, stated value $4.00, 12,089,000 and 14,885,000 issued and outstanding at March 31, 2024 and December 31, 2023, respectively	48,356,000	59,540,000
Series J Preferred Stock - 2,000,000 shares authorized, $0.001 par value, stated value $4.00, 171,359 and 1,713,584 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively	685,436	6,854,336
Series L Preferred Stock - 400,000 shares authorized, $0.001 par value, stated value $4.00, 319,493 shares issued and outstanding at March 31, 2024 and December 31, 2023	1,277,972	1,277,972

Common Stock; 300,000,000 shares authorized, $0.001 par value; 10,819,995 and 25,121 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively	10,820	25
Additional paid-in capital	13,789,402	(7,581,212)
Accumulated deficit	(69,118,853)	(68,684,115)
Total stockholders' equity	1,209,897	731,418
Total liabilities, mezzanine equity and stockholders' equity	$ 22,605,310	$ 20,745,811

The accompanying notes are an integral part of these condensed consolidated financial statements

CARDIFF LEXINGTON CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(UNAUDITED)

	Three Months Ended March 31,	
	2024 (Restated)	2023 (Restated)
REVENUE	$ 2,322,132	$ 2,706,399
COST OF SALES	948,154	956,295
GROSS PROFIT	1,373,978	1,750,104
OPERATING EXPENSES		
Depreciation expense	3,365	4,635
Share based compensation	300,225	–
Selling, general and administrative	851,396	987,921
Total operating expenses	1,154,986	992,556
INCOME FROM CONTINUING OPERATIONS	218,992	757,548
OTHER INCOME (EXPENSE)		
Other income	–	205
Gain on debt refinance and forgiveness	–	390
Penalties and fees	(1,000)	(17,000)
Interest expense	(376,269)	(693,661)
Amortization of debt discounts	(13,515)	(17,983)
Total other expenses	(390,784)	(728,049)
NET (LOSS) INCOME BEFORE DISCONTINUED OPERATIONS	(171,792)	29,499
LOSS FROM DISCONTINUED OPERATIONS	(111,312)	(45,490)
NET LOSS FOR THE PERIOD	$ (283,104)	$ (15,991)
PREFERRED STOCK DIVIDENDS	(151,634)	(344,947)
NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	$ (434,738)	$ (360,938)
BASIC LOSS PER SHARE		
CONTINUING OPERATIONS	$ (0.11)	$ (31.04)
DISCONTINUED OPERATIONS	$ (0.03)	$ (3.91)
DILUTED LOSS PER SHARE		
CONTINUING OPERATIONS	$ (0.11)	$ (30.34)

DISCONTINUED OPERATIONS	$ (0.03)	$ (3.91)
WEIGHTED AVERAGE SHARES OUTSTANDING – BASIC	3,818,218	11,627
WEIGHTED AVERAGE SHARES OUTSTANDING – DILUTED	3,818,218	11,627

The accompanying notes are an integral part of these condensed consolidated financial statements

CARDIFF LEXINGTON CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIENCY)
THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(UNAUDITED)

	Preferred Stock Series A and I		**Preferred Stock Series B, E, F-1, J and L**		**Preferred Stock Series C**		**Common Stock**		**Additional Paid-In Capital**	**Accumulated Deficit**	**Total Stockholders' (Deficit) Equity**
	Shares	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**			
Balance, December 31, 2022 (Restated)	14,885,001	$59,540,000	4,350,907	$17,403,628	123	$ 492	12,053	$ 12	$(10,004,808)	$ (68,684,115)	$ (1,744,791)
Conversion of convertible notes payable	–	–	–	–	–	–	1,583	2	190,236	–	190,237
Preferred stock Dividends	–	–	–	–	–	–	–	–	–	(344,947)	(344,947)
Net loss	–	–	–	–	–	–	–	–	–	(15,991)	(15,991)
Balance, March 31, 2023 (Restated)	14,885,001	$59,540,000	4,350,907	$17,403,628	123	$ 492	13,636	$ 14	$ (9,814,572)	$ (69,045,053)	$ (1,915,491)

	Preferred Stock Series A and I		**Preferred Stock Series B, E, F-1, J and L**		**Preferred Stock Series C**		**Common Stock**		**Additional Paid-In Capital**	**Accumulated Deficit**	**Total Stockholders' (Deficit) Equity**
	Shares	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**			
Balance, December 31, 2023 (Restated)	14,885,002	$ 59,540,000	4,364,057	$17,456,228	123	$ 492	25,121	$ 25	$ (7,581,212)	$ (68,684,115)	$ 731,418
Conversion of convertible notes payable	–	–	–	–	–	–	1,222	1	1,679	–	1,680
Conversion of series B preferred stock	–	–	(778,799)	(3,115,196)	–	–	1,557,598	1,558	3,113,638	–	–
Conversion of series C preferred stock	–	–	–	–	(22)	(88)	220,000	220	(132)	–	–
Conversion of series I preferred stock	(2,928,500)	(11,714,000)	–	–	–	–	5,857,000	5,857	11,708,143	–	–
Conversion of series J preferred stock	–	–	(1,542,225)	(6,168,900)	–	–	3,084,450	3,084	6,165,816	–	–
Issuance of series I preferred stock to officers	132,500	530,000	–	–	–	–	–	–	63,600	–	593,600
Cancellation of series C preferred stock	–	–	–	–	(2)	(8)	–	–	8	–	–
Common stock issued for services	–	–	–	–	–	–	7,500	8	11,617	–	11,625

Common stock issued to board members	–	–	–	–	–	–	30,000	30	194,970	–	195,000
Common stock issued in Red Rock settlement	–	–	–	–	–	–	37,104	37	111,275	–	111,312
Preferred stock Dividends	–	–	–	–	–	–	–	–	–	(151,634)	(151,634)
Net loss	–	–	–	–	–	–	–	–	–	(283,104)	(283,104)
Balance, March 31, 2024	12,089,002	$ 48,356,000	2,043,033	$ 8,172,132	99	$ 396	10,819,995	$ 10,820	$13,789,402	$ (69,118,853)	$ 1,209,897

The accompanying notes are an integral part of these condensed consolidated financial statements

CARDIFF LEXINGTON CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(UNAUDITED)

	Three Months Ended March 31, 2024 (Restated)	Three Months Ended March 31, 2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss from continuing operations	$ (283,104)	$ (15,991)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	3,365	4,635
Amortization of debt discount	13,515	17,983
Bad debt	–	270,000
Conversion and note issuance cost	1,000	5,000
Share issuance for compensations to directors and officers	788,600	–
Share issuance for service rendered	11,625	–
Fair value settled upon conversion	–	123,566
Gain on forgiveness of debt	–	(390)
(Increase) decrease in:		
Accounts receivable	(1,344,676)	(1,111,317)
Right of use - assets	59,259	29,300
Prepaids and other current assets	(4,200)	–
Increase (decrease) in:		
Accounts payable and accrued expense	56,978	270,710
Due to related party	(75,153)	–
Accrued officers compensation	(410,000)	154,000
Accrued interest	48,446	122,508
Right of use - liabilities	(53,471)	(30,993)
Net cash used in operating activities	(1,187,816)	(160,989)
Net cash provided by (used in) Discontinued Operations – Operating	111,312	(28,294)
FINANCING ACTIVITIES		
Proceeds from convertible notes payable	–	240,000
Repayment of SBA loans	(160)	(750)
Proceeds from line of credit	1,463,273	–
Net cash provided by financing activities	1,463,113	239,250
Net cash provided by Discontinued Operations – Financing	–	73,784
NET INCREASE IN CASH AND CASH EQUIVALENTS	386,609	123,751

CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		866,943		219,085
CASH AND CASH EQUIVALENTS, END OF PERIOD	$	1,253,552	$	342,836
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION				
Cash paid during the year for Interest	$	50,000	$	1,503
NON-CASH INVESTING AND FINANCING ACTIVITIES:				
Common stock issued upon conversion of notes payable	$	1,680	$	66,673
Right of use assets acquired	$	186,638	$	–

The accompanying notes are an integral part of these condensed consolidated financial statements

CARDIFF LEXINGTON CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023
(UNAUDITED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

Cardiff Lexington Corporation ("Cardiff") was originally incorporated on September 3, 1986 in Colorado as Cardiff International Inc. On November 10, 2005, Cardiff merged with Legacy Card Company, LLC and changed its name to Cardiff Lexington Corporation. On August 27, 2014, Cardiff redomiciled and became a corporation under the laws of Florida. On April 13, 2021, Cardiff redomiciled and became a corporation under the laws of Nevada.

Cardiff is an acquisition holding company focused on locating undervalued and undercapitalized companies, primarily in the healthcare industry, and providing them capitalization and leadership to maximize the value and potential of their private enterprises while also providing diversification and risk mitigation for stockholders. All of Cardiff's operations are conducted through, and its income derived from, its various subsidiaries, which includes:

- Edge View Properties, Inc. ("Edge View"), which was acquired on July 16, 2014;
- Platinum Tax Defenders ("Platinum Tax"), which was acquired on July 31, 2018 and sold on November 10, 2023; and
- Nova Ortho and Spine, LLC ("Nova"), which was acquired on May 31, 2021.

Principles of Consolidation

The consolidated financial statements include the accounts of Cardiff and its wholly owned subsidiaries, Edge View, Platinum Tax and Nova (collectively, the "Company"). Subsidiaries shown as discontinued operations include Platinum Tax. All significant intercompany accounts and transactions are eliminated in consolidation. Subsidiaries discontinued are shown as discontinued operations.

Reverse Stock Split

On January 9, 2024, the Company effected a 1-for-75,000 reverse split of its outstanding common stock. All outstanding shares of common stock and warrant to purchase common stock were adjusted to reflect the 1-for-75,000 reverse split, with respective exercise prices of the warrants proportionately increased. The conversion prices of the outstanding convertible notes and certain series of preferred stock were adjusted to reflect a proportional decrease in the number of shares of common stock to be issued upon conversion.

All share and per share data throughout these consolidated financial statements have been retroactively adjusted to reflect the reverse stock split. The total number of authorized shares of common stock did not change. As a result of the reverse stock split, an amount equal to the decreased value of the common stock was reclassified from "common stock" to "additional paid-in capital."

CARDIFF LEXINGTON CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023
(UNAUDITED)

Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles ("U.S. GAAP") requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Management uses its historical records and knowledge of its business in making estimates. Accordingly, actual results could differ from those estimates.

Accounts Receivable

In the normal course of business, the Company is in the lien based medical industry providing orthopedic healthcare servicing an uninsured market insulated by a letter of protection which insulates the Company and insures payment in full from insurance settlements. Accounts receivable consists of amounts due from attorneys and insurance providers for services provided to patients under the letter of protection. The accounts receivable are recorded at the expected settlement realization amount, which is less contractual adjustments and an allowance for credit losses. The Company recognizes an allowance for credit losses for its accounts receivable to present the net amount expected to be collected as of the balance sheet date. This allowance is determined based on the history of net settlements received ~~by the Company~~, where the net settlement amount is not collected. No collection can happen if no settlement is reached with the defendant's insurance company and the plaintiff (the patient) loses the case at trial, or the case is abandoned, then the Company will not be able to collect on its letter of protection and its receivable will not be collected. ~~In the case of a partial settlement or award at trial, the Company might only be able to collect a portion of its receivable.~~ Additionally, the Company considers economic factors and events or trends expected to affect future collections experience. The ~~net settlement~~no collection history of the Company's customers is considered in future assessments of collectability as these patterns are established over a longer period. The Company uses the term collection and collection rate in its disclosures to describe the historical less than 1% occurrence of not collecting under a contract, which aligns with the Company's credit loss accounting under ASC 326.

The Company does not have a significant exposure to credit losses as ~~the Company~~it has historically had a ~~99% collection~~ less than 1.0% loss rate ~~based on net settlements recorded to~~ where the Company received no settlement amount for its outstanding accounts receivable. Although possible, ~~no~~claims resulting in zero collection ~~on settlements is~~upon settlement are rare based on the Company's historical experience and has historically been 0.5% to 1.0% of its outstanding accounts receivable, thereby resulting in a collection rate of 99%. The Company uses the loss rate method to record its allowance for credit losses. The Company applies the loss rate method by reviewing its zero collection history on a regular basis and updating its estimates of credit losses to adjust for changes in loss data. The Company typically collects on its accounts receivable between eighteen and twenty-four months after recording. The Company does not record an allowance for credit losses based on an aging of its accounts receivable as the aging of the Company's receivables do not influence the credit loss rate due to the nature of its business and the letter of protection. The Company does not adjust its receivables for the effects of a significant financing component at contract inception as the timing of variable consideration is determined by the settlement, which is outside of the Company's control. As of March 31, 2024 and December 31, 2023, the Company's allowance for credit losses was $122,190. The Company recognized $270,000 of credit loss expense during the three months ended March 31, 2023, which is included in selling, general and administrative expenses in the condensed consolidated statement of operations. The Company did not recognize any credit loss expense during the three months ended March 31, 2024.

Property and Equipment

Property and equipment are carried at cost. Expenditures for renewals and betterments that extend the useful lives of property, equipment or leasehold improvements are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is calculated using the straight-line method for financial reporting purposes based on the following estimated useful lives:

Classification	**Useful Life**
Equipment, furniture, and fixtures	5 - 7 years
Medical equipment	10 years
Leasehold improvements	10 years or lease term, if shorter

CARDIFF LEXINGTON CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023
(UNAUDITED)

Goodwill and Other Intangible Assets

Goodwill and indefinite-lived assets are not amortized but are evaluated for impairment annually or when indicators of a potential impairment are present. The Company's impairment testing of goodwill is performed separately from its impairment testing of indefinite-lived intangibles. The Company reviews goodwill for impairment on a reporting unit basis annually and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable. Goodwill is tested first for impairment based on qualitative factors on an annual basis or in between if an event occurs or circumstances change that indicate the fair value may be below its carrying amount, otherwise known as a 'triggering event'. An assessment is made of these qualitative factors as such to determine whether it is more likely than not the fair value is less than the carry amount, including goodwill. The annual evaluation for impairment of indefinite-lived intangibles and, if then needed after the first step, Goodwill, is based on valuation models that incorporate assumptions and internal projections of expected future cash flows and operating plans. The Company believes such assumptions are also comparable to those that would be used by other marketplace participants. During the three months ended March 31, 2024 and 2023, the Company did not recognize any goodwill impairment. The Company based this decision on impairment testing of the underlying assets, expected cash flows, decreased asset value and other factors.

Valuation of Long-lived Assets

In accordance with the provisions of Accounting Standards Codification ("ASC") Topic 360-10-5, "Impairment or Disposal of Long-Lived Assets", all long-lived assets such as plant and equipment and construction in progress held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is evaluated by a comparison of the carrying amount of assets to estimated cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the fair value of the assets.

Revenue Recognition

The Company's primary source of revenue is its healthcare subsidiary, which records revenues from providing licensed and/or certified orthopedic procedures. Revenue is recognized at a point in time in accordance with ASC 606 and at an estimated net settlement realization rate based on gross billed charges. The Company's healthcare subsidiary does not have contract liabilities or deferred revenue as there are no amounts prepaid for services. The Company applies the following five-step ASC 606 model to determine revenue recognition:

- Identification of a contract with a customer
- Identification of the performance obligations in the contact
- Determination of the transaction price
- Allocation of the transaction price to the separate performance obligations
- Recognition of revenue when performance obligations are satisfied.

The Company applies the five-step model when it is probable that the Company will ~~collect~~settle the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception and once the contract is determined to be within the scope of ASC 606, the Company assesses services promised within each contract and determines those that are a performance obligation and assesses whether each promised service is distinct.

CARDIFF LEXINGTON CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023
(UNAUDITED)

The Company's contracts for both its contract and service fees each contain a single performance obligation (providing orthopedic services), as the promise to transfer the individual services is not separately identifiable from other promises in the contracts and, therefore, not distinct, as a result, the entire transaction price is allocated to this single performance obligation.

Accordingly, the Company recognizes ~~revenues (~~net~~)~~ revenue when the patient receives orthopedic care services. The Company's patient service contracts generally have performance obligations which are satisfied at a point in time. The performance obligation is for onsite or off-site care provided. Patient service contracts are generally fixed-price, and the transaction price is in the contract. Revenue is recognized when obligations under the terms of the contract with the Company's patients are satisfied; generally, at the time of patient care.

In ~~order to determine~~determining net revenue to record under ASC 606, the Company must estimate the transaction price, including estimates of variable consideration in the contract at inception. ~~Established~~In order to estimate variable consideration, the Company uses established billings rates (also described as "gross charges") for the procedures being performed, however, the billing rates are not the same as actual amounts recovered for the Company's healthcare subsidiary. They generally do not reflect what the Company is ultimately paid by the customer, insurance carriers and other payors, and therefore are not reported in the consolidated financial statements at that rate. The Company is typically paid amounts based on established charges per procedure with guidance from the annually updated ~~Current Procedural Terminology ("CPT") guidelines (a code set maintained by the American Medical Association through the CPT Editorial Panel),~~CPT guidelines that designates relative value units and a suggested range of charges for each procedure which is then assigned a CPT code. This ~~fee~~gross charge is discounted to reflect the percentage paid to the Company "using a modifier" recognized by each insurance carrier for services, less deductible, co-pay, and contractual adjustments which are deducted from the calculated fee. ~~These adjustments to the transaction price are considered variable consideration, which is deducted from revenue and accounts receivable and the net revenue is recorded at the time the services are rendered.~~ These adjustments are considered variable consideration under ASC 606 and are deducted from the calculated fee to arrive at the net transaction price. The Company also estimates changes in the contract price as a result of price concessions, changes to deductibles, co-pays and other contractual adjustments to determine the eventual settlement amount the Company expects to receive. The Company uses the term settlement realization in its disclosures to describe the amount of cash the company expects to receive based on its estimate of the transaction price under the expected value method of ASC 606.

Where appropriate, the Company utilizes the expected value method to determine the appropriate amount for estimates of variable consideration~~.~~, which is based on a historical 12-month lookback of its actual settlement realization rates. The estimates of reserves established for variable consideration reflect current contractual requirements, the Company's historical experience, specific known market events and trends, industry data and forecasted patient data and settlement patterns. Settlement realization patterns are assessed based on actual settlements and based on expected settlement realization trends obtained from discussions with attorneys, doctors and our third party medical billing company. Settlement amounts are negotiated and prolonged settlement negotiations are not indicative of a greater likelihood of reduced settlement realization or zero settlement.

The Company ~~The amount of variable consideration that is included in the transaction price may be constrained and is~~may accept a lower settlement realization rate in order to receive faster payment. The Company obtains information about expected settlement realization trends from discussions with doctors and attorneys and its third party medical billing company, which handles settlement claims and negotiations. Settlement amounts are presented to the Company's third party medical billing company. Settlement rates of 49% or higher based on gross billed amounts are typically accepted without further negotiation. Proposed settlement rates below 49% are negotiated and longer negotiations typically result in higher settlement rates. If the Company accepts a lower settlement realization rate in order to receive payments more quickly, the Company considers that a price concession and estimates these concessions at contract inception. The various forms of variable consideration described above included in the transaction price may be constrained and are included in net revenue only to the extent that it is probable that a significant reversal in the amount of the cumulative revenue recognized will not occur in a future period. ~~Actual amounts of consideration ultimately received may differ from the Company's estimates. If actual results vary from the Company's estimates, the Company adjusts these estimates in the period such change in estimate becomes known, which could affect net revenue and earnings in the period of the adjustment~~The Company has not constrained any of its estimates of variable consideration for any of the periods presented.

Service Fees – Net (PIP)

The Company generates services fees from performing various procedures on the date the services are performed. These services primarily include slip and falls as well as smaller nominal Non-PIP services. ~~These~~As described above, these revenues are based on established insurance billing rates, less allowances for contractual adjustments and uncollectible amounts. These contractual adjustments vary by insurance company and self-pay patients. The Company computes these contractual and other adjustments ~~and collection allowances~~ based on its historical ~~collection~~settlement realization experience.

Completing the paperwork for each case and preparing it for billing takes approximately ten business days after a procedure is performed. The majority of claims are then filed electronically except for those remaining insurance carriers requiring paper filing. An initial response is usually received within four weeks from electronic filing and up to six weeks from paper filing. Responses may be a payment, a denial, or a request for additional information. The Company's healthcare revenues are generated from professional medical billings including facility and anesthesia services. With respect to facility and anesthesia services, the Company is the primary obligor as the facility and anesthesia services are considered part of one integrated performance obligation.

The Company satisfies performance obligations as services are performed and then billed to the patient. Payment in most cases is made by an attorney for such services to our patients which are due upon final settlement of patients claims. During the claims process, legal counsel warranties such claim through the letter of protection, which is sent to the Company, as a medical provider, on behalf of the client patient. This letter states that the attorney is responsible for paying the client's medical bills when the case is fully developed and settles. The medical professional agrees to provide treatment to the injured person and refrain from attempting to collect payment as it is developing and until the case is resolved. Once the personal injury case is finalized with the insurance company, the attorney pays the outstanding medical bills from the settlement.

Prior to its fiscal year 2024, the Company has historically ~~received~~had a 49% ~~of collections~~settlement realization rate from its total gross billed charges. Accordingly, the Company has historically recognized net healthcare service revenue as 49% of gross billed ~~amounts~~charges. However, during the three months ended March 31, 2024, the Company underwent efforts to accelerate cash ~~collections throughout 2024.~~settlements by accepting lower settlement realization rates in order to settle outstanding accounts receivable more quickly. As a result of the new ~~collection efforts~~effort, during the three months ended March 31, 2024 the Company realized a 42.9% average ~~collection percentage~~settlement rate of its gross billed charges ~~collected~~ during this time frame, which were historically recorded in accounts receivable and revenue at 49% of gross billings. As a result of this reduced ~~collection~~settlement realization percentage, the Company recorded a reduction to net revenue of $339,834 for the three months ended March 31, 2024.

The Company will continue to reassess its ~~net collection percentage~~ settlement realization rate in the future and incorporate changes in ~~collections~~settlement realization in its estimate of variable consideration due under its contracts. See additional disclosure in Note 17. *Subsequent Events* regarding the Company's review of its settlement realization percentage subsequent to the quarter ended March 31, 2024.

Contract Fees (Non-PIP)

The Company has contract fees for amounts earned from its Non-Personal Injury Protection ("PIP") related procedures, typically car accidents, and are ~~collected~~settled on a contingency basis. Prior to April 2023, these cases were sold to a factor who bears the risk of economic benefit or loss. Generally, the sale of these cases to a third party factor resulted in an approximate 54% reduction from the accounts receivables amounts. After selling patient cases to the factor, any additional funds ~~collected~~settled by ~~the Company~~us were remitted to the factor. The Company evaluated the factored adjustments considering the actual factored amounts per patient on a quarterly interval, and the reductions from accounts receivable that were factored were recorded in finance charges as other expenses on the consolidated statement of operations. As a result of the Company's eighteen to twenty-four month ~~collection~~settlement realization timeframe, the Company has an accrued liability resulting from the ~~collections~~settlement of receivables sold to the third party factors which fluctuates as ~~collections~~settlements are made and remitted to those third party factors. These accounts receivables sold to these third party factors are not included in the Company's financial statements accounts receivable balance once sold and therefore are not part of the assessment of the net realizable value of accounts receivable ~~collectability~~. For the three months ended March 31, 2023, the Company factored a total of $544,196 of its accounts receivable in exchange for cash of $253,750. The Company ceased factoring of accounts receivable in the first quarter of 2023.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs are included as a component of cost of sales in the consolidated statements of operations and changes in stockholders' equity. The Company recognized advertising and marketing expense of $82,051 and $83,223 for the three months ended March 31, 2024 and 2023, respectively.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities recorded at fair value in the consolidated balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair value. The fair value hierarchy distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs), and (2) an entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Level 1 Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.

Level 2 Inputs, other than quoted prices included in Level 1, which are observable for the asset or liability through corroboration with market data at the measurement date.

Level 3 Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

Distinguishing Liabilities from Equity

The Company accounts for its series N senior convertible preferred stock, series R convertible preferred stock, and series X senior convertible preferred stock subject to possible redemption in accordance with ASC 480, "Distinguishing Liabilities from Equity". Conditionally redeemable preferred shares are classified as temporary equity within the Company's consolidated balance sheet.

Stock-Based Compensation

The Company accounts for its stock-based compensation in which the Company obtains employee services in share-based payment transactions under the recognition and measurement principles of the fair value recognition provisions of section 718-10-30 of the FASB ASC. Pursuant to paragraph 718-10-30-6 of the FASB ASC, all transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable.

The measurement date used to determine the fair value of the equity instrument issued is the earlier of the date on which the performance is complete or the date on which it is probable that performance will occur.

Generally, all forms of share-based payments, including stock option grants, warrants and restricted stock grants and stock appreciation rights are measured at their fair value on the awards' grant date, based on estimated number of awards that are ultimately expected to vest.

The expense resulting from share-based payments is recorded in the consolidated statements of operations.

Income Taxes

Income taxes are determined in accordance with ASC Topic 740, "Income Taxes". Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Any effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

ASC 740 prescribes a comprehensive model for how companies should recognize, measure, present, and disclose in their financial statements uncertain tax positions taken or expected to be taken on a tax return. Under ASC 740, tax positions must initially be recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. Such tax positions must initially and subsequently be measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and relevant facts.

As of March 31, 2024 and 2023, the Company did not have any interest and penalties associated with tax positions and did not have any significant unrecognized uncertain tax positions.

Income (Loss) per Share

FASB ASC Subtopic 260, "Earnings Per Share," provides for the calculation of "Basic" and "Diluted" earnings per share. Basic earnings per common share is computed by dividing income available to common stockholders by the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per common share is computed by dividing income available to common stockholders by the weighted-average number of shares of common stock outstanding during the period increased to include the number of additional shares of common stock that would have been outstanding if the potentially dilutive securities had been issued. Potentially dilutive securities include outstanding stock options, warrants, and debts convertible into common stock. The dilutive effect of stock options and warrants are reflected in diluted earnings per common share by application of the treasury stock method. Under the treasury stock method, an increase in the fair market value of the Company's common stock can result in a greater dilutive effect from potentially dilutive securities. The diluted effect of debt convertibles is reflected utilizing the if converted method.

Going Concern

The accompanying consolidated financial statements have been prepared using the going concern basis of accounting, which contemplates continuity of operations, realization of assets and liabilities and commitments in the normal course of business. The Company had sustained recurring operating losses since its inception and has an accumulated deficit of $69,118,853 as of March 31, 2024. These factors raise a substantial doubt about the Company's ability to continue as a going concern. The accompanying consolidated financial statements do not reflect any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classifications of liabilities that might result if the Company is unable to continue as a going concern.

The ability of the Company to continue as a going concern and the appropriateness of using the going concern basis is dependent upon, among other things, additional cash infusions. Management is in continuous discussions with prospective investors and believes the raising of capital will allow the Company to fund its cash flow shortfalls and pursue new acquisitions. There can be no assurance that the Company will be able to obtain sufficient capital from debt or equity transactions or from operations in the necessary time frame or on terms acceptable to it. Should the Company be unable to raise sufficient funds, it may be required to curtail its operating plans. In addition, increases in expenses may require cost reductions. No assurance can be given that the Company will be able to operate profitably on a consistent basis, or at all, in the future. Should the Company not be able to raise sufficient funds, it may cause cessation of operations.

Recent Accounting Standards

The FASB issued ASU 2023-07 on November 27, 2023. The amendments "improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses." In addition, the amendments enhance interim disclosure requirements, clarify circumstances in which an entity can disclose multiple segment measures of profit or loss, provide new segment disclosure requirements for entities with a single reportable segment, and contain other disclosure requirements. The purpose of the amendments is to enable "investors to better understand an entity's overall performance" and assess "potential future cash flows." The Management is evaluating the impact of ASU 2023-07 on the consolidated financial statements and does not expect there to be any changes or impact to the financial statements.

2. RESTATEMENT OF FINANCIAL STATEMENTS

The Company restated its financial statements for the three months ended March 31, 2024 as a result of a change in classification of credit loss expense to net revenue. Subsequent to the preparation of the financial statements for the three month ended March 31, 2024, the Company identified and corrected its accounting for its credit loss expense of $339,834, which was reclassified to net revenue as variable consideration accounted for under ASC 606.

The following tables summarize the impact of the corrections on the Company's condensed consolidated statement of operations for the three months ended March 31, 2024. These adjustments has no effect on the Company's condensed consolidated balance sheet, reported (loss) income from operations, net loss or cash used in operating activities for the periods adjusted.

	Impact of correction of error		
	As previously reported	Adjustments	As restated
For the three months ended March 31, 2024 (unaudited)			
Revenue	$ 2,661,966	$ (339,834)	$ 2,322,132
Selling, general and administrative	$ 1,191,230	$ (339,834)	$ 851,396

During the preparation of the year ended December 31, 2023 financial statements, the Company identified and corrected its classification and accounting treatment for its series R convertible preferred stock and the related dividend accrual. Pursuant to ASC 250, "Accounting changes and error corrections" issued by FASB and SAB 99 "Materiality" issued by Securities and Exchange Commission, the Company determined the impact of the error was immaterial. The impact of the error correction is reflected in a $274,982 increase to the mezzanine equity and offsetting decrease to the series R convertible preferred stock and subject to possible redemption mezzanine equity line item on the consolidated balance sheet as of March 31, 2023. In addition, the impact of the unpaid dividend accrual is reflected in $8,136 increase to mezzanine equity and offsetting decrease to the accumulated deficits as of March 31, 2023. The impact of the error correction is also reflected $1 decrease of earnings (loss) per share on the consolidated statement of operations for the three months ended March 31, 2023.

During the preparation of the three months ended March 31, 2024 financial statements, the Company identified and corrected its classification for its all outstanding common stock amount per par value of $0.001 with additional paid-in-capital related with a 1-for-75,000 reverse split executed on January 9, 2024. The impact of this adjustment decreased $1,804,774 to common stock and offsetting increase to additional paid-in-capital as of December 31, 2023.

CARDIFF LEXINGTON CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023
(UNAUDITED)

On November 10, 2023, the Company sold Platinum Tax, which was a full-service tax resolution firm located in Los Angeles, California. The Company presented in prior periods operating loss as loss from discontinued operations in the amount of $45,490 on the consolidated statement of operations for the three months ended March 31, 2023.

The following table summarizes the impact of the corrections on the Company's condensed consolidated statement of operations for the three months ended March 31, 2023:

i. Balance sheet

	Impact of correction of error		
March 31, 2023 (Unaudited)	As previously reported	Adjustments	As restated
Total assets	$ 14,284,585	$ (8,673)	$ 14,275,912
Total liabilities	10,745,097	(8,673)	10,736,424
Mezzanine equity	5,171,861	283,118	5,454,979
Total stockholders' equity	$ (1,632,373)	$ (283,118)	$ (1,915,491)

ii. Statement of operations

	Impact of correction of error		
Three months ended March 31, 2023 (Unaudited)	As previously reported	Adjustments	As restated
Revenue	$ 2,860,798	$ (154,399)	$ 2,706,399
Cost of sales	983,124	(26,829)	956,295
Gross profit	1,877,674	(127,570)	1,750,104
Operating expense	1,164,113	(171,557)	992,556
Income from operations	$ 713,561	$ 43,987	$ 757,548
Other income (expense), net	(729,552)	1,503	(728,049)
Net loss before discontinued operations	(15,991)	45,490	29,499
Loss from discontinued operations	–	(45,490)	(45,490)
Net loss for the period	$ (15,991)	$ –	$ (15,991)
Preferred stock dividends	$ (336,811)	$ (8,136)	$ (344,947)
Net loss attributable to common shareholders	$ (352,802)	$ (8,136)	$ (360,938)
Basic and diluted earnings (loss) per share for continuing operations	$ (30)	$ (1)	$ (31)

3. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	March 31, 2024	December 31, 2023
Accounts payable	$ 632,045	$ 720,774
Accrued credit cards	9,884	26,645
Accrued liability for ~~collections~~settlements of previously factored receivables	1,385,084	1,247,772
Accrued property taxes	5,346	5,346
Accrued professional fees	29,122	29,122
Accrued payroll	42,628	17,472
Total	$ 2,104,109	$ 2,047,131

The Company is delinquent paying certain property taxes. As of March 31, 2024 and December 31, 2023, the balance for these property taxes, was $5,346.

4. PLANT AND EQUIPMENT, NET

Property and equipment as of March 31, 2024 and December 31, 2023 is as follows:

	March 31, 2024	December 31, 2023
Medical equipment	$ 96,532	$ 96,532
Computer Equipment	9,189	9,189
Furniture, fixtures and equipment	15,079	15,079
Leasehold Improvement	15,950	15,950
Total	136,750	136,750
Less: accumulated depreciation	(105,454)	(102,089)
Property and equipment, net	$ 31,296	$ 34,661

For the three months ended March 31, 2024 and 2023, depreciation expense was $3,365 and $4,635, respectively.

5. LAND

As of March 31, 2024 and December 31, 2023, the Company had 27 acres of land of approximately $540,000. The land is currently vacant and is expected to be developed into a residential community.

6. RELATED PARTY TRANSACTIONS

In connection with the acquisition of Edge View on July 16, 2014, the Company assumed amounts due to previous owners who are current managers of Edge View. These amounts are due on demand and do not bear interest. The balance of these amounts are $4,979 due from the previous owners as of March 31, 2024 and December 31, 2023.

CARDIFF LEXINGTON CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023
(UNAUDITED)

The Company obtained short-term advances from the Chairman of the Board that are non-interest bearing and due on demand. As of March 31, 2024 and December 31, 2023, the Company owed the Chairman $45,844 and $120,997, respectively. During the three months ended March 31, 2024, the Company paid $75,153 to the Chairman.

See also Note 8 and the disclosure regarding Note payable 41.

See also Note 13 for compensation paid to employees of the Company.

7. NOTES AND LOANS PAYABLE

Notes payable at March 31, 2024 and December 31, 2023 are summarized as follows:

	March 31, 2024	December 31, 2023
Notes and loans payable	$ 3,743,856	$ 2,280,743
Less current portion	(3,599,345)	(2,136,077)
Long-term portion	$ 144,511	$ 144,666

Long-term debt matures as follows:

	Amount
2024 (remainder of year)	$ 3,599,345
2025	4,983
2026	4,983
2027	4,983
2028	4,983
Thereafter	124,579
Total	$ 3,743,856

Loans and Notes Payable – Unrelated Party

On March 12, 2009, the Company issued a debenture in the principal amount of $20,000. The debenture bore interest at 12% per year and matured on September 12, 2009. The balance of the debenture was $10,989 at March 31, 2024 and December 31, 2023. The accrued interest of the debenture was $7,876 and $7,547 at March 31, 2024 and December 31, 2023, respectively. The Company assigned all of its receivables from consumer activations of the rewards program as collateral on this debenture.

Small Business Administration (“SBA”) Loans

On June 2, 2020, the Company obtained an SBA loan in the principal amount of $150,000 with an interest rate of 3.75% and a maturity date of June 2, 2050. The principal balance and accrued interest at March 31, 2024 was $149,494 and $0, respectively, and principal and accrued interest at December 31, 2023 was $149,655 and $956, respectively.

Line of Credit

On September 29, 2023, the Company and Nova entered into a two-year revolving purchase and security agreement with DML HC Series, LLC to sell, with recourse, Nova’s accounts receivables for a revolving financing up to a maximum advance amount of $4.5 million. As of March 31, 2024 and December 31, 2023, the Company had $3,583,373 and $2,120,100, respectively, outstanding balance against the revolving receivable line of credit. The revolving purchase and security agreement includes discounts recorded as interest expense on each funding and matures on September 29, 2025.

8. CONVERTIBLE NOTES PAYABLE

As of March 31, 2024 and December 31, 2023, the Company had convertible debt outstanding net of amortized debt discount of $3,820,545 and $3,807,030, respectively. During the three months ended March 31, 2024, the Company did not receive any proceeds from convertible notes and repaid $50,000 of accrued interest to convertible noteholder. During the three months ended March 31, 2023, the Company received net proceeds of $240,000 from convertible notes. There are debt discounts associated with the convertible debt of $11,305 and $24,820 at March 31, 2024 and December 31, 2023, respectively. For the three months ended March 31, 2024 and 2023, the Company recorded amortization of debt discounts of $13,515 and $17,983, respectively.

During the three months ended March 31, 2024, the Company converted $680 in accrued interest and $1,000 in conversion cost into 1,222 shares of common stock. The Company recognized $1,679 of additional paid-in capital to adjust fair value for the debt settlement during the three months ended March 31, 2024. During the three months ended March 31, 2023, the Company converted $58,800 of convertible debt, $5,873 in accrued interest and $2,000 in penalties and fees into 1,583 shares of common stock.

Convertible notes as of March 31, 2024 and December 31, 2023 are summarized as follows:

	March 31, 2024	December 31, 2023
Convertible notes payable	$ 3,831,850	$ 3,831,850
Discounts on convertible notes payable	(11,305)	(24,820)
Total convertible debt less debt discount	3,820,545	3,807,030
Current portion	3,820,545	3,807,030
Long-term portion	$ –	$ –

The following is a schedule of convertible notes payable as of and for the three months ended March 31, 2024.

