

Unaudited-No assurance provided.



24X BERMUDA HOLDINGS LLC
Financial Statements

December 31, 2022

Unaudited-No assurance provided.

24X BERMUDA HOLDINGS LLC
DECEMBER 31, 2022

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24X BERMUDA HOLDINGS LLC

**BALANCE SHEET
DECEMBER 31, 2022**

ASSETS

CURRENT ASSETS:

Cash	\$ 5,250,000
Prepaid expenses and other current assets	4,794

TOTAL CURRENT ASSETS 5,254,794

OTHER ASSETS

Investments in wholly-owned subsidiaries	7,332,367
Due from affiliates	381,214

TOTAL OTHER ASSETS 7,713,581

TOTAL ASSETS \$ 12,968,375

LIABILITIES AND MEMBERS' EQUITY

TOTAL LIABILITIES \$ -

MEMBERS' EQUITY 12,968,375

TOTAL LIABILITIES AND MEMBERS' EQUITY \$ 12,968,375

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24X BERMUDA HOLDINGS LLC
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2022

EXPENSES:

Professional fees	\$ 19,770
Loss in equity of wholly-owned subsidiaries	<u>9,412,594</u>
NET LOSS	<u>\$ (9,432,364)</u>

24X BERMUDA HOLDINGS LLC
STATEMENT OF MEMBERS' EQUITY
YEAR ENDED DECEMBER 31, 2022

	<u>Preferred Units</u>	<u>Common Units</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balance, January 1, 2022	\$ 19,616,573	\$ 1,579,005	\$ (6,157,269)	\$ 15,038,309
Common units issued for options exercised	-	21,516	-	21,516
Issuance of preferred units	7,025,000	-	-	7,025,000
Warrants issued or to be issued under principal trading participant agreement	-	235,419	-	235,419
Costs to raise capital	(95,690)	-	-	(95,690)
Unit-based compensation recorded by subsidiary	-	176,185	-	176,185
Net loss	-	-	(9,432,364)	(9,432,364)
Balance, December 31, 2022	<u>\$ 26,545,883</u>	<u>\$ 2,012,124</u>	<u>\$ (15,589,633)</u>	<u>\$ 12,968,375</u>

See Accompanying Notes to Financial Statements

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24X BERMUDA HOLDINGS LLC STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net loss	\$ (9,432,364)
Adjustments to reconcile net loss to net cash used in operating activities:	
Loss in equity of subsidiaries	9,412,594
Professional fees paid by subsidiary	16,029
Increase in operating assets:	
Prepaid expenses and other current assets	3,741
NET CASH PROVIDED BY OPERATING ACTIVITIES	-
CASH FLOWS FROM INVESTING ACTIVITIES:	
Capital contributions to wholly-owned subsidiaries	(11,250,000)
Advances to affiliate	(4,776,000)
NET CASH USED IN INVESTING ACTIVITIES	(16,026,000)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from sale of preferred units	7,025,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	7,025,000
NET DECREASE IN CASH	(9,001,000)
CASH, <i>beginning of year</i>	14,251,000
CASH, <i>end of year</i>	\$ 5,250,000
Schedule of noncash activities:	
Advances to subsidiaries capitalized to investments	\$ 4,289,276
Warrants issued or to be issued under principal trading participant agreement	235,419
Common units issued for options exercised - cash received by subsidiary	21,516
Unit-based compensation recorded by subsidiary	176,185
Costs to raise capital paid by subsidiary	95,689
Prepaid expenses paid by subsidiary	4,794

See Accompanying Notes to Financial Statements

24X BERMUDA HOLDINGS LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 - Nature of Business and Organization

24X Bermuda Holdings LLC (the “Company”) was incorporated under the laws of Bermuda in 2021 and commenced operations in October 2021. The Company is a holding company that has five subsidiaries.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Investment in Wholly-Owned Subsidiaries

The Company accounts for its investments in its wholly-owned subsidiaries using the equity method of accounting. The equity method of accounting requires the Company to recognize its share of the earnings and losses in the investee in the periods in which they are reflected in the accounts of the investee. The balance is increased to reflect the Company’s capital contributions and equity in earnings of the subsidiary. The balance is decreased for its equity in losses of the subsidiary and for distributions received that are not in excess of the carrying value amount of the investment. The Company recognizes losses in excess of the carrying value of the investment (if any) as the Company or its affiliates will provide further financial support to the subsidiary as needed.