Note #	Issuance	Maturity	Principal Balance 12/31/23	New Loan	Principal Conversions	Cash Paydown	Shares Issued Upon Conversion	Principal Balance 03/31/24	Accrued Interest on Convertible Debt at 12/31/23	Interest Expense On Convertible Debt For the Period Ended 03/31/24	Accrued Interest on Convertible Debt at 03/31/24	Unamortized Debt Discount At 03/31/24
9	09/12/2016	09/12/2017	$ 50,080	–	–	–	1,222	$ 50,080	$ 5,581	$ 2,496	7,399	–
10	01/24/2017	01/24/2018	55,000	–	–	–	–	55,000	80,875	2,742	83,618	–
10-1	02/10/2023	02/10/2024	50,000	–	–	–	–	50,000	6,658	1,870	8,527	–
10-2	03/30/2023	03/30/2024	25,000	–	–	–	–	25,000	2,836	935	3,771	–
10-3	08/11/2023	08/11/2024	25,000	–	–	–	–	25,000	1,469	935	2,404	–
29-2	11/08/2019	11/08/2020	36,604	–	–	–	–	36,604	10,109	2,190	12,299	–
31	08/28/2019	08/28/2020	–	–	–	–	–	–	8,385	–	–	–
37-1	09/03/2020	06/30/2021	113,667	–	–	–	–	113,667	64,929	5,101	70,030	–
37-2	11/02/2020	08/31/2021	113,167	–	–	–	–	113,167	63,594	5,079	68,673	–
37-3	12/29/2020	09/30/2021	113,166	–	–	–	–	113,166	62,558	5,079	67,637	–
40-1	09/22/2022	09/22/2024	2,600,000	–	–	–	–	2,600,000	252,665	64,821	267,488	–
40-2	11/04/2022	09/22/2024	68,667	–	–	–	–	68,667	7,939	1,712	9,651	–
40-3	11/28/2022	09/22/2024	68,667	–	–	–	–	68,667	7,506	1,712	9,217	–
40-4	12/21/2022	09/22/2024	68,667	–	–	–	–	68,667	7,054	1,712	8,766	–
40-5	01/24/2023	03/21/2024	90,166	–	–	–	–	90,166	8,284	2,248	10,531	–
40-6	03/21/2023	09/22/2024	139,166	–	–	–	–	139,166	10,671	3,470	14,141	–

40-7	06/05/2023	06/05/2024	139,166	–	–	–	–	139,166	7,826	3,470	11,295	6,530
40-8	06/13/2023	06/13/2024	21,167	–	–	–	–	21,167	1,127	528	1,654	1,032
40-9	07/19/2023	07/19/2024	35,500	–	–	–	–	35,500	1,605	885	2,490	2,650
40-10	07/24/2023	07/24/2024	14,000	–	–	–	–	14,000	614	349	963	1,093
41	08/25/2023	08/25/2024	5,000	–	–	–	–	5,000	175	125	300	
			$3,831,850	$ –	$ –	$ –	1,222	$3,831,850	$ 612,460	$ 107,459	$ 660,854	$ 11,305

Note 9

On September 12, 2016, the Company issued a convertible promissory note in the principal of $80,000 for services rendered, which matured on September 12, 2017. Note 9 is currently in default and accrues at a default interest rate of 20% per annum.

Note 10, 10-1, 10-2 and 10-3

On January 24, 2017, the Company issued a convertible promissory note in the principal amount of $80,000 for services rendered, which matured on January 24, 2018. Note 10 is currently in default and accrues interest at a default interest rate of 20% per annum. On February 10, 2023, the Company executed a second tranche under this note in the principal amount of $50,000 (Note 10-1). On March 30, 2023, the Company executed a third tranche under this note in the principal amount of $25,000 (Note 10-2). On August 11, 2023, the Company executed a fourth tranche under this note in the principal amount of $25,000 (Note 10-3). Notes 10-1 and 10-2 are currently in default and accrue interest at a default interest rate of 20% per annum. Note 10-3 accrues interest at a rate of 15% per annum.

Note 29-2

On May 10, 2019, the Company issued a convertible promissory note in the principal amount of $150,000. On November 8, 2019, this note (Note 29) was purchased by and assigned to an unrelated party. The amount assigned was the existing principal amount of $150,000 and accrued interest of $5,918, which was issued as Note 29-1, plus a new convertible promissory note in the principal amount of $62,367, which was issued as Note 29-2. Note 29-2 is currently in default and accrues interest at a default interest rate of 24% per annum.

Notes 37-1, 37-2 and 37-3

On September 3, 2020, the Company issued a convertible promissory note in the principal amount of $200,000, with an original issue discount of $50,000, which could be drawn in several tranches. On September 3, 2020, the Company executed the first tranche in the principal amount of $67,000, less an original issue discount of $17,000, which matured on June 30, 2021 (Note 37-1). On November 2, 2020, the Company executed the second tranche in the principal amount of $66,500, less an original issue discount of $16,500, which matured on August 31, 2021 (Note 37-2). On December 29, 2020, the Company executed the third tranche in the principal amount of $66,500, less an original issue discount of $16,500, which matured on September 30, 2021 (Note 37-3). Notes 37-1, 37-2 and 27-3 are currently in default and accrue interest at a default interest rate of 18% per annum.

Notes 40-1, 40-2, 40-3, 40-4, 40-5, 40-6, 40-7, 40-8, 40-9 and 40-10

On September 22, 2022, the Company issued a convertible promissory note in the principal amount of $2,600,000 in exchange for total of $4,791,099 of defaulted promissory notes balances (Note 40-1). On November 4, 2022, the Company executed a second tranche under this note in the principal amount of $68,667, less an original issue discount and fee of $18,667 (Note 40-2). On November 28, 2022, the Company executed the third tranche under this note in the principal amount of $68,667, less an original issue discount and fee of $18,667 (Note 40-3). On December 21, 2022, the Company executed a fourth tranche under this note in the principal amount of $68,667, less an original issue discount and fee of $18,667 (Note 40-4). On January 24, 2023, the Company executed a fifth tranche under this note in the principal amount of $90,166, less an original issue discount and fee of $25,166 (Note 40-5). On March 21, 2023, the Company executed a sixth tranche under this note in the principal amount of $136,666, less an original issue discount and fee of $39,166 (Note 40-6). On June 5, 2023, the Company executed a seventh tranche under this note in the principal amount of $136,667, less original issue discount and fee of $39,167 (Note 40-7). On June 13, 2023, the Company executed an eighth tranche under this note in the principal amount of $21,167, less original issue discount and fee of $5,167 (Note 40-8). On July 19, 2023, the Company executed a ninth tranche under this note in the principal amount of $35,500, less an original issue discount and fee of $8,875 (Note 40-9). On July 24, 2023, the Company executed a tenth tranche under this note in the principal amount of $14,000, less an original issue discount and fee of $3,500 (Note 40-10). On December 1, 2023, the Company executed amendment on Notes series 40 consolidated senior secured convertible promissory note to extend the expired tranche note 40-1 through 40-5' due date to September 20, 2024. All of the Note 40 tranches mature in one year from the note issuance date and accrue interest at a rate of 10% per annum.

Note 41

On August 25, 2023, the Company issued a twelve-month convertible promissory note in the principal amount of $5,000 to the Company's CEO for the Company's operating expenses. The rate of interest is 10% per annum.

9. CAPITAL STOCK

Preferred Stock

The Company has designated multiple series of preferred stock, including 2 shares of series A preferred stock, 3,000,000 shares of series B preferred stock, 500 shares of series C preferred stock, 1,000,000 shares of series E preferred stock, 50,000 shares of series F-1 preferred stock, 15,000,000 shares of series I preferred stock, 2,000,000 shares of series J preferred stock, 400,000 shares of series L preferred stock, 3,000,000 shares of series N senior convertible preferred stock, 5,000 shares of series R convertible preferred stock and 5,000,000 shares of series X senior convertible preferred stock.

The following is a description of the rights and preferences of each series of preferred stock.

Redeemable Preferred Stock

The Company recognized the series N senior convertible preferred stock, series R convertible preferred stock and series X senior convertible preferred stock as mezzanine equity in accordance with ASC 480, "Distinguishing Liabilities from Equity".

Series N Senior Convertible Preferred Stock

Ranking. The series N senior convertible preferred stock ranks, with respect to the payment of dividends and the distribution of assets upon liquidation, (i) senior to all common stock and each other class or series that is not expressly made senior to or on parity with the series N senior convertible preferred stock; (ii) on parity with each class or series that is not expressly subordinated or made senior to the series N senior convertible preferred stock; and (iii) junior to all indebtedness and other liabilities with respect to assets available to satisfy claims against the Company and each class or series that is expressly made senior to the series N senior convertible preferred stock.

Dividend Rights. Holders of series N senior convertible preferred stock are entitled to dividends at a rate per annum of 12.0% of the stated value ($4.00 per share); provided that upon an event of default (as defined in the certificate of designation for the series N senior convertible preferred stock), such rate shall increase by 8% per annum. Dividends shall accrue from day to day, whether or not declared, and shall be cumulative. Dividends shall be payable quarterly in arrears on each dividend payment date in cash or common stock at the Company's discretion. Dividends payable in common stock shall be calculated based on a price equal to eighty percent (80%) of the volume weighted average price for the common stock on the Company's principal trading market (the "VWAP") during the five (5) trading days immediately prior to the applicable dividend payment date. At March 31, 2024 and December 31, 2023, cumulative dividends on Series N Preferred Stock were $871,462 and $766,437, respectively.

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Liquidation Rights. Subject to the rights of creditors and the holders of any senior securities or parity securities (in each case, as defined in the certificate of designation), upon any liquidation of the Company or its subsidiaries, before any payment or distribution of the assets of the Company (whether capital or surplus) shall be made to or set apart for the holders of junior securities (as defined in the certificate of designation), including the common stock, each holder of outstanding series N senior convertible preferred stock shall be entitled to receive an amount of cash equal to 115% of the stated value of $4.00 per share, plus an amount of cash equal to all accumulated accrued and unpaid dividends thereon (whether or not declared) to, but not including the date of final distribution to such holders.

Voting Rights. Holders of series N senior convertible preferred stock do not have any voting rights; provided that, so long as any shares of series N senior convertible preferred stock are outstanding, the affirmative vote of holders of a majority of the series N senior convertible preferred stock, which majority must include SILAC Insurance Company so long as it holds any shares of series N senior convertible preferred stock, voting as a separate class, shall be necessary for approving, effecting or validating any amendment, alteration or repeal of any of the provisions of the certificate of designation or prior to the Company's (or Nova's) creation or issuance of any parity securities or new indebtedness (as defined in the certificate of designation); provided that the foregoing shall not apply to any financing transaction the use of proceeds of which will be used to redeem the series N senior convertible preferred stock and the warrants issued in connection therewith. In addition, the affirmative vote of holders of 66% of the series N senior convertible preferred stock, voting as a separate class, is required prior to the Company's (or Nova's) creation or issuance of any senior securities.

Conversion Rights. Each shares of series N senior convertible preferred stock, plus all accrued and unpaid dividends thereon, shall be convertible, at the option of the holder thereof, at any time and from time to time, into such number of fully paid and nonassessable shares of common stock determined by dividing the stated value ($4.00 per share), plus the value of the accrued, but unpaid, dividends thereon, by a conversion price of $900 per share (subject to standard adjustments in the event of any stock splits, stock combinations, stock reclassifications, dividends paid in common stock, sales of substantially all assets, mergers, consolidations or similar transactions); provided that in no event shall the holder of any series N senior convertible preferred stock be entitled to convert any number of shares that upon conversion the sum of (i) the number of shares of common stock beneficially owned by the holder and its affiliates and (ii) the number of shares of common stock issuable upon the conversion of the series N senior convertible preferred stock with respect to which the determination of this proviso is being made, would result in beneficial ownership by the holder and its affiliates of more than 4.99% of the then outstanding common stock. This limitation may be waived (up to a maximum of 9.99%) by the holder and in its sole discretion, upon not less than sixty-one (61) days' prior notice to the Company.

Redemption Rights. The Company may redeem the series N senior convertible preferred stock at any time by paying in cash therefore a sum equal to 115% of the stated value of $4.00 per share, plus the amount of accrued and unpaid dividends and any other amounts due pursuant to the terms of the certificate of designation. In addition, any holder may require the Company to redeem some or all of its shares of series N senior convertible preferred stock on the same terms after a period of twelve months from the date of issuance; provided, however, that such redemption right shall only be exercisable if the Company raises at least $5,000,000 or the common stock is trading on the Nasdaq Stock Market or the New York Stock Exchange.

Series R Convertible Preferred Stock

Ranking. The series R convertible preferred stock ranks, with respect to the distribution of assets upon liquidation, (i) senior to all common stock, series A preferred stock, series B preferred stock, series C preferred stock, series E preferred stock, series F-1 preferred stock, series I preferred stock, series J preferred stock, series L preferred stock and to each other class or series that is not expressly made senior to or on parity with the series R convertible preferred stock; (ii) on parity with each class or series that is not expressly subordinated or made senior to the series R convertible preferred stock; and (iii) junior to the series N senior convertible preferred stock, series X senior convertible preferred stock and to each other series of preferred stock and each class or series that is expressly made senior to the series R convertible preferred stock, as well as to all indebtedness and other liabilities with respect to assets available to satisfy claims against the Company.

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Dividend Rights. The holders of series R convertible preferred stock are entitled to receive cumulative dividends in the amount of twelve percent (12%) per annum, payable quarterly. In addition, holders of series R convertible preferred stock are entitled to receive dividends equal (on an as converted to common stock basis) to and in the same form as dividends actually paid on shares of common stock when, as and if such dividends are paid on shares of common stock. Any dividends that are not paid when due shall continue to accrue and shall entail a late fee, which must be paid in cash, at the rate of 18% per annum or the lesser rate permitted by applicable law which shall accrue and compound daily from the missed payment date through and including the date of actual payment in full. At March 31, 2024 and December 31, 2023, cumulative dividends on Series R Preferred Stock were $119,194 and $109,980, respectively.

Liquidation Rights. Upon any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of series R convertible preferred stock shall be entitled to receive out of the assets, whether capital or surplus, of the Company an amount equal to the stated value ($1,200), plus any accrued and unpaid dividends thereon and any other fees or liquidated damages then due and owing, for each share of series R convertible preferred stock before any distribution or payment shall be made to the holders of any junior securities.

Voting Rights. The holders of series R convertible preferred stock will vote together with the common stock on an as-converted basis. However, as long as any shares of series R convertible preferred stock are outstanding, the Company shall not, without the affirmative vote of the holders of a majority of the then outstanding shares of the series R convertible preferred stock, directly and/or indirectly (i) alter or change adversely the powers, preferences or rights given to the series R convertible preferred stock or alter or amend the certificate of designation, (ii) authorize or create any class of stock ranking as to redemption or distribution of assets upon a liquidation senior to, or otherwise *pari passu* with, the series R convertible preferred stock, or authorize or create any class of stock ranking as to dividends senior to, or otherwise *pari passu* with, the series R convertible preferred stock, (iii) amend its articles of incorporation or other charter documents in any manner that adversely affects any rights of the holders of the series R convertible preferred stock, (iv) increase the number of authorized shares of series R convertible preferred stock, or (v) enter into any agreement with respect to any of the foregoing.

Conversion Rights. Each shares of series R convertible preferred stock shall be convertible, at the option of the holder thereof, at any time and from time to time, into such number of fully paid and nonassessable shares of common stock determined by dividing the stated value ($1,200 per share) by a conversion price equal to the lower of (i) $75.0 and (ii) the lowest daily VWAP during the twenty (20) trading days immediately prior to the applicable conversion date. Notwithstanding the foregoing, the Company shall not effect any conversion of the series R convertible preferred stock, and a holder shall not have the right to convert any portion of the series R convertible preferred stock, to the extent that, after giving effect to the conversion, such holder (together with such holder's affiliates, and any persons acting as a group together with such holder or any of such holder's affiliates) would beneficially own in excess of 4.99% of the then outstanding common stock. The conversion price is subject to adjustment for any stock dividend, stock split, stock combination, reclassification or similar transaction that proportionately decreases or increases the common stock, as well as for mergers, business combinations and certain other fundamental transactions. In addition, subject to certain exceptions, upon any issuance by the Company or any of its subsidiaries of common stock or common stock equivalents for cash consideration, indebtedness or a combination of units thereof (a "Subsequent Financing"), the holder may elect, in its sole discretion, to exchange (in lieu of conversion), if applicable, all or some of the shares of series R convertible preferred stock then held for any securities or units issued in a Subsequent Financing on a $1.00 for $1.00 basis.

Participation Rights. Subject to certain exceptions, upon a Subsequent Financing, a holder of at least 100 shares of series R convertible preferred stock shall have the right to participate in up to an amount of the Subsequent Financing equal to 100% of the Subsequent Financing on the same terms, conditions and price provided for in the Subsequent Financing.

Company Redemption Rights. The Company has the right to redeem all (but not less than all), shares of the series R convertible preferred stock issued and outstanding at any time upon three (3) business days' notice, at a redemption price per share equal to the product of (i) the Premium Rate multiplied by (ii) the sum of (x) the stated value ($1,200), (y) all accrued but unpaid dividends, and (z) all other amounts due to the holder. "Premium Rate" means (a) 1.1 if all of the series R convertible preferred stock is redeemed within ninety (90) calendar days from the issuance date thereof; (b) 1.2 if all of the series R convertible preferred stock is redeemed after ninety (90) calendar days and within one hundred twenty (120) calendar days from the issuance date thereof; (c) 1.3 if all of the series R convertible preferred stock is redeemed after one hundred twenty (120) calendar days and within one hundred eighty (180) calendar days from the issuance date thereof; and (iv) 1.0 if all of the series R convertible preferred stock is redeemed after one hundred eighty (180) calendar days.

Redemption Upon Triggering Events. Upon the occurrence of a Triggering Event (as defined below), each holder of series R convertible preferred stock shall (in addition to all other rights it may have) have the right, exercisable at the sole option of such holder, to require the Company to (A) redeem all of the series R convertible preferred stock then held by such holder for a redemption price, in cash, equal to the Triggering Redemption Amount (as defined below), or (B) at the option of each holder either (i) redeem all of the series R convertible preferred stock then held by such holder though the issuance to such holder of such number of shares of common stock equal to the quotient of (x) the Triggering Redemption Amount, divided by (y) the lowest of (1) the conversion price, and (2) 75% of the average of the 10 VWAPs immediately prior to the date of election, or (ii) increase the dividend rate on all of the outstanding series R convertible preferred stock held by such holder retroactively to the initial issuance date to 18% per annum thereafter. "Triggering Redemption Amount" means, for each share of series R convertible preferred stock, the sum of (a) the greater of (i) 130% of the stated value and (ii) the product of (y) the VWAP on the trading day immediately preceding the date of the Triggering Event, multiplied by (z) the stated value divided by the then applicable conversion price, (b) all accrued but unpaid dividends thereon and (c) all liquidated damages, late fees and other costs, expenses or amounts due in respect of the series R convertible preferred stock including, but not limited to legal fees and expenses of legal counsel to the holder in connection with, related to and/or arising out of a Triggering Event. A "Triggering Event" means any of the following events (whatever the reason for such event and whether such event shall be voluntary or involuntary or effected by operation of law or pursuant to any judgment, decree or order of any court, or any order, rule or regulation of any administrative or governmental body):

- the Company shall fail to deliver the shares of common stock issuable upon a conversion prior to the fifth (5^{th}) trading day after such shares are required to be delivered, or the Company shall provide written notice to any holder, including by way of public announcement, at any time, of its intention not to comply with requests for conversion of any shares of series R convertible preferred stock in accordance with the terms of the certificate of designation;

- the Company shall fail for any reason to pay in full the amount of cash due pursuant to a Buy-In (as defined in the certificate of designation) within five (5) trading days after notice therefor is delivered;

- the Company shall fail to have available a sufficient number of authorized and unreserved shares of common stock to issue to such holder upon a conversion;

- unless specifically addressed elsewhere in the certificate of designation as a Triggering Event, the Company shall fail to observe or perform any other covenant, agreement or warranty contained in, or otherwise commit any breach of the Transaction Documents (as defined in the certificate of designation), and such failure or breach shall not, if subject to the possibility of a cure by the Company, have been cured within five (5) calendar days after the date on which written notice of such failure or breach shall have been delivered;

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- the Company shall redeem junior securities or *pari passu* securities;
- the Company shall be party to a Change of Control Transaction (as defined in the certificate of designation);
- there shall have occurred a Bankruptcy Event (as defined in the certificate of designation);
- any monetary judgment, writ or similar final process shall be entered or filed against the Company, any subsidiary or any of their respective property or other assets for more than $50,000 (provided that amounts covered by the Company's insurance policies are not counted toward this $50,000 threshold), and such judgment, writ or similar final process shall remain unvacated, unbonded or unstayed for a period of thirty (30) trading days;
- the electronic transfer by the Company of shares of common stock through the Depository Trust Company or another established clearing corporation once established subsequent to the date of the certificate of designation is no longer available or is subject to a 'freeze" and/or "chill;" or
- any "Event of Default," as defined in the Purchase Agreement (as defined in the certificate of designation).

Series X Senior Convertible Preferred Stock

Ranking. The series X senior convertible preferred stock ranks, with respect to the payment of dividends and the distribution of assets upon liquidation, (i) senior to all common stock and each other class or series that is not expressly made senior to or on parity with the series X senior convertible preferred stock; (ii) on parity with each class or series that is not expressly subordinated or made senior to the series X senior convertible preferred stock; and (iii) junior to the series N senior convertible preferred stock, all indebtedness and other liabilities with respect to assets available to satisfy claims against the Company and each class or series that is expressly made senior to the series X senior convertible preferred stock.

Dividend Rights. Holders of series X senior convertible preferred stock are entitled to dividends at a rate per annum of 10.0% of the stated value ($4.00 per share); provided that upon an event of default (as defined in the certificate of designation for the series X senior convertible preferred stock), such rate shall increase by 5% per annum. Dividends shall accrue from day to day, whether or not declared, and shall be cumulative. Dividends shall be payable quarterly in arrears on each dividend payment date. At March 31, 2024 and December 31, 2023, cumulative dividends on Series X Preferred Stock were $228,082 and $190,685, respectively.

Liquidation Rights. Subject to the rights of creditors and the holders of any senior securities, including the series N senior convertible preferred stock, or parity securities (in each case, as defined in the certificate of designation), upon any liquidation of the Company or its subsidiaries, before any payment or distribution of the assets of the Company (whether capital or surplus) shall be made to or set apart for the holders of junior securities (as defined in the certificate of designation), including the common stock, each holder of outstanding series N senior convertible preferred stock shall be entitled to receive an amount of cash equal to 100% of the stated value of $4.00 per share, plus an amount of cash equal to all accumulated accrued and unpaid dividends thereon (whether or not declared) to, but not including the date of final distribution to such holders.

Voting Rights. Holders of series X senior convertible preferred stock do not have any voting rights; provided that, so long as any shares of series X senior convertible preferred stock are outstanding, the affirmative vote of holders of a majority of the series X senior convertible preferred stock, which majority must include Leonite Capital LLC so long as it holds any shares of series X senior convertible preferred stock, voting as a separate class, shall be necessary for approving, effecting or validating any amendment, alteration or repeal of any of the provisions of the certificate of designation or prior to the creation or issuance of any parity securities or new indebtedness (as defined in the certificate of designation); provided that the foregoing shall not apply to any financing transaction the use of proceeds of which will be used to redeem the series X senior convertible preferred stock and the warrants issued in connection therewith. In addition, the affirmative vote of holders of 66% of the series X senior convertible preferred stock, voting as a separate class, is required prior to the creation or issuance of any senior securities.

Conversion Rights. Each shares of series X senior convertible preferred stock, plus all accrued and unpaid dividends thereon, shall be convertible, at the option of the holder thereof, at any time and from time to time, into such number of fully paid and nonassessable shares of common stock determined by dividing the stated value ($4.00 per share), plus the value of the accrued, but unpaid, dividends thereon, by a conversion price equal to the lower of (i) the lowest VWAP during the five (5) trading days immediately prior to the applicable conversion date and (ii) the price per share paid in any subsequent financing (the "Fixed Price"). The Fixed Price is subject to standard adjustments in the event of any stock splits, stock combinations, stock reclassifications, dividends paid in common stock, sales of substantially all assets, mergers, consolidations or similar transactions, as well as a price based antidilution adjustment, pursuant to which, subject to certain exceptions, if the Company issues common stock at a price lower than the Fixed Price, the Fixed Price shall decrease to such lower price. Notwithstanding the foregoing, in no event shall the holder of any series X senior convertible preferred stock be entitled to convert any number of shares that upon conversion the sum of (i) the number of shares of common stock beneficially owned by the holder and its affiliates and (ii) the number of shares of common stock issuable upon the conversion of the series X senior convertible preferred stock with respect to which the determination of this proviso is being made, would result in beneficial ownership by the holder and its affiliates of more than 4.99% of the then outstanding common stock. This limitation may be waived (up to a maximum of 9.99%) by the holder and in its sole discretion, upon not less than sixty-one (61) days' prior notice to the Company.

Redemption Rights. Commencing on September 22, 2023, any holder may require the Company to redeem its shares by the payment in cash therefore of a sum equal to 100% of the stated value of $4.00 per share, plus the amount of accrued and unpaid dividends and any other amounts due pursuant to the terms of the certificate of designation; provided however, that in the event that the Company completes a public offering prior to the redemption date, then any holder may only cause the Company to redeem any outstanding series X senior convertible preferred stock by paying such redemption price in twelve (12) equal monthly installments with the first such payment due on the date that is six (6) months following the date that the Company completes such public offering.

Non-redeemable Preferred Stock

Series A Preferred Stock

Ranking. The series A preferred stock ranks, with respect to the distribution of assets upon liquidation, (i) senior to all common stock and each other class or series that is not expressly made senior to or on parity with the series A preferred stock; (ii) on parity with each class or series that is not expressly subordinated or made senior to the series A preferred stock; and (iii) junior to the series B preferred stock, series C preferred stock, series E preferred stock, series F-1 preferred stock, series I preferred stock, series J preferred stock, series L preferred stock, series N senior convertible preferred stock, series R convertible preferred stock, series X senior convertible preferred stock and each other series of preferred stock and each class or series that is expressly made senior to the series A preferred stock, as well as to all indebtedness and other liabilities with respect to assets available to satisfy claims against the Company.

Dividend Rights. The series A preferred stock is not entitled to participate in any distributions or payments to the holders of common stock or any other class of stock and shall have no economic interest in the Company.

Liquidation Rights. In the event of any liquidation, dissolution or winding up of the Company, either voluntarily or involuntarily, a merger or consolidation of the Company wherein the Company is not the surviving entity, or a sale of all or substantially all of the assets of the Company, the holders of each share of series A preferred stock shall be entitled to receive from any distribution of any of the assets or surplus funds of the Company, before and in preference of any holder of shares of common stock, an amount equal to the stated value of $250. Once the holders receive the foregoing from any such liquidation, dissolution or winding up, the holders shall not participate with the common stock or any other class of stock.

Voting Rights. Each share of series A preferred stock shall have a number of votes at any time equal to (i) 25% of the number of votes then held or entitled to be made by all other equity securities of the Company, including, without limitation, the common stock, plus (ii) one (1). The series A preferred stock shall vote on any matter submitted to the holders of the common stock, or any other class of voting securities, for a vote, and shall vote together with the common stock, or any class of voting securities, as applicable, on such matter for as long as the shares of series A preferred stock are issued and outstanding. Notwithstanding the foregoing, the series A preferred stock shall not have the right to vote on any matter as to which solely another series of preferred stock is entitled to vote pursuant to the Company's amended and restated articles of incorporation or a certificate of designation of such other series of preferred stock.

Transfer. Upon transfer of any share of series A preferred stock, except for a transfer by the holder to an affiliate, whether such transfer is voluntary or involuntary, such share of series A preferred stock shall automatically, and without any action being required by the Company or the holder, be converted into one (1) share of common stock.

Other Rights. Holders of series A preferred stock do not have any conversion (except as set forth above) or redemption rights.

Series B Preferred Stock

Ranking. The series B preferred stock ranks, with respect to the distribution of assets upon liquidation, (i) senior to all common stock, series A preferred stock and to each other class or series that is not expressly made senior to or on parity with the series B preferred stock; (ii) on parity with the series C preferred stock, series E preferred stock, series F-1 preferred stock, series J preferred stock, series L preferred stock and each other class or series that is not expressly subordinated or made senior to the series B preferred stock; and (iii) junior to the series I preferred stock, series N senior convertible preferred stock, series R convertible preferred stock, series X senior convertible preferred stock and to each other series of preferred stock and each class or series that is expressly made senior to the series B preferred stock, as well as to all indebtedness and other liabilities with respect to assets available to satisfy claims against the Company.

Dividend Rights. The holders of series B preferred stock are entitled to receive dividends equal (on an as converted to common stock basis) to and in the same form as dividends actually paid on shares of common stock when, as and if such dividends are paid on shares of common stock. No other dividends shall be paid on shares of series B preferred stock.

Liquidation Rights. Upon any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of series B preferred stock shall be entitled to receive out of the assets of the Company the same amount that a holder of common stock would receive if the shares of series B preferred stock were fully converted to common stock immediately prior to such liquidation, which amount shall be paid to the holders of series B preferred stock *pari passu* with all holders of parity securities and in preference to the holders of junior securities.

Voting Rights. On any matter presented to stockholders for their action or consideration, each holder of series B preferred stock shall be entitled to cast one (1) vote per share of series B preferred stock held. Except as provided by law, the holders of series B preferred stock shall vote together with the holders of shares of common stock as a single class. However, as long as any shares of series B preferred stock are outstanding, the Company shall not, without the affirmative vote of the holders of a majority of outstanding series B preferred stock, (a) alter or change adversely the powers, preferences or rights given to the series B preferred stock or alter or amend the certificate of designation for the series B preferred stock, or (b) amend the Company's amended and restated articles of incorporation or other charter documents in any manner that adversely affects any rights of the holders of series B preferred stock.

Conversion Rights. Each share of series B preferred stock is convertible, at any time and from time to time at the option of the holder thereof, into such number of shares of common stock as is determined as follows: (i) if the closing market price of the common stock on the principal trading market on which the common stock is then traded or quoted is less than $4.00 per share, then each share of series B preferred stock shall be convertible into a number of shares of common stock equal to two (2) times the stated value ($4.00 per share), divided by such closing market price on the date of conversion; or (ii) if such closing market price is equal to or greater than $4.00 per share, then each share of series B preferred stock shall be convertible into two (2) shares of common stock. In addition, upon the earlier to occur of: (a) the closing of the sale of shares of common stock to the public at a price of at least $3.00 per share in a public offering pursuant to an effective registration statement or offering statement under the Securities Act resulting in at least $3,000,000 of gross proceeds to the Company, (b) the date on which the shares of common stock of the Company are listed on a national stock exchange, including without limitation the New York Stock Exchange, NYSE American or the Nasdaq Stock Market (any tier), or (c) the date and time, or the occurrence of an event, specified by vote or written consent of the holders of at least 67% of the then outstanding shares of series B preferred stock, voting together as a single class, each share of series B preferred stock shall be automatically converted into such number of shares of common stock as is determined in accordance with the provisions above. Such conversion price is subject to standard adjustments in the event of any stock dividends, stock reclassifications and similar events (but not for reverse stock splits).

Redemption Rights. Holders of series B preferred stock do not have any redemption rights.

Series C Preferred Stock

Ranking. The series C preferred stock ranks, with respect to the distribution of assets upon liquidation, (i) senior to all common stock, series A preferred stock and to each other class or series that is not expressly made senior to or on parity with the series C preferred stock; (ii) on parity with the series B preferred stock, series E preferred stock, series F-1 preferred stock, series J preferred stock, series L preferred stock and each other class or series that is not expressly subordinated or made senior to the series C preferred stock; and (iii) junior to the series I preferred stock, series N senior convertible preferred stock, series R convertible preferred stock, series X senior convertible preferred stock and to each other series of preferred stock and each class or series that is expressly made senior to the series C preferred stock, as well as to all indebtedness and other liabilities with respect to assets available to satisfy claims against the Company.

Dividend Rights. The holders of series C preferred stock are entitled to receive dividends equal (on an as converted to common stock basis) to and in the same form as dividends actually paid on shares of common stock when, as and if such dividends are paid on shares of common stock. No other dividends shall be paid on shares of series C preferred stock.

Liquidation Rights. Upon any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of series C preferred stock shall be entitled to receive out of the assets of the Company the same amount that a holder of common stock would receive if the shares of series C preferred stock were fully converted to common stock immediately prior to such liquidation, which amount shall be paid to the holders of series C preferred stock *pari passu* with all holders of parity securities and in preference to the holders of junior securities.

Voting Rights. On any matter presented to stockholders for their action or consideration, each holder of series C preferred stock shall be entitled to cast one (1) vote per share of series C preferred stock held. Except as provided by law, the holders of series C preferred stock shall vote together with the holders of shares of common stock as a single class. However, as long as any shares of series C preferred stock are outstanding, the Company shall not, without the affirmative vote of the holders of a majority of outstanding series C preferred stock, (a) alter or change adversely the powers, preferences or rights given to the series C preferred stock or alter or amend the certificate of designation for the series C preferred stock, or (b) amend the Company's amended and restated articles of incorporation or other charter documents in any manner that adversely affects any rights of the holders of series C preferred stock.

Conversion Rights. Each share of series C preferred stock is convertible, at any time and from time to time at the option of the holder thereof, into such number of shares of common stock as is determined by dividing the stated value ($4.00 per share) by a conversion price of $0.00004. In addition, on the date on which the shares of common stock are listed on a national stock exchange, including without limitation the New York Stock Exchange, NYSE American or the Nasdaq Stock Market (any tier) (a "Listing Event"), all outstanding shares of series C preferred stock shall be automatically converted into such number of shares of common stock as is determined by dividing $50,000 by the highest traded or closing price on such date, which such shares of common stock shall be issued pro rata among the holders of the outstanding series C preferred stock. Finally, upon the earlier to occur of: (a) the closing of the sale of shares of common stock to the public at a price of at least $3.00 per share (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the common stock) in a public offering pursuant to an effective registration statement or offering statement under the Securities Act resulting in at least $3,000,000 of gross proceeds to the Company or (b) the date and time, or the occurrence of an event, specified by vote or written consent of the holders of at least 67% of the then outstanding shares of series C preferred stock, voting together as a single class, each share of series C preferred stock shall be automatically converted into such number of shares of common stock as is determined by dividing the stated value ($4.00 per share) by a conversion price of $0.00004. Such conversion price is subject to standard adjustments in the event of any stock dividends, stock reclassifications and similar events (but not for reverse stock splits).

Redemption Rights. If there is a Listing Event, the Company shall have the right (but not the obligation) to redeem shares of series C preferred stock at a price per share of $50,000.

Series E Preferred Stock

Ranking. The series E preferred stock ranks, with respect to the distribution of assets upon liquidation, (i) senior to all common stock, series A preferred stock and to each other class or series that is not expressly made senior to or on parity with the series E preferred stock; (ii) on parity with the series B preferred stock, series C preferred stock, series F-1 preferred stock, series J preferred stock, series L preferred stock and each other class or series that is not expressly subordinated or made senior to the series E preferred stock; and (iii) junior to the series I preferred stock, series N senior convertible preferred stock, series R convertible preferred stock, series X senior convertible preferred stock and to each other series of preferred stock and each class or series that is expressly made senior to the series E preferred stock, as well as to all indebtedness and other liabilities with respect to assets available to satisfy claims against the Company.

Dividend Rights. The holders of series E preferred stock are entitled to receive dividends equal (on an as converted to common stock basis) to and in the same form as dividends actually paid on shares of common stock when, as and if such dividends are paid on shares of common stock. No other dividends shall be paid on shares of series E preferred stock.

Liquidation Rights. Upon any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of series E preferred stock shall be entitled to receive out of the assets of the Company the same amount that a holder of common stock would receive if the shares of series E preferred stock were fully converted to common stock immediately prior to such liquidation, which amount shall be paid to the holders of series E preferred stock *pari passu* with all holders of parity securities and in preference to the holders of junior securities.

Voting Rights. On any matter presented to stockholders for their action or consideration, each holder of series E preferred stock shall be entitled to cast one (1) vote per share of series E preferred stock held. Except as provided by law, the holders of series E preferred stock shall vote together with the holders of shares of common stock as a single class. However, as long as any shares of series E preferred stock are outstanding, the Company shall not, without the affirmative vote of the holders of a majority of outstanding series E preferred stock, (a) alter or change adversely the powers, preferences or rights given to the series E preferred stock or alter or amend the certificate of designation for the series E preferred stock, or (b) amend the Company’s amended and restated articles of incorporation or other charter documents in any manner that adversely affects any rights of the holders of series E preferred stock.

Conversion Rights. Each share of series E preferred stock is convertible, at any time and from time to time at the option of the holder thereof, into such number of shares of common stock as is determined as follows: (i) if the closing market price of the common stock on the principal trading market on which the common stock is then traded or quoted is less than $4.00 per share, then each share of series E preferred stock shall be convertible into a number of shares of common stock equal to two (2) times the stated value ($4.00 per share), divided by such closing market price on the date of conversion; or (ii) if such closing market price is equal to or greater than $4.00 per share, then each share of series E preferred stock shall be convertible into two (2) shares of common stock. In addition, upon the earlier to occur of: (a) the closing of the sale of shares of common stock to the public at a price of at least $3.00 per share in a public offering pursuant to an effective registration statement or offering statement under the Securities Act resulting in at least $3,000,000 of gross proceeds to the Company, (b) the date on which the shares of common stock of the Company are listed on a national stock exchange, including without limitation the New York Stock Exchange, NYSE American or the Nasdaq Stock Market (any tier), or (c) the date and time, or the occurrence of an event, specified by vote or written consent of the holders of at least 67% of the then outstanding shares of series E preferred stock, voting together as a single class, each share of series E preferred stock shall be automatically converted into such number of shares of common stock as is determined in accordance with the provisions above. Such conversion price is subject to standard adjustments in the event of any stock dividends, stock reclassifications and similar events (but not for reverse stock splits).

Series F-1 Preferred Stock

Ranking. The series F-1 preferred stock ranks, with respect to the distribution of assets upon liquidation, (i) senior to all common stock, series A preferred stock and to each other class or series that is not expressly made senior to or on parity with the series F-1 preferred stock; (ii) on parity with the series B preferred stock, series C preferred stock, series E preferred stock, series J preferred stock, series L preferred stock and each other class or series that is not expressly subordinated or made senior to the series F-1 preferred stock; and (iii) junior to the series I preferred stock, series N senior convertible preferred stock, series R convertible preferred stock, series X senior convertible preferred stock and to each other series of preferred stock and each class or series that is expressly made senior to the series F-1 preferred stock, as well as to all indebtedness and other liabilities with respect to assets available to satisfy claims against the Company.

Dividend Rights. The holders of series F-1 preferred stock are entitled to receive dividends equal (on an as converted to common stock basis) to and in the same form as dividends actually paid on shares of common stock when, as and if such dividends are paid on shares of common stock. No other dividends shall be paid on shares of series F-1 preferred stock.

Liquidation Rights. Upon any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of series F-1 preferred stock shall be entitled to receive out of the assets of the Company the same amount that a holder of common stock would receive if the shares of series F-1 preferred stock were fully converted to common stock immediately prior to such liquidation, which amount shall be paid to the holders of series F-1 preferred stock *pari passu* with all holders of parity securities and in preference to the holders of junior securities.

Voting Rights. Except as provided by law, the holders of series F-1 preferred stock shall have no voting rights. However, as long as any shares of series F-1 preferred stock are outstanding, the Company shall not, without the affirmative vote of the holders of a majority of outstanding series F-1 preferred stock, (a) alter or change adversely the powers, preferences or rights given to the series F-1 preferred stock or alter or amend the certificate of designation for the series F-1 preferred stock, or (b) amend the Company's amended and restated articles of incorporation or other charter documents in any manner that adversely affects any rights of the holders of series F-1 preferred stock.

Conversion Rights. Each share of series F-1 preferred stock is convertible, at any time and from time to time at the option of the holder thereof, into such number of shares of common stock as is determined as follows: (i) if the closing market price of the common stock on the principal trading market on which the common stock is then traded or quoted is less than $4.00 per share, then each share of series F-1 preferred stock shall be convertible into a number of shares of common stock equal to two (2) times the stated value ($4.00 per share), divided by such closing market price on the date of conversion; or (ii) if such closing market price is equal to or greater than $4.00 per share, then each share of series F-1 preferred stock shall be convertible into two (2) shares of common stock. In addition, upon the earlier to occur of: (a) the closing of the sale of shares of common stock to the public at a price of at least $3.00 per share in a public offering pursuant to an effective registration statement or offering statement under the Securities Act resulting in at least $3,000,000 of gross proceeds to the Company, (b) the date on which the shares of common stock of the Company are listed on a national stock exchange, including without limitation the New York Stock Exchange, NYSE American or the Nasdaq Stock Market (any tier), or (c) the date and time, or the occurrence of an event, specified by vote or written consent of the holders of at least 67% of the then outstanding shares of series F-1 preferred stock, voting together as a single class, each share of series F-1 preferred stock shall be automatically converted into such number of shares of common stock as is determined in accordance with the provisions above. Such conversion price is subject to standard adjustments in the event of any stock dividends, stock reclassifications and similar events (but not for reverse stock splits).

Redemption Rights. Holders of series F-1 preferred stock do not have any redemption rights.

Series I Preferred Stock

Ranking. The series I preferred stock ranks, with respect to the distribution of assets upon liquidation, (i) senior to all common stock, series A preferred stock, series B preferred stock, series C preferred stock, series E preferred stock, series F-1 preferred stock, series J preferred stock, series L preferred stock and to each other class or series that is not expressly made senior to or on parity with the series I preferred stock; (ii) on parity with each class or series that is not expressly subordinated or made senior to the series I preferred stock; and (iii) junior to the series N senior convertible preferred stock, series R convertible preferred stock, series X senior convertible preferred stock and to each other series of preferred stock and each class or series that is expressly made senior to the series I preferred stock, as well as to all indebtedness and other liabilities with respect to assets available to satisfy claims against the Company.

Dividend Rights. The holders of series I preferred stock are entitled to receive dividends equal (on an as converted to common stock basis) to and in the same form as dividends actually paid on shares of common stock when, as and if such dividends are paid on shares of common stock. No other dividends shall be paid on shares of series I preferred stock.

Liquidation Rights. Upon any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of series I preferred stock shall be entitled to receive out of the assets of the Company the same amount that a holder of common stock would receive if the shares of series I preferred stock were fully converted to common stock immediately prior to such liquidation, which amount shall be paid to the holders of series I preferred stock *pari passu* with all holders of parity securities and in preference to the holders of junior securities.

Voting Rights. On any matter presented to stockholders for their action or consideration, each holder of series I preferred stock shall be entitled to cast five (5) votes per share of series I preferred stock held. Except as provided by law, the holders of series I preferred stock shall vote together with the holders of shares of common stock as a single class. However, as long as any shares of series I preferred stock are outstanding, the Company shall not, without the affirmative vote of the holders of a majority of outstanding series I preferred stock, (a) alter or change adversely the powers, preferences or rights given to the series I preferred stock or alter or amend the certificate of designation for the series I preferred stock, or (b) amend the Company's amended and restated articles of incorporation or other charter documents in any manner that adversely affects any rights of the holders of series I preferred stock.

Conversion Rights. Each share of series I preferred stock is convertible, at any time and from time to time at the option of the holder thereof, into such number of shares of common stock as is determined as follows: (i) if the closing market price of the common stock on the principal trading market on which the common stock is then traded or quoted is less than $4.00 per share, then each share of series I preferred stock shall be convertible into a number of shares of common stock equal to two (2) times the stated value ($4.00 per share), divided by such closing market price on the date of conversion; or (ii) if such closing market price is equal to or greater than $4.00 per share, then each share of series I preferred stock shall be convertible into two (2) shares of common stock. In addition, upon the earlier to occur of: (a) the closing of the sale of shares of common stock to the public at a price of at least $3.00 per share in a public offering pursuant to an effective registration statement or offering statement under the Securities Act resulting in at least $10,000,000 of gross proceeds to the Company, (b) the date on which the shares of common stock of the Company are listed on a national stock exchange, including without limitation the New York Stock Exchange, NYSE American or the Nasdaq Stock Market (any tier), or (c) the date and time, or the occurrence of an event, specified by vote or written consent of the holders of at least 67% of the then outstanding shares of series I preferred stock, voting together as a single class, each share of series I preferred stock shall be automatically converted into such number of shares of common stock as is determined in accordance with the provisions above. Such conversion price is subject to standard adjustments in the event of any stock dividends, stock reclassifications and similar events (but not for reverse stock splits).

Redemption Rights. Holders of series I preferred stock do not have any redemption rights.

Series J Preferred Stock

Ranking. The series J preferred stock ranks, with respect to the distribution of assets upon liquidation, (i) senior to all common stock, series A preferred stock and to each other class or series that is not expressly made senior to or on parity with the series J preferred stock; (ii) on parity with the series B preferred stock, series C preferred stock, series E preferred stock, series F-1 preferred stock, series L preferred stock and each other class or series that is not expressly subordinated or made senior to the series J preferred stock; and (iii) junior to the series I preferred stock, series N senior convertible preferred stock, series R convertible preferred stock, series X senior convertible preferred stock and to each other series of preferred stock and each class or series that is expressly made senior to the series J preferred stock, as well as to all indebtedness and other liabilities with respect to assets available to satisfy claims against the Company.

Dividend Rights. The holders of series J preferred stock are entitled to receive dividends equal (on an as converted to common stock basis) to and in the same form as dividends actually paid on shares of common stock when, as and if such dividends are paid on shares of common stock. No other dividends shall be paid on shares of series J preferred stock.

Liquidation Rights. Upon any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of series J preferred stock shall be entitled to receive out of the assets of the Company the same amount that a holder of common stock would receive if the shares of series J preferred stock were fully converted to common stock immediately prior to such liquidation, which amount shall be paid to the holders of series J preferred stock *pari passu* with all holders of parity securities and in preference to the holders of junior securities.

Voting Rights. On any matter presented to stockholders for their action or consideration, each holder of series J preferred stock shall be entitled to cast one (1) vote per share of series J preferred stock held. Except as provided by law, the holders of series J preferred stock shall vote together with the holders of shares of common stock as a single class. However, as long as any shares of series J preferred stock are outstanding, the Company shall not, without the affirmative vote of the holders of a majority of outstanding series J preferred stock, (a) alter or change adversely the powers, preferences or rights given to the series J preferred stock or alter or amend the certificate of designation for the series J preferred stock, or (b) amend the Company's amended and restated articles of incorporation or other charter documents in any manner that adversely affects any rights of the holders of series J preferred stock.

Conversion Rights. Each share of series J preferred stock is convertible, at any time and from time to time at the option of the holder thereof, into such number of shares of common stock as is determined as follows: (i) if the closing market price of the common stock on the principal trading market on which the common stock is then traded or quoted is less than \$4.00 per share, then each share of series J preferred stock shall be convertible into a number of shares of common stock equal to two (2) times the stated value (\$4.00 per share), divided by such closing market price on the date of conversion; or (ii) if such closing market price is equal to or greater than \$4.00 per share, then each share of series J preferred stock shall be convertible into two (2) shares of common stock. In addition, upon the earlier to occur of: (a) the closing of the sale of shares of common stock to the public at a price of at least \$3.00 per share in a public offering pursuant to an effective registration statement or offering statement under the Securities Act resulting in at least \$3,000,000 of gross proceeds to the Company, (b) the date on which the shares of common stock of the Company are listed on a national stock exchange, including without limitation the New York Stock Exchange, NYSE American or the Nasdaq Stock Market (any tier), or (c) the date and time, or the occurrence of an event, specified by vote or written consent of the holders of at least 67% of the then outstanding shares of series J preferred stock, voting together as a single class, each share of series J preferred stock shall be automatically converted into such number of shares of common stock as is determined in accordance with the provisions above. Such conversion price is subject to standard adjustments in the event of any stock dividends, stock reclassifications and similar events (but not for reverse stock splits).

Redemption Rights. Holders of series J preferred stock do not have any redemption rights.

<u>*Series L Preferred Stock*</u>

Ranking. The series L preferred stock ranks, with respect to the distribution of assets upon liquidation, (i) senior to all common stock, series A preferred stock and to each other class or series that is not expressly made senior to or on parity with the series L preferred stock; (ii) on parity with the series B preferred stock, series C preferred stock, series E preferred stock, series F-1 preferred stock, series J preferred stock and each other class or series that is not expressly subordinated or made senior to the series L preferred stock; and (iii) junior to the series I preferred stock, series N senior convertible preferred stock, series R convertible preferred stock, series X senior convertible preferred stock and to each other series of preferred stock and each class or series that is expressly made senior to the series L preferred stock, as well as to all indebtedness and other liabilities with respect to assets available to satisfy claims against the Company.

Dividend Rights. The holders of series L preferred stock are entitled to receive dividends equal (on an as converted to common stock basis) to and in the same form as dividends actually paid on shares of common stock when, as and if such dividends are paid on shares of common stock. No other dividends shall be paid on shares of series L preferred stock.

Liquidation Rights. Upon any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of series L preferred stock shall be entitled to receive out of the assets of the Company the same amount that a holder of common stock would receive if the shares of series L preferred stock were fully converted to common stock immediately prior to such liquidation, which amount shall be paid to the holders of series L preferred stock *pari passu* with all holders of parity securities and in preference to the holders of junior securities.

Voting Rights. On any matter presented to stockholders for their action or consideration, each holder of series L preferred stock shall be entitled to cast one (1) vote per share of series L preferred stock held. Except as provided by law, the holders of series L preferred stock shall vote together with the holders of shares of common stock as a single class. However, as long as any shares of series L preferred stock are outstanding, the Company shall not, without the affirmative vote of the holders of a majority of outstanding series L preferred stock, (a) alter or change adversely the powers, preferences or rights given to the series J preferred stock or alter or amend the certificate of designation for the series L preferred stock, or (b) amend the Company's amended and restated articles of incorporation or other charter documents in any manner that adversely affects any rights of the holders of series L preferred stock.

Conversion Rights. Each share of series L preferred stock is convertible, at any time and from time to time at the option of the holder thereof, into such number of shares of common stock as is determined as follows: (i) if the closing market price of the common stock on the principal trading market on which the common stock is then traded or quoted is less than $4.00 per share, then each share of series L preferred stock shall be convertible into a number of shares of common stock equal to two (2) times the stated value ($4.00 per share), divided by such closing market price on the date of conversion; or (ii) if such closing market price is equal to or greater than $4.00 per share, then each share of series L preferred stock shall be convertible into two (2) shares of common stock. In addition, upon the earlier to occur of: (a) the closing of the sale of shares of common stock to the public at a price of at least $3.00 per share in a public offering pursuant to an effective registration statement or offering statement under the Securities Act resulting in at least $3,000,000 of gross proceeds to the Company, (b) the date on which the shares of common stock of the Company are listed on a national stock exchange, including without limitation the New York Stock Exchange, NYSE American or the Nasdaq Stock Market (any tier), or (c) the date and time, or the occurrence of an event, specified by vote or written consent of the holders of at least 67% of the then outstanding shares of series L preferred stock, voting together as a single class, each share of series L preferred stock shall be automatically converted into such number of shares of common stock as is determined in accordance with the provisions above. Such conversion price is subject to standard adjustments in the event of any stock dividends, stock reclassifications and similar events (but not for reverse stock splits).

Redemption Rights. Holders of series L preferred stock do not have any redemption rights.

Preferred Stock Transactions

During the three months ended March 31, 2024, the Company executed the following transactions:

- On January 19, 2024, the Company issued 62,500 shares of series I preferred stock to each of Daniel R. Thompson, the Chairman of the Board, and Alex Cunningham, the Company's Chief Executive Officer, for $250,000 bonus compensation for the fiscal year of 2023, at the fair value of $4.48 per share.

- On January 31, 2024, the Company issued 5,000 shares of series I preferred stock to Matthrew Shafer, the Company's Chief Financial Officer, for $20,000, at the fair value of $4.48 per share.

- On January 31, 2024, the Company issued 2,500 shares of series I preferred stock to Zia Choe, the Company's Chief Accounting Officer, for $10,000, at the fair value of $4.48 per share.

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MARCH 31, 2024 AND 2023
(UNAUDITED)

In connection with these aforementioned shares issuances on January 19, 2024 and January 31, 2024, the Company engaged a valuation specialist to perform a business valuation monte carlo simulation for the series I preferred stock resulting in those indicated fair values.

- During the three months ended March 31, 2024, an aggregate of 778,799 shares of series B preferred stock were converted into an aggregate of 1,557,598 shares of common stock.
- During the three months ended March 31, 2024, an aggregate of 22 shares of series C preferred stock were converted into an aggregate of 220,000 shares of common stock.
- During the three months ended March 31, 2024, an aggregate of 2,928,500 shares of series I preferred stock were converted into an aggregate of 5,857,000 shares of common stock.
- During the three months ended March 31, 2024, an aggregate of 1,542,225 shares of series J preferred stock were converted into an aggregate of 3,084,450 shares of common stock.
- During the three months ended March 31, 2024, 2 shares of series C preferred stock were cancelled, which were issued erroneously.

The Company had no preferred stock transactions during the three months ended March 31, 2023.

<u>Common Stock</u>

During the three months ended March 31, 2024, the Company executed the following transactions:

- During the three months ended March 31, 2023, the Company issued 1,222 shares of common stock upon conversion of certain convertible notes.
- During the three months ended March 31, 2024, the Company issued an aggregate of 1,557,598 shares of common stock upon the conversion of an aggregate of 778,799 shares of series B preferred stock.
- During the three months ended March 31, 2024, the Company issued an aggregate of 220,000 shares of common stock upon the conversion of an aggregate of 22 shares of series C preferred stock.
- During the three months ended March 31, 2024, the Company issued an aggregate of 5,857,000 shares of common stock upon the conversion of an aggregate of 2,928,500 shares of series I preferred stock.
- During the three months ended March 31, 2024, the Company issued an aggregate of 3,084,450 shares of common stock upon the conversion of an aggregate of 1,542,225 shares of series J preferred stock.

- On March 5, 2024, the Company issued 7,500 shares of common stock to an investor relation service provider. The Company recognized the fair value for the issuance of the 7,500 shares at $1.55 per share on the closing market price of March 5, 2024 and recorded selling, general and administrative expense of $11,617 in the consolidated statement of operations.

- On March 26, 2024, the Company issued an aggregate of 30,000 shares of common stock to three board members. The Company recognized the fair value for the issuance of 30,500 shares at $6.50 per share on the closing market price of March 26, 2024 and recorded share based compensation expense of $195,000 in the consolidated statement of operations.

- In February 2024, as part of the Red Rock settlement executed in July 2022, the Company issued an aggregate of 37,104 shares of common stock to six previous owners. The Company recognized the fair value for the issuance of 37,104 shares at $3 per share on the closing market price of February 4 through February 6, 2024, and recorded share loss from discontinued operations of $111,312 in the consolidated statement of operations.

- During the three months ended March 31, 2023, the Company issued 1,583 shares of common stock upon conversion of certain convertible notes.

10. WARRANTS

The table below sets forth warrant activity during the three months ended March 31, 2024 and 2023:

	Number of Warrants		Weighted Average Exercise Price
Balance at January 1, 2024	3,140	$	0.015
Granted	–		–
Exercised	–		–
Expired	–		–
Balance at March 31, 2024	3,140		0.015
Warrants Exercisable at March 31, 2024	3,140	$	0.015

	Number of Warrants		Weighted Average Exercise Price
Balance at January 1, 2023	3,141	$	0.015
Granted	–		–
Exercised	–		–
Expired	(1)		–
Balance at March 31, 2023	3,140		0.015
Warrants Exercisable at March 31, 2023	3,140	$	0.015

11. DISCONTINUED OPERATIONS

On November 10, 2023, the Company sold Platinum Tax, which was a full-service tax resolution firm located in Los Angeles, California. Through this subsidiary the Company provided fee-based tax resolution services to individuals and companies that have federal and state tax liabilities by assisting clients to settle outstanding tax debts. As part of the Asset Purchase Agreement between the Company and the purchaser, the assets that were purchased included substantially all assets, rights, interests, and licenses except for banks accounts in place prior to the sale for the purchase consideration of 15% of cash collected by the purchaser within one year following the sale date.

In February 2024, as part of the Red Rock settlement executed in July 2022, the Company issued an aggregate of 37,104 shares of common stock to six previous owners. The Company recognized the fair value for the issuance of 37,104 shares at $3 per share on the closing market price of February 4 through February 6, 2024, and recorded share loss from discontinued operations of $111,312 in the consolidated statement of operations.

Net liabilities of discontinued operations	**March 31, 2024**	**December 31, 2023**
Cash	$ 342	$ 342
Accounts receivable	300	300
Accounts payable and accrued expenses	238,285	238,285
Net liabilities of discontinued operations	$ (237,643)	$ (237,643)

	Three Months Ended March 31,	
Gain (Loss) from discontinued operations	**2024**	**2023**
Revenue	$ –	$ 154,399
Cost of sales	–	(26,829)
Selling, general and administrative expenses	–	(171,557)
Interest expense	–	(1,503)
Settlement loss	(111,312)	–
Loss from discontinued operations	$ (111,312)	$ (45,490)

12. GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS, NET

The Company reviews goodwill for impairment on a reporting unit basis annually and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable. During the three months ended March 31, 2024 and 2023, the Company determined there to be no impairment.

13. COMMITMENTS AND CONTINGENCIES

Leases

ASC 842, “Leases”, requires that a lessee recognize the assets and liabilities that arise from operating leases, A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transaction, lessees and lessors are required to recognize and measure leases at either the effective date (the “effective date method”) or the beginning of the earliest period presented (the “comparative method”) using a modified retrospective approach. Under the effective date method, the Company’s comparative period reporting is unchanged. In contrast, under the comparative method, the Company’s date of initial application is the beginning of the earliest comparative period presented, and the Topic 842 transition guidance is then applied to all comparative periods presented. Further, under either transition method, the standard includes certain practical expedients intended to ease the burden of adoption. The Company adopted ASC 842, January 1, 2020, using the effective date method and elected certain practical expedients allowing the Company not to reassess:

- whether expired or existing contracts contain leases under the new definition of a lease;
- lease classification for expired or existing leases; and
- whether previously capitalized initial direct costs would qualify for capitalization under Topic 842.

The Company also made the accounting policy decision not to recognize lease assets and liabilities for leases with a term of 12 months or less.

The Company leases eleven medical facilities and one vehicle as operating leases as of March 31, 2024. The Company recorded operating lease expenses of $100,362 and $77,852 for the three months ended March 31, 2024 and 2023, respectively.

The Company has operating leases with future commitments as follows:

		Amount
2024 (remainder of year)	$	195,934
2025		153,096
2026		60,862
Total	$	409,892

The following table summarizes supplemental information about the Company’s leases:

Weighted-average remaining lease term	2.2 years
Weighted-average discount rate	4.49 %

Employees

The Company agreed to pay $360,000 per year and $200,000 of targeted annual incentives to the Chief Executive Officer based on his employment agreement since July 1, 2020, of which currently 50% is paid in cash and 50% is accrued. The total outstanding accrued compensation as of March 31, 2024 and December 31, 2023 was $2,365,500.

The Company agreed to pay $360,000 per year and $200,000 of targeted annual incentives to the Chairman of the Board based on his employment agreement since July 1, 2020, of which currently 50% is paid in cash and 50% is accrued. The total outstanding accrued compensation as of March 31, 2024 and December 31, 2023 was $2,440,500 and $2,350,500, respectively.

The Company agreed to pay $228,000 per year to the Chief Finance Officer based on his employment agreement effective as of January 2, 2024. There was no outstanding accrued compensation as of March 31, 2024.

The Company agreed to pay $210,000 per year to the Chief Accounting Officer based on her employment agreement effective as of January 2, 2024. There was no outstanding accrued compensation as of March 31, 2024.

The Company agreed to pay $156,000 per year to the previous Chief Financial Officer based on his amended employment agreement executed on May 15, 2021. The total outstanding accrued compensation as of March 31, 2024 and December 31, 2023 was $17,057.

The Company entered into a management agreement effective May 31, 2021 for compensation to the principals of Nova in the form of an annual base salaries of $372,000 to one of the three doctors, $450,000 to the second, and $372,000 to the third doctor. Collectively, as a group, such principals will receive an annual cash bonus and stock equity set forth below, which will be conditioned upon the Company achieving 100% of the annual objectives of financial performance goals as set forth below.

Year	Minimum Annual Nova EBITDA	Cash Annual Bonus	Series J Preferred Stock
2021	$2.0M	$120,000	120,000 Shares
2022	$2.4M	$150,000	135,000 Shares
2023	$3.7M	$210,000	150,000 Shares
2024	$5.5M	$300,000	180,000 Shares
2025	$8.0M	$420,000	210,000 Shares

14. LEGAL PROCEEDINGS

From time to time, the Company may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm the Company's business. Management is not currently aware of any such legal proceedings or claims that it believes will have a material adverse effect on the Company's business, financial condition, or operating results.

15. INCOME TAXES

At March 31, 2024, the Company had federal and state net operating loss carry forwards of approximately $24 million that expire in various years through the year 2039. Due to carryforwards of past net operating losses, there is no provision for current federal or state income taxes for the three months ended March 31, 2024 and 2023.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for federal and state income tax purposes. The Company has a deferred tax asset that consists of net operating loss carry forwards calculated using federal and state effective tax rates. Because of the Company's lack of past earnings history, the deferred tax asset has been fully offset by a valuation allowance.

16. SEGMENT REPORTING

As of March 31, 2024, the Company had two reportable operating segments as determined by management using the "management approach" as defined by the authoritative guidance on *Disclosures about Segments of an Enterprise and Related Information*.

(1) Healthcare (Nova)
(2) Real Estate (Edge View)

These segments are a result of differences in the nature of the products and services sold. Corporate administration costs, which include, but are not limited to, general accounting, human resources, legal and credit and collections, are partially allocated to the three operating segments. Other revenue consists of nonrecurring items.

The healthcare segment provides a full range of diagnostic and surgical services for injuries and disorders of the skeletal system and associated bones, joints, tendons, muscles, ligaments, and nerves.

The real estate segment consists of Edge View, a real estate company that owns five (5) acres zoned medium density residential (MDR) with 12 lots already platted, six (6) acres zoned high-density residential (HDR) that can be platted in various configurations to meet current housing needs, and twelve (12) acres zoned in Lemhi County as Agriculture that is available for further annexation into the City of Salmon for development, as well as a common area for landowners to view wildlife, provide access to the Salmon River and fishing in a two (2) acre pond.

Management uses numerous tools and methods to evaluate and measure of its subsidiaries' success. To help succeed, management retains the prior owners of the subsidiaries and allow them to do what they do best is run the business. Additionally, management monitors key metrics primarily revenues and net income from operations.

Asset:	**March 31, 2024**	**December 31, 2023**
Healthcare	$ 20,227,446	$ 18,955,991
Real Estate	586,582	587,456
Others	1,791,282	1,202,364
Consolidated assets	$ 22,605,310	$ 20,745,811

	Three Months Ended March 31,	
	2024 (Restated) ~~(Restated)~~	**2023**
Revenues:		
Healthcare	$ 2,322,132	$ 2,706,399
Real Estate	–	–
Consolidated revenues	$ 2,322,132	$ 2,706,399
Cost of sales:		
Healthcare	$ 948,154	$ 956,295
Real Estate	–	–
Consolidated cost of sales	$ 948,154	$ 956,295
Income from operations from subsidiaries		
Healthcare	$ 1,151,284	$ 1,278,239
Real Estate	(874)	(97)
Income from operations from subsidiaries	$ 1,150,410	$ 1,278,142
Loss from operations from Cardiff Lexington	$ (931,418)	$ (520,594)
Total income from operations	$ 218,992	$ 757,548
Income before taxes		
Healthcare	$ 1,151,284	$ 817,098
Real Estate	(874)	(97)
Corporate, administration and other non-operating expenses	(1,322,202)	(787,502)
Consolidated income (loss) before taxes	$ (171,792)	$ 29,499

17. SUBSEQUENT EVENTS

The Company has evaluated its operations subsequent to March 31, 2024 to the date these consolidated financial statements were available to be issued and determined the following subsequent events and transactions required disclosure in these consolidated financial statements.

On May 8, 2024, the Company filed the amendment of Articles of Incorporation. The total amended authorized shares are 350,000,000 shares of capital stock, consisting of 300,000,000 shares of common stock, $0.001 par value and 50,000,000 shares of preferred stock, $0.001 par value per share.

Subsequent to March 31, 2024, an aggregate of 264,750 shares of series B preferred stock were converted into an aggregate of 529,500 shares of common stock.

Subsequent to March 31, 2024, an aggregate of 29 shares of series C preferred stock were converted into an aggregate of 290,000 shares of common stock.

Subsequent to March 31, 2024, an aggregate of 80,375 shares of series E preferred stock were converted into an aggregate of 160,750 shares of common stock.

Subsequent to March 31, 2024, an aggregate of 438,500 shares of series I preferred stock were converted into an aggregate of 877,000 shares of common stock.

Subsequent to March 31, 2024, an aggregate of 171,359 shares of series J preferred stock were converted into an aggregate of 342,718 shares of common stock.

Subsequent to June 30, 2024, the Company identified a reduction in the ~~collection percentage~~settlement realization rate of its gross contractual billings as a result of increasing its lookback period and refreshing its data obtained from its third party billing company. The Company completed a thorough review of its third party billing data, including reviewing historical reports and new reporting methods as a part of its updated analysis. Based on the new data analysis of its historical ~~collection percentages~~settlement realization rates, using a 24-month lookback analysis the Company determined its estimate of its ~~collection percentage~~settlement realization rate was reduced from 49% to 44.2%. The Company applied this reduced ~~collection percentage~~settlement realization rate against its accounts receivable balance resulting in a $1.7 million reduction in its accounts receivable and revenue in the third quarter 2024. The Company will continue to evaluate its estimate of its ~~collection percentages in the future~~settlement realization rates in the future, which will include a monthly review of the Company's trailing 24-month historical settlement realization rate, along with estimates of current and pending settlements through ongoing discussions with attorneys, doctors and the Company's third party medical billing company in order to determine its variable consideration under ASC 606 and the net transaction price.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following management's discussion and analysis of financial condition and results of operations provides information that management believes is relevant to an assessment and understanding of our plans and financial condition. The following financial information is derived from our financial statements and should be read in conjunction with such financial statements and notes thereto set forth elsewhere herein.

Use of Terms

Except as otherwise indicated by the context and for the purposes of this report only, references in this report to "we," "us," "our" and "our company" are to Cardiff Lexington Corporation, a Nevada corporation, and its consolidated subsidiaries.

Special Note Regarding Forward-Looking Statements

This report contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, that are based on our management's beliefs and assumptions and on information currently available to us. All statements other than statements of historical facts are forward-looking statements. These statements relate to future events or to our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Forward-looking statements include, but are not limited to, statements about:

- our ability to successfully identify and acquire additional businesses;
- our ability to effectively integrate and operate the businesses that we acquire;
- our expectations around the performance of our current businesses;
- our ability to maintain our business model and improve our capital efficiency;
- our ability to effectively manage the growth of our business;
- our ability to maintain profitability;
- the competitive environment in which our businesses operate;
- trends in the industries in which our businesses operate;
- the regulatory environment in which our businesses operate under;
- changes in general economic or business conditions or economic or demographic trends in the United States, including changes in interest rates and inflation;
- our ability to service and comply with the terms of indebtedness;

- our ability to retain or replace qualified employees of our businesses;
- labor disputes, strikes or other employee disputes or grievances;
- casualties, condemnation or catastrophic failures with respect to any of our business' facilities;
- costs and effects of legal and administrative proceedings, settlements, investigations and claims; and
- extraordinary or force majeure events affecting the business or operations of our businesses.

In some cases, you can identify forward-looking statements by terms such as "may," "could," "will," "should," "would," "expect," "plan," "intend," "anticipate," "believe," "estimate," "predict," "potential," "project" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which are, in some cases, beyond our control and which could materially affect results. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed under Item 1A "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2023. If one or more of these risks or uncertainties occur, or if our underlying assumptions prove to be incorrect, actual events or results may vary significantly from those implied or projected by the forward-looking statements. No forward-looking statement is a guarantee of future performance.

In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this report, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

The forward-looking statements made in this report relate only to events or information as of the date on which the statements are made in this report. Except as expressly required by the federal securities laws, there is no undertaking to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason.

Overview

We are an acquisition holding company focused on locating undervalued and undercapitalized companies, primarily in the healthcare industry, and providing them capitalization and leadership to maximize the value and potential of their private enterprises while also providing diversification and risk mitigation for our stockholders. Specifically, we have and will continue to look at a diverse variety of acquisitions in the healthcare sector in terms of growth stages and capital structures and we intend to focus our portfolio of subsidiaries approximately as follows: 80% will be targeted to established profitable niche small to mid-sized healthcare companies and 20% will be targeted to second stage startups in healthcare and related financial services (emerging businesses with a strong organic growth plan that is materially cash generative).

On May 31, 2021, we acquired Nova Ortho and Spine, LLC, or Nova, which operates a group of regional primary specialty and ancillary care facilities throughout Florida that provide traumatic injury victims with primary care evaluations, interventional pain management, and specialty consultation services. We focus on plaintiff related care are and a highly efficient provider of emergency medical condition, or EMC, assessments. We provide a full range of diagnostic and surgical services for injuries and disorders of the skeletal system and associated bones, joints, tendons, muscles, ligaments, and nerves. From sports injuries, to sprains, strains, and fractures, our doctors are dedicated to helping patients return to active lifestyles.

We also own a real estate company, Edge View Properties, Inc., or Edge View, which we acquired on July 16, 2014. Edge View owns five (5) acres zoned medium density residential (MDR) with 12 lots already platted, six (6) acres zoned high-density residential (HDR) that can be platted in various configurations to meet current housing needs, and twelve (12) acres zoned in Lemhi County as Agriculture that is available for further annexation into the City of Salmon for development, as well as a common area for landowners to view wildlife, provide access to the Salmon River and fishing in a two (2) acre pond. Management has invested years working to develop a new and exciting housing development in Salmon, Idaho and plans to enter into a joint venture agreement with a developer for this planned concept development.

All of our operations are conducted through, and our income derived from, our two subsidiaries.

~~In the normal course of business, the Company is in the lien based medical industry providing orthopedic healthcare servicing an uninsured market insulated by a letter of protection. A letter of protection is a legally binding contract between the patient (i.e., the Company's customer), the patient's law firm and the Company, as a medical provider. It serves as a critical legal agreement between an experienced personal injury attorney and the Company, as a medical provider, allowing an injured victim to receive vital medical treatment needed after an accident without paying exorbitant out-of-pocket medical expenses prior to settlement. For medical professionals, letters of protection provide guaranteed payment out of settlement proceeds for services rendered as the provider does not have to attempt collection from an uninsured or underinsured injured patient. The medical provider knows that payment will come directly from the law firm out of the settlement. This legally binding contract offers crucial protection when someone is hurt due to another party's negligence but lacks sufficient health insurance or faces denial of claim payments from insurance companies. Medical bills may not be paid for six months to two or more years until case resolution. Providers must be willing to wait for payment. Some complex cases settle in increments over several years instead of one lump payment at the end. A letter of protection enables injured clients to obtain essential care, avoid collections, restore their credit, and focus wholly on recovery. Attorneys utilize letters of protection to construct stronger injury claims, while medical professionals gain guaranteed payment out of settlement proceeds even if treatment is lengthy or ongoing.~~

~~In a personal injury case, the at-fault party is responsible for paying the medical bills of the injured person. However, insurance companies will often refuse to pay these medical expenses until liability has been determined. This can leave an injured person unable to get the medical treatment needed, especially if they do not have health insurance. A letter of protection allows an accident victim to receive medical care while the personal injury case is being resolved. An attorney sends a letter of protection to the Company, as a medical provider, on behalf of the client patient. This letter states that the attorney is responsible for paying the client's medical bills when the case is fully developed and settles. The medical professional agrees to provide treatment to the injured person and refrain from attempting to collect payment as it is developing and until the case is resolved. Once the personal injury case is finalized with the insurance company, the attorney pays the outstanding medical bills from the settlement. The letter of protection is fulfilled. If no~~

~~settlement is reached with the defendant's insurance company and the plaintiff (the patient) loses the case at trial, or the case is abandoned, then the Company will not be able to collect on its letter of protection and its receivable will not be collected. In the case of a partial settlement or award at trial, the Company might only be able to collect a portion of its receivable.~~

~~The Company has a 99% collection rate based on net settlements recorded to its accounts receivable and revenue. The Company has established billing rates, which are not the same as actual amounts recovered. These rates generally do not reflect what is ultimately paid by the customer, insurance carriers, law firms and other payors, which is typically received eighteen to twenty-four months later, and are not reported in the consolidated financial statements at those established billing rates. The Company's customers, its patients, typically pay amounts based on established charges per procedure with guidance from the annually updated Current Procedural Terminology ("CPT") guidelines (a code set maintained by the American Medical Association through the CPT Editorial Panel), that designates relative value units and a suggested range of charges for each procedure which is then assigned a CPT code. This fee is discounted to reflect the percentage paid to the Company "using a modifier" recognized by each insurance carrier for services, less deductible, co-pay, and contractual adjustments which are deducted from the calculated fee. The net revenue is recorded at the time the services are rendered. Collection of that revenue typically occurs eighteen to twenty-four months later and after the patient claim develops and settles.~~

Segments

As of March 31, 2024, we had two reportable operating segments as determined by management using the "management approach" as defined by the authoritative guidance on *Disclosures about Segments of an Enterprise and Related Information*.

(1) Healthcare (Nova)
(2) Real Estate (Edge View)

These segments are a result of differences in the nature of the products and services sold. Corporate administration costs, which include, but are not limited to, general accounting, human resources, legal and credit and collections, are partially allocated to the three operating segments. Other revenue consists of nonrecurring items.

The healthcare segment provides a full range of diagnostic and surgical services for injuries and disorders of the skeletal system and associated bones, joints, tendons, muscles, ligaments, and nerves.

The real estate segment consists of Edge View, a real estate company that owns five (5) acres zoned medium density residential (MDR) with 12 lots already platted, six (6) acres zoned high-density residential (HDR) that can be platted in various configurations to meet current housing needs, and twelve (12) acres zoned in Lemhi County as Agriculture that is available for further annexation into the City of Salmon for development, as well as a common area for landowners to view wildlife, provide access to the Salmon River and fishing in a two (2) acre pond.

Management uses numerous tools and methods to evaluate and measure our subsidiaries' success. To help succeed, management retains the prior owners of the subsidiaries and allows them to do what they do best is run the business. Additionally, management monitors key metrics primarily revenues and net income from operations.

Discontinued Operations

On November 10, 2023, we sold our financial services (tax resolution) business, Platinum Tax Defenders, or Platinum Tax, that we acquired on July 31, 2018, which was a full-service tax resolution firm located in Los Angeles, California. As part of the asset purchase agreement between us and the purchaser, the assets that were purchased included substantially all assets, rights, interests, and licenses, except for bank accounts in place prior to the sale, for the purchase consideration of 15% of cash collected by the purchaser within one year following the sale date.

Results of Operations

Comparison of Three Months Ended March 31, 2024 and 2023

The following table sets forth key components of our results of operations during the three months ended March 31, 2024 and 2023, both in dollars and as a percentage of our revenue.