24X BERMUDA HOLDINGS LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 2 - Summary of Significant Accounting Policies (Continued)

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Unit-Based Compensation

The Company accounted for unit-based compensation in accordance with ASC 718, Compensation-Stock Compensation ("ASC 718"). The fair value of the Company's unit-based compensation was estimated using the Black Scholes option pricing model based on the fair value of the Company's voting common unit. The Company recognized compensation expense for equity awards on a straight-line basis over the requisite service period of the award. See Note 4 for further details.

Income Taxes

The Company is a foreign limited liability company that has elected to be taxed as a partnership. Under the laws of Bermuda, the Company is generally not subject to income taxes.

Subsequent Events

The Company has evaluated subsequent events through August 29, 2023, the date that the financial statements were available to be issued.

24X BERMUDA HOLDINGS LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3– Members’ Equity

Preferred Units

The Company's preferred units consist of the following at December 31, 2022:

	Units Authorized	Units Outstanding
Series Seed	1,200,000	1,124,850
Series Seed-2	1,200,000	981,214
Series Seed-3	600,000	571,655
Series Seed-4	1,300,000	681,106
Series A-1	3,221,285	3,221,285
Series A-2	1,911,021	1,191,021

Terms of all of the Preferred Units include the following:

Conversion anti-dilution protection:

Preferred units are convertible into common units on a one-to-one basis. In the event there is a stock split, stock dividend, or similar occurrence preferred unit holders are not subject to dilution.

Liquidation preference:

In the event of any voluntary or involuntary liquidation, dissolution, or winding up of the Company or any Deemed Liquidation preferred unit holders shall be paid dividends on an as converted basis when and if paid to common unit holders without regard to amounts set aside for escrow earn out delayed payment or similar feature.

Voting and other rights:

Preferred unit holders have the same voting rights as common unit holders plus preferred unit protective provisions. In addition, preferred unit holders receive other standard investor rights.

During the year ended December 31, 2022, the Company sold 1,191,021 Series A-2 preferred units for \$7,025,000.

24X BERMUDA HOLDINGS LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3– Members’ Equity (Continued)

Common Units

The Company's common units consist of the following at December 31, 2022:

	Units Authorized	Units Outstanding
Voting Units	20,000,000	9,565,442
Non-Voting Units	1,200,000	-

Terms of the Common Units include the following:

1. The holders are entitled to one (1) vote per each Common Units.
2. The holders are entitled to such dividends as the Board may from time to time declare.
3. In the event of a winding-up or dissolution of the Company, whether voluntary or involuntary or for the purpose of a reorganization or otherwise or upon any distribution of capital, be entitled to the surplus assets of the Company after all distributions to holders of Preferred Units.

The Company issued 107,578 common units for the exercise of common unit options and received proceeds of \$21,516 during the year ended December 31, 2022. See Note 4 for additional information.

Non-Voting Common Units:

Terms of the Non-Voting Common Units include the following:

1. The holders are not entitled to vote unless expressly set out (save where the right to vote is specifically required by the Companies Act and such right cannot be excluded), and subject thereto, one (1) vote per each Non-Voting Common Share.
2. The holders are entitled to such dividends as the Board may from time to time declare.
3. In the event of a winding-up or dissolution of the Company, whether voluntary or involuntary or for the purpose of a reorganization or otherwise or upon any distribution of capital, be entitled to the surplus assets of the Company after all distributions to holders of Preferred Stock.