	March 31, 2024		March 31, 2023	
	Amount	% of Revenue	Amount	% of Revenue
Total revenue	$ 2,322,132	100.00%	$ 2,706,399	100.00%
Total cost of sales	948,154	40.83%	956,295	35.33%
Gross profit	1,373,978	59.17%	1,750,104	64.67%
Operating expenses				
Depreciation expense	3,365	0.14%	4,635	0.17%
Share based compensations	300,225	12.93%	–	–
Selling, general and administrative	851,396	36.66%	987,921	36.50%
Total operating expenses	1,154,986	49.74%	992,556	36.67%
Income from continuing operations	218,992	9.43%	757,548	27.99%
Other income (expense)				
Other income (expense)	–	–	205	0.01%
Gain on debt refinance and forgiveness	–	–	390	0.01%
Penalties and fees	(1,000)	(0.04)%	(17,000)	(0.63)%
Interest expense	(376,269)	(16.20)%	(693,661)	(25.63)%
Amortization of debt discounts	(13,515)	(0.58)%	(17,983)	(0.66)%
Total other (expense)	(390,784)	(16.83)%	(728,049)	(26.90)%
Net income (loss) before discontinued operations	(171,792)	(7.40)%	29,499	1.09%
Loss from discontinued operations	(111,312)	(4.79)%	(45,490)	(1.68)%
Net (loss)	$ (283,104)	(12.19)%	$ (15,991)	(0.59)%

Revenue. For the three months ended March 31, 2024 and 2023, all of our revenue was generated by our healthcare segment, which generates revenue through a full range of diagnostic and surgical services. Our total revenue decreased by $384,267, or 14.20%, to $2,322,132 for the three months ended March 31, 2024 from $2,706,399 for the three months ended March 31, 2023. The decrease in revenue is primarily attributable to the mix of services provided during the quarter with less higher revenue surgical procedures performed and an increase in the lower revenue pain management treatments being performed for approximately the same number of patient visits in the current three month period as compared to the same three month period in the prior year. Additionally, we underwent efforts to accelerate cash settlements of our accounts receivable throughout 2024 in order to generate cash flow for operating purposes. We did this by shortening our settlement negotiations with insurance companies and accepting lower settlement realization rates. As a result of the new effort, during the three months ended March 31, 2024 we realized a 42.9% average settlement rate of our gross billed charges during this time frame, which were historically recorded in accounts receivable and revenue at 49% of gross billings. As a result of this reduced settlement realization percentage, we recorded a reduction to net revenue of $339,834 for the three months ended March 31, 2024.

Cost of sales. Consists of surgical center and laboratory fees, physician and professional fees, salaries and wages and medical supplies. Our total cost of sales decreased by $8,141, or 0.85%, to $948,154 for the three months ended March 31, 2024 from $956,295 for the three months ended March 31, 2023. Such decrease was primarily due to a decrease in surgical contracted services and laboratory fees.

Gross profit. As a result of the foregoing, our total gross profit decreased by $376,126, or 21.49%, to $1,373,978 for the three months ended March 31, 2024 from $1,750,104 for the three months ended March 31, 2023. Our total gross margin (percent of revenue) decreased from 64.67% for the three months ended March 31, 2023 to 59.17% for the three months ended March 31, 2024.

Depreciation expense. Our depreciation expense was $3,365, or 0.14% of revenue, for the three months ended March 31, 2024, as compared to $4,635, or 0.17% of revenue, for the three months ended March 31, 2023. The decrease in depreciation expense was due to certain assets becoming fully depreciated.

Share based compensation expense. Our share-based compensation expense was $300,225, or 12.93% of revenue, for the three months ended March 31, 2024, as compared to $0 for the three months ended March 31, 2023. The increase was due to stock issuances to an investor relation services to outside consultant, stock issued to board members and stock issued as compensation for new employment bonuses to management.

Selling, general and administrative expenses. Our selling, general and administrative expenses consist primarily of accounting, auditing, legal and public reporting expenses, personnel expenses, including employee salaries, bonuses plus related payroll taxes and stock compensation expense, advertising expenses, professional advisor fees, rent expense, insurance and other expenses incurred in connection with general operations. Our selling, general and administrative expenses decreased by $136,525, or 13.82%, to $851,396 for the three months ended March 31, 2024 from $987,921 for the three months ended March 31, 2023. As a percentage of revenue, our selling, general and administrative expenses were 36.66% and 36.50% for the three months ended March 31, 2024 and 2023, respectively. Decreases were primarily attributable to decreased professional fees.

Total other expense. We had $390,784 in total other expense, net, for the three months ended March 31, 2024, as compared to other expense, net, of $728,049 for the three months ended March 31, 2023. Other expense, net, for the three months ended March 31, 2024 consisted of interest expense of $376,269, amortization of debt discounts of $13,515 and penalties and fees of $1,000. Other expense, net, for the three months ended March 31, 2023 consisted of interest expense of $693,661, amortization of debt discounts of $17,983 and financing penalties and fees of $17,000, offset by a gain on debt refinance of forgiveness of $390 and other income of $205.

Discontinued operations. For the three months ended March 31, 2024 and 2023, we recorded a loss from discontinued operations of $111,312 and $45,490, respectively.

Net loss. As a result of the cumulative effect of the factors described above, our net loss was $283,104 for the three months ended March 31, 2024, as compared to $15,991 for the three months ended March 31, 2023, an increase of $267,113.

Liquidity and Capital Resources

As of March 31, 2024, we had $1,253,552 in cash. To date, we have financed our operations primarily through revenue generated from operations, sales of securities, advances from stockholders and third-party and related party debt.

We believe, based on our operating plan, that current working capital and current and expected additional financing should be sufficient to fund operations and satisfy our obligations as they come due for at least one year from the financial statement issuance date. However, additional funds from new financing and/or future equity raises are required for continued operations and to execute our business plan and our strategy of acquiring additional businesses. The funds required to sustain operations ranges between $600,000 to $1 million and additional funds execute our business plan will depend on the size, capital structure and purchase price consideration that the seller of a target business deems acceptable in a given transaction. The amount of funds needed to execute our business plan also depends on what portion of the purchase price of a target business the seller of that business is willing to take in the form of seller notes or our equity or equity in one of our subsidiaries. Given these factors, we believe that the amount of outside additional capital necessary to execute our business plan on the low end (assuming target company sellers accept a significant portion of the purchase price in the form of seller notes or our equity or equity in one of our subsidiaries) ranges between $4 million to $8 million. If, and to the extent, that sellers are unwilling to accept a significant portion of the purchase price in seller notes and equity, then the cash required to execute our business plan could be as much as $10 million.

We intend to raise capital for additional acquisitions primarily through equity and debt financings. The sale of additional equity securities could result in dilution to our stockholders. The incurrence of indebtedness would result in increased debt service obligations and could require us to agree to operating and financial covenants that would restrict our operations. Financing may not be available in amounts or on terms acceptable to us, if at all. There is no guarantee that we will be able to acquire additional businesses under the terms outlined above.

The financial statements were prepared on a going concern basis and do not include any adjustment with respect to these uncertainties.

Summary of Cash Flow

The following table provides detailed information about our net cash flow for the three months ended March 31, 2024 and 2023.

	Three Months Ended March 31,	
	2024	2023
Net cash used in operating activities from continuing operations	$ (1,187,816)	$ (160,989)
Net cash provided by financing activities	1,463,113	239,250
Net change in cash	386,609	123,751
Cash and cash equivalents at beginning of period	866,943	219,085
Cash and cash equivalents at end of period	$ 1,253,552	$ 342,836

Our net cash used in operating activities from continuing operations was $1,187,816 for the three months ended March 31, 2024, as compared to $160,989 for the three months ended March 31, 2023. For the three months ended March 31, 2024, our net loss of $283,104, an decrease in accounts receivable of $1,344,676 and an decrease in accrued officer's compensation of $410,000, offset by increase in share based compensation of $788,600 were the primary drivers of our net cash used in operating activities. For the three months ended March 31, 2023, our net loss of $15,991 and an increase in accounts receivable of $1,111,317, offset by an increase in accounts payable and accrued expenses of $270,710, bad debt of $270,000, an increase in accrued officer's compensation of $154,000, and an increase in accrued interest of $122,508, were the primary drivers for the cash used in operations.

We monitor outstanding cases as they develop through ongoing discussions with attorneys, doctors and our third party medical billing company and additionally monitor our settlement realization rates over time. We have two primary methods of accelerating our cash settlement of our revenue and related accounts receivable. The first is through factoring our receivables, which was done in 2023, but ended prior to April 2023. The second method is through accepting lower settlement amounts during the final negotiations of the settlement, which is coordinated through our third party medical billing company. When our third party medical billing company is provided with a settlement amount of 49% of gross charges or greater they will accept. When presented with a lower amount we will discuss the reasons for the reduced rate and negotiate a higher rate. Shortening our negotiation timeframe will typically result in a lower settlement realization rate, but will accelerate the cash settlement of the outstanding accounts receivable. We began employing this second method in 2024, which reduced our settlement realization rate as described below. We have employed both methods from time to time to accelerate our cash settlement and may employ one or both in the future.

Prior to April 2023, we factored (sold) the vast majority of our accounts receivable to third party(s) to generate working capital to fund ongoing business operations and growth. For the three months ended March 31, 2023, we factored a total of $544,196 of our accounts receivable in exchange for cash of $253,750. We ceased factoring of accounts receivable in the first quarter of 2023. The most recent average ~~collection~~realization time for accounts receivable was approximately eighteen to twenty four months from the initial date of service. Typically, a patient will have a series of dates of service over an average of 12 to 16 months.

Prior to fiscal year 2024, we historically ~~received~~realized a 49% ~~of collections~~settlement rate from total gross billed charges. Accordingly, we had historically recognized net healthcare service revenue as 49% of gross billed amounts. However, during the three months ended March 31, 2024, we underwent efforts to accelerate cash ~~collections~~ settlement of our accounts receivable throughout 2024~~.~~ in order to generate cash flow for operations. We did this by shortening our settlement negotiations with insurance companies and accepting lower settlement amounts. As a result of the new effort, during the three months ended March 31, 2024, we realized a 42.9% average ~~collection percentage~~settlement rate of our gross ~~billings~~billed charges during this time frame, which were historically recorded in accounts receivable and revenue at 49% of gross billed charges~~ collected during this time frame.~~. As a result of this reduced ~~collection percentage~~settlement realization rate, we recorded a reduction to net revenue of $339,834 million for the three months ended March 31, 2024. We expect this trend to continue in the short term as we work to ~~collect~~settle our accounts receivables more quickly to generate cash flow for operations.

We had no investing activities for the three months ended March 31, 2024 and 2023.

Our net cash provided by financing activities was 1,463,113 for the three months ended March 31, 2024, as compared to $239,250 for the three months ended March 31, 2023. Net cash provided by financing activities for the three months ended March 31, 2024 consisted of the proceeds of $1,463,273 from line of credit, offset by the repayment of a loan of $160. Net cash provided by financing activities for the three months ended March 31, 2023 consisted of the proceeds of $240,000 from convertible notes, offset by the repayment of a loan of $750.

Convertible Notes

As of March 31, 2024, we had convertible debt outstanding net of amortized debt discount of $3,820,545. During the three months ended March 31, 2024, we did not receive any proceeds from convertible notes and repaid $50,000 of accrued interest to a convertible noteholder.

The following is a schedule of convertible notes payable outstanding as of March 31, 2024:

Note #	**Issuance Date**	**Maturity Date**	**Principal Balance**	**Accrued Interest**	**Unamortized Debt Discount**
9	09/12/2016	09/12/2017	$ 50,080	$ 7,399	$ –
10	01/24/2017	01/24/2018	55,000	83,618	–
10-1	02/10/2023	02/10/2024	50,000	8,527	–
10-2	03/30/2023	03/30/2024	25,000	3,771	–
10-3	08/11/2023	08/11/2024	25,000	2,404	–
29-2	11/08/2019	11/08/2020	36,604	12,299	–
37-1	09/03/2020	06/30/2021	113,667	70,030	–
37-2	11/02/2020	08/31/2021	113,167	68,673	–
37-3	12/29/2020	09/30/2021	113,166	67,637	–
40-1	09/22/2022	09/22/2024	2,600,000	267,488	–
40-2	11/04/2022	09/22/2024	68,667	9,651	–
40-3	11/28/2022	09/22/2024	68,667	9,217	–
40-4	12/21/2022	09/22/2024	68,667	8,766	–
40-5	01/24/2023	09/22/2024	90,166	10,531	–
40-6	03/21/2023	03/21/2024	139,166	14,141	–
40-7	06/05/2023	06/05/2024	139,166	11,295	6,530
40-8	06/13/2023	06/13/2024	21,167	1,654	1,032
40-9	07/19/2023	07/19/2024	35,500	2,490	2,650
40-10	07/24/2023	07/24/2024	14,000	963	1,093
41	08/25/2023	08/25/2024	5,000	300	–
			$ 3,831,850	$ 660,854	$ 11,305

Note 9. On September 12, 2016, we issued a convertible promissory note in the principal amount of $80,000 for services rendered, which matured on September 12, 2017. Note 9 is currently in default and accrues at a default interest rate of 20% per annum.

Note 10, 10-1, 10-2 and 10-3. On January 24, 2017, we issued a convertible promissory note in the principal amount of $80,000 for services rendered, which matured on January 24, 2018. Note 10 is currently in default and accrues interest at a default interest rate of 20% per annum. On February 10, 2023, we executed a second tranche under this note in the principal amount of $50,000 (Note 10-1). On March 30, 2023, we executed a third tranche under this note in the principal amount of $25,000 (Note 10-2). On August 11, 2023, we executed a fourth tranche under this note in the principal amount of $25,000 (Note 10-3). Notes 10-1 and 10-2 are currently in default and accrue interest at a default interest rate of 20% per annum. Note 10-3 accrues interest at a rate of 15% per annum.

Note 29-2. On May 10, 2019, we issued a convertible promissory note in the principal amount of $150,000. On November 8, 2019, this note (Note 29) was purchased by and assigned to an unrelated party. The amount assigned was the existing principal amount of $150,000 and accrued interest of $5,918, which was issued as Note 29-1, plus a new convertible promissory note in the principal amount of $62,367, which was issued as Note 29-2. Note 29-2 is currently in default and accrues interest at a default interest rate of 24% per annum.

Notes 37-1, 37-2 and 37-3. On September 3, 2020, we issued a convertible promissory note in the principal amount of $200,000, with original issue discount of $50,000, which could be drawn in several tranches. On September 3, 2020, we executed the first tranche in the principal amount of $67,000, less original issue discount of $17,000, which matured on June 30, 2021 (Note 37-1). On November 2, 2020, we executed the second tranche in the principal amount of $66,500, less original issue discount of $16,500, which matured on August 31, 2021 (Note 37-2). On December 29, 2020, we executed the third tranche in the principal amount of $66,500, less original issue discount of $16,500, which matured on September 30, 2021 (Note 37-3). Notes 37-1, 37-2 and 27-3 are currently in default and accrue interest at a default interest rate of 18% per annum.

Notes 40-1, 40-2, 40-3, 40-4, 40-5, 40-6, 40-7, 40-8, 40-9 and 40-10. On September 22, 2022, we issued a convertible promissory note in the principal amount of $2,600,000 in exchange for total of $4,791,099 of defaulted promissory notes balances (Note 40-1). On November 4, 2022, we executed a second tranche under this note in the principal amount of $68,667, less an original issue discount and fee of $18,667 (Note 40-2). On November 28, 2022, we executed the third tranche under this note in the principal amount of $68,667, less an original issue discount and fee of $18,667 (Note 40-3). On December 21, 2022, we executed a fourth tranche under this note in the principal amount of $68,667, less an original issue discount and fee of $18,667 (Note 40-4). On January 24, 2023, we executed a fifth tranche under this note in the principal amount of $90,166, less an original issue discount and fee of $25,166 (Note 40-5). On March 21, 2023, we executed a sixth tranche under this note in the principal amount of $136,666, less an original issue discount and fee of $39,166 (Note 40-6). On June 5, 2023, we executed a seventh tranche under this note in the principal amount of $136,667, less original issue discount and fee of $39,167 (Note 40-7). On June 13, 2023, we executed an eighth tranche under this note in the principal amount of $21,167, less original issue discount and fee of $5,167 (Note 40-8). On July 19, 2023, we executed a ninth tranche under this note in the principal amount of $35,500, less an original issue discount and fee of $8,875 (Note 40-9). On July 24, 2023, we executed a tenth tranche under this note in the principal amount of $14,000, less an original issue discount and fee of $3,500 (Note 40-10). On December 1, 2023, we executed amendment on Notes series 40 consolidated senior secured convertible promissory note to extend the expired tranche note 40-1 through 40-5 due date to September 20, 2024. All of the Note 40 tranches mature in one year from the note issuance date and accrue interest at a rate of 10% per annum.

Note 41. On August 25, 2023, we issued a twelve-month convertible promissory note in the principal amount of $5,000 to our Chief Executive Officer for our operating expenses. The rate of interest is 10% per annum.

Small Business Administration Loans

On June 2, 2020, we obtained a loan from the Small Business Administration of $150,000 at an interest rate of 3.75% with a maturity date of June 2, 2050. The principal balance and accrued interest at March 31, 2024 was $149,494 and $0, respectively.

Debenture

On March 12, 2009, we issued a debenture in the principal amount of $20,000. The debenture bore interest at 12% per year and matured on September 12, 2009. The balance of the debenture was $10,989 at March 31, 2024 and the accrued interest was $7,876. We assigned all of our receivables from consumer activations of the rewards program as collateral on this debenture.

Line of Credit

On September 29, 2023, our company and Nova entered into a two-year revolving purchase and security agreement with DML HC Series, LLC to sell, with recourse, Nova's accounts receivables for a revolving financing up to a maximum advance amount of $4.5 million. As of March 31, 2024, we had $3,583,373 outstanding balance against the revolving receivable line of credit. The revolving purchase and security agreement includes discounts recorded as interest expense on each funding and matures on September 29, 2025.

Related Party Loans

In connection with the acquisition of Edge View on July 16, 2014, we assumed amounts due to previous owners who are current managers of Edge View. These amounts are due on demand and do not bear interest. The balance of these amounts are $4,979 as of March 31, 2024.

We have obtained short-term advances from the Chairman of the Board that are non-interest bearing and due on demand. As of March 31, 2024, we owed the Chairman $45,844.

Contractual Obligations

Our principal commitments consist mostly of obligations under the loans described above.

Critical Accounting Policies

The preparation of our unaudited condensed consolidated financial statements requires our management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On a regular basis, we evaluate these estimates. These estimates are based on management's historical industry experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

For a description of the accounting policies that, in management's opinion, involve the most significant application of judgment or involve complex estimation and which could, if different judgment or estimates were made, materially affect our reported financial position, results of operations, or cash flows, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 filed with the Securities and Exchange Commission, or the SEC, on March 27, 2024.

Off Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Disclosure controls and procedures refer to controls and other procedures designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

As required by Rule 13a-15(e) of the Exchange Act, our management has carried out an evaluation, with the participation and under the supervision of our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as of March 31, 2024. Based upon, and as of the date of this evaluation, our chief executive officer and chief financial officer determined that, because of the material weaknesses described in Item 9A "Controls and Procedures" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, which we are still in the process of remediating as of March 31, 2024, along with the error identified in our Quarterly Report on Form 10-Q for the three months ended March 31, 2024, our disclosure controls and procedures were not effective. Investors are directed to Item 9A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 for the description of these weaknesses.

Remediation of Material Weaknesses in Internal Control Over Financial Reporting

We have evaluated the material weakness described above and our management and board of directors are committed to the design and successful implementation of internal control over financial reporting as promptly as possible. We currently plan to evaluate our updated internal controls design and determine whether the controls have operated effectively during 2024 in order to fully remediate the aforementioned material weakness in our internal control over financial reporting.

As disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, our management has identified the steps necessary to address the material weaknesses, and in the first quarter of 2024, we continued to implement the following remedial procedures:

- We are making necessary changes by providing training to our financial team and our other relevant personnel on the GAAP accounting guidelines applicable to financial reporting requirements.

- We plan to implement proper documentation procedures for key functional areas, control objectives and our workflows.
- We plan to reinforce effective compensating controls can improve the design of the current process with limited human resources.
- We have hired external consultants to assist with our assessment and accounting for variable consideration as accounted for under ASC 606 and our credit loss expense as accounted for under ASC 326.

We intend to complete the remediation of the material weaknesses discussed above as soon as practicable, but we can give no assurance that we will be able to do so. Designing and implementing an effective disclosure controls and procedures is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to devote significant resources to maintain a financial reporting system that adequately satisfies our reporting obligations. The remedial measures that we have taken and intend to take may not fully address the material weaknesses that we have identified, and material weaknesses in our disclosure controls and procedures may be identified in the future. Should we discover such conditions, we intend to remediate them as soon as practicable. We are committed to taking appropriate steps for remediation, as needed.

Changes in Internal Control Over Financial Reporting

Other than in connection with the implementation of the remedial measures described above, there were no changes in our internal controls over financial reporting during the first quarter of 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

From time to time, we may become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these, or other matters, may arise from time to time that may harm our business. We are currently not aware of any such legal proceedings or claims that we believe will have a material adverse effect on our business, financial condition or operating results.

ITEM 1A. RISK FACTORS.

Not applicable.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

We have not sold any equity securities during the three months ended March 31, 2024 that were not previously disclosed in a current report on Form 8-K that was filed during the quarter.

We did not repurchase any shares of our common stock during the three months ended March 31, 2024.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

Exhibit No.	Description
3.1	Amended and Restated Articles of Incorporation Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.1 to Amendment No. 1 to the Registration Statement on Form S-1/A filed on August 3, 2023)
3.2	Certificate of Amendment to Amended and Restated Articles of Incorporation Cardiff Lexington Corporation
3.3	Certificate of Designation of Series A Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.2 to Amendment No. 1 to the Registration Statement on Form S-1/A filed on August 3, 2023)
3.4	Certificate of Designation of Series B Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.3 to Amendment No. 1 to the Registration Statement on Form S-1/A filed on August 3, 2023)

3.5	Certificate of Correction of Certificate of Designation of Series B Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.4 to the Annual Report on Form 10-K filed on March 27, 2024)
3.6	Certificate of Designation of Series C Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.4 to Amendment No. 1 to the Registration Statement on Form S-1/A filed on August 3, 2023)
3.7	Certificate of Correction of Certificate of Designation of Series C Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.6 to the Annual Report on Form 10-K filed on March 27, 2024)
3.8	Certificate of Designation of Series E Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.5 to Amendment No. 1 to the Registration Statement on Form S-1/A filed on August 3, 2023)
3.9	Certificate of Correction of Certificate of Designation of Series E Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.8 to the Annual Report on Form 10-K filed on March 27, 2024)
3.10	Certificate of Designation of Series F-1 Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.6 to Amendment No. 1 to the Registration Statement on Form S-1/A filed on August 3, 2023)
3.11	Certificate of Correction of Certificate of Designation of Series F-1 Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.10 to the Annual Report on Form 10-K filed on March 27, 2024)
3.12	Certificate of Designation of Series I Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.7 to Amendment No. 1 to the Registration Statement on Form S-1/A filed on August 3, 2023)
3.13	Certificate of Correction of Certificate of Designation of Series I Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.12 to the Annual Report on Form 10-K filed on March 27, 2024)
3.14	Certificate of Designation of Series J Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.8 to Amendment No. 1 to the Registration Statement on Form S-1/A filed on August 3, 2023)
3.15	Certificate of Correction of Certificate of Designation of Series J Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.14 to the Annual Report on Form 10-K filed on March 27, 2024)
3.16	Certificate of Designation of Series L Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.9 to Amendment No. 1 to the Registration Statement on Form S-1/A filed on August 3, 2023)
3.17	Certificate of Correction of Certificate of Designation of Series L Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.16 to the Annual Report on Form 10-K filed on March 27, 2024)
3.18	Certificate of Designation of Series N Senior Convertible Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.3 to the Annual Report on Form 10-K filed on June 6, 2023)
3.19	Amended and Restated Certificate of Designation of Series R Convertible Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.18 to the Annual Report on Form 10-K filed on March 27, 2024)
3.20	Certificate of Designation of Series X Senior Convertible Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.12 to Amendment No. 1 to the Registration Statement on Form S-1/A filed on August 3, 2023)
3.21	Amended and Restated Bylaws of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.2 to the Annual Report on Form 10-K filed on June 6, 2023)
4.2	Common Stock Purchase Warrant issued by Cardiff Lexington Corporation to SILAC Insurance Company on May 21, 2021 (incorporated by reference to Exhibit 4.2 to the Annual Report on Form 10-K filed on June 6, 2023)
31.1*	Certifications of Principal Executive Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certifications of Principal Financial Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certifications of Principal Executive Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certifications of Principal Financial Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document

101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

____
*Filed herewith
** Furnished herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: September __, 2024

CARDIFF LEXINGTON CORPORATION

/s/ Alex Cunningham
Name: Alex Cunningham
Title: Chief Executive Officer
(Principal Executive Officer)

/s/ Matthew Shafer
Name: Matthew Shafer
Title: Chief Financial Officer
(Principal Financial Officer)

ANNEX D

Comparison of Draft Form 10-Q

Quarter Ended June 30, 2024

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A
(Amendment No. 1)

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended: June 30, 2024

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ____________ to _____________

Commission File Number: 000-49709

CARDIFF LEXINGTON CORPORATION

(Exact name of registrant as specified in its charter)

Nevada — (State or other jurisdiction of incorporation or organization)

84-1044583 — (I.R.S. Employer Identification No.)

3753 Howard Hughes Parkway, Suite 200, Las Vegas, NV — (Address of principal executive offices)

89169 — (Zip Code)

844-628-2100
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒	Smaller reporting company ☒
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of August 13, 2024, there were 14,076,376 shares of common stock of the registrant issued and outstanding.

EXPLANATORY NOTE

Cardiff Lexington Corporation (the "Company") is filing this Amendment No. 1 on Form 10-Q ("Amendment") to amend its Quarterly Report on Form 10-Q for the six months ended June 30, 2024, which was originally filed with the Securities and Exchange Commission on August 14, 2024 (the "Form 10-Q").

This Amendment is being filed to correct an error in the Company's previously filed report on Form 10-Q for the six months ended June 30, 2024 as a result of a change in classification of credit loss expense to net revenue and a related adjustment to its allowance for credit losses. Additionally, the Company filed this Amendment to respond to certain comments received from the staff of the Securities and Exchange Commission on August 16, 2024. The Form 10-Q, as amended by this Amendment, continues to be as of August 14, 2024 and does not reflect events occurring after August 14, 2024.

CARDIFF LEXINGTON CORPORATION

Quarterly Report on Form 10-Q
Period Ended June 30, 2024

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PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

CARDIFF LEXINGTON CORPORATION AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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CARDIFF LEXINGTON CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2024 AND DECEMBER 31, 2023
(UNAUDITED)

	June 30, 2024 (Restated)	December 31, 2023 (Restated)
ASSETS		
Current assets		
Cash	$ 3,196,795	$ 866,943
Accounts receivable-net	14,861,139	13,305,254
Prepaid and other current assets	5,000	5,000
Total current assets	18,062,934	14,177,197
Property and equipment, net	27,929	34,661
Land	540,000	540,000
Goodwill	5,666,608	5,666,608
Right of use – assets	348,702	289,062
Due from related party	4,979	4,979
Other assets	50,730	33,304
Total assets	$ 24,701,882	$ 20,745,811
LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expense	$ 1,679,731	$ 2,047,131
Accrued expenses - related parties	4,353,056	4,733,057
Accrued interest	103,345	620,963
Right of use – liabilities	173,985	157,669

Due to director and officer	–	120,997
Notes payable – current portion	550,900	15,977
Line of credit	6,675,746	2,120,100
Convertible notes payable, net of debt discounts of $0 and $24,820, respectively	110,000	3,807,030
Net liabilities of discontinued operations	237,643	237,643
Total current liabilities	13,884,406	13,860,567
Notes payable	142,391	144,666
Operating lease liability – long term	169,811	119,056
Total liabilities	14,196,608	14,124,289
Mezzanine equity		
Redeemable Series N Senior Convertible Preferred Stock - 3,000,000 shares authorized, $0.001 par value, stated value $4.00, 868,056 shares issued and outstanding at June 30, 2024 and December 31, 2023	3,125,000	3,891,439
Redeemable Series R Senior Convertible Preferred Stock - 5,000 shares authorized, $0.001 par value, stated value of $1,200, 0 and 165, shares issued and outstanding at June 30, 2024 and December 31, 2023, respectively	–	307,980
Redeemable Series X Senior Convertible Preferred Stock - 5,000,000 shares authorized, $0.001 par value, stated value of $4.00 par value; 375,000 shares issued and outstanding at June 30, 2024 and December 31, 2023	1,500,000	1,690,685
Total Mezzanine Equity	4,625,000	5,890,104
Stockholders' equity		
Series B Preferred Stock - 3,000,000 shares authorized, $0.001 par value, stated value of $4.00, 980,179 and 2,139,478 shares issued and outstanding at June 30, 2024 and December 31, 2023, respectively	3,920,716	8,557,912
Series C Preferred Stock - 500 shares authorized, $0.001 par value, stated value of $4.00, 60 and 123 shares issued and outstanding at June 30, 2024 and December 31, 2023, respectively	240	492
Series E Preferred Stock - 1,000,000 shares authorized, $0.001 par value, stated value $4.00, 75,375 and 155,750 shares issued and outstanding at June 30, 2024 and December 31, 2023, respectively	301,500	623,000
Series F-1 Preferred Stock - 50,000 shares authorized, $0.001 par value, stated value $4.00, 25,750 and 35,752 shares issued and outstanding at June 30, 2024 and December 31, 2023, respectively	103,000	143,008
Series I Preferred Stock - 15,000,000 shares authorized, $0.001 par value, stated value $4.00, 11,640,500 and 14,885,000 issued and outstanding at June 30, 2024 and December 31, 2023, respectively	46,562,000	59,540,000
Series J Preferred Stock - 2,000,000 shares authorized, $0.001 par value, stated value $4.00, 0 and 1,713,584 shares issued and outstanding at June 30, 2024 and December 31, 2023, respectively	–	6,854,336
Series L Preferred Stock - 400,000 shares authorized, $0.001 par value, stated value $4.00, 319,493 shares issued and outstanding at June 30, 2024 and December 31, 2023	1,277,972	1,277,972
Series Y Senior Convertible Preferred Stock - 1,000,000 shares authorized, $0.001 par value, stated value of $4.00, 938,908 and 0 shares issued and outstanding at June 30, 2024 and December 31, 2023, respectively	3,755,632	–
Common Stock; 300,000,000 shares authorized, $0.001 par value; 13,626,376 and 25,121 shares issued and outstanding at June 30, 2024 and December 31, 2023, respectively	13,626	25
Additional paid-in capital	19,522,200	(7,581,212)
Accumulated deficit	(69,576,612)	(68,684,115)
Total stockholders' equity	5,880,274	731,418
Total liabilities, mezzanine equity and stockholders' equity	$ 24,701,882	$ 20,745,811

The accompanying notes are an integral part of these condensed consolidated financial statements

CARDIFF LEXINGTON CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024 (Restated)	2023 (Restated)	2024 (Restated)	2023 (Restated)
REVENUE	$ 1,471,643	$ 3,364,506	$ 3,793,775	$ 6,070,905
COST OF SALES	793,010	1,081,689	1,741,164	2,037,984
GROSS PROFIT	678,633	2,282,817	2,052,611	4,032,921
OPERATING EXPENSES				
Depreciation expense	3,366	3,365	6,731	8,000
Share based compensation	–	–	300,225	–
Selling, general and administrative	834,750	530,013	1,686,146	1,517,933
Total operating expenses	838,116	533,378	1,993,102	1,525,933
(LOSS) INCOME FROM CONTINUING OPERATIONS	(159,483)	1,749,439	59,509	2,506,988
OTHER INCOME (EXPENSE)				
Other income	2,047	–	2,047	204
Gain on debt refinance and forgiveness	78,834	–	78,834	390
Penalties and fees	(330)	(15,000)	(1,330)	(32,000)
Interest expense	(41,347)	(843,918)	(417,616)	(1,537,579)
Amortization of debt discounts	(11,306)	(30,633)	(24,821)	(48,616)
Total other income (expense)	27,898	(889,551)	(362,886)	(1,617,601)
NET (LOSS) INCOME BEFORE DISCONTINUED OPERATIONS	(131,585)	859,888	(303,377)	889,387
LOSS FROM DISCONTINUED OPERATIONS	–	(43,810)	(111,312)	(89,300)
NET (LOSS) INCOME FOR THE PERIOD	$ (131,585)	$ 816,078	$ (414,689)	$ 800,087
PREFERRED STOCK DIVIDENDS	(326,174)	$ (125,744)	$ (477,808)	(454,419)
NET (LOSS) INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS	$ (457,759)	$ 690,334	$ (892,497)	$ 345,668
BASIC (LOSS) INCOME PER SHARE				
CONTINUING OPERATIONS	$ (0.04)	$ 55.66	$ (0.11)	$ 28.75
DISCONTINUED OPERATIONS	$ 0.00	$ (3.53)	$ (0.01)	$ (7.43)
DILUTED (LOSS) INCOME PER SHARE				
CONTINUING OPERATIONS	$ (0.04)	$ 3.59	$ (0.11)	$ 1.45
DISCONTINUED OPERATIONS	$ 0.00	$ (3.53)	$ (0.01)	$ (7.43)
WEIGHTED AVERAGE SHARES OUTSTANDING – BASIC	12,792,767	12,403	8,305,493	12,024
WEIGHTED AVERAGE SHARES OUTSTANDING – DILUTED	12,792,767	192,477	8,305,493	237,814

The accompanying notes are an integral part of these condensed consolidated financial statements

CARDIFF LEXINGTON CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIENCY)
SIX MONTHS ENDED JUNE 30, 2024 AND 2023
(UNAUDITED)

	Preferred Stock Series A and I		Preferred Stock Series B, E, F-1, J and L		Preferred Stock Series C		Common Stock		Additional Paid-In	Accumulated	Total Stockholders' (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Equity
Balance, December 31, 2022 (Restated)	14,885,001	$59,540,000	4,350,907	$17,403,628	123	$ 492	12,053	$ 12	$(10,004,808)	$ (68,684,115)	$ (1,744,791)
Conversion of convertible notes payable	–	–	–	–	–	–	1,583	2	190,236	–	190,238
Preferred stock Dividends	–	–	–	–	–	–	–	–	–	(344,947)	(344,947)
Issuance of preferred stock series B	–	–	3,150	12,600	–	–	–	–	12,400	–	25,000
Net loss	–	–	–	–	–	–	–	–	–	800,087	800,087
Balance, June 30, 2023 (Restated)	14,885,001	$59,540,000	4,354,057	$17,416,228	123	$ 492	13,636	$ 14	$ (9,802,172)	$ (68,228,975)	$ (1,074,413)

	Preferred Stock Series A, I and Y		Preferred Stock Series B, E, F-1, J and L		Preferred Stock Series C		Common Stock		Additional Paid-In	Accumulated Deficit	Total Stockholders' (Deficit) Equity
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Capital	~~Deficit~~(Restated)	~~Equity~~(Restated)
Balance, December 31, 2023 (Restated)	14,885,002	$ 59,540,000	4,364,057	$17,456,228	123	$ 492	25,121	$ 25	$ (7,581,212)	$ (68,684,115)	$ 731,418
Conversion of convertible notes payable	–	–	–	–	–	–	1,222	1	1,679	–	1,680
Conversion of series B preferred stock	–	–	(1,159,299)	(4,637,196)	–	–	2,318,598	2,318	4,634,878	–	–
Conversion of series C preferred stock	–	–	–	–	(61)	(244)	610,000	610	(366)	–	–
Conversion of series E preferred stock	–	–	(80,375)	(321,500)	–	–	160,750	161	321,339	–	–
Conversion of series F-1 preferred stock	–	–	(10,002)	(40,008)	–	–	20,004	20	39,988	–	–
Conversion of series I preferred stock	(3,377,000)	(13,508,000)	–	–	–	–	6,754,000	6,754	13,501,246	–	–
Conversion of series J preferred stock	–	–	(1,713,584)	(6,854,336)	–	–	3,427,168	3,427	6,850,909	–	–
Issuance of series I preferred stock to officers	132,500	530,000	–	–	–	–	–	–	63,600	–	593,600
Issuance of series Y preferred stock	938,908	3,755,632	–	–	–	–	–	–	–	–	3,755,632
Cancellation of series C preferred stock	–	–	–	–	(2)	(8)	–	–	8	–	–
Common stock issued for services	–	–	–	–	–	–	7,500	8	11,617	–	11,625
Common stock issued to board members	–	–	–	–	–	–	30,000	30	194,970	–	195,000

Common stock issued in Red Rock settlement	–	–	–	–	–	–	37,104	37	111,275	–	111,312
Preferred stock Dividends	–	–	–	–	–	–	234,909	235	1,372,269	(477,808)	(894,696)
Net income (Restated)	–	–	–	–	–	–	–	–	–	(414,689)	(414,689)
Balance, June 30, 2024 (Restated)	12,579,410	$ 50,317,632	1,400,797	$ 5,603,188	60	$ 240	13,626,376	$ 13,626	$19,522,200	$ (69,576,612)	$ 5,880,274

The accompanying notes are an integral part of these condensed consolidated financial statements

CARDIFF LEXINGTON CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2024 AND 2023
(UNAUDITED)

	Six Months Ended June 30,	
	2024 (Restated)	**2023 (Restated)**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income from continuing operations	$ (414,689)	$ 800,087
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	6,731	8,000
Amortization of debt discount	24,820	48,616
Bad debt	–	270,000
Conversion and note issuance cost	1,000	7,000
Share issuance for compensations to directors and officers	788,600	–
Share issuance for service rendered	11,625	25,000
Fair value settled upon conversion	–	123,566
Gain on settlement or forgiveness of debt	(78,834)	(390)
(Increase) decrease in:		
Accounts receivable	(1,555,885)	(2,859,607)
Right of use – assets	(59,640)	64,993
Prepaids and other current assets	(17,425)	–
Increase (decrease) in:		
Accounts payable and accrued expense	(367,400)	738,353
Accrued officers compensation	(380,001)	334,000
Accrued interest	(6,700)	248,137
Right of use – liabilities	67,071	(68,221)
Net cash used in operating activities	(1,980,727)	(260,466)
Net cash provided by (used in) Discontinued Operations – Operating	111,312	(38,809)
FINANCING ACTIVITIES		
Payments to director	(120,997)	355,500
Repayment of SBA loans	(2,352)	–
Payment of convertible notes	(100,079)	–
Proceeds from line of credit	4,522,695	35,131
Payment of line of credit	–	(30,161)
Payment of dividends on preferred stock	(100,000)	
Net cash provided by financing activities	4,199,267	360,470
Net cash provided by Discontinued Operations – Financing	–	128,109
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,329,852	189,304

CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		866,943		219,085
CASH AND CASH EQUIVALENTS, END OF PERIOD	$	3,196,795	$	408,389
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION				
Cash paid during the year for Interest	$	122,279	$	2,044
NON-CASH INVESTING AND FINANCING ACTIVITIES:				
Common stock issued upon conversion of notes payable	$	1,680	$	66,673
Common stock issued upon conversion of preferred stock	$	13,290	$	–
Series Y preferred stock issued in exchange of convertible notes payable	$	3,755,632	$	–
Promissory note payable issued in settlement agreement	$	535,000	$	–
Right of use assets acquired	$	186,638	$	–

The accompanying notes are an integral part of these condensed consolidated financial statements

CARDIFF LEXINGTON CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2024 AND 2023
(UNAUDITED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

Cardiff Lexington Corporation ("Cardiff") was originally incorporated on September 3, 1986 in Colorado as Cardiff International Inc. On November 10, 2005, Cardiff merged with Legacy Card Company, LLC and changed its name to Cardiff Lexington Corporation. On August 27, 2014, Cardiff redomiciled and became a corporation under the laws of Florida. On April 13, 2021, Cardiff redomiciled and became a corporation under the laws of Nevada.

Cardiff is an acquisition holding company focused on locating undervalued and undercapitalized companies, primarily in the healthcare industry, and providing them capitalization and leadership to maximize the value and potential of their private enterprises while also providing diversification and risk mitigation for stockholders. All of Cardiff's operations are conducted through, and its income derived from, its various subsidiaries, which includes:

- Edge View Properties, Inc. ("Edge View"), which was acquired on July 16, 2014;
- Platinum Tax Defenders ("Platinum Tax"), which was acquired on July 31, 2018 and sold on November 10, 2023; and
- Nova Ortho and Spine, LLC ("Nova"), which was acquired on May 31, 2021.

Principles of Consolidation

The consolidated financial statements include the accounts of Cardiff and its wholly owned subsidiaries, Edge View, Platinum Tax and Nova (collectively, the "Company"). Subsidiaries shown as discontinued operations include Platinum Tax. All significant intercompany accounts and transactions are eliminated in consolidation. Subsidiaries discontinued are shown as discontinued operations.

Reverse Stock Split

On January 9, 2024, the Company effected a 1-for-75,000 reverse split of its outstanding common stock. All outstanding shares of common stock and warrant to purchase common stock were adjusted to reflect the 1-for-75,000 reverse split, with respective exercise prices of the warrants proportionately increased. The conversion prices of the outstanding convertible notes and certain series of preferred stock were adjusted to reflect a proportional decrease in the number of shares of common stock to be issued upon conversion.

All share and per share data throughout these consolidated financial statements have been retroactively adjusted to reflect the reverse stock split. The total number of authorized shares of common stock did not change. As a result of the reverse stock split, an amount equal to the decreased value of the common stock was reclassified from "common stock" to "additional paid-in capital."

Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles ("U.S. GAAP") requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Management uses its historical records and knowledge of its business in making estimates. Accordingly, actual results could differ from those estimates.

Accounts Receivable

In the normal course of business, the Company is in the lien based medical industry providing orthopedic healthcare servicing an uninsured market insulated by a letter of protection which insulates the Company and insures payment in full from insurance settlements. Accounts receivable consists of amounts due from attorneys and insurance providers for services provided to patients under the letter of protection. The accounts receivable are recorded at the expected settlement realization amount, which is less contractual adjustments and an allowance for credit losses. The Company recognizes an allowance for credit losses for its accounts receivable to present the net amount expected to be collected as of the balance sheet date. This allowance is determined based on the history of net settlements received ~~by the Company~~, where the net settlement amount is not collected. No collection can happen if no settlement is reached with the defendant's insurance company and the plaintiff (the patient) loses the case at trial, or the case is abandoned, then the Company will not be able to collect on its letter of protection and its receivable will not be collected. ~~In the case of a partial settlement or award at trial, the Company might only be able to collect a portion of its receivable.~~ Additionally, the Company considers economic factors and events or trends expected to affect future collections experience. The ~~net settlement~~no collection history of the Company's customers is considered in future assessments of collectability as these patterns are established over a longer period. The Company uses the term collection and collection rate in its disclosures to describe the historical less than 1% occurrence of not collecting under a contract, which aligns with the Company's credit loss accounting under ASC 326.

The Company does not have a significant exposure to credit losses as ~~the Company~~it has historically had a ~~99% collection~~ less than 1.0% loss rate ~~based on net settlements recorded to~~ where the Company received no settlement amount for its outstanding accounts receivable. Although possible, ~~no~~claims resulting in zero collection ~~on settlements is~~upon settlement are rare based on the Company's historical experience~~.~~ and has historically been 0.5% to 1.0% of its outstanding accounts receivable, thereby resulting in a collection rate of 99%. The Company uses the loss rate method to record its allowance for credit losses. The Company applies the loss rate method by reviewing its zero collection history on a regular basis and updating its estimates of credit losses to adjust for changes in loss data. The Company typically collects on its accounts receivable between eighteen and twenty-four months after recording. The Company does not record an allowance for credit losses based on an aging of its accounts receivable as the aging of the Company's receivables do not influence the credit loss rate due to the nature of its business and the letter of protection. The Company does not adjust its receivables for the effects of a significant financing component at contract inception as the timing of variable consideration is determined by the settlement, which is outside of the Company's control. As of June 30, 2024 and December 31, 2023, the Company's allowance for credit losses was $122,190. The Company recognized $0 and $270,000 of credit loss expense during the six months ended June 30, 2024 and 2023, respectively, which is included in selling, general and administrative expenses in the condensed consolidated statement of operations.

Property and Equipment

Property and equipment are carried at cost. Expenditures for renewals and betterments that extend the useful lives of property, equipment or leasehold improvements are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is calculated using the straight-line method for financial reporting purposes based on the following estimated useful lives:

Classification	**Useful Life**
Equipment, furniture, and fixtures	5 - 7 years
Medical equipment	10 years
Leasehold improvements	10 years or lease term, if shorter

Goodwill and Other Intangible Assets

Goodwill and indefinite-lived assets are not amortized but are evaluated for impairment annually or when indicators of a potential impairment are present. The Company's impairment testing of goodwill is performed separately from its impairment testing of indefinite-lived intangibles. The Company reviews goodwill for impairment on a reporting unit basis annually and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable. Goodwill is tested first for impairment based on qualitative factors on an annual basis or in between if an event occurs or circumstances change that indicate the fair value may be below its carrying amount, otherwise known as a 'triggering event'. An assessment is made of these qualitative factors as such to determine whether it is more likely than not the fair value is less than the carry amount, including goodwill. The annual evaluation for impairment of indefinite-lived intangibles and, if then needed after the first step, Goodwill, is based on valuation models that incorporate assumptions and internal projections of expected future cash flows and operating plans. The Company believes such assumptions are also comparable to those that would be used by other marketplace participants. During the six months ended June 30, 2024 and 2023, the Company did not recognize any goodwill impairment. The Company based this decision on impairment testing of the underlying assets, expected cash flows, decreased asset value and other factors.

Valuation of Long-lived Assets

In accordance with the provisions of Accounting Standards Codification ("ASC") Topic 360-10-5, "Impairment or Disposal of Long-Lived Assets", all long-lived assets such as plant and equipment and construction in progress held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is evaluated by a comparison of the carrying amount of assets to estimated cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the fair value of the assets.

Revenue Recognition

The Company's primary source of revenue is its healthcare subsidiary, which records revenues from providing licensed and/or certified orthopedic procedures. Revenue is recognized at a point in time in accordance with ASC 606 and at an estimated net settlement realization rate based on gross billed charges. The Company's healthcare subsidiary does not have contract liabilities or deferred revenue as there are no amounts prepaid for services. The Company applies the following five-step ASC 606 model to determine revenue recognition:

- Identification of a contract with a customer
- Identification of the performance obligations in the contact
- Determination of the transaction price
- Allocation of the transaction price to the separate performance obligations
- Recognition of revenue when performance obligations are satisfied.

The Company applies the five-step model when it is probable that the Company will ~~collect~~settle the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception and once the contract is determined to be within the scope of ASC 606, the Company assesses services promised within each contract and determines those that are a performance obligation and assesses whether each promised service is distinct.

The Company's contracts for both its contract and service fees each contain a single performance obligation (providing orthopedic services), as the promise to transfer the individual services is not separately identifiable from other promises in the contracts and, therefore, not distinct, as a result, the entire transaction price is allocated to this single performance obligation.

Accordingly, the Company recognizes ~~revenues (~~net~~)~~ revenue when the patient receives orthopedic care services. The Company's patient service contracts generally have performance obligations which are satisfied at a point in time. The performance obligation is for onsite or off-site care provided. Patient service contracts are generally fixed-price, and the transaction price is in the contract. Revenue is recognized when obligations under the terms of the contract with the Company's patients are satisfied; generally, at the time of patient care.

In ~~order to determine~~determining net revenue to record under ASC 606, the Company must estimate the transaction price, including estimates of variable consideration in the contract at inception. ~~Established~~In order to estimate variable consideration, the Company uses established billings rates (also described as "gross charges") for the procedures being performed, however, the billing rates are not the same as actual amounts recovered for the Company's healthcare subsidiary. They generally do not reflect what the Company is ultimately paid by the customer, insurance carriers and other payors, and therefore are not reported in the consolidated financial statements at that rate. The Company is typically paid amounts based on established charges per procedure with guidance from the annually updated CPT guidelines that designates relative value units and a suggested range of charges for each procedure which is then assigned a CPT code. This ~~fee~~gross charge is discounted to reflect the percentage paid to the Company "using a modifier" recognized by each insurance carrier for services, less deductible, co-pay, and contractual adjustments which are deducted from the calculated fee. ~~These adjustments to the transaction price are considered variable consideration, which is deducted from revenue and accounts receivable and the net revenue is recorded at the time the services are rendered.~~ These adjustments are considered variable consideration under ASC 606 and are deducted from the calculated fee to arrive at the net transaction price. The Company also estimates changes in the contract price as a result of price concessions, changes to deductibles, co-pays and other contractual adjustments to determine the eventual settlement amount the Company expects to receive. The Company uses the term settlement realization in its disclosures to describe the amount of cash the company expects to receive based on its estimate of the transaction price under the expected value method of ASC 606.

Where appropriate, the Company utilizes the expected value method to determine the appropriate amount for estimates of variable consideration~~.~~, which is based on a historical 12-month lookback of its actual settlement realization rates. The estimates of reserves established for variable consideration reflect current contractual requirements, the Company's historical experience, specific known market events and trends, industry data and forecasted patient data and settlement patterns. Settlement realization patterns are assessed based on actual settlements and based on expected settlement realization trends obtained from discussions with attorneys, doctors and our third party medical billing company. Settlement amounts are negotiated and prolonged settlement negotiations are not indicative of a greater likelihood of reduced settlement realization or zero settlement.

The Company ~~The amount of variable consideration that is included in the transaction price may be constrained and is~~may accept a lower settlement realization rate in order to receive faster payment. The Company obtains information about expected settlement realization trends from discussions with doctors and attorneys and its third party medical billing company, which handles settlement claims and negotiations. Settlement amounts are presented to the Company's third party medical billing company. Settlement rates of 49% or higher based on gross billed amounts are typically accepted without further negotiation. Proposed settlement rates below 49% are negotiated and longer negotiations typically result in higher settlement rates. If the Company accepts a lower settlement realization rate in order to receive payments more quickly, the Company considers that a price concession and estimates these concessions at contract inception. The various forms of variable consideration described above included in the transaction price may be constrained and are included in net revenue only to the extent that it is probable that a significant reversal in the amount of the cumulative revenue recognized will not occur in a future period. ~~Actual amounts of consideration ultimately received may differ from the Company's estimates. If actual results vary from the Company's estimates, the Company adjusts these estimates in the period such change in estimate becomes known, which could affect net revenue and earnings in the period of the adjustment.~~ The Company has not constrained any of its estimates of variable consideration for any of the periods presented.

Service Fees – Net (PIP)

The Company generates services fees from performing various procedures on the date the services are performed. These services primarily include slip and falls as well as smaller nominal Non-PIP services. ~~These~~As described above, these revenues are based on established insurance billing rates, less allowances for contractual adjustments and uncollectible amounts. These contractual adjustments vary by insurance company and self-pay patients. The Company computes these contractual and other adjustments ~~and collection allowances~~ based on its historical ~~collection~~settlement realization experience. Completing the paperwork for each case and preparing it for billing takes approximately ten business days after a procedure is performed. The majority of claims are then filed electronically except for those remaining insurance carriers requiring paper filing. An initial response is usually received within four weeks from electronic filing and up to six weeks from paper filing. Responses may be a payment, a denial, or a request for additional information. The Company's healthcare revenues are generated from professional medical billings including facility and anesthesia services. With respect to facility and anesthesia services, the Company is the primary obligor as the facility and anesthesia services are considered part of one integrated performance obligation.

The Company satisfies performance obligations as services are performed and then billed to the patient. Payment in most cases is made by an attorney for such services to our patients which are due upon final settlement of patients claims. During the claims process, legal counsel warranties such claim through the letter of protection, which is sent to the Company, as a medical provider, on behalf of the client patient. This letter states that the attorney is responsible for paying the client's medical bills when the case is fully developed and settles. The medical professional agrees to provide treatment to the injured person and refrain from attempting to collect payment as it is developing and until the case is resolved. Once the personal injury case is finalized with the insurance company, the attorney pays the outstanding medical bills from the settlement.

Prior to its fiscal year 2024, the Company has historically ~~received~~had a 49% ~~of collections~~settlement realization rate from its total gross billed charges. Accordingly, the Company has historically recognized net healthcare service revenue as 49% of gross billed ~~amounts~~charges. However, during the six months ended June 30, 2024, the Company underwent efforts to accelerate cash ~~collections throughout 2024.~~settlements by accepting lower settlement realization rates in order to settle outstanding accounts receivable more quickly. As a result of the new effort, during the six months ended June 30, 2024 the Company realized a 42.3% average ~~collection percentage~~settlement rate of its gross billed charges~~ collected~~ during this time frame, which were historically recorded in accounts receivable and revenue at 49% of gross billings. As a result of this reduced ~~collection~~settlement realization percentage, the Company recorded a reduction to net revenue of $859,321 and $1,199,155 for the three and six months ended June 30, 2024, respectively.

The Company will continue to reassess its ~~net collection percentage~~settlement realization rate in the future and incorporate changes in ~~collections~~settlement realization in its estimate of variable consideration due under its contracts. See additional disclosure in Note 17. *Subsequent Events* regarding the Company's ~~collection~~review of its settlement realization percentage subsequent to the quarter ended June 30, 2024.

Contract Fees (Non-PIP)

The Company has contract fees for amounts earned from its Non-Personal Injury Protection ("PIP") related procedures, typically car accidents, and are ~~collected~~settled on a contingency basis. Prior to April 2023, these cases were sold to a factor who bears the risk of economic benefit or loss. Generally, the sale of these cases to a third party factor resulted in an approximate 54% reduction from the accounts receivables amounts. After selling patient cases to the factor, any additional funds ~~collected~~settled by ~~the Company~~us were remitted to the factor. The Company evaluated the factored adjustments considering the actual factored amounts per patient on a quarterly interval, and the reductions from accounts receivable that were factored were recorded in finance charges as other expenses on the consolidated statement of operations. As a result of the Company's eighteen to twenty-four month ~~collection~~settlement realization timeframe, the Company has an accrued liability resulting from the ~~collections~~settlement of receivables sold to the third party factors which fluctuates as ~~collections~~settlements are made and remitted to those third party factors. These accounts receivables sold to these third party factors are not included in the Company's financial statements accounts receivable balance once sold and therefore are not part of the assessment of the net realizable value of accounts receivable~~ collectability~~. For the six months ended June 30, 2023, the Company factored a total of $544,196 of its accounts receivable in exchange for cash of $253,750. The Company ceased factoring of accounts receivable in the first quarter of 2023.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs are included as a component of cost of sales in the consolidated statements of operations and changes in stockholders' equity. The Company recognized advertising and marketing expense of $96,899 and $133,326 for the three months ended June 30, 2024 and 2023, respectively. The Company recognized advertising and marketing expense of $171,950 and $171,679 for the six months ended June 30, 2024 and 2023, respectively.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities recorded at fair value in the consolidated balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair value. The fair value hierarchy distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs), and (2) an entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Level 1 Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.

Level 2 Inputs, other than quoted prices included in Level 1, which are observable for the asset or liability through corroboration with market data at the measurement date.

Level 3 Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

Distinguishing Liabilities from Equity

The Company accounts for its series N senior convertible preferred stock, series R convertible preferred stock, and series X senior convertible preferred stock subject to possible redemption in accordance with ASC 480, "Distinguishing Liabilities from Equity". Conditionally redeemable preferred shares are classified as temporary equity within the Company's consolidated balance sheet.

Stock-Based Compensation

The Company accounts for its stock-based compensation in which the Company obtains employee services in share-based payment transactions under the recognition and measurement principles of the fair value recognition provisions of section 718-10-30 of the Financial Accounting Standards Board ("FASB") ASC. Pursuant to paragraph 718-10-30-6 of the FASB ASC, all transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable.

The measurement date used to determine the fair value of the equity instrument issued is the earlier of the date on which the performance is complete or the date on which it is probable that performance will occur.

Generally, all forms of share-based payments, including stock option grants, warrants and restricted stock grants and stock appreciation rights are measured at their fair value on the awards' grant date, based on estimated number of awards that are ultimately expected to vest.

The expense resulting from share-based payments is recorded in the consolidated statements of operations.

Income Taxes

Income taxes are determined in accordance with ASC Topic 740, "Income Taxes". Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Any effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

ASC 740 prescribes a comprehensive model for how companies should recognize, measure, present, and disclose in their financial statements uncertain tax positions taken or expected to be taken on a tax return. Under ASC 740, tax positions must initially be recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. Such tax positions must initially and subsequently be measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and relevant facts.

As of June 30, 2024 and 2023, the Company did not have any interest and penalties associated with tax positions and did not have any significant unrecognized uncertain tax positions.

Income (Loss) per Share

FASB ASC Subtopic 260, "Earnings Per Share," provides for the calculation of "Basic" and "Diluted" earnings per share. Basic earnings per common share is computed by dividing income available to common stockholders by the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per common share is computed by dividing income available to common stockholders by the weighted-average number of shares of common stock outstanding during the period increased to include the number of additional shares of common stock that would have been outstanding if the potentially dilutive securities had been issued. Potentially dilutive securities include outstanding stock options, warrants, and debts convertible into common stock. The dilutive effect of stock options and warrants are reflected in diluted earnings per common share by application of the treasury stock method. Under the treasury stock method, an increase in the fair market value of the Company's common stock can result in a greater dilutive effect from potentially dilutive securities. The diluted effect of debt convertibles is reflected utilizing the if converted method.

Going Concern

The accompanying consolidated financial statements have been prepared using the going concern basis of accounting, which contemplates continuity of operations, realization of assets and liabilities and commitments in the normal course of business. The Company had sustained recurring operating losses since its inception and has an accumulated deficit of $69,619,474 as of June 30, 2024. These factors raise a substantial doubt about the Company's ability to continue as a going concern. The accompanying consolidated financial statements do not reflect any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classifications of liabilities that might result if the Company is unable to continue as a going concern.

The ability of the Company to continue as a going concern and the appropriateness of using the going concern basis is dependent upon, among other things, additional cash infusions. Management is in continuous discussions with prospective investors and believes the raising of capital will allow the Company to fund its cash flow shortfalls and pursue new acquisitions. There can be no assurance that the Company will be able to obtain sufficient capital from debt or equity transactions or from operations in the necessary time frame or on terms acceptable to it. Should the Company be unable to raise sufficient funds, it may be required to curtail its operating plans. In addition, if overall Company expenses increase, the Company may need to implement cost reductions. No assurance can be given that the Company will be able to operate profitably on a consistent basis, or at all, in the future. Should the Company not be able to raise sufficient funds, it may cause cessation of operations.

Recently Issued Accounting Standards

The FASB issued Accounting Standards Update ("ASU") 2023-07, "Segment Reporting: Improvements to Reportable Segment Disclosures" ("Topic 280") in November 2023. The amendments are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. Topic 280 improves "reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses." In addition, the amendments enhance interim disclosure requirements, clarify circumstances in which an entity can disclose multiple segment measures of profit or loss, provide new segment disclosure requirements for entities with a single reportable segment, and contain other disclosure requirements. The purpose of the amendments is to enable "investors to better understand an entity's overall performance" and assess "potential future cash flows." Management is evaluating the impact of ASU 2023-07 on the consolidated financial statements and does not expect there to be any changes or impact to the financial statements.

Recently Adopted Accounting Standards

The FASB issued ASU 2020-06, "Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 81540)." The ASU simplifies the accounting for certain financial instruments with characteristics of liabilities and equity. The amendments are effective for fiscal years beginning after December 15, 2023, and interim periods within that period. The FASB also specified that an entity must adopt the guidance as of the beginning of its annual fiscal year and is not permitted to adopt the guidance in an interim period, other than the first interim period of their fiscal year. ASU 2020-06 reduces the number of accounting models for convertible debt and convertible preferred stock instruments and makes certain disclosure amendments to improve the information provided to users. There were no material impacts on the consolidated financial statements at adoption.

2. RESTATEMENT OF FINANCIAL STATEMENTS

The Company restated its financial statements for the six months ended June 30, 2024 as a result of a change in classification of credit loss expense to net revenue and a related adjustment to its allowance for credit losses. ~~The following tables summarize~~During the ~~impact~~preparation of the ~~corrections on the Company's condensed consolidated balance sheet as of June 30, 2024, and the condensed consolidated statement of operations~~financial statements for the ~~three and~~ six months ended June 30, 2024~~.~~, the Company identified and corrected its accounting for its allowance for credit losses and its credit loss expense. The Company's allowance for credit losses of $122,190 did not require adjustment during the six months ended June 30, 2024 and as a result, the Company reversed its credit loss expense associated with this adjustment. The ~~restatement had no effect on the Company's condensed consolidated statement of cash flows~~remaining $1,199,155 of credit loss expense for the six months ended June 30, 2024~~:~~ was reclassified to net revenue as variable consideration accounted for under ASC 606.

Balance sheet

	Impact of correction of error		
June 30, 2024 (Unaudited)	As previously reported	Adjustments	As restated
Total assets	$ 24,659,020	$ 42,862	$ 24,701,882
Total stockholders' equity	$ 5,837,412	$ 42,862	$ 5,880,274

Statement of operations

	Impact of correction of error		
Three months ended June 30, 2024 (Unaudited)	As previously reported	Adjustments	As restated
Revenue	$ 2,330,964	$ (859,321)	$ 1,471,643
Cost of sales	793,010	–	793,010
Gross profit	1,537,954	(859,321)	678,633
Operating expense	1,740,299	(902,183)	838,116
Loss from operations	$ (202,345)	$ 42,862	$ (159,483)
Other income, net	27,898	–	27,898
Net loss before discontinued operations	(174,447)	42,862	(131,585)
Loss from discontinued operations	–	–	–
Net loss for the period	$ (174,447)	$ 42,862	$ (131,585)
Preferred stock dividends	$ (326,174)	$ –	$ (326,174)
Net loss attributable to common shareholders	$ (500,621)	$ 42,862	$ (457,759)

	Impact of correction of error		
Six months ended June 30, 2024 (Unaudited)	As previously reported	Adjustments	As restated
Revenue	$ 4,992,930	$ (1,199,155)	$ 3,793,775
Cost of sales	1,741,164	–	1,741,164
Gross profit	3,251,766	(1,199,155)	2,052,611
Operating expense	3,235,119	(1,242,017)	1,993,102
Income from operations	$ 16,647	$ 42,862	$ 59,509
Other expense, net	(362,886)	–	(362,886)
Net loss before discontinued operations	(346,239)	42,862	(303,377)
Loss from discontinued operations	(111,312)	–	(111,312)
Net loss for the period	$ (457,551)	$ 42,862	$ (414,689)
Preferred stock dividends	$ (477,808)	$ –	$ (477,808)
Net loss attributable to common shareholders	$ (935,359)	$ 42,862	$ (892,497)

During the preparation of the financial statements for the year ended December 31, 2023, the Company identified and corrected its classification and accounting treatment for its series R convertible preferred stock and the related dividend accrual. Pursuant to ASC 250, *Accounting changes and error corrections* issued by FASB and Staff Accounting Bulletin 99 *Materiality*, issued by Securities and Exchange Commission, the Company determined the impact of the error was immaterial. The impact of the error correction is reflected in the consolidated balance sheet as of June 30, 2023 as a $274,982 increase to the mezzanine equity and offsetting decrease to the series R convertible preferred stock and subject to possible redemption mezzanine equity line item. In addition, the impact of the unpaid dividend accrual was reflected as of June 30, 2023 as a $16,363 increase to mezzanine equity and offsetting decrease to the accumulated deficits.

During the preparation of the financial statements for three and six months ended June 30, 2024, the Company identified and corrected its classification for all its outstanding common stock amount per par value of $0.001 with additional paid-in-capital related with a 1-for-75,000 reverse split executed on January 9, 2024. The impact of this adjustment decreased $1,804,774 to common stock and offsetting increase to additional paid-in-capital as of December 31, 2023.

On November 10, 2023, the Company sold Platinum Tax, which was a full-service tax resolution firm located in Los Angeles, California. The Company presented in prior periods operating loss as loss from discontinued operations of $43,810 and $89,300 on the consolidated statement of operations for the three and six months ended June 30, 2023, respectively.

The impact of the error corrections also reflected a $55.66 increase of basic earnings per share, and a $3.59 increase of diluted earnings per share on the consolidated statement of operations for the three months ended June 30, 2023. For the six months ended June 30, 2023, the impact of the error correction reflected a $28.75 increase of basic earnings per share, and an increase of $1.45 of diluted earnings per share.

The following tables summarize the impact of the corrections on the Company's condensed consolidated balance sheet as of June 30, 2023, the condensed consolidated statement of operations for the three and six months ended June 30, 2023, and the condensed consolidated statement of cash flows for the six months ended June 30, 2023:

Balance sheet

	Impact of correction of error		
June 30, 2023 (Unaudited)	As previously reported	Adjustments	As restated
Total assets	$ 16,053,519	$ (2,818)	$ 16,050,700
Total liabilities	11,672,952	(243,242)	11,429,710
Mezzanine equity	5,297,605	291,345	5,588,949
Total stockholders' equity	$ (917,038)	$ (291,345)	$ (1,208,383)

Statement of operations

	Impact of correction of error		
Three months ended June 30, 2023 (Unaudited)	As previously reported	Adjustments	As restated
Revenue	$ 3,482,810	$ (118,304)	$ 3,364,506
Cost of sales	1,102,986	(21,297)	1,081,689
Gross profit	2,379,824	(97,007)	2,282,817
Operating expense	673,654	(140,276)	533,378
Income from operations	$ 1,706,170	$ 43,269	$ 1,749,439
Other income (expense), net	(890,092)	(541)	(889,551)
Net income before discontinued operations	816,078	43,810	859,888
Loss from discontinued operations	–	(43,810)	(43,810)
Net income for the period	$ 816,078	$ –	$ 816,078
Preferred stock dividends	$ (125,744)	$ 0.00	$ (125,744)
Net income attributable to common shareholders	$ 690,334	$ 0.00	$ 690,334

Basic earnings per share for continuing operations	$ 0.00	$ 55.66	$ 55.66
Diluted earnings per share for continuing operations	$ 0.00	$ 3.59	$ 3.59

Six months ended June 30, 2023 (Unaudited)	Impact of correction of error As previously reported	Adjustments	As restated
Revenue	$ 6,343,608	$ (272,703)	$ 6,070,905
Cost of sales	2,086,109	(48,125)	2,037,984
Gross profit	4,257,499	(224,578)	4,032,921
Operating expense	1,837,768	(311,835)	1,525,933
Income from operations	$ 2,419,731	$ 87,257	$ 2,506,988
Other income (expense), net	(1,619,644)	2,043	(1,617,601)
Net income before discontinued operations	800,087	89,300	889,387
Loss from discontinued operations	–	(89,300)	(89,300)
Net income for the period	$ 800,087	$ –	$ 800,087
Preferred stock dividends	$ (462,555)	$ (8,136)	$ (454,419)
Net income attributable to common shareholders	$ 337,532	$ 8,136	$ 345,668
Basic earnings per share for continuing operations	$ 0.00	$ 28.75	$ 28.75
Diluted earnings per share for continuing operations	$ 0.00	$ 1.45	$ 1.45

Statement of Cash Flows

Six months ended June 30, 2023 (Unaudited)	Impact of correction of error As previously reported	Adjustments	As restated
Net cash used in operating activities of continuing operations	$ (304,173)	$ 43,707	$ (260,466)
Net cash provided by financing activities of continuing operations	$ 488,580	$ (128,110)	$ 360,470

3. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	June 30, 2024	**December 31, 2023**
Accounts payable	$ 543,866	$ 720,774
Accrued credit cards	15,613	26,645
Accrued liability for ~~collections~~settlement of previously factored receivables	990,824	1,247,772
Accrued income and property taxes	5,346	5,346
Accrued professional fees	82,418	29,122
Accrued board fees	15,000	–
Accrued public company fees	9,100	–
Accrued payroll	17,564	17,472
Total	$ 1,679,731	$ 2,047,131

The Company is delinquent paying certain property taxes. As of June 30, 2024 and December 31, 2023, the balance for these property taxes was $1,649.

4. PLANT AND EQUIPMENT, NET

Property and equipment as of June 30, 2024 and December 31, 2023 is as follows:

	June 30, 2024	December 31, 2023
Medical equipment	$ 96,532	$ 96,532
Computer Equipment	9,189	9,189
Furniture, fixtures and equipment	15,079	15,079
Leasehold Improvement	15,950	15,950
Total	136,750	136,750
Less: accumulated depreciation	(108,821)	(102,089)
Property and equipment, net	$ 27,929	$ 34,661

For the three months ended June 30, 2024 and 2023, depreciation expense was $3,366 and $3,365, respectively. For the six months ended June 30, 2024 and 2023, depreciation expense was $6,731 and $8,000, respectively.

5. LAND

As of June 30, 2024 and December 31, 2023, the Company had 27 acres of land of approximately $540,000. The land is currently vacant and is expected to be developed into a residential community.

6. RELATED PARTY TRANSACTIONS

In connection with the acquisition of Edge View on July 16, 2014, the Company assumed amounts due to previous owners who are current managers of Edge View. These amounts are due on demand and do not bear interest. The balance of these amounts are $4,979 due from the previous owners as of June 30, 2024 and December 31, 2023.

The Company obtained short-term advances from the Chairman of the Board that are non-interest bearing and due on demand. As of June 30, 2024 and December 31, 2023, the Company owed the Chairman $0 and $120,997, respectively. During the six months ended June 30, 2024, the Company paid $120,997 to the Chairman.

See also Note 8. *Convertible Notes Payable* and the disclosure regarding Note payable 41.

See also Note 13. *Commitments and Contingencies* for compensation paid to employees of the Company.

7. NOTES AND LOANS PAYABLE

Notes payable at June 30, 2024 and December 31, 2023 are summarized as follows:

	June 30, 2024	December 31, 2023
Notes and loans payable	$ 7,369,037	$ 2,280,743
Less current portion	(7,226,646)	(2,136,077)
Long-term portion	$ 142,391	$ 144,666

Long-term debt matures as follows:

	Amount
2024 (remainder of year)	$ 7,226,646
2025	4,910
2026	4,910
2027	4,910
2028	4,910
Thereafter	122,751
Total	$ 7,369,037

Promissory Note – Settlement Agreement

On June 11, 2024, the Company entered into a settlement agreement and release of claims with the holder of 165 shares of series R convertible preferred stock and certain convertible promissory notes (see Notes 29-2, 37-1, 37-2, and 37-3 referenced in Note 8. *Convertible Notes Payable*). Pursuant to the settlement agreement and release of claims, the holder agreed to cancel its shares of series R convertible preferred stock and convertible promissory notes in exchange for a new fixed amount settlement promissory note in the principal amount of $535,000.

The note does not bear interest and requires fixed payments as follows: (i) if the Company raises at least $5 million but less than $6 million in its planned underwritten public offering (the "Offering"), then it must pay $250,000 on the closing date of the Offering, with payments of $125,000, $125,000 and $35,000 to follow on the 90th, 180th, and 240th days following the closing of the Offering, respectively; (ii) if the Company raises at least $6 million but less than $7 million in the Offering, then it must pay $390,000 on the closing date of the Offering and $145,000 on the 90th day following the closing of the Offering; and (iii) if the Company raises at least $7 million in the Offering, then it must repay the entire principal amount on the closing date of the Offering. If the Offering is not completed by August 15, 2024, then the Company is required to pay $25,000 on such date and to continue making payments of $25,000 on each monthly anniversary thereof until the entire principal amount is repaid in full. If the Offering is completed after August 15, 2024, then the Company is required to make payments as described in the schedule above. Notwithstanding the foregoing, if the Company abandons the Offering and conducts a new public offering thereafter, then the Company is required to make a payment of $100,000 on the closing date of such other public offering, a second payment of $100,000 on the 90th day following the closing of such offering and $35,000 each month thereafter until the entire principal amount is repaid in full. If any portion of the principal amount remains unpaid on the second (2nd) anniversary of the date of the note, it shall become immediately due and payable on such date. The Company may prepay the entire principal amount at any time without penalty. The note is unsecured and contains customary events of default for a loan of this type. Upon an event of default, interest would automatically begin to accrue at a simple interest rate of ten percent per annum. This transaction was accounted for as a debt extinguishment and a gain on settlement of $78,834 was recorded to the unaudited, consolidated statement of operations for the quarter ended June 30, 2024, in accordance with FASB Topic 470 *Borrower's Accounting for Debt Modifications.*

Loans and Notes Payable – Unrelated Party

On March 12, 2009, the Company issued a debenture in the principal amount of $20,000. The debenture bore interest at 12% per year and matured on September 12, 2009. The balance of the debenture was $10,989 at June 30, 2024 and December 31, 2023. The accrued interest of the debenture was $8,205 and $7,547 at June 30, 2024 and December 31, 2023, respectively. The Company assigned all of its receivables from consumer activations of the rewards program as collateral on this debenture.

Small Business Administration ("SBA") Loans

On June 2, 2020, the Company obtained an SBA loan in the principal amount of $150,000 with an interest rate of 3.75% and a maturity date of June 2, 2050. The principal balance and accrued interest at June 30, 2024 was $147,301 and $0, respectively, and principal and accrued interest at December 31, 2023 was $149,655 and $956, respectively.

Line of Credit

On September 29, 2023, the Company and Nova entered into a two-year revolving purchase and security agreement with DML HC Series, LLC ("DML") to sell, with recourse, Nova's accounts receivables for a revolving financing up to a maximum advance amount of $4.5 million. A review is performed on a quarterly basis to assess the adequacy of the maximum amount. If mutually agreed upon by the Company and DML, the maximum amount may be increased. On April 24, 2024, the Company and Nova entered into amendment No. 1 with DML which increased the maximum advance amount to $8,000,000 and defined the discount fee equal to 2.25% per purchase and claims balance forward on new purchases with a minimum fee to now be $10,000. On June 11, 2024, the Company and Nova entered into amendment No. 2 with DML which further increased the maximum advance amount to $11,000,000. As of June 30, 2024, and December 31, 2023, the Company had $6,675,746 and $2,120,100, respectively, outstanding balance against the revolving receivable line of credit. The revolving purchase and security agreement includes discounts recorded as interest expense on each funding and matures on September 29, 2025.

8. CONVERTIBLE NOTES PAYABLE

As of June 30, 2024 and December 31, 2023, the Company had convertible debt outstanding net of amortized debt discount of $110,000 and $3,807,030, respectively. During the six months ended June 30, 2024, the Company made $100,080 in principal payments to the holder of Notes 9 and 10-1 and paid the total outstanding accrued interest on these notes in the amount of $22,279. The Company also paid $100,000 of accrued interest to convertible noteholder related to note 40-1. On June 11, 2024, the Company entered into a settlement agreement and release of claims with the holder of Notes 29-2, 37-1, 37-2 and 37-3 (see below and also Note 7. *Notes and Loans Payable* for further details). Pursuant to the settlement agreement and release of claims, the holder agreed to cancel these notes in exchange for a new fixed amount settlement promissory note in the principal amount of $535,000. Additionally, during the six months ended June 30, 2024, the Company exchanged Notes 40-1, 40-2, 40-3, 40-4, 40-5, 40-6, 40-7, 40-8, 40-9 and 40-10 for the issuance of 938,908 shares of series Y senior convertible preferred stock to the noteholder. See also Note 9. *Capital Stock*.

During the six months ended June 30, 2023, the Company received net proceeds of $355,500 from convertible notes. There were debt discounts associated with the convertible debt of $0 and $24,820 at June 30, 2024 and December 31, 2023, respectively. For the three months ended June 30, 2024 and 2023, the Company recorded amortization of debt discounts of $11,306 and $30,633, respectively. For the six months ended June 30, 2024 and 2023, the Company recorded amortization of debt discounts of $24,821and $48,616, respectively.

During the six months ended June 30, 2024, the Company converted $680 in accrued interest and $1,000 in conversion cost into 1,222 shares of common stock. The Company recognized $1,679 of additional paid-in capital to adjust fair value for the debt settlement during the six months ended June 30, 2024. During the six months ended June 30, 2023, the Company converted $58,800 of convertible debt, $5,873 in accrued interest and $2,000 in penalties and fees into 1,582 shares of the Company's common stock. The Company recognized $123,566 of interest expense and additional paid-in capital to adjust fair value for the debt settlement during the six months ended June 30, 2023.