No units of non-voting common stock were issued during the year ended December 31, 2022.

24X BERMUDA HOLDINGS LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 – Members’ Equity (Continued)

Warrants

In 2022, the Company granted a warrant to acquire non-voting common units to Standard Charter Bank (“SCB”) as part of the fee credit for one of the Company’s subsidiaries. The exercise price of the warrant is \$0.01 and the warrant has a five-year term. In 2022, the Company issued a warrant for the purchase of 16,274 units representing a total value of \$95,988. In 2023, a warrant will be issued for the balance of the fee credit totaling \$139,431.

Note 4 – Unit-Based Compensation

At various times, one of the Company’s subsidiaries issued options to its employees. In 2021, all of the outstanding options of the Company’s subsidiary were amended such that all option holders of the subsidiary became option holders of the Company. The cost of the outstanding options is still charged to the subsidiary.

In 2022, the Company granted unit options to employees of the subsidiary to purchase common units. These options vest ratably over a term range of zero to four years and expire on December 31, 2030.

Unit-based compensation for the year ended December 31, 2022 totaled \$176,185 and was charged to the subsidiary.

The fair values of unit options granted were estimated using the Black-Sholes option-pricing model with the following assumptions for the year ended December 31, 2022:

Risk-free interest rate	1.46% - 4.27%
Dividend yield	0%
Volatility	45%
Expected term (in years)	5.34 - 5.75

The expected life is the number of years that the Company estimates, based upon history, that the options will be outstanding prior to exercise or forfeiture. Expected life is determined using the “simplified method” permitted by Staff Accounting Bulletin No. 107. In addition to the inputs referenced above regarding the option pricing model, the Company adjusts the unit-based compensation expense for estimated forfeiture rates that are revised prospectively according to forfeiture experience. The unit volatility factor is based on the Company’s experience.

A summary of the status of the Company’s unit options as of December 31, 2022 and changes during the year ended are presented below.

24X BERMUDA HOLDINGS LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 4 – Unit-Based Compensation (Continued)

	Units	Weighted-Average Exercise price
Outstanding at January 1, 2022	2,552,742	\$ 0.20
Granted	150,000	4.72
Granted	236,675	2.50
Cancelled	(95,975)	0.40
Granted	47,283	0.30
Exercised	(107,578)	0.20
	2,783,147	\$ 0.63

Issued in 2022

On January 1, 2022, the Company granted to its directors, employees, and consultants unit options to purchase an aggregate of 150,000 units of the Company’s common unit at a price of \$4.72 per share. The options expire on December 31, 2030 and vest over a term of four year.

On May 25, 2022, the Company granted certain employees, unit options to purchase an aggregate of 47,283 units of the Company’s common unit at a price of \$.30 per share for 2021 services. The options expire on December 31, 2030 and vest over a term of four years.

During 2022, the Company granted to certain members of management and certain employees, unit options to purchase an aggregate of 236,675 units of the Company’s common units at a price of \$2.50 per share. The options expire on December 31, 2030 and vest over a term of four year.

The following table summarizes information about outstanding unit options at December 31, 2022:

24X BERMUDA HOLDINGS LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 4 – Unit-Based Compensation (Continued)

Exercise Price	Number Outstanding	WA Remaining Life	Number Exercisable
\$0.30	2,357,664	8.01	2,032,664
\$0.30	47,283	8.01	23,642
\$2.50	228,200	8.01	-
\$4.72	150,000	8.01	37,500
	2,783,147	8.01	2,093,806

Note 5 - Concentrations of Credit Risk

Cash

The Company maintains principally all cash balances with various financial institutions which, at times, may exceed insured limits. The exposure to the Company is solely dependent upon daily bank balances and the respective strength of the financial institutions. The Company has not incurred any losses on these accounts. At December 31, 2022, amount in excess of insured limits was approximately \$5,000,000.