Convertible notes as of June 30, 2024 and December 31, 2023 are summarized as follows:

	June 30, 2024	December 31, 2023
Convertible notes payable	$ 110,000	$ 3,831,850
Discounts on convertible notes payable	–	(24,820)
Total convertible debt less debt discount	110,000	3,807,030
Current portion	110,000	3,807,030
Long-term portion	$ –	$ –

The following is a schedule of convertible notes payable as of and for the six months ended June 30, 2024.

Note #	Issuance	Maturity	Principal Balance 12/31/23	Settlements and/or Principal Conversions	New Loans or (Cash Paydown)	Shares Issued Upon Conversion or Exchange	Principal Balance 06/30/24	Accrued Interest on Convertible Debt at 12/31/23	Interest On Convertible Debt For the Period Ended 06/30/24	Accrued Interest on Convertible Debt at 06/30/24	Unamortized Debt Discount At 06/30/24
9	09/12/2016	09/12/2017	$ 50,080	–	(50,080)	1,222	$ –	$ 5,581	$ (5,581)	–	–
10	01/24/2017	01/24/2018	55,000	–	–	–	55,000	80,875	5,486	86,361	–

10-1	02/10/2023	02/10/2024	50,000	–	(50,000)	–	–	6,658	(6,658)	–	–
10-2	03/30/2023	03/30/2024	25,000	–	–	–	25,000	2,836	2,181	5,017	–
10-3	08/11/2023	08/11/2024	25,000	–	–	–	25,000	1,469	1,870	3,339	–
29-2	11/08/2019	11/08/2020	36,604	(36,604)	–	–	–	10,109	(10,109)	–	–
31	08/28/2019	08/28/2020	–	–	–	–	–	8,385	(8,385)	–	–
37-1	09/03/2020	06/30/2021	113,667	(113,667)	–	–	–	64,929	(64,929)	–	–
37-2	11/02/2020	08/31/2021	113,167	(113,167)	–	–	–	63,594	(63,594)	–	–
37-3	12/29/2020	09/30/2021	113,166	(113,166)	–	–	–	62,558	(62,558)	–	–
40-1	09/22/2022	09/22/2024	2,600,000	(2,600,000)	–	938,908(1)	–	252,665	(252,655)	–	–
40-2	11/04/2022	09/22/2024	68,667	(68,667)	–	–	–	7,939	(7,939)	–	–
40-3	11/28/2022	09/22/2024	68,667	(68,667)	–	–	–	7,506	(7,506)	–	–
40-4	12/21/2022	09/22/2024	68,667	(68,667)	–	–	–	7,054	(7,054)	–	–
40-5	01/24/2023	03/21/2024	90,166	(90,166)	–	–	–	8,284	(8,284)	–	–
40-6	03/21/2023	09/22/2024	139,166	(139,166)	–	–	–	10,671	(10,671)	–	–
40-7	06/05/2023	06/05/2024	139,166	(139,166)	–	–	–	7,826	(7,826)	–	–
40-8	06/13/2023	06/13/2024	21,167	(21,167)	–	–	–	1,127	(1,127)	–	–
40-9	07/19/2023	07/19/2024	35,500	(35,500)	–	–	–	1,605	(1,605)	–	–
40-10	07/24/2023	07/24/2024	14,000	(14,000)	–	–	–	614	(614)	–	–
41	08/25/2023	08/25/2024	5,000	–	–	–	5,000	175	250	425	
			$3,831,850	$ (3,621,770)	$ (100,080)	940,130	$ 110,000	$ 612,460	$ (517,318)	$ 95,142	$ –

(1) 938,908 Series Y Senior Convertible Preferred Shares issued in exchange for full value of the outstanding principal and interest on Notes 40-1, 40-2, 40-3, 40-4, 40-5, 40-6, 40-7, 40-8, 40-9 and 40-10

Note 9

On September 12, 2016, the Company issued a convertible promissory note in the principal of $80,000 for services rendered, which matured on September 12, 2017. Note 9 is currently in default and accrues at a default interest rate of 20% per annum. In May of 2024, the $58,846 total outstanding principal and interest was paid in full.

Note 10, 10-1, 10-2 and 10-3

On January 24, 2017, the Company issued a convertible promissory note in the principal amount of $80,000 for services rendered, which matured on January 24, 2018. Note 10 is currently in default and accrues interest at a default interest rate of 20% per annum. On February 10, 2023, the Company executed a second tranche under this note in the principal amount of $50,000 (Note 10-1). On March 30, 2023, the Company executed a third tranche under this note in the principal amount of $25,000 (Note 10-2). On August 11, 2023, the Company executed a fourth tranche under this note in the principal amount of $25,000 (Note 10-3). In May of 2024, the $63,513 total outstanding principal and interest on Note 10-1 was paid in full. Note 10-2 is currently in default and accrues interest at a default interest rate of 20% per annum. Note 10-3 accrues interest at a rate of 15% per annum.

Notes 29-2, 37-1, 37-2 and 37-3

On May 10, 2019, the Company issued a convertible promissory note in the principal amount of $150,000. On November 8, 2019, this note (Note 29) was purchased by and assigned to an unrelated party. The amount assigned was the existing principal amount of $150,000 and accrued interest of $5,918, which was issued as Note 29-1, plus a new convertible promissory note in the principal amount of $62,367, which was issued as Note 29-2.

On September 3, 2020, the Company issued a convertible promissory note in the principal amount of $200,000, with an original issue discount of $50,000, which could be drawn in several tranches. On September 3, 2020, the Company executed the first tranche in the principal amount of $67,000, less an original issue discount of $17,000, which matured on June 30, 2021 (Note 37-1). On November 2, 2020, the Company executed the second tranche in the principal amount of $66,500, less an original issue discount of $16,500, which matured on August 31, 2021 (Note 37-2). On December 29, 2020, the Company executed the third tranche in the principal amount of $66,500, less an original issue discount of $16,500, which matured on September 30, 2021 (Note 37-3).

On June 11, 2024, the Company entered into a settlement agreement and release of claims with the holder of Notes 29-2, 37-1, 37-2 and 37-3 (see Note 7. *Notes and Loans Payable* for further details). Pursuant to the settlement agreement and release of claims, the holder agreed to cancel these notes, along with the cancellation of their holding in the series R preferred stock, in exchange for a new fixed amount settlement promissory note in the principal amount of $535,000.

Notes 40-1, 40-2, 40-3, 40-4, 40-5, 40-6, 40-7, 40-8, 40-9 and 40-10

On September 22, 2022, the Company issued a convertible promissory note in the principal amount of $2,600,000 in exchange for total of $4,791,099 of defaulted promissory notes balances (Note 40-1). On November 4, 2022, the Company executed a second tranche under this note in the principal amount of $68,667, less an original issue discount and fee of $18,667 (Note 40-2). On November 28, 2022, the Company executed the third tranche under this note in the principal amount of $68,667, less an original issue discount and fee of $18,667 (Note 40-3). On December 21, 2022, the Company executed a fourth tranche under this note in the principal amount of $68,667, less an original issue discount and fee of $18,667 (Note 40-4). On January 24, 2023, the Company executed a fifth tranche under this note in the principal amount of $90,166, less an original issue discount and fee of $25,166 (Note 40-5). On March 21, 2023, the Company executed a sixth tranche under this note in the principal amount of $136,666, less an original issue discount and fee of $39,166 (Note 40-6). On June 5, 2023, the Company executed a seventh tranche under this note in the principal amount of $136,667, less original issue discount and fee of $39,167 (Note 40-7). On June 13, 2023, the Company executed an eighth tranche under this note in the principal amount of $21,167, less original issue discount and fee of $5,167 (Note 40-8). On July 19, 2023, the Company executed a ninth tranche under this note in the principal amount of $35,500, less an original issue discount and fee of $8,875 (Note 40-9). On July 24, 2023, the Company executed a tenth tranche under this note in the principal amount of $14,000, less an original issue discount and fee of $3,500 (Note 40-10). On December 1, 2023, the Company executed amendment on Notes series 40 consolidated senior secured convertible promissory note to extend the expired tranche note 40-1 through 40-5' due date to September 20, 2024. All of the Note 40 tranches mature in one year from the note issuance date and accrue interest at a rate of 10% per annum.

On April 11, 2024, the Company issued 938,908 shares of series Y senior convertible preferred stock in exchange for the settlement of the principal and interest in full on Notes 40-1, 40-2, 40-3, 40-4, 40-5, 4-6, 40-7, 40-8, 40-9 and 40-10. See also Note 9. *Capital Stock*.

Note 41

On August 25, 2023, the Company issued a twelve-month convertible promissory note in the principal amount of $5,000 to the Company's CEO for the Company's operating expenses. The rate of interest is 10% per annum.

9. CAPITAL STOCK

On May 8, 2024, the Company amended its Articles of Incorporation to increase its authorized stock. The total amended authorized shares are 350,000,000 shares of capital stock, consisting of 300,000,000 shares of common stock, $0.001 par value, and 50,000,000 shares of preferred stock, $0.001 par value per share.

Preferred Stock

The Company has designated multiple series of preferred stock, including 2 shares of series A preferred stock, 3,000,000 shares of series B preferred stock, 500 shares of series C preferred stock, 1,000,000 shares of series E preferred stock, 50,000 shares of series F-1 preferred stock, 15,000,000 shares of series I preferred stock, 2,000,000 shares of series J preferred stock, 400,000 shares of series L preferred stock, 3,000,000 shares of series N senior convertible preferred stock, 5,000 shares of series R convertible preferred stock, 5,000,000 shares of series X senior convertible preferred stock and 1,000,000 shares of series Y senior convertible preferred stock.

The following is a description of the rights and preferences of each series of preferred stock.

Redeemable Preferred Stock

The Company recognizes the series N senior convertible preferred stock, series R convertible preferred stock and series X senior convertible preferred stock as mezzanine equity in accordance with ASC 480, "Distinguishing Liabilities from Equity".

Series N Senior Convertible Preferred Stock

Ranking. The series N senior convertible preferred stock ranks, with respect to the payment of dividends and the distribution of assets upon liquidation, (i) senior to all common stock and each other class or series that is not expressly made senior to or on parity with the series N senior convertible preferred stock; (ii) on parity with each class or series that is not expressly subordinated or made senior to the series N senior convertible preferred stock; and (iii) junior to all indebtedness and other liabilities with respect to assets available to satisfy claims against the Company and each class or series that is expressly made senior to the series N senior convertible preferred stock.

Dividend Rights. Holders of series N senior convertible preferred stock are entitled to dividends at a rate per annum of 12.0% of the stated value ($4.00 per share); provided that upon an event of default (as defined in the certificate of designation for the series N senior convertible preferred stock), such rate would increase by 8% per annum. Dividends accrued from day to day, whether or not declared, and are cumulative. Dividends are payable quarterly in arrears on each dividend payment date in cash or common stock at the Company's discretion. Dividends payable in common stock are to be calculated based on a price equal to eighty percent (80%) of the volume weighted average price for the common stock on the Company's principal trading market (the "VWAP") during the five (5) trading days immediately prior to the applicable dividend payment date. At June 30, 2024 and December 31, 2023, cumulative dividends earned on the series N senior convertible preferred stock were $1,106,562 and $766,437, respectively. The total balance of the cumulative accrued dividends was paid by the Company via the issuance of 197,601 shares of the Company's common stock as of June 30, 2024.

Liquidation Rights. Subject to the rights of creditors and the holders of any senior securities or parity securities (in each case, as defined in the certificate of designation), upon any liquidation of the Company or its subsidiaries, before any payment or distribution of the assets of the Company (whether capital or surplus) are to be made to or set apart for the holders of junior securities (as defined in the certificate of designation), including the common stock, each holder of outstanding series N senior convertible preferred stock is entitled to receive an amount of cash equal to 115% of the stated value of $4.00 per share, plus an amount of cash equal to all accumulated accrued and unpaid dividends thereon (whether or not declared) to, but not including the date of final distribution to such holders.

Voting Rights. Holders of series N senior convertible preferred stock do not have any voting rights; provided that, so long as any shares of series N senior convertible preferred stock are outstanding, the affirmative vote of holders of a majority of the series N senior convertible preferred stock, which majority must include SILAC Insurance Company so long as it holds any shares of series N senior convertible preferred stock, voting as a separate class, is necessary for approving, effecting or validating any amendment, alteration or repeal of any of the provisions of the certificate of designation or prior to the Company's (or Nova's) creation or issuance of any parity securities or new indebtedness (as defined in the certificate of designation); provided that the foregoing does not apply to any financing transaction the use of proceeds of which would be used to redeem the series N senior convertible preferred stock and the warrants issued in connection therewith. In addition, the affirmative vote of holders of 66% of the series N senior convertible preferred stock, voting as a separate class, is required prior to the Company's (or Nova's) creation or issuance of any senior securities.

Conversion Rights. Each share of series N senior convertible preferred stock, plus all accrued and unpaid dividends thereon, are convertible, at the option of the holder thereof, at any time and from time to time, into such number of fully paid and nonassessable shares of common stock determined by dividing the stated value ($4.00 per share), plus the value of the accrued, but unpaid, dividends thereon, by a conversion price of $900 per share (subject to standard adjustments in the event of any stock splits, stock combinations, stock reclassifications, dividends paid in common stock, sales of substantially all assets, mergers, consolidations or similar transactions); provided that in no event shall the holder of any series N senior convertible preferred stock be entitled to convert any number of shares that upon conversion the sum of (i) the number of shares of common stock beneficially owned by the holder and its affiliates and (ii) the number of shares of common stock issuable upon the conversion of the series N senior convertible preferred stock with respect to which the determination of this proviso is being made, would result in beneficial ownership by the holder and its affiliates of more than 4.99% of the then outstanding common stock. This limitation can be waived (up to a maximum of 9.99%) by the holder and in its sole discretion, upon not less than sixty-one (61) days' prior notice to the Company.

Redemption Rights. The Company may redeem the series N senior convertible preferred stock at any time by paying in cash therefore a sum equal to 115% of the stated value of $4.00 per share, plus the amount of accrued and unpaid dividends and any other amounts due pursuant to the terms of the certificate of designation. In addition, any holder may require the Company to redeem some or all of its shares of series N senior convertible preferred stock on the same terms after a period of twelve months from the date of issuance; provided, however, that such redemption right shall only be exercisable if the Company raises at least $5,000,000 or the common stock is trading on the Nasdaq Stock Market or the New York Stock Exchange.

Series R Convertible Preferred Stock

The series R convertible preferred stock was cancelled as part of the June 2024 promissory note and settlement agreement. See also Note 7. *Notes and Loans Payable* and Note 8. *Convertible Notes Payable*.

Ranking. The series R convertible preferred stock ranked, with respect to the distribution of assets upon liquidation, (i) senior to all common stock, series A preferred stock, series B preferred stock, series C preferred stock, series E preferred stock, series F-1 preferred stock, series I preferred stock, series J preferred stock, series L preferred stock and to each other class or series that is not expressly made senior to or on parity with the series R convertible preferred stock; (ii) on parity with each class or series that is not expressly subordinated or made senior to the series R convertible preferred stock; and (iii) junior to the series N senior convertible preferred stock, series X senior convertible preferred stock and to each other series of preferred stock and each class or series that is expressly made senior to the series R convertible preferred stock, as well as to all indebtedness and other liabilities with respect to assets available to satisfy claims against the Company.

Dividend Rights. The holders of series R convertible preferred stock were entitled to receive cumulative dividends in the amount of twelve percent (12%) per annum, payable quarterly. In addition, holders of series R convertible preferred stock were entitled to receive dividends equal (on an as converted to common stock basis) to and in the same form as dividends actually paid on shares of common stock when, as and if such dividends are paid on shares of common stock. Any dividends that were not paid when due were to continue to accrue and entailed a late fee, which must be paid in cash, at the rate of 18% per annum or the lesser rate permitted by applicable law which was to accrue and compound daily from the missed payment date through and including the date of actual payment in full. At June 30, 2024 and December 31, 2023, cumulative dividends on Series R Preferred Stock were $0 and $109,980, respectively.

Liquidation Rights. Upon any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of series R convertible preferred stock were entitled to receive out of the assets, whether capital or surplus, of the Company an amount equal to the stated value ($1,200), plus any accrued and unpaid dividends thereon and any other fees or liquidated damages then due and owing, for each share of series R convertible preferred stock before any distribution or payment shall be made to the holders of any junior securities.

Voting Rights. The holders of series R convertible preferred stock voted together with the common stock on an as-converted basis. However, as long as any shares of series R convertible preferred stock were outstanding, the Company shall not, without the affirmative vote of the holders of a majority of the then outstanding shares of the series R convertible preferred stock, directly and/or indirectly (i) alter or change adversely the powers, preferences or rights given to the series R convertible preferred stock or alter or amend the certificate of designation, (ii) authorize or create any class of stock ranking as to redemption or distribution of assets upon a liquidation senior to, or otherwise *pari passu* with, the series R convertible preferred stock, or authorize or create any class of stock ranking as to dividends senior to, or otherwise *pari passu* with, the series R convertible preferred stock, (iii) amend its articles of incorporation or other charter documents in any manner that adversely affects any rights of the holders of the series R convertible preferred stock, (iv) increase the number of authorized shares of series R convertible preferred stock, or (v) enter into any agreement with respect to any of the foregoing.

Conversion Rights. Each share of series R convertible preferred stock was convertible, at the option of the holder thereof, at any time and from time to time, into such number of fully paid and nonassessable shares of common stock determined by dividing the stated value ($1,200 per share) by a conversion price equal to the lower of (i) $75.0 and (ii) the lowest daily VWAP during the twenty (20) trading days immediately prior to the applicable conversion date. Notwithstanding the foregoing, the Company shall not effect any conversion of the series R convertible preferred stock, and a holder shall not have the right to convert any portion of the series R convertible preferred stock, to the extent that, after giving effect to the conversion, such holder (together with such holder's affiliates, and any persons acting as a group together with such holder or any of such holder's affiliates) would beneficially own in excess of 4.99% of the then outstanding common stock. The conversion price was subject to adjustment for any stock dividend, stock split, stock combination, reclassification or similar transaction that proportionately decreases or increases the common stock, as well as for mergers, business combinations and certain other fundamental transactions. In addition, subject to certain exceptions, upon any issuance by the Company or any of its subsidiaries of common stock or common stock equivalents for cash consideration, indebtedness or a combination of units thereof (a "Subsequent Financing"), the holder could have elected, in its sole discretion, to exchange (in lieu of conversion), if applicable, all or some of the shares of series R convertible preferred stock then held for any securities or units issued in a Subsequent Financing on a $1.00 for $1.00 basis.

Participation Rights. Subject to certain exceptions, upon a Subsequent Financing, a holder of at least 100 shares of series R convertible preferred stock were to have the right to participate in up to an amount of the Subsequent Financing equal to 100% of the Subsequent Financing on the same terms, conditions and price provided for in the Subsequent Financing.

Company Redemption Rights. The Company had the right to redeem all (but not less than all), shares of the series R convertible preferred stock issued and outstanding at any time upon three (3) business days' notice, at a redemption price per share equal to the product of (i) the Premium Rate multiplied by (ii) the sum of (x) the stated value ($1,200), (y) all accrued but unpaid dividends, and (z) all other amounts due to the holder. "Premium Rate" means (a) 1.1 if all of the series R convertible preferred stock is redeemed within ninety (90) calendar days from the issuance date thereof; (b) 1.2 if all of the series R convertible preferred stock is redeemed after ninety (90) calendar days and within one hundred twenty (120) calendar days from the issuance date thereof; (c) 1.3 if all of the series R convertible preferred stock is redeemed after one hundred twenty (120) calendar days and within one hundred eighty (180) calendar days from the issuance date thereof; and (iv) 1.0 if all of the series R convertible preferred stock is redeemed after one hundred eighty (180) calendar days.

Redemption Upon Triggering Events. Upon the occurrence of a Triggering Event (as defined below), each holder of series R convertible preferred stock had (in addition to all other rights it may have) the right, exercisable at the sole option of such holder, to require the Company to (A) redeem all of the series R convertible preferred stock then held by such holder for a redemption price, in cash, equal to the Triggering Redemption Amount (as defined below), or (B) at the option of each holder either (i) redeem all of the series R convertible preferred stock then held by such holder though the issuance to such holder of such number of shares of common stock equal to the quotient of (x) the Triggering Redemption Amount, divided by (y) the lowest of (1) the conversion price, and (2) 75% of the average of the 10 VWAPs immediately prior to the date of election, or (ii) increase the dividend rate on all of the outstanding series R convertible preferred stock held by such holder retroactively to the initial issuance date to 18% per annum thereafter. "Triggering Redemption Amount" means, for each share of series R convertible preferred stock, the sum of (a) the greater of (i) 130% of the stated value and (ii) the product of (y) the VWAP on the trading day immediately preceding the date of the Triggering Event, multiplied by (z) the stated value divided by the then applicable conversion price, (b) all accrued but unpaid dividends thereon and (c) all liquidated damages, late fees and other costs, expenses or amounts due in respect of the series R convertible preferred stock including, but not limited to legal fees and expenses of legal counsel to the holder in connection with, related to and/or arising out of a Triggering Event. A "Triggering Event" means any of the following events (whatever the reason for such event and whether such event shall be voluntary or involuntary or effected by operation of law or pursuant to any judgment, decree or order of any court, or any order, rule or regulation of any administrative or governmental body):

- the Company shall fail to deliver the shares of common stock issuable upon a conversion prior to the fifth (5^{th}) trading day after such shares are required to be delivered, or the Company shall provide written notice to any holder, including by way of public announcement, at any time, of its intention not to comply with requests for conversion of any shares of series R convertible preferred stock in accordance with the terms of the certificate of designation;

- the Company shall fail for any reason to pay in full the amount of cash due pursuant to a Buy-In (as defined in the certificate of designation) within five (5) trading days after notice therefor is delivered;

- the Company shall fail to have available a sufficient number of authorized and unreserved shares of common stock to issue to such holder upon a conversion;

- unless specifically addressed elsewhere in the certificate of designation as a Triggering Event, the Company shall fail to observe or perform any other covenant, agreement or warranty contained in, or otherwise commit any breach of the Transaction Documents (as defined in the certificate of designation), and such failure or breach shall not, if subject to the possibility of a cure by the Company, have been cured within five (5) calendar days after the date on which written notice of such failure or breach shall have been delivered;

- the Company shall redeem junior securities or *pari passu* securities;

- the Company shall be party to a Change of Control Transaction (as defined in the certificate of designation);
- there shall have occurred a Bankruptcy Event (as defined in the certificate of designation);

- any monetary judgment, writ or similar final process shall be entered or filed against the Company, any subsidiary or any of their respective property or other assets for more than $50,000 (provided that amounts covered by the Company's insurance policies are not counted toward this $50,000 threshold), and such judgment, writ or similar final process shall remain unvacated, unbonded or unstayed for a period of thirty (30) trading days;

- the electronic transfer by the Company of shares of common stock through the Depository Trust Company or another established clearing corporation once established subsequent to the date of the certificate of designation is no longer available or is subject to a 'freeze" and/or "chill;" or

- any "Event of Default," as defined in the Purchase Agreement (as defined in the certificate of designation).

Series X Senior Convertible Preferred Stock

Ranking. The series X senior convertible preferred stock ranks, with respect to the payment of dividends and the distribution of assets upon liquidation, (i) senior to all common stock and each other class or series that is not expressly made senior to or on parity with the series X senior convertible preferred stock; (ii) on parity with each class or series that is not expressly subordinated or made senior to the series X senior convertible preferred stock; and (iii) junior to the series N senior convertible preferred stock, all indebtedness and other liabilities with respect to assets available to satisfy claims against the Company and each class or series that is expressly made senior to the series X senior convertible preferred stock.

Dividend Rights. Holders of series X senior convertible preferred stock are entitled to dividends at a rate per annum of 10.0% of the stated value ($4.00 per share); provided that upon an event of default (as defined in the certificate of designation for the series X senior convertible preferred stock), such rate was to increase by 5% per annum. Dividends accrue from day to day, whether or not declared, and are cumulative. Dividends are payable quarterly in arrears on each dividend payment date. At June 30, 2024 and December 31, 2023, cumulative dividends earned on the series X senior convertible preferred stock were $183,210 and $190,685, respectively. The total balance of the cumulative accrued dividends was paid by the Company via the issuance of 25,173 shares of the Company's common stock as of June 30, 2024.

Liquidation Rights. Subject to the rights of creditors and the holders of any senior securities, including the series N senior convertible preferred stock, or parity securities (in each case, as defined in the certificate of designation), upon any liquidation of the Company or its subsidiaries, before any payment or distribution of the assets of the Company (whether capital or surplus) are to be made to or set apart for the holders of junior securities (as defined in the certificate of designation), including the common stock, each holder of outstanding series N senior convertible preferred stock is entitled to receive an amount of cash equal to 100% of the stated value of $4.00 per share, plus an amount of cash equal to all accumulated accrued and unpaid dividends thereon (whether or not declared) to, but not including the date of final distribution to such holders.

Voting Rights. Holders of series X senior convertible preferred stock do not have any voting rights; provided that, so long as any shares of series X senior convertible preferred stock are outstanding, the affirmative vote of holders of a majority of the series X senior convertible preferred stock, which majority must include Leonite Capital LLC so long as it holds any shares of series X senior convertible preferred stock, voting as a separate class, is necessary for approving, effecting or validating any amendment, alteration or repeal of any of the provisions of the certificate of designation or prior to the creation or issuance of any parity securities or new indebtedness (as defined in the certificate of designation); provided that the foregoing does not apply to any financing transaction the use of proceeds of which were to be used to redeem the series X senior convertible preferred stock and the warrants issued in connection therewith. In addition, the affirmative vote of holders of 66% of the series X senior convertible preferred stock, voting as a separate class, is required prior to the creation or issuance of any senior securities.

Conversion Rights. Each share of series X senior convertible preferred stock, plus all accrued and unpaid dividends thereon, are convertible, at the option of the holder thereof, at any time and from time to time, into such number of fully paid and nonassessable shares of common stock determined by dividing the stated value ($4.00 per share), plus the value of the accrued, but unpaid, dividends thereon, by a conversion price equal to the lower of (i) the lowest VWAP during the five (5) trading days immediately prior to the applicable conversion date and (ii) the price per share paid in any subsequent financing (the "Fixed Price"). The Fixed Price is subject to standard adjustments in the event of any stock splits, stock combinations, stock reclassifications, dividends paid in common stock, sales of substantially all assets, mergers, consolidations or similar transactions, as well as a price based antidilution adjustment, pursuant to which, subject to certain exceptions, if the Company issues common stock at a price lower than the Fixed Price, the Fixed Price shall decrease to such lower price. Notwithstanding the foregoing, in no event shall the holder of any series X senior convertible preferred stock be entitled to convert any number of shares that upon conversion the sum of (i) the number of shares of common stock beneficially owned by the holder and its affiliates and (ii) the number of shares of common stock issuable upon the conversion of the series X senior convertible preferred stock with respect to which the determination of this proviso is being made, would result in beneficial ownership by the holder and its affiliates of more than 4.99% of the then outstanding common stock. This limitation may be waived (up to a maximum of 9.99%) by the holder and in its sole discretion, upon not less than sixty-one (61) days' prior notice to the Company.

Redemption Rights. Commencing on September 22, 2023, any holder may require the Company to redeem its shares by the payment in cash therefore of a sum equal to 100% of the stated value of $4.00 per share, plus the amount of accrued and unpaid dividends and any other amounts due pursuant to the terms of the certificate of designation; provided however, that in the event that the Company completes a public offering prior to the redemption date, then any holder may only cause the Company to redeem any outstanding series X senior convertible preferred stock by paying such redemption price in twelve (12) equal monthly installments with the first such payment due on the date that is six (6) months following the date that the Company completes such public offering.

<u>Non-redeemable Preferred Stock</u>

Series A Preferred Stock

Ranking. The series A preferred stock ranks, with respect to the distribution of assets upon liquidation, (i) senior to all common stock and each other class or series that is not expressly made senior to or on parity with the series A preferred stock; (ii) on parity with each class or series that is not expressly subordinated or made senior to the series A preferred stock; and (iii) junior to the series B preferred stock, series C preferred stock, series E preferred stock, series F-1 preferred stock, series I preferred stock, series J preferred stock, series L preferred stock, series N senior convertible preferred stock, series R convertible preferred stock, series X senior convertible preferred stock and each other series of preferred stock and each class or series that is expressly made senior to the series A preferred stock, as well as to all indebtedness and other liabilities with respect to assets available to satisfy claims against the Company.

Dividend Rights. The series A preferred stock is not entitled to participate in any distributions or payments to the holders of common stock or any other class of stock and shall have no economic interest in the Company.

Liquidation Rights. In the event of any liquidation, dissolution or winding up of the Company, either voluntarily or involuntarily, a merger or consolidation of the Company wherein the Company is not the surviving entity, or a sale of all or substantially all of the assets of the Company, the holders of each share of series A preferred stock shall be entitled to receive from any distribution of any of the assets or surplus funds of the Company, before and in preference of any holder of shares of common stock, an amount equal to the stated value of $250. Once the holders receive the foregoing from any such liquidation, dissolution or winding up, the holders shall not participate with the common stock or any other class of stock.

Voting Rights. Each share of series A preferred stock shall have a number of votes at any time equal to (i) 25% of the number of votes then held or entitled to be made by all other equity securities of the Company, including, without limitation, the common stock, plus (ii) one (1). The series A preferred stock shall vote on any matter submitted to the holders of the common stock, or any other class of voting securities, for a vote, and shall vote together with the common stock, or any class of voting securities, as applicable, on such matter for as long as the shares of series A preferred stock are issued and outstanding. Notwithstanding the foregoing, the series A preferred stock shall not have the right to vote on any matter as to which solely another series of preferred stock is entitled to vote pursuant to the Company's amended and restated articles of incorporation or a certificate of designation of such other series of preferred stock.

Transfer. Upon transfer of any share of series A preferred stock, except for a transfer by the holder to an affiliate, whether such transfer is voluntary or involuntary, such share of series A preferred stock shall automatically, and without any action being required by the Company or the holder, be converted into one (1) share of common stock.

Other Rights. Holders of series A preferred stock do not have any conversion (except as set forth above) or redemption rights.

Series B Preferred Stock

Ranking. The series B preferred stock ranks, with respect to the distribution of assets upon liquidation, (i) senior to all common stock, series A preferred stock and to each other class or series that is not expressly made senior to or on parity with the series B preferred stock; (ii) on parity with the series C preferred stock, series E preferred stock, series F-1 preferred stock, series J preferred stock, series L preferred stock and each other class or series that is not expressly subordinated or made senior to the series B preferred stock; and (iii) junior to the series I preferred stock, series N senior convertible preferred stock, series R convertible preferred stock, series X senior convertible preferred stock and to each other series of preferred stock and each class or series that is expressly made senior to the series B preferred stock, as well as to all indebtedness and other liabilities with respect to assets available to satisfy claims against the Company.

Dividend Rights. The holders of series B preferred stock are entitled to receive dividends equal (on an as converted to common stock basis) to and in the same form as dividends actually paid on shares of common stock when, as and if such dividends are paid on shares of common stock. No other dividends shall be paid on shares of series B preferred stock.

Liquidation Rights. Upon any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of series B preferred stock shall be entitled to receive out of the assets of the Company the same amount that a holder of common stock would receive if the shares of series B preferred stock were fully converted to common stock immediately prior to such liquidation, which amount shall be paid to the holders of series B preferred stock *pari passu* with all holders of parity securities and in preference to the holders of junior securities.

Voting Rights. On any matter presented to stockholders for their action or consideration, each holder of series B preferred stock shall be entitled to cast one (1) vote per share of series B preferred stock held. Except as provided by law, the holders of series B preferred stock shall vote together with the holders of shares of common stock as a single class. However, as long as any shares of series B preferred stock are outstanding, the Company shall not, without the affirmative vote of the holders of a majority of outstanding series B preferred stock, (a) alter or change adversely the powers, preferences or rights given to the series B preferred stock or alter or amend the certificate of designation for the series B preferred stock, or (b) amend the Company's amended and restated articles of incorporation or other charter documents in any manner that adversely affects any rights of the holders of series B preferred stock.

Conversion Rights. Each share of series B preferred stock is convertible, at any time and from time to time at the option of the holder thereof, into such number of shares of common stock as is determined as follows: (i) if the closing market price of the common stock on the principal trading market on which the common stock is then traded or quoted is less than $4.00 per share, then each share of series B preferred stock shall be convertible into a number of shares of common stock equal to two (2) times the stated value ($4.00 per share), divided by such closing market price on the date of conversion; or (ii) if such closing market price is equal to or greater than $4.00 per share, then each share of series B preferred stock shall be convertible into two (2) shares of common stock. In addition, upon the earlier to occur of: (a) the closing of the sale of shares of common stock to the public at a price of at least $3.00 per share in a public offering pursuant to an effective registration statement or offering statement under the Securities Act resulting in at least $3,000,000 of gross proceeds to the Company, (b) the date on which the shares of common stock of the Company are listed on a national stock exchange, including without limitation the New York Stock Exchange, NYSE American or the Nasdaq Stock Market (any tier), or (c) the date and time, or the occurrence of an event, specified by vote or written consent of the holders of at least 67% of the then outstanding shares of series B preferred stock, voting together as a single class, each share of series B preferred stock shall be automatically converted into such number of shares of common stock as is determined in accordance with the provisions above. Such conversion price is subject to standard adjustments in the event of any stock dividends, stock reclassifications and similar events (but not for reverse stock splits).

Redemption Rights. Holders of series B preferred stock do not have any redemption rights.

<u>*Series C Preferred Stock*</u>

Ranking. The series C preferred stock ranks, with respect to the distribution of assets upon liquidation, (i) senior to all common stock, series A preferred stock and to each other class or series that is not expressly made senior to or on parity with the series C preferred stock; (ii) on parity with the series B preferred stock, series E preferred stock, series F-1 preferred stock, series J preferred stock, series L preferred stock and each other class or series that is not expressly subordinated or made senior to the series C preferred stock; and (iii) junior to the series I preferred stock, series N senior convertible preferred stock, series R convertible preferred stock, series X senior convertible preferred stock and to each other series of preferred stock and each class or series that is expressly made senior to the series C preferred stock, as well as to all indebtedness and other liabilities with respect to assets available to satisfy claims against the Company.

Dividend Rights. The holders of series C preferred stock are entitled to receive dividends equal (on an as converted to common stock basis) to and in the same form as dividends actually paid on shares of common stock when, as and if such dividends are paid on shares of common stock. No other dividends shall be paid on shares of series C preferred stock.

Liquidation Rights. Upon any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of series C preferred stock shall be entitled to receive out of the assets of the Company the same amount that a holder of common stock would receive if the shares of series C preferred stock were fully converted to common stock immediately prior to such liquidation, which amount shall be paid to the holders of series C preferred stock *pari passu* with all holders of parity securities and in preference to the holders of junior securities.

Voting Rights. On any matter presented to stockholders for their action or consideration, each holder of series C preferred stock shall be entitled to cast one (1) vote per share of series C preferred stock held. Except as provided by law, the holders of series C preferred stock shall vote together with the holders of shares of common stock as a single class. However, as long as any shares of series C preferred stock are outstanding, the Company shall not, without the affirmative vote of the holders of a majority of outstanding series C preferred stock, (a) alter or change adversely the powers, preferences or rights given to the series C preferred stock or alter or amend the certificate of designation for the series C preferred stock, or (b) amend the Company's amended and restated articles of incorporation or other charter documents in any manner that adversely affects any rights of the holders of series C preferred stock.

Conversion Rights. Each share of series C preferred stock is convertible, at any time and from time to time at the option of the holder thereof, into such number of shares of common stock as is determined by dividing the stated value ($4.00 per share) by a conversion price of $0.00004. In addition, on the date on which the shares of common stock are listed on a national stock exchange, including without limitation the New York Stock Exchange, NYSE American or the Nasdaq Stock Market (any tier) (a "Listing Event"), all outstanding shares of series C preferred stock shall be automatically converted into such number of shares of common stock as is determined by dividing $50,000 by the highest traded or closing price on such date, which such shares of common stock shall be issued pro rata among the holders of the outstanding series C preferred stock. Finally, upon the earlier to occur of: (a) the closing of the sale of shares of common stock to the public at a price of at least $3.00 per share (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the common stock) in a public offering pursuant to an effective registration statement or offering statement under the Securities Act resulting in at least $3,000,000 of gross proceeds to the Company or (b) the date and time, or the occurrence of an event, specified by vote or written consent of the holders of at least 67% of the then outstanding shares of series C preferred stock, voting together as a single class, each share of series C preferred stock shall be automatically converted into such number of shares of common stock as is determined by dividing the stated value ($4.00 per share) by a conversion price of $0.00004. Such conversion price is subject to standard adjustments in the event of any stock dividends, stock reclassifications and similar events (but not for reverse stock splits).

Redemption Rights. If there is a Listing Event, the Company shall have the right (but not the obligation) to redeem shares of series C preferred stock at a price per share of $50,000.

Series E Preferred Stock

Ranking. The series E preferred stock ranks, with respect to the distribution of assets upon liquidation, (i) senior to all common stock, series A preferred stock and to each other class or series that is not expressly made senior to or on parity with the series E preferred stock; (ii) on parity with the series B preferred stock, series C preferred stock, series F-1 preferred stock, series J preferred stock, series L preferred stock and each other class or series that is not expressly subordinated or made senior to the series E preferred stock; and (iii) junior to the series I preferred stock, series N senior convertible preferred stock, series R convertible preferred stock, series X senior convertible preferred stock and to each other series of preferred stock and each class or series that is expressly made senior to the series E preferred stock, as well as to all indebtedness and other liabilities with respect to assets available to satisfy claims against the Company.

Dividend Rights. The holders of series E preferred stock are entitled to receive dividends equal (on an as converted to common stock basis) to and in the same form as dividends actually paid on shares of common stock when, as and if such dividends are paid on shares of common stock. No other dividends shall be paid on shares of series E preferred stock.

Liquidation Rights. Upon any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of series E preferred stock shall be entitled to receive out of the assets of the Company the same amount that a holder of common stock would receive if the shares of series E preferred stock were fully converted to common stock immediately prior to such liquidation, which amount shall be paid to the holders of series E preferred stock *pari passu* with all holders of parity securities and in preference to the holders of junior securities.

Voting Rights. On any matter presented to stockholders for their action or consideration, each holder of series E preferred stock shall be entitled to cast one (1) vote per share of series E preferred stock held. Except as provided by law, the holders of series E preferred stock shall vote together with the holders of shares of common stock as a single class. However, as long as any shares of series E preferred stock are outstanding, the Company shall not, without the affirmative vote of the holders of a majority of outstanding series E preferred stock, (a) alter or change adversely the powers, preferences or rights given to the series E preferred stock or alter or amend the certificate of designation for the series E preferred stock, or (b) amend the Company's amended and restated articles of incorporation or other charter documents in any manner that adversely affects any rights of the holders of series E preferred stock.

Conversion Rights. Each share of series E preferred stock is convertible, at any time and from time to time at the option of the holder thereof, into such number of shares of common stock as is determined as follows: (i) if the closing market price of the common stock on the principal trading market on which the common stock is then traded or quoted is less than $4.00 per share, then each share of series E preferred stock shall be convertible into a number of shares of common stock equal to two (2) times the stated value ($4.00 per share), divided by such closing market price on the date of conversion; or (ii) if such closing market price is equal to or greater than $4.00 per share, then each share of series E preferred stock shall be convertible into two (2) shares of common stock. In addition, upon the earlier to occur of: (a) the closing of the sale of shares of common stock to the public at a price of at least $3.00 per share in a public offering pursuant to an effective registration statement or offering statement under the Securities Act resulting in at least $3,000,000 of gross proceeds to the Company, (b) the date on which the shares of common stock of the Company are listed on a national stock exchange, including without limitation the New York Stock Exchange, NYSE American or the Nasdaq Stock Market (any tier), or (c) the date and time, or the occurrence of an event, specified by vote or written consent of the holders of at least 67% of the then outstanding shares of series E preferred stock, voting together as a single class, each share of series E preferred stock shall be automatically converted into such number of shares of common stock as is determined in accordance with the provisions above. Such conversion price is subject to standard adjustments in the event of any stock dividends, stock reclassifications and similar events (but not for reverse stock splits).

Series F-1 Preferred Stock

Ranking. The series F-1 preferred stock ranks, with respect to the distribution of assets upon liquidation, (i) senior to all common stock, series A preferred stock and to each other class or series that is not expressly made senior to or on parity with the series F-1 preferred stock; (ii) on parity with the series B preferred stock, series C preferred stock, series E preferred stock, series J preferred stock, series L preferred stock and each other class or series that is not expressly subordinated or made senior to the series F-1 preferred stock; and (iii) junior to the series I preferred stock, series N senior convertible preferred stock, series R convertible preferred stock, series X senior convertible preferred stock and to each other series of preferred stock and each class or series that is expressly made senior to the series F-1 preferred stock, as well as to all indebtedness and other liabilities with respect to assets available to satisfy claims against the Company.

Dividend Rights. The holders of series F-1 preferred stock are entitled to receive dividends equal (on an as converted to common stock basis) to and in the same form as dividends actually paid on shares of common stock when, as and if such dividends are paid on shares of common stock. No other dividends shall be paid on shares of series F-1 preferred stock.

Liquidation Rights. Upon any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of series F-1 preferred stock shall be entitled to receive out of the assets of the Company the same amount that a holder of common stock would receive if the shares of series F-1 preferred stock were fully converted to common stock immediately prior to such liquidation, which amount shall be paid to the holders of series F-1 preferred stock *pari passu* with all holders of parity securities and in preference to the holders of junior securities.

Voting Rights. Except as provided by law, the holders of series F-1 preferred stock shall have no voting rights. However, as long as any shares of series F-1 preferred stock are outstanding, the Company shall not, without the affirmative vote of the holders of a majority of outstanding series F-1 preferred stock, (a) alter or change adversely the powers, preferences or rights given to the series F-1 preferred stock or alter or amend the certificate of designation for the series F-1 preferred stock, or (b) amend the Company's amended and restated articles of incorporation or other charter documents in any manner that adversely affects any rights of the holders of series F-1 preferred stock.

Conversion Rights. Each share of series F-1 preferred stock is convertible, at any time and from time to time at the option of the holder thereof, into such number of shares of common stock as is determined as follows: (i) if the closing market price of the common stock on the principal trading market on which the common stock is then traded or quoted is less than $4.00 per share, then each share of series F-1 preferred stock shall be convertible into a number of shares of common stock equal to two (2) times the stated value ($4.00 per share), divided by such closing market price on the date of conversion; or (ii) if such closing market price is equal to or greater than $4.00 per share, then each share of series F-1 preferred stock shall be convertible into two (2) shares of common stock. In addition, upon the earlier to occur of: (a) the closing of the sale of shares of common stock to the public at a price of at least $3.00 per share in a public offering pursuant to an effective registration statement or offering statement under the Securities Act resulting in at least $3,000,000 of gross proceeds to the Company, (b) the date on which the shares of common stock of the Company are listed on a national stock exchange, including without limitation the New York Stock Exchange, NYSE American or the Nasdaq Stock Market (any tier), or (c) the date and time, or the occurrence of an event, specified by vote or written consent of the holders of at least 67% of the then outstanding shares of series F-1 preferred stock, voting together as a single class, each share of series F-1 preferred stock shall be automatically converted into such number of shares of common stock as is determined in accordance with the provisions above. Such conversion price is subject to standard adjustments in the event of any stock dividends, stock reclassifications and similar events (but not for reverse stock splits).

Redemption Rights. Holders of series F-1 preferred stock do not have any redemption rights.

Series I Preferred Stock

Ranking. The series I preferred stock ranks, with respect to the distribution of assets upon liquidation, (i) senior to all common stock, series A preferred stock, series B preferred stock, series C preferred stock, series E preferred stock, series F-1 preferred stock, series J preferred stock, series L preferred stock and to each other class or series that is not expressly made senior to or on parity with the series I preferred stock; (ii) on parity with each class or series that is not expressly subordinated or made senior to the series I preferred stock; and (iii) junior to the series N senior convertible preferred stock, series R convertible preferred stock, series X senior convertible preferred stock and to each other series of preferred stock and each class or series that is expressly made senior to the series I preferred stock, as well as to all indebtedness and other liabilities with respect to assets available to satisfy claims against the Company.

Dividend Rights. The holders of series I preferred stock are entitled to receive dividends equal (on an as converted to common stock basis) to and in the same form as dividends actually paid on shares of common stock when, as and if such dividends are paid on shares of common stock. No other dividends shall be paid on shares of series I preferred stock.

Liquidation Rights. Upon any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of series I preferred stock shall be entitled to receive out of the assets of the Company the same amount that a holder of common stock would receive if the shares of series I preferred stock were fully converted to common stock immediately prior to such liquidation, which amount shall be paid to the holders of series I preferred stock *pari passu* with all holders of parity securities and in preference to the holders of junior securities.

Voting Rights. On any matter presented to stockholders for their action or consideration, each holder of series I preferred stock shall be entitled to cast five (5) votes per share of series I preferred stock held. Except as provided by law, the holders of series I preferred stock shall vote together with the holders of shares of common stock as a single class. However, as long as any shares of series I preferred stock are outstanding, the Company shall not, without the affirmative vote of the holders of a majority of outstanding series I preferred stock, (a) alter or change adversely the powers, preferences or rights given to the series I preferred stock or alter or amend the certificate of designation for the series I preferred stock, or (b) amend the Company's amended and restated articles of incorporation or other charter documents in any manner that adversely affects any rights of the holders of series I preferred stock.

Conversion Rights. Each share of series I preferred stock is convertible, at any time and from time to time at the option of the holder thereof, into such number of shares of common stock as is determined as follows: (i) if the closing market price of the common stock on the principal trading market on which the common stock is then traded or quoted is less than \$4.00 per share, then each share of series I preferred stock shall be convertible into a number of shares of common stock equal to two (2) times the stated value (\$4.00 per share), divided by such closing market price on the date of conversion; or (ii) if such closing market price is equal to or greater than \$4.00 per share, then each share of series I preferred stock shall be convertible into two (2) shares of common stock. In addition, upon the earlier to occur of: (a) the closing of the sale of shares of common stock to the public at a price of at least \$3.00 per share in a public offering pursuant to an effective registration statement or offering statement under the Securities Act resulting in at least \$10,000,000 of gross proceeds to the Company, (b) the date on which the shares of common stock of the Company are listed on a national stock exchange, including without limitation the New York Stock Exchange, NYSE American or the Nasdaq Stock Market (any tier), or (c) the date and time, or the occurrence of an event, specified by vote or written consent of the holders of at least 67% of the then outstanding shares of series I preferred stock, voting together as a single class, each share of series I preferred stock shall be automatically converted into such number of shares of common stock as is determined in accordance with the provisions above. Such conversion price is subject to standard adjustments in the event of any stock dividends, stock reclassifications and similar events (but not for reverse stock splits).

Redemption Rights. Holders of series I preferred stock do not have any redemption rights.

<u>*Series J Preferred Stock*</u>

Ranking. The series J preferred stock ranks, with respect to the distribution of assets upon liquidation, (i) senior to all common stock, series A preferred stock and to each other class or series that is not expressly made senior to or on parity with the series J preferred stock; (ii) on parity with the series B preferred stock, series C preferred stock, series E preferred stock, series F-1 preferred stock, series L preferred stock and each other class or series that is not expressly subordinated or made senior to the series J preferred stock; and (iii) junior to the series I preferred stock, series N senior convertible preferred stock, series R convertible preferred stock, series X senior convertible preferred stock and to each other series of preferred stock and each class or series that is expressly made senior to the series J preferred stock, as well as to all indebtedness and other liabilities with respect to assets available to satisfy claims against the Company.

Dividend Rights. The holders of series J preferred stock are entitled to receive dividends equal (on an as converted to common stock basis) to and in the same form as dividends actually paid on shares of common stock when, as and if such dividends are paid on shares of common stock. No other dividends shall be paid on shares of series J preferred stock.

Liquidation Rights. Upon any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of series J preferred stock shall be entitled to receive out of the assets of the Company the same amount that a holder of common stock would receive if the shares of series J preferred stock were fully converted to common stock immediately prior to such liquidation, which amount shall be paid to the holders of series J preferred stock *pari passu* with all holders of parity securities and in preference to the holders of junior securities.

Voting Rights. On any matter presented to stockholders for their action or consideration, each holder of series J preferred stock shall be entitled to cast one (1) vote per share of series J preferred stock held. Except as provided by law, the holders of series J preferred stock shall vote together with the holders of shares of common stock as a single class. However, as long as any shares of series J preferred stock are outstanding, the Company shall not, without the affirmative vote of the holders of a majority of outstanding series J preferred stock, (a) alter or change adversely the powers, preferences or rights given to the series J preferred stock or alter or amend the certificate of designation for the series J preferred stock, or (b) amend the Company's amended and restated articles of incorporation or other charter documents in any manner that adversely affects any rights of the holders of series J preferred stock.

Conversion Rights. Each share of series J preferred stock is convertible, at any time and from time to time at the option of the holder thereof, into such number of shares of common stock as is determined as follows: (i) if the closing market price of the common stock on the principal trading market on which the common stock is then traded or quoted is less than $4.00 per share, then each share of series J preferred stock shall be convertible into a number of shares of common stock equal to two (2) times the stated value ($4.00 per share), divided by such closing market price on the date of conversion; or (ii) if such closing market price is equal to or greater than $4.00 per share, then each share of series J preferred stock shall be convertible into two (2) shares of common stock. In addition, upon the earlier to occur of: (a) the closing of the sale of shares of common stock to the public at a price of at least $3.00 per share in a public offering pursuant to an effective registration statement or offering statement under the Securities Act resulting in at least $3,000,000 of gross proceeds to the Company, (b) the date on which the shares of common stock of the Company are listed on a national stock exchange, including without limitation the New York Stock Exchange, NYSE American or the Nasdaq Stock Market (any tier), or (c) the date and time, or the occurrence of an event, specified by vote or written consent of the holders of at least 67% of the then outstanding shares of series J preferred stock, voting together as a single class, each share of series J preferred stock shall be automatically converted into such number of shares of common stock as is determined in accordance with the provisions above. Such conversion price is subject to standard adjustments in the event of any stock dividends, stock reclassifications and similar events (but not for reverse stock splits).

Redemption Rights. Holders of series J preferred stock do not have any redemption rights.

Series L Preferred Stock

Ranking. The series L preferred stock ranks, with respect to the distribution of assets upon liquidation, (i) senior to all common stock, series A preferred stock and to each other class or series that is not expressly made senior to or on parity with the series L preferred stock; (ii) on parity with the series B preferred stock, series C preferred stock, series E preferred stock, series F-1 preferred stock, series J preferred stock and each other class or series that is not expressly subordinated or made senior to the series L preferred stock; and (iii) junior to the series I preferred stock, series N senior convertible preferred stock, series R convertible preferred stock, series X senior convertible preferred stock and to each other series of preferred stock and each class or series that is expressly made senior to the series L preferred stock, as well as to all indebtedness and other liabilities with respect to assets available to satisfy claims against the Company.

Dividend Rights. The holders of series L preferred stock are entitled to receive dividends equal (on an as converted to common stock basis) to and in the same form as dividends actually paid on shares of common stock when, as and if such dividends are paid on shares of common stock. No other dividends shall be paid on shares of series L preferred stock.

Liquidation Rights. Upon any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of series L preferred stock shall be entitled to receive out of the assets of the Company the same amount that a holder of common stock would receive if the shares of series L preferred stock were fully converted to common stock immediately prior to such liquidation, which amount shall be paid to the holders of series L preferred stock *pari passu* with all holders of parity securities and in preference to the holders of junior securities.

Voting Rights. On any matter presented to stockholders for their action or consideration, each holder of series L preferred stock shall be entitled to cast one (1) vote per share of series L preferred stock held. Except as provided by law, the holders of series L preferred stock shall vote together with the holders of shares of common stock as a single class. However, as long as any shares of series L preferred stock are outstanding, the Company shall not, without the affirmative vote of the holders of a majority of outstanding series L preferred stock, (a) alter or change adversely the powers, preferences or rights given to the series J preferred stock or alter or amend the certificate of designation for the series L preferred stock, or (b) amend the Company's amended and restated articles of incorporation or other charter documents in any manner that adversely affects any rights of the holders of series L preferred stock.

Conversion Rights. Each share of series L preferred stock is convertible, at any time and from time to time at the option of the holder thereof, into such number of shares of common stock as is determined as follows: (i) if the closing market price of the common stock on the principal trading market on which the common stock is then traded or quoted is less than $4.00 per share, then each share of series L preferred stock shall be convertible into a number of shares of common stock equal to two (2) times the stated value ($4.00 per share), divided by such closing market price on the date of conversion; or (ii) if such closing market price is equal to or greater than $4.00 per share, then each share of series L preferred stock shall be convertible into two (2) shares of common stock. In addition, upon the earlier to occur of: (a) the closing of the sale of shares of common stock to the public at a price of at least $3.00 per share in a public offering pursuant to an effective registration statement or offering statement under the Securities Act resulting in at least $3,000,000 of gross proceeds to the Company, (b) the date on which the shares of common stock of the Company are listed on a national stock exchange, including without limitation the New York Stock Exchange, NYSE American or the Nasdaq Stock Market (any tier), or (c) the date and time, or the occurrence of an event, specified by vote or written consent of the holders of at least 67% of the then outstanding shares of series L preferred stock, voting together as a single class, each share of series L preferred stock shall be automatically converted into such number of shares of common stock as is determined in accordance with the provisions above. Such conversion price is subject to standard adjustments in the event of any stock dividends, stock reclassifications and similar events (but not for reverse stock splits).

Redemption Rights. Holders of series L preferred stock do not have any redemption rights.

<u>*Series Y Senior Preferred Stock*</u>

On May 15, 2024, in conjunction with the exchange of certain senior secured convertible promissory notes, 938,908 shares of series Y preferred senior convertible preferred stock were issued with an aggregate value of $3,755,632. See also Note 8. *Convertible Notes Payable*.

Ranking. The series Y senior convertible preferred stock ranks, with respect to the payment of dividends and the distribution of assets upon liquidation, (i) senior to all common stock and each series of preferred stock, and to each other class or series that is not expressly made senior to or on parity with the series Y senior convertible preferred stock; (ii) on parity with each class or series that is not expressly subordinated or made senior to the series Y senior convertible preferred stock; and (iii) junior to each class or series that is expressly made senior to the series Y senior convertible preferred stock.

Dividend Rights. Holders of series Y senior convertible preferred stock are entitled to dividends at a rate per annum of 10.0% of the stated value ($4.00 per share); provided that upon an event of default (as defined in the certificate of designation for the series Y senior convertible preferred stock), such rate shall increase by 5% per annum. Dividends shall accrue from day to day, whether or not declared, and shall be cumulative. Dividends shall be payable quarterly in arrears on each dividend payment date and may be paid in cash or common stock at our discretion; provided that the Company may only pay dividends in common stock if such common stock is free-trading, freely transferable, and does not contain a legend (or be subject to stop transfer or similar instructions) restricting the resale or transferability thereof. Dividends payable in common stock shall be calculated based on a price equal to eighty percent (80%) of the VWAP during the five (5) trading days immediately prior to the applicable payment date. At June 30, 2024, the total cumulative dividends on series Y senior convertible preferred stock of $82,732.15 were paid via issuance of 12,135 shares of the Company's common stock.

Liquidation Rights. Subject to the rights of creditors and the holders of any senior securities or parity securities (in each case, as defined in the certificate of designation), upon any liquidation event (as defined in the certificate of designation), before any payment or distribution of the assets of the Company (whether capital or surplus) shall be made to or set apart for the holders of junior securities (as defined in the certificate of designation), including the common stock, each holder of outstanding series Y senior convertible preferred stock shall be entitled to receive an amount of cash equal to the greater of (i) 100% of the stated value of $4.00 per share, plus an amount of cash equal to all accumulated accrued and unpaid dividends thereon (whether or not declared) to, but not including the date of final distribution to such holders or (ii) such amount per share as would have been payable had all shares of series Y senior convertible preferred stock been converted into common stock immediately prior to such liquidation event.

Voting Rights. Holders of series Y senior convertible preferred stock do not have any voting rights; provided that, so long as any shares of series Y senior convertible preferred stock are outstanding, the affirmative vote of holders of a majority of the series Y senior convertible preferred stock, which majority must include Leonite Capital LLC so long as it holds any shares of series Y senior convertible preferred stock, voting as a separate class, shall be necessary for approving, effecting or validating any amendment, alteration or repeal of any of the provisions of the certificate of designation, prior to the Company's issuance of additional shares of series Y senior convertible preferred stock or prior to the creation or issuance of any securities that are not subordinate to the series Y senior convertible preferred stock or new indebtedness (as defined in the certificate of designation); provided that the foregoing shall not apply to any financing transaction the use of proceeds of which will be used to redeem the series Y senior convertible preferred stock in full.

Conversion Rights. Commencing on the first anniversary of the date on which the Company's common stock begins trading on the Nasdaq Stock Market, each share of series Y senior convertible preferred stock, plus all accrued and unpaid dividends thereon, shall be convertible, at the option of the holder thereof, at any time and from time to time, into such number of fully paid and nonassessable shares of common stock determined by dividing the stated value ($4.00 per share), plus the value of the accrued, but unpaid, dividends thereon, by a conversion price equal to the lowest VWAP during the five (5) trading days immediately prior to the applicable conversion date. Such conversion price is subject to adjustment if the Company issues common stock at a price lower than such conversion price, subject to certain exceptions. Notwithstanding the foregoing, in no event shall the holder of any series Y senior convertible preferred stock be entitled to convert any number of shares that upon conversion the sum of (i) the number of shares of common stock beneficially owned by the holder and its affiliates and (ii) the number of shares of common stock issuable upon the conversion of the series Y senior convertible preferred stock with respect to which the determination of this proviso is being made, would result in beneficial ownership by the holder and its affiliates of more than 4.99% of the then outstanding common stock. This limitation may be waived (up to a maximum of 9.99%) by the holder and in its sole discretion, upon not less than sixty-one (61) days' prior notice to the Company.

<u>*Preferred Stock Transactions*</u>

During the six months ended June 30, 2024, the Company executed the following transactions:

- On January 19, 2024, the Company issued 62,500 shares of series I preferred stock to each of Daniel R. Thompson, the Chairman of the Board, and Alex Cunningham, the Company's Chief Executive Officer, for $250,000 bonus compensation for the fiscal year of 2023, at the fair value of $4.48 per share.

- On January 31, 2024, the Company issued 5,000 shares of series I preferred stock to Matthrew Shafer, the Company's Chief Financial Officer, for $20,000, at the fair value of $4.48 per share.

- On January 31, 2024, the Company issued 2,500 shares of series I preferred stock to Zia Choe, the Company's Chief Accounting Officer, for $10,000, at the fair value of $4.48 per share.

  In connection with these aforementioned shares issuances on January 19, 2024 and January 31, 2024, the Company engaged a valuation specialist to perform a business valuation monte carlo simulation for the series I preferred stock resulting in those indicated fair values.

- An aggregate of 1,159,299 shares of series B preferred stock were converted into an aggregate of 2,318,598 shares of common stock.

- An aggregate of 61 shares of series C preferred stock were converted into an aggregate of 610,000 shares of common stock.

- An aggregate of 80,375 shares of series E preferred stock were converted into an aggregate of 160,750 shares of common stock.

- An aggregate of 10,002 shares of series F-1 preferred stock were converted into an aggregate of 20,004 shares of common stock.

- An aggregate of 3,377,000 shares of series I preferred stock were converted into an aggregate of 6,754,000 shares of common stock.

- An aggregate of 1,713,584 shares of series J preferred stock were converted into an aggregate of 3,427,168 shares of common stock.

- 2 shares of series C preferred stock were cancelled, which were issued erroneously.

- 165 shares of series R preferred stock were cancelled as part of the settlement agreement described in Note 7. *Notes and Loans Payable*

- On May 15, 2024, in conjunction with the exchange of certain senior secured convertible promissory notes, 938,908 shares of series Y senior convertible preferred stock were issued with an aggregate value of $3,755,632.

During the six months ended June 30, 2023, the Company executed the following transaction:

- On May 25, 2023, the Company issued 3,150 shares of series B preferred stock to Zia Choe, Interim Chief Financial Officer for $25,000.

Common Stock

In addition to the issuance of common stock from the conversions of preferred stock noted above, during the six months ended June 30, 2024, the Company executed the following transactions:

- The Company issued an aggregate of 234,909 shares of common stock in payment of various accrued dividends on the series N, series X and series Y preferred stock.

- The Company issued 1,222 shares of common stock upon conversion of certain convertible notes.

- On March 5, 2024, the Company issued 7,500 shares of common stock to an investor relation service provider. The Company recognized the fair value for the issuance of the 7,500 shares at $1.55 per share on the closing market price of March 5, 2024 and recorded selling, general and administrative expense of $11,617 in the consolidated statement of operations.

- On March 26, 2024, the Company issued an aggregate of 30,000 shares of common stock to three board members. The Company recognized the fair value for the issuance of 30,000 shares at $6.50 per share on the closing market price of March 26, 2024 and recorded share based compensation expense of $195,000 in the consolidated statement of operations.

- In February 2024, as part of the Red Rock settlement executed in July 2022, the Company issued an aggregate of 37,104 shares of common stock to six previous owners. The Company recognized the fair value for the issuance of 37,104 shares at $3 per share on the closing market price of February 4 through February 6, 2024, and recorded share loss from discontinued operations of $111,312 in the consolidated statement of operations.

During the six months ended June 30, 2023, the Company executed the following transaction:

- During the six months ended June 30, 2023, the Company issued 1,583 shares of common stock upon conversion of certain convertible notes.

10. WARRANTS

The table below sets forth warrant activity during the six months ended June 30, 2024 and 2023:

	Number of Warrants	Weighted Average Exercise Price
Balance at January 1, 2024	3,140	$ 0.015
Granted	–	–
Exercised	–	–
Expired	–	–
Balance at June 30, 2024	3,140	0.015
Warrants Exercisable at June 30, 2024	3,140	$ 0.015

	Number of Warrants	Weighted Average Exercise Price
Balance at January 1, 2023	3,141	$ 0.015
Granted	–	–
Exercised	–	–
Expired	(1)	–
Balance at June 30, 2023	3,140	0.015
Warrants Exercisable at June 30, 2023	3,140	$ 0.015

11. DISCONTINUED OPERATIONS

On November 10, 2023, the Company sold Platinum Tax, which was a full-service tax resolution firm located in Los Angeles, California. Through this subsidiary the Company provided fee-based tax resolution services to individuals and companies that have federal and state tax liabilities by assisting clients to settle outstanding tax debts. As part of the Asset Purchase Agreement between the Company and the purchaser, the assets that were purchased included substantially all assets, rights, interests, and licenses except for banks accounts in place prior to the sale for the purchase consideration of 15% of cash collected by the purchaser within one year following the sale date.

In February 2024, as part of the Red Rock settlement executed in July 2022, the Company issued an aggregate of 37,104 shares of common stock to six previous owners. The Company recognized the fair value for the issuance of 37,104 shares at $3 per share on the closing market price of February 4 through February 6, 2024, and recorded share loss from discontinued operations of $111,312 in the consolidated statement of operations.

Net liabilities of discontinued operations	June 30, 2024	December 31, 2023
Cash	$ 342	$ 342
Accounts receivable	300	300
Accounts payable and accrued expenses	238,285	238,285
Net liabilities of discontinued operations	$ (237,643)	$ (237,643)

	Three Months Ended June 30,	
Gain (Loss) from discontinued operations	2024	2023
Revenue	$ –	$ 118,304
Cost of sales	–	(21,297)
Selling, general and administrative expenses	–	(140,276)
Interest expense	–	(541)
Settlement loss	–	–
Loss from discontinued operations	$ –	$ (43,810)

	Six Months Ended June 30,	
Gain (Loss) from discontinued operations	2024	2023
Revenue	$ –	$ 272,703
Cost of sales	–	(48,125)
Selling, general and administrative expenses	–	(311,835)
Interest expense	–	(2,043)
Settlement loss	(111,312)	–
Loss from discontinued operations	$ (111,312)	$ (89,300)

12. GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS, NET

The Company reviews goodwill for impairment on a reporting unit basis annually and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable. During the six months ended June 30, 2024 and 2023, the Company determined there to be no impairment.

13. COMMITMENTS AND CONTINGENCIES

Leases

ASC 842, "Leases", requires that a lessee recognize the assets and liabilities that arise from operating leases, A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transaction, lessees and lessors are required to recognize and measure leases at either the effective date (the "effective date method") or the beginning of the earliest period presented (the "comparative method") using a modified retrospective approach. Under the effective date method, the Company's comparative period reporting is unchanged. In contrast, under the comparative method, the Company's date of initial application is the beginning of the earliest comparative period presented, and the Topic 842 transition guidance is then applied to all comparative periods presented. Further, under either transition method, the standard includes certain practical expedients intended to ease the burden of adoption. The Company adopted ASC 842, January 1, 2020, using the effective date method and elected certain practical expedients allowing the Company not to reassess:

- whether expired or existing contracts contain leases under the new definition of a lease;
- lease classification for expired or existing leases; and
- whether previously capitalized initial direct costs would qualify for capitalization under Topic 842.

The Company also made the accounting policy decision not to recognize lease assets and liabilities for leases with a term of 12 months or less.

The Company leases eleven medical facilities and one vehicle as operating leases as of June 30, 2024. The Company recorded operating lease expenses of $99,815 and $56,378 for the three months ended June 30, 2024 and 2023, respectively, and the Company recorded operating lease expense of $200,177 and $134,230 for the six months ended June 30, 2024 and 2023, respectively.

The Company has operating leases with future commitments as follows:

	Amount
2024 (remainder of year)	$ 87,011
2025	168,158
2026	80,018
2027	8,609
Total	$ 343,796

The following table summarizes supplemental information about the Company's leases:

Weighted-average remaining lease term	2.12 years
Weighted-average discount rate	4.55%

Employees

The Company agreed to pay $360,000 per year and $200,000 of targeted annual incentives to the Chief Executive Officer based on his employment agreement since July 1, 2020, of which 50% was being paid in cash and 50% was being accrued through December 31,

2023. As of January 1, 2024, these are being paid in cash. The total outstanding accrued compensation as of June 30, 2024 and December 31, 2023 was $2,115,500 and $2,365,500, respectively.

The Company agreed to pay $360,000 per year and $200,000 of targeted annual incentives to the Chairman of the Board based on his employment agreement since July 1, 2020, of which 50% was being paid in cash and 50% was being accrued through April 30, 2024. As of May 1, 2024, these are being paid in cash. The total outstanding accrued compensation as of June 30, 2024 and December 31, 2023 was $2,220,500 and $2,350,500, respectively.

The Company agreed to pay $228,000 per year to the Chief Finance Officer based on his employment agreement effective as of January 2, 2024. There was no outstanding accrued compensation as of June 30, 2024.

The Company agreed to pay $210,000 per year to the Chief Accounting Officer based on her employment agreement effective as of January 2, 2024. As of June 30, 2024, there was $8,750 in accrued severance which will be paid out in the third quarter of 2024.

The Company agreed to pay $156,000 per year to the previous Chief Financial Officer based on his amended employment agreement executed on May 15, 2021. The total outstanding accrued compensation as of June 30, 2024 and December 31, 2023 was $17,057.

The Company entered into a management agreement effective May 31, 2021 for compensation to the principals of Nova in the form of an annual base salaries of $372,000 to one of the three doctors, $450,000 to the second, and $372,000 to the third doctor. Collectively, as a group, such principals will receive an annual cash bonus and stock equity set forth below, which will be conditioned upon the Company achieving 100% of the annual objectives of financial performance goals as set forth below.

Year	Minimum Annual Nova EBITDA	Cash Annual Bonus	Series J Preferred Stock
2021	$2.0M	$120,000	120,000 Shares
2022	$2.4M	$150,000	135,000 Shares
2023	$3.7M	$210,000	150,000 Shares
2024	$5.5M	$300,000	180,000 Shares
2025	$8.0M	$420,000	210,000 Shares

14. LEGAL PROCEEDINGS

From time to time, the Company may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm the Company's business. Management is not currently aware of any such legal proceedings or claims that it believes will have a material adverse effect on the Company's business, financial condition, or operating results.

15. INCOME TAXES

At June 30, 2024, the Company had federal and state net operating loss carry forwards of approximately $24 million that expire in various years through the year 2039. Due to current period losses and carryforwards of past net operating losses, there is no provision for current federal or state income taxes for the three and six months ended June 30, 2024 and 2023.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for federal and state income tax purposes. The Company has a deferred tax asset that consists of net operating loss carry forwards calculated using federal and state effective tax rates. Because of the Company's lack of past earnings history, the deferred tax asset has been fully offset by a valuation allowance.

16. SEGMENT REPORTING

As of June 30, 2024, the Company had two reportable operating segments as determined by management using the "management approach" as defined by the authoritative guidance on *Disclosures about Segments of an Enterprise and Related Information*.

(1) Healthcare (Nova)
(2) Real Estate (Edge View)

These segments are a result of differences in the nature of the products and services sold. Corporate administration costs, which include, but are not limited to, general accounting, human resources, legal and credit and collections, are partially allocated to the three operating segments. Other revenue consists of nonrecurring items.

The healthcare segment provides a full range of diagnostic and surgical services for injuries and disorders of the skeletal system and associated bones, joints, tendons, muscles, ligaments, and nerves.

The real estate segment consists of Edge View, a real estate company that owns five (5) acres zoned medium density residential (MDR) with 12 lots already platted, six (6) acres zoned high-density residential (HDR) that can be platted in various configurations to meet current housing needs, and twelve (12) acres zoned in Lemhi County as Agriculture that is available for further annexation into the City of Salmon for development, as well as a common area for landowners to view wildlife, provide access to the Salmon River and fishing in a two (2) acre pond.

Management uses numerous tools and methods to evaluate and measure of its subsidiaries' success. To help succeed, management retains the prior owners of the subsidiaries and allow them to do what they do best is run the business. Additionally, management monitors key metrics primarily revenues and net income from operations.

Asset:	**June 30, 2024 (Restated)**	**December 31, 2023**
Healthcare	$ 20,188,960	$ 18,955,991
Real Estate	582,620	587,456
Others	3,930,302	1,202,364
Consolidated assets	$ 24,701,882	$ 20,745,811

	Three Months Ended June 30,	
	2024 (Restated)	**2023 (Restated)**
Revenues:		
Healthcare	$ 1,471,643	$ 3,364,506
Real Estate	–	–
Consolidated revenues	$ 1,471,643	$ 3,364,506
Cost of sales:		
Healthcare	$ 793,010	$ 1,081,689
Real Estate	–	–
Consolidated cost of sales	$ 793,010	$ 1,081,689
Income from operations from subsidiaries		
Healthcare	$ 449,618	$ 2,106,551
Real Estate	(3,962)	(1,743)
Income from operations from subsidiaries	$ 445,656	$ 2,104,808
Loss from operations from Cardiff Lexington	$ (605,139)	$ (355,369)
Total income from operations	$ (159,483)	$ 1,749,439
Income (loss) before taxes		
Healthcare	$ 449,618	$ 1,378,445
Real Estate	(3,962)	(1,743)
Corporate, administration and other non-operating expenses	(577,241)	(516,814)
Consolidated income (loss) before taxes	$ (131,585)	$ 859,888

	Six Months Ended June 30,	
	2024 (Restated)	2023 (Restated)
Revenues:		
Healthcare	$ 3,793,775	$ 6,070,905
Real Estate	–	–
Consolidated revenues	$ 3,793,775	$ 6,070,905
Cost of sales:		
Healthcare	$ 1,741,164	$ 2,037,984
Real Estate	–	–
Consolidated cost of sales	$ 1,741,164	$ 2,037,984
Income (loss) from operations from subsidiaries		
Healthcare	$ 1,600,902	$ 3,384,790
Real Estate	(4,836)	(1,840)
Income from operations from subsidiaries	$ 1,596,066	$ 3,382,950
Loss from operations from Cardiff Lexington	$ (1,536,557)	$ (875,962)
Total income from operations	$ 59,509	$ 2,506,988
Income (loss) before taxes		
Healthcare	$ 1,600,902	$ 2,195,542
Real Estate	(4,836)	(1,840)
Corporate, administration and other non-operating expenses	(1,899,443)	(1,304,315)
Consolidated income (loss) before taxes	$ (303,377)	$ 889,387

17. SUBSEQUENT EVENTS

The Company has evaluated its operations subsequent to June 30, 2024 to the date these consolidated financial statements were available to be issued and determined the following subsequent events and transactions required disclosure in these consolidated financial statements.

Subsequent to June 30, 2024, an aggregate of 38,750 shares of series B preferred stock were converted into an aggregate of 77,500 shares of common stock.

Subsequent to June 30, 2024, an aggregate of 14 shares of series C preferred stock were converted into an aggregate of 140,000 shares of common stock.

Subsequent to June 30, 2024, an aggregate of 16,250 shares of series F-1 preferred stock were converted into an aggregate of 32,500 shares of common stock.

Subsequent to June 30, 2024, an aggregate of 100,000 shares of series I preferred stock were converted into an aggregate of 200,000 shares of common stock.

Subsequent to June 30, 2024, the Company identified a reduction in the ~~collection percentage~~settlement realization rate of its gross contractual billings as a result of increasing its lookback period and refreshing its data obtained from its third party billing company. The Company completed a thorough review of its third party billing data, including reviewing historical reports and new reporting methods as a part of its updated analysis. Based on the new data analysis of its historical ~~collection percentages~~settlement realization rates, using a 24-month lookback analysis the Company determined its estimate of its ~~collection percentage~~settlement realization rate was reduced from 49% to 44.2%. The Company applied this reduced ~~collection percentage~~settlement realization rate against its accounts receivable balance resulting in a $1.7 million reduction in its accounts receivable and revenue in the third quarter 2024. The Company will continue to evaluate its estimate of its ~~collection percentages in the future~~settlement realization rates in the future, which will include a monthly review of the Company's trailing 24-month historical settlement realization rate, along with estimates of current and pending settlements through ongoing discussions with attorneys, doctors and the Company's third party medical billing company in order to determine its variable consideration under ASC 606 and the net transaction price.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following management's discussion and analysis of financial condition and results of operations provides information that management believes is relevant to an assessment and understanding of our plans and financial condition. The following financial information is derived from our financial statements and should be read in conjunction with such financial statements and notes thereto set forth elsewhere herein.

Use of Terms

Except as otherwise indicated by the context and for the purposes of this report only, references in this report to "we," "us," "our" and "our company" are to Cardiff Lexington Corporation, a Nevada corporation, and its consolidated subsidiaries.

Special Note Regarding Forward-Looking Statements

This report contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, that are based on our management's beliefs and assumptions and on information currently available to us. All statements other than statements of historical facts are forward-looking statements. These statements relate to future events or to our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Forward-looking statements include, but are not limited to, statements about:

- our ability to successfully identify and acquire additional businesses;
- our ability to effectively integrate and operate the businesses that we acquire;
- our expectations around the performance of our current businesses;
- our ability to maintain our business model and improve our capital efficiency;
- our ability to effectively manage the growth of our business;
- our ability to maintain profitability;
- the competitive environment in which our businesses operate;
- trends in the industries in which our businesses operate;
- the regulatory environment in which our businesses operate under;
- changes in general economic or business conditions or economic or demographic trends in the United States, including changes in interest rates and inflation;
- our ability to service and comply with the terms of indebtedness;
- our ability to retain or replace qualified employees of our businesses;
- labor disputes, strikes or other employee disputes or grievances;
- casualties, condemnation or catastrophic failures with respect to any of our business' facilities;
- costs and effects of legal and administrative proceedings, settlements, investigations and claims; and
- extraordinary or force majeure events affecting the business or operations of our businesses.

In some cases, you can identify forward-looking statements by terms such as "may," "could," "will," "should," "would," "expect," "plan," "intend," "anticipate," "believe," "estimate," "predict," "potential," "project" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which are, in some cases, beyond our control and which could materially affect results. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed under Item 1A "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2023. If one or more of these risks or uncertainties occur, or if our underlying assumptions prove to be incorrect, actual events or results may vary significantly from those implied or projected by the forward-looking statements. No forward-looking statement is a guarantee of future performance.

In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this report, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

The forward-looking statements made in this report relate only to events or information as of the date on which the statements are made in this report. Except as expressly required by the federal securities laws, there is no undertaking to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason.

Overview

We are an acquisition holding company focused on locating undervalued and undercapitalized companies, primarily in the healthcare industry, and providing them capitalization and leadership to maximize the value and potential of their private enterprises while also providing diversification and risk mitigation for our stockholders. Specifically, we have and will continue to look at a diverse variety of acquisitions in the healthcare sector in terms of growth stages and capital structures and we intend to focus our portfolio of subsidiaries approximately as follows: 80% will be targeted to established profitable niche small to mid-sized healthcare companies and 20% will be targeted to second stage startups in healthcare and related financial services (emerging businesses with a strong organic growth plan that is materially cash generative).

On May 31, 2021, we acquired Nova Ortho and Spine, LLC, or Nova, which operates a group of regional primary specialty and ancillary care facilities throughout Florida that provide traumatic injury victims with primary care evaluations, interventional pain management, and specialty consultation services. We focus on plaintiff related care are and a highly efficient provider of emergency medical condition, or EMC, assessments. We provide a full range of diagnostic and surgical services for injuries and disorders of the skeletal system and associated bones, joints, tendons, muscles, ligaments, and nerves. From sports injuries, to sprains, strains, and fractures, our doctors are dedicated to helping patients return to active lifestyles.

We also own a real estate company, Edge View Properties, Inc., or Edge View, which we acquired on July 16, 2014. Edge View owns five (5) acres zoned medium density residential (MDR) with 12 lots already platted, six (6) acres zoned high-density residential (HDR) that can be platted in various configurations to meet current housing needs, and twelve (12) acres zoned in Lemhi County as Agriculture that is available for further annexation into the City of Salmon for development, as well as a common area for landowners to view wildlife, provide access to the Salmon River and fishing in a two (2) acre pond. Management has invested years working to develop a new and exciting housing development in Salmon, Idaho and plans to enter into a joint venture agreement with a developer for this planned concept development.

All of our operations are conducted through, and our income derived from, our two subsidiaries.

~~In the normal course of business, the Company is in the lien based medical industry providing orthopedic healthcare servicing an uninsured market insulated by a letter of protection. A letter of protection is a legally binding contract between the patient (i.e., the Company's customer), the patient's law firm and the Company, as a medical provider. It serves as a critical legal agreement between an experienced personal injury attorney and the Company, as a medical provider, allowing an injured victim to receive vital medical treatment needed after an accident without paying exorbitant out-of-pocket medical expenses prior to settlement. For medical professionals, letters of protection provide guaranteed payment out of settlement proceeds for services rendered as the provider does not have to attempt collection from an uninsured or underinsured injured patient. The medical provider knows that payment will come directly from the law firm out of the settlement. This legally binding contract offers crucial protection when someone is hurt due to another party's negligence but lacks sufficient health insurance or faces denial of claim payments from insurance companies. Medical bills may not be paid for six months to two or more years until case resolution. Providers must be willing to wait for payment. Some complex cases settle in increments over several years instead of one lump payment at the end. A letter of protection enables injured clients to obtain essential care, avoid collections, restore their credit, and focus wholly on recovery. Attorneys utilize letters of protection to construct stronger injury claims, while medical professionals gain guaranteed payment out of settlement proceeds even if treatment is lengthy or ongoing.~~

~~In a personal injury case, the at fault party is responsible for paying the medical bills of the injured person. However, insurance companies will often refuse to pay these medical expenses until liability has been determined. This can leave an injured person unable to get the medical treatment needed, especially if they do not have health insurance. A letter of protection allows an accident victim to receive medical care while the personal injury case is being resolved. An attorney sends a letter of protection to the Company, as a medical provider, on behalf of the client patient. This letter states that the attorney is responsible for paying the client's medical bills when the case is fully developed and settles. The medical professional agrees to provide treatment to the injured person and refrain from attempting to collect payment as it is developing and until the case is resolved. Once the personal injury case is finalized with the insurance company, the attorney pays the outstanding medical bills from the settlement. The letter of protection is fulfilled. If no settlement is reached with the defendant's insurance company and the plaintiff (the patient) loses the case at trial, or the case is abandoned, then the Company will not be able to collect on its letter of protection and its receivable will not be collected. In the case of a partial settlement or award at trial, the Company might only be able to collect a portion of its receivable.~~

~~The Company has a 99% collection rate based on net settlements recorded to its accounts receivable and revenue. The Company has established billing rates, which are not the same as actual amounts recovered. These rates generally do not reflect what is ultimately paid by the customer, insurance carriers, law firms and other payors, which is typically received eighteen to twenty-four months later, and are not reported in the consolidated financial statements at those established billing rates. The Company's customers, its patients, typically pay amounts based on established charges per procedure with guidance from the annually updated Current Procedural Terminology ("CPT") guidelines (a code set maintained by the American Medical Association through the CPT Editorial Panel), that designates relative value units and a suggested range of charges for each procedure which is then assigned a CPT code. This fee is discounted to reflect the percentage paid to the Company "using a modifier" recognized by each insurance carrier for services, less deductible, co-pay, and contractual adjustments which are deducted from the calculated fee. The net revenue is recorded at the time the services are rendered. Collection of that revenue typically occurs eighteen to twenty-four months later and after the patient claim develops and settles.~~

Segments

As of June 30, 2024, we had two reportable operating segments as determined by management using the "management approach" as defined by the authoritative guidance on *Disclosures about Segments of an Enterprise and Related Information*.

(1) Healthcare (Nova)
(2) Real Estate (Edge View)

These segments are a result of differences in the nature of the products and services sold. Corporate administration costs, which include, but are not limited to, general accounting, human resources, legal and credit and collections, are partially allocated to the three operating segments. Other revenue consists of nonrecurring items.

The healthcare segment provides a full range of diagnostic and surgical services for injuries and disorders of the skeletal system and associated bones, joints, tendons, muscles, ligaments, and nerves.

The real estate segment consists of Edge View, a real estate company that owns five (5) acres zoned medium density residential (MDR) with 12 lots already platted, six (6) acres zoned high-density residential (HDR) that can be platted in various configurations to meet current housing needs, and twelve (12) acres zoned in Lemhi County as Agriculture that is available for further annexation into the City of Salmon for development, as well as a common area for landowners to view wildlife, provide access to the Salmon River and fishing in a two (2) acre pond.

Management uses numerous tools and methods to evaluate and measure our subsidiaries' success. To help succeed, management retains the prior owners of the subsidiaries and allows them to do what they do best is run the business. Additionally, management monitors key metrics primarily revenues and net income from operations.

Discontinued Operations

On November 10, 2023, we sold our financial services (tax resolution) business, Platinum Tax Defenders, or Platinum Tax, that we acquired on July 31, 2018, which was a full-service tax resolution firm located in Los Angeles, California. As part of the asset purchase agreement between us and the purchaser, the assets that were purchased included substantially all assets, rights, interests, and licenses, except for bank accounts in place prior to the sale, for the purchase consideration of 15% of cash collected by the purchaser within one year following the sale date.

Results of Operations

Comparison of Three Months Ended June 30, 2024 and 2023

The following table sets forth key components of our results of operations during the three months ended June 30, 2024 and 2023, both in dollars and as a percentage of our revenue.

	Three Months Ended June 30,			
	2024		2023	
	Amount	% of Revenue	Amount	% of Revenue
Total revenue	$ 1,471,643	100.00%	$ 3,364,506	100.0%
Total cost of sales	793,010	53.89%	1,081,689	32.15%
Gross profit	678,633	46.11%	2,282,817	67.85%
Operating expenses				
Depreciation expense	3,366	0.23%	3,365	0.10%
Selling, general and administrative	834,750	56.72%	530,013	15.75%
Total operating expenses	838,116	56.95%	533,378	15.85%
(Loss) income from continuing operations	(159,483)	(10.84)%	1,749,439	52.00%
Other income (expense)				
Other income	2,047	0.14%	–	–
Gain on debt refinance and forgiveness	78,834	5.36%	–	–
Penalties and fees	(330)	(0.02)%	(15,000)	(0.45)%
Interest expense	(41,347)	(2.81)%	(843,918)	(25.08)%
Amortization of debt discounts	(11,306)	(0.77)%	(30,633)	(0.91)%
Total other income (expense)	27,898	1.90%	(889,551)	(26.44)%
Net (loss) income before discontinued operations	(131,585)	(8.94)%	859,888	25.56%
Loss from discontinued operations	–	–	(43,810)	(1.30)%
Net (loss) income	$ (131,585)	(8.94)%	$ 816,078	24.26%

Revenue. For the three months ended June 30, 2024, and 2023, all of our revenue was generated by our healthcare segment, which generates revenue through a full range of diagnostic and surgical services. Our total revenue decreased by $1,892,863, or 56.26%, to $1,471,643 for the three months ended June 30, 2024 from $3,364,506 for the three months ended June 30, 2023. The decrease in revenue is primarily attributable to the mix of services provided during the quarter with less higher revenue surgical procedures performed and an increase in the lower revenue pain management treatments being performed for approximately the same number of patient visits in the current three month period as compared to the same three month period in the prior year. Additionally, we underwent efforts to accelerate cash ~~collections~~settlements of our accounts receivable throughout 2024 in order to generate cash flow for operating purposes. We did this by shortening our settlement negotiations with insurance companies and accepting lower settlement realization rates. As a result of these efforts, we experienced lower than normal settlements of our accounts receivable. During the three months ended June 30, 2024, we realized a 41.8% average ~~collection percentage~~settlement realization rate on gross billed charges settled during this time frame. As a result of this reduced ~~collection percentage~~settlement realization rate, we recorded a cumulative catch up reduction to net revenue of $859,321 for the three months ended June 30, 2024.

Cost of sales. Our cost of sales consists of surgical center and laboratory fees, physician and professional fees, salaries and wages and medical supplies. Our total cost of sales decreased by $288,679, or 26.69%, to $793,010 for the three months ended June 30, 2024 from $1,081,689 for the three months ended June 30, 2023. This decrease is mainly attributable to decreases in salaries and wages, surgical contracted services and laboratory fees.

Gross profit. As a result of the foregoing, our total gross profit decreased by $1,604,184, or 70.27%, to $678,633 for the three months ended June 30, 2024 from $2,282,817 for the three months ended June 30, 2023. Our total gross margin (as a percent of revenue) decreased from 67.85% for the three months ended June 30, 2023 to 46.11% for the three months ended June 30, 2024.

Depreciation expense. Our depreciation expense was $3,366, or 0.24% of revenue, for the three months ended June 30, 2024, as compared to $3,365, or 0.10% of revenue, for the three months ended June 30, 2023.

Selling, general and administrative expenses. Our selling, general and administrative expenses consist primarily of accounting, auditing, legal and public reporting expenses, personnel expenses, including employee salaries, bonuses plus related payroll taxes and stock compensation expense, advertising expenses, professional advisor fees, bad debts, rent expense, insurance and other expenses incurred in connection with general operations. Our selling, general and administrative expenses increased by $304,737, or 57.50%, to $834,750 for the three months ended June 30, 2024 from $530,013 for the three months ended June 30, 2023. As a percentage of revenue, our selling, general and administrative expenses were 56.72% and 15.75% for the three months ended June 30, 2024 and 2023, respectively. Increases were primarily attributable to increases in salaries and wages expense of $311,215, rent expense of $44,363, board fee expense of $30,919, general and administrative expenses of $19,646 and professional fees of $28,605 offset by a decrease in management fees of $150,000.

Total other income (expense). We had $27,898 in total other income, net, for the three months ended June 30, 2024, as compared to total other expense, net, of $889,551 for the three months ended June 30, 2023. Other income, net, for the three months ended June 30, 2024 consisted of gain on debt refinance and forgiveness of $78,834 and other income of $2,047, offset by interest expense of $41,347, amortization of debt discounts of $11,306 and penalties and fees of $330. Other expense, net, for the three months ended June 30, 2023 consisted of interest expense of $843,918, amortization of debt discounts of $30,633 and financing penalties and fees of $15,000. The interest income for the three months ended June 30, 2024 was mainly a result of the write-off of accrued interest as part of the settlement agreement described below.

Discontinued operations. For the three months ended June 30, 2024 and 2023, we recorded a loss from discontinued operations of $0 and $43,810, respectively.

Net income (loss). As a result of the cumulative effect of the factors described above, our net loss was $131,585 for the three months ended June 30, 2024, as compared to net income of $816,078 for the three months ended June 30, 2023, a decrease of $947,663.

Comparison of Six Months Ended June 30, 2024 and 2023

The following table sets forth key components of our results of operations during the six months ended June 30, 2024 and 2023, both in dollars and as a percentage of our revenue.

	Six Months Ended June 30,			
	2024		2023	
	Amount	% of Revenue	Amount	% of Revenue
Total revenue	$ 3,793,775	100.00%	$ 6,070,905	100.0%
Total cost of sales	1,741,164	45.90%	2,037,984	33.57%
Gross profit	2,052,611	54.10%	4,032,921	66.43%
Operating expenses				
Depreciation expense	6,731	0.18%	8,000	0.13%
Share based compensation	300,225	7.91%	–	–
Selling, general and administrative	1,686,146	44.45%	1,517,933	25.00%
Total operating expenses	1,993,102	52.54%	1,525,933	25.14%
Income from continuing operations	59,509	1.57%	2,506,988	41.30%
Other income (expense)				
Other income	2,047	0.05%	204	0.00%
Gain on debt refinance and forgiveness	78,834	2.08%	390	0.01%
Penalties and fees	(1,330)	(0.04)%	(32,000)	(0.53)%
Interest expense	(417,616)	(11.01)%	(1,537,579)	(25.33)%
Amortization of debt discounts	(24,821)	(0.65)%	(48,616)	(0.80)%
Total other expense	(362,886)	(9.57)%	(1,617,601)	(26.65)%

Net (loss) income before discontinued operations	(303,377)	(8.00)%	889,387	14.65%
Loss from discontinued operations	(111,312)	(2.93)%	(89,300)	(1.47)%
Net (loss) income	$ (414,689)	(10.93)%	$ 800,087	13.18%

Revenue. Our total revenue decreased by $2,277,130, or 37.51%, to $3,793,775 for the six months ended June 30, 2024 from $6,070,905 for the six months ended June 30, 2023. The decrease in revenue is primarily attributable to the mix of services provided during the first half of the year with less higher revenue surgical procedures performed and an increase in the lower revenue pain management treatments being performed for approximately the same number of patient visits in the current six month period as compared to the same six month period in the prior year. Additionally, we underwent efforts to accelerate cash ~~collections~~settlements of our accounts receivable throughout 2024~~.~~ to generate cash for operating purposes. We did this by shortening our settlement negotiations with insurance companies and accepting lower settlement realization rates. As a result of these efforts, we experienced lower than normal settlements of our accounts receivable. During the six months ended June 30, 2024, we realized a 42.3% average ~~collection percentage~~settlement rate on gross billed charges ~~collected~~settled during this time frame. As a result of this reduced ~~collection percentage~~settlement realization rate, we recorded a reduction to net revenue of $1,199,155 for the six months ended June 30, 2024.

Cost of sales. Our total cost of sales decreased by $296,820, or 14.56%, to $1,741,164 for the six months ended June 30, 2024 from $2,037,984 for the six months ended June 30, 2023. This decrease is mainly attributable to decreases in salaries and wages, surgical contracted services and laboratory fees.

Gross profit. As a result of the foregoing, our total gross profit decreased by $1,980,310, or 49.10%, to $2,052,611 for the six months ended June 30, 2024 from $4,032,921 for the six months ended June 30, 2023. Our total gross margin (as a percent of revenue) decreased from 66.43% for the six months ended June 30, 2023 to 54.10% for the six months ended June 30, 2024.

Depreciation expense. Our depreciation expense was $6,731, or 0.18% of revenue, for the six months ended June 30, 2024, as compared to $8,000, or 0.13% of revenue, for the six months ended June 30, 2023.

Share based compensation expense. Our share-based compensation expense $300,225, or 7.91% of revenue, for the six months ended June 30, 2024, as compared to $0 for the six months ended June 30, 2023. The increase is due to stock issuances for investor relation services, stock issued to board members and stock issued as compensation for new employment bonuses to management.

Selling, general and administrative expenses. Our selling, general and administrative expenses increased by $168,213, or 11.08%, to $1,686,146 for the six months ended June 30, 2024 from $1,517,933 for the six months ended June 30, 2023. As a percentage of revenue, our selling, general and administrative expenses were 44.45% and 25.00% for the six months ended June 30, 2024 and 2023, respectively. Increases were primarily attributable to increases in salaries and wages expense of $504,350 and stock compensation expense of $93,600, offset by decreases in professional fees of $21,826 and management fees of $45,000.

Total other expense. We had $362,886 in total other expense, net, for the six months ended June 30, 2024, as compared to total other expense, net, of $1,617,601 for the six months ended June 30, 2023. Other expense, net, for the six months ended June 30, 2024 consisted of interest expense of $417,616, amortization of debt discounts of $24,821 and penalties and fees of $1,330, offset by other income of $78,834 for the gain on debt refinance and forgiveness and other income of $2,047. Other expense, net, for the six months ended June 30, 2023 consisted of interest expense of $1,537,579, amortization of debt discounts of $48,616 and financing penalties and fees of $32,000, offset by a gain on debt refinance and forgiveness of $390 and other income of $204. The decrease is primarily attributable to the decrease in interest expense due to the settlement agreement described below.

Discontinued operations. For the six months ended June 30, 2024 and 2023, we recorded a loss from discontinued operations of $111,312 and $89,300, respectively.

Net income (loss). As a result of the cumulative effect of the factors described above, our net loss for the six months ended June 30, 2024 was $414,689, as compared to net income of $800,087 for the six months ended June 30, 2023, a decrease of $1,214,776.

Liquidity and Capital Resources

As of June 30, 2024, we had $3,196,795 in cash. To date, we have financed our operations primarily through revenue generated from operations, sales of securities, advances from stockholders and third-party and related party debt.

We believe, based on our operating plan, that current working capital and current and expected additional financing should be sufficient to fund operations and satisfy our obligations as they come due for at least one year from the financial statement issuance date. However, additional funds from new financing and/or future equity raises are required for continued operations and to execute our business plan and our strategy of acquiring additional businesses. The funds required to sustain operations ranges between $600,000 to $1 million and additional funds execute our business plan will depend on the size, capital structure and purchase price consideration that the seller of a target business deems acceptable in a given transaction. The amount of funds needed to execute our business plan also depends on what portion of the purchase price of a target business the seller of that business is willing to take in the form of seller notes or our equity or equity in one of our subsidiaries. Given these factors, we believe that the amount of outside additional capital necessary to execute our business plan on the low end (assuming target company sellers accept a significant portion of the purchase price in the form of seller notes or our equity or equity in one of our subsidiaries) ranges between $4 million to $8 million. If, and to the extent, that sellers are unwilling to accept a significant portion of the purchase price in seller notes and equity, then the cash required to execute our business plan could be as much as $10 million.

We intend to raise capital for additional acquisitions primarily through equity and debt financings. The sale of additional equity securities could result in dilution to our stockholders. The incurrence of indebtedness would result in increased debt service obligations and could require us to agree to operating and financial covenants that would restrict our operations. Financing may not be available in amounts or on terms acceptable to us, if at all. There is no guarantee that we will be able to acquire additional businesses under the terms outlined above.

The financial statements were prepared on a going concern basis and do not include any adjustment with respect to these uncertainties.

Summary of Cash Flow

The following table provides detailed information about our net cash flow for the six months ended June 30, 2024 and 2023.

	Six Months Ended June 30,	
	2024	2023 (Restated)
Net cash used in operating activities from continuing operations	$ (1,980,727)	$ (260,466)
Net cash provided by financing activities from continuing operations	4,199,267	360,470
Net change in cash	2,329,852	189,304
Cash and cash equivalents at beginning of period	866,943	219,085
Cash and cash equivalents at end of period	$ 3,196,795	$ 408,389

Our net cash used in operating activities from continuing operations was $1,980,727 for the six months ended June 30, 2024, as compared to $260,466 for the six months ended June 30, 2023. The primary drivers of our net cash used in operating activities for the six months ended June 30, 2024 are our net loss of $414,689, decreases of $1,555,885 in accounts receivable, $367,400 in accounts payable and other accrued expenses and $380,001 in accrued officer's compensation, offset by share based compensation of $788,600. For the six months ended June 30, 2023, our net income of $800,087, an increase in accounts payable and accrued expenses of $738,353, an increase in accrued officer's compensation of $334,000, bad debt expense of $270,000 and an increase in accrued interest of $248,137, offset by a decrease in accounts receivable of $2,859,607, were the primary drivers for the cash used in operations.

We monitor outstanding cases as they develop through ongoing discussions with attorneys, doctors and our third party medical billing company and additionally monitor our settlement realization rates over time. We have two primary methods of accelerating our cash settlement of our revenue and related accounts receivable. The first is through factoring our receivables, which was done in 2023, but ended prior to April 2023. The second method is through accepting lower settlement amounts during the final negotiations of the settlement, which is coordinated through our third party medical billing company. When our third party medical billing company is provided with a settlement amount of 49% of gross charges or greater they will accept. When presented with a lower amount we will discuss the reasons for the reduced rate and negotiate a higher rate. Shortening our negotiation timeframe will typically result in a lower settlement realization rate, but will accelerate the cash settlement of the outstanding accounts receivable. We began employing this second method in 2024, which reduced our settlement realization rate as described below. We have employed both methods from time to time to accelerate our cash settlement and may employ one or both in the future.

Prior to April 2023, we factored (sold) the vast majority of our accounts receivable to third party(s) to generate working capital to fund ongoing business operations and growth. For the six months ended June 30, 2023, we factored a total of $544,196 of our accounts receivable in exchange for cash of $253,750. We ceased factoring of accounts receivable in the first quarter of 2023. The most recent average ~~collection~~realization time for accounts receivable was approximately eighteen to twenty four months from the initial date of service. Typically, a patient will have a series of dates of service over an average of 12 to 16 months.

Prior to fiscal year 2024, we historically ~~received~~realized a 49% ~~of collections~~settlement rate from total gross billed charges. Accordingly, we had historically recognized net healthcare service revenue as 49% of gross billed amounts. However, during the six months ended June 30, 2024, we underwent efforts to accelerate cash ~~collections throughout 2024.~~settlement of our accounts receivable throughout 2024 in order to generate cash flow for operations. We did this by shortening our settlement negotiations with insurance companies and accepting lower settlement amounts. As a result of the new effort, during the six months ended June 30, 2024 we realized a 42.3% average ~~collection percentage~~settlement rate of our gross billed charges ~~collected~~ during this time frame, which were historically recorded in accounts receivable and revenue at 49% of gross billings. As a result of this reduced ~~collection percentage~~settlement realization rate, we recorded a reduction to net revenue of $1,199,155 for the six months ended June 30, 2024. We expect this trend to continue in the short term as we work to ~~collected~~settle our accounts receivables more quickly to generate cash flow for operations.

We had no investing activities for the six months ended June 30, 2024 and 2023.

Our net cash provided by financing activities was $4,199,267 for the six months ended June 30, 2024, as compared to $360,470 for the six months ended June 30, 2023. Net cash provided by financing activities for the six months ended June 30, 2024 consisted of the proceeds of $4,522,695 from line of credit, offset by the payment of $120,997 to a director, $100,079 paid on convertible notes payable, $100,000 in dividend payments and $2,352 in payments on the SBA loan described below. Net cash provided by financing activities for the six months ended June 30, 2023 consisted of proceeds from convertible notes payable of $355,500 and proceeds from line of credit of $35,131, offset by repayments of line of credit of $30,161.

Convertible Notes

As of June 30, 2024, we had convertible debt outstanding net of amortized debt discount of $110,000. During the six months ended June 30, 2024, we made $100,080 in principal payments and paid the total outstanding accrued interest on these notes in the amount of $22,279. We also paid $100,000 of accrued interest to a convertible noteholder.

On June 11, 2024, we entered into a settlement agreement and release of claims with the holder certain notes. Pursuant to the settlement agreement and release of claims, the holder agreed to cancel such notes in exchange for the fixed amount settlement promissory note in the principal amount of $535,000 described below. Additionally, during the six months ended June 30, 2024, we exchanged certain notes for the issuance of 938,908 shares of series Y senior convertible preferred stock to the noteholder.

On January 24, 2017, we issued a convertible promissory note in the principal amount of $80,000 for services rendered, which matured on January 24, 2018. This note is currently in default and accrues interest at a default interest rate of 20% per annum. On March 30, 2023, we executed an additional tranche under this note in the principal amount of $25,000. This note is currently in default and accrues interest at a default interest rate of 20% per annum. On August 11, 2023, we executed an additional tranche under this note in the principal amount of $25,000. This note accrues interest at a rate of 15% per annum.

On August 25, 2023, we issued a twelve-month convertible promissory note in the principal amount of $5,000 to our chief executive officer for our operating expenses. The rate of interest is 10% per annum.

Promissory Note – Settlement Agreement

On June 11, 2024, we entered into a settlement agreement and release of claims with the holder of 165 shares of series R convertible preferred stock and certain convertible promissory notes. Pursuant to the settlement agreement and release of claims, the holder agreed to cancel its shares of series R convertible preferred stock and convertible promissory notes in exchange for a new fixed amount settlement promissory note in the principal amount of $535,000. This transaction was accounted for as a debt extinguishment and a gain on settlement of $78,834 was recorded to the unaudited consolidated statement of operations for the quarter ended June 30, 2024, in accordance with FASB Topic 470 *Borrower's Accounting for Debt Modifications.*

The note does not bear interest and requires fixed payments as follows: (i) if we raise at least $5 million but less than $6 million in our planned underwritten public offering, or the Offering, then we must pay $250,000 on the closing date of the Offering, with payments of $125,000, $125,000 and $35,000 to follow on the 90th, 180th, and 240th days following the closing of the Offering, respectively; (ii) if we raise at least $6 million but less than $7 million in the Offering, then we must pay $390,000 on the closing date of the Offering and $145,000 on the 90th day following the closing of the Offering; and (iii) if we raise at least $7 million in the Offering, then we must repay the entire principal amount on the closing date of the Offering. If the Offering is not completed by August 15, 2024, then we are required to pay $25,000 on such date and to continue making payments of $25,000 on each monthly anniversary thereof until the entire principal amount is repaid in full. If the Offering is completed after August 15, 2024, then we are required to make payments as described in the schedule above. Notwithstanding the foregoing, if we abandon the Offering and conduct a new public offering thereafter, then we are required to make a payment of $100,000 on the closing date of such other public offering, a second payment of $100,000 on the 90th day following the closing of such offering and $35,000 each month thereafter until the entire principal amount is repaid in full. If any portion of the principal amount remains unpaid on the second (2nd) anniversary of the date of the note, it shall become immediately due and payable on such date. We may prepay the entire principal amount at any time without penalty. The note is unsecured and contains customary events of default for a loan of this type. Upon an event of default, interest would automatically begin to accrue at a simple interest rate of ten percent per annum.

Small Business Administration Loans

On June 2, 2020, we obtained a loan from the Small Business Administration of $150,000 at an interest rate of 3.75% with a maturity date of June 2, 2050. The principal balance and accrued interest at June 30, 2024 was $147,301 and $0, respectively.

Debenture

On March 12, 2009, we issued a debenture in the principal amount of $20,000. The debenture bore interest at 12% per year and matured on September 12, 2009. The balance of the debenture was $10,989 at June 30, 2024 and the accrued interest was $8,205. We assigned all of our receivables from consumer activations of the rewards program as collateral on this debenture.

Line of Credit

On September 29, 2023, our company and Nova entered into a two-year revolving purchase and security agreement with DML HC Series, LLC, or DML, to sell, with recourse, Nova’s accounts receivables for a revolving financing up to a maximum advance amount of $4.5 million. A review is performed on a quarterly basis to assess the adequacy of the maximum amount. If mutually agreed upon by us and DML, the maximum amount may be increased. On April 24, 2024, we entered into amendment No. 1 with DML which increased the maximum advance amount to $8,000,000 and defined the discount fee equal to 2.25% per purchase and claims balance forward on new purchases with a minimum fee to now be $10,000. On June 11, 2024, we entered into amendment No. 2 with DML which further increased the maximum advance amount to $11,000,000. As of June 30, 2024, we had an outstanding balance of $6,675,746 against the revolving receivable line of credit. The revolving purchase and security agreement includes discounts recorded as interest expense on each funding and matures on September 29, 2025.

Related Party Loans

In connection with the acquisition of Edge View on July 16, 2014, we assumed amounts due to previous owners who are current managers of Edge View. These amounts are due on demand and do not bear interest. The balance of these amounts is $4,979 as of June 30, 2024.

Contractual Obligations

Our principal commitments consist mostly of obligations under the loans described above.

Critical Accounting Policies

The preparation of our unaudited condensed consolidated financial statements requires our management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On a regular basis, we evaluate these estimates. These estimates are based on management's historical industry experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

For a description of the accounting policies that, in management's opinion, involve the most significant application of judgment or involve complex estimation and which could, if different judgment or estimates were made, materially affect our reported financial position, results of operations, or cash flows, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 filed with the Securities and Exchange Commission, or the SEC, on March 27, 2024.

Off Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Disclosure controls and procedures refer to controls and other procedures designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

As required by Rule 13a-15(e) of the Exchange Act, our management has carried out an evaluation, with the participation and under the supervision of our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as of June 30, 2024. Based upon, and as of the date of this evaluation, our chief executive officer and chief financial officer determined that, because of the material weaknesses described in Item 9A "Controls and Procedures" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, which we are still in the process of remediating as of June 30, 2024, along with the error identified in our Quarterly Report on Form 10-Q's for the six months ended June 30, 2024 and the three months ended March 31, 2024, our disclosure controls and procedures were not effective. The error identified in our Quarterly Report on Form 10-Q for the six months ended June 30, 2024 has been corrected in this amended filing. Investors are directed to Item 9A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, for the description of these weaknesses.

Remediation of Material Weaknesses in Internal Control Over Financial Reporting

We have evaluated the material weakness described above and our management and board of directors are committed to the design and successful implementation of internal control over financial reporting as promptly as possible. We are evaluating our updated internal controls design and will determine whether the controls have operated effectively during 2024 in order to fully remediate the aforementioned material weakness in our internal control over financial reporting.

As disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, our management has identified the steps necessary to address the material weaknesses, and in the second quarter of 2024, we continued to implement the following remedial procedures:

- We are making necessary changes by making strategic hiring decisions and providing training to our financial team, and other relevant personnel, on the GAAP accounting guidelines applicable to financial reporting requirements.
- We plan to implement proper documentation procedures for key functional areas, control objectives and our workflows.
- We plan to reinforce effective compensating controls can improve the design of the current process with limited human resources.
- We have hired external consultants to assist with our assessment and accounting for variable consideration as accounted for under ASC 606 and our credit loss expense as accounted for under ASC 326.

We intend to complete the remediation of the material weaknesses discussed above as soon as practicable, but we can give no assurance that we will be able to do so. Designing and implementing an effective disclosure controls and procedures is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to devote significant resources to maintain a financial reporting system that adequately satisfies our reporting obligations. The remedial measures that we have taken and intend to take may not fully address the material weaknesses that we have identified, and material weaknesses in our disclosure controls and procedures may be identified in the future. Should we discover such conditions, we intend to remediate them as soon as practicable. We are committed to taking appropriate steps for remediation, as needed.

Changes in Internal Control Over Financial Reporting

Other than in connection with the implementation of the remedial measures described above, there were no changes in our internal controls over financial reporting during the second quarter of 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

From time to time, we may become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these, or other matters, may arise from time to time that may harm our business. We are currently not aware of any such legal proceedings or claims that we believe will have a material adverse effect on our business, financial condition or operating results.

ITEM 1A. RISK FACTORS.

Not applicable.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

We have not sold any equity securities during the three months ended June 30, 2024 that were not previously disclosed in a current report on Form 8-K that was filed during the quarter.

We did not repurchase any shares of our common stock during the three months ended June 30, 2024.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

During the quarter ended June 30, 2024, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

We received a letter from the SEC, dated July 10, 2024, which contained comments from the SEC relating to our Annual Report ~~of~~on Form 10-K for the fiscal year ended December 31, 2023, or the 2023 10-K. In response to such comments, we filed amendments to the 2023 10-K on July 24, 2024 and on August 8, 2024.~~ As of the date of this report, the SEC comments that remain pending, which we have addressed in the 2023 10-K amendment filed on August 8, 2024 and in an accompanying letter to the SEC, for which we are awaiting the SEC's response. Since we have not yet resolved all of the comments of the staff of the SEC, we may be required to further amend our 2023 Form 10-K and it is possible that we may be required to amend this report in order to incorporate any additional input we receive from the staff of the SEC.~~

The SEC has requested that we provide additional discussions and disclosures, including those related to: accounts receivable and roll forward for allowance for credit losses balances; amounts and statistics for accounts receivable factored (sold) to third party(s); collection financial information; settlement amounts and statistics for amounts written off and charged to bad debt expense; and the accounting treatment of current assets based on our normal operating cycle.

Additionally, we received a letter from the SEC, dated August 16, 2024, which contained comments from the SEC relating to our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2024, or the 2024 Q2 10-Q. In response to such comments, we filed amendments to the 2024 Q2 and the Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2024 on October 9, 2024.

The SEC requested that we provide additional discussions and disclosures, including those related to: revenue recognition; our types of and accounting for variable consideration; accounts receivable and allowance for credit losses; settlement amounts and statistics for amounts written off and charged to bad debt expense; our accounting for the correction of an error.

ITEM 6. EXHIBITS.

Exhibit No.	Description
3.1	Amended and Restated Articles of Incorporation Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.1 to Amendment No. 1 to the Registration Statement on Form S-1/A filed on August 3, 2023)
3.2	Certificate of Amendment to Amended and Restated Articles of Incorporation Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.2 to the Quarterly Report on Form 10-Q filed on May 10, 2024)
3.3	Certificate of Designation of Series A Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.2 to Amendment No. 1 to the Registration Statement on Form S-1/A filed on August 3, 2023)
3.4	Certificate of Designation of Series B Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.3 to Amendment No. 1 to the Registration Statement on Form S-1/A filed on August 3, 2023)
3.5	Certificate of Correction of Certificate of Designation of Series B Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.4 to the Annual Report on Form 10-K filed on March 27, 2024)
3.6	Certificate of Designation of Series C Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.4 to Amendment No. 1 to the Registration Statement on Form S-1/A filed on August 3, 2023)
3.7	Certificate of Correction of Certificate of Designation of Series C Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.6 to the Annual Report on Form 10-K filed on March 27, 2024)
3.8	Certificate of Designation of Series E Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.5 to Amendment No. 1 to the Registration Statement on Form S-1/A filed on August 3, 2023)
3.9	Certificate of Correction of Certificate of Designation of Series E Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.8 to the Annual Report on Form 10-K filed on March 27, 2024)
3.10	Certificate of Designation of Series F-1 Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.6 to Amendment No. 1 to the Registration Statement on Form S-1/A filed on August 3, 2023)
3.11	Certificate of Correction of Certificate of Designation of Series F-1 Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.10 to the Annual Report on Form 10-K filed on March 27, 2024)

3.12	Certificate of Designation of Series I Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.7 to Amendment No. 1 to the Registration Statement on Form S-1/A filed on August 3, 2023)
3.13	Certificate of Correction of Certificate of Designation of Series I Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.12 to the Annual Report on Form 10-K filed on March 27, 2024)
3.14	Certificate of Designation of Series L Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.9 to Amendment No. 1 to the Registration Statement on Form S-1/A filed on August 3, 2023)
3.15	Certificate of Correction of Certificate of Designation of Series L Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.16 to the Annual Report on Form 10-K filed on March 27, 2024)
3.16	Certificate of Designation of Series N Senior Convertible Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.3 to the Annual Report on Form 10-K filed on June 6, 2023)
3.17	Certificate of Designation of Series X Senior Convertible Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.12 to Amendment No. 1 to the Registration Statement on Form S-1/A filed on August 3, 2023)
3.18	Certificate of Designation of Series Y Senior Convertible Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on May 14, 2024)
3.19	Amended and Restated Bylaws of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.2 to the Annual Report on Form 10-K filed on June 6, 2023)
4.1	Common Stock Purchase Warrant issued by Cardiff Lexington Corporation to SILAC Insurance Company on May 21, 2021 (incorporated by reference to Exhibit 4.2 to the Annual Report on Form 10-K filed on June 6, 2023)
10.1	Settlement Agreement and Release of Claims, dated June 11, 2024, between Cardiff Lexington Corporation and GHS Investments, LLC (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on June 11, 2024)
10.2	Fixed Amount Settlement Promissory Note issued by Cardiff Lexington Corporation to GHS Investments, LLC on June 11, 2024 (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on June 11, 2024)
10.3	Securities Exchange Agreement, dated May 13, 2024, between Cardiff Lexington Corporation and Leonite Capital LLC (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on May 14, 2024)
10.4	Security and Pledge Agreement, dated May 13, 2024, among Cardiff Lexington Corporation, Nova Ortho and Spine, LLC, Edge View Properties, Inc. and Leonite Capital LLC (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on May 14, 2024)
31.1*	Certifications of Principal Executive Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certifications of Principal Financial Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certifications of Principal Executive Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certifications of Principal Financial Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

*Filed herewith
** Furnished herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: September __, 2024

CARDIFF LEXINGTON CORPORATION

/s/ Alex Cunningham
Name: Alex Cunningham
Title: Chief Executive Officer
(Principal Executive Officer)

/s/ Matthew Shafer
Name: Matthew Shafer

Title: Chief Financial Officer
(Principal Financial Officer)