

**CLEANTECH ALPHA CORPORATION  
(F/K/A GREENSHIFT CORPORATION)**

**UNAUDITED  
CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF AND FOR THE  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**CLEANTECH ALPHA CORPORATION  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
INDEX TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

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**CLEANTECH ALPHA CORPORATION AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED BALANCE SHEETS**  
**AS OF DECEMBER 31, 2020 AND 2019**

	December 31, 2020	December 31, 2019
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ --	\$ --
Accounts receivable, net of doubtful accounts	29,337	21,500
Total current assets	29,337	21,500
Other assets:		
Due from an affiliate	104,489	104,489
Total other assets	104,489	104,489
<b>TOTAL ASSETS</b>	<b>\$ 133,826</b>	<b>\$ 125,989</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)</b>		
Current liabilities:		
Accounts payable	\$ 1,143,365	\$ 1,143,365
Accrued expenses	1,148,452	898,452
Accrued expenses – deferred employee compensation	285,134	285,134
Income tax payable	151,020	151,020
Accrued interest	1,206,403	1,018,690
Accrued interest – related party	927,822	808,195
Notes payable	39,600	39,600
Current portion of convertible debentures, net	12,909	12,909
Current portion of convertible debentures, net – related party	1,272,073	1,272,073
Derivative liabilities	128,022	128,022
Total current liabilities	6,315,019	5,757,460
Long term liabilities:		
Notes payable – related party	607,934	607,934
Convertible debentures	3,483,999	3,566,808
Convertible debentures – related party	325,000	325,000
Total long-term liabilities	4,416,933	4,499,742
Total liabilities	10,731,952	10,257,202
Commitment and Contingencies		
Stockholder's Equity (Deficit):		
Convertible preferred stock, \$0.001 par value, 5,000,000 shares authorized:		
Series B: 2,480,544 and 2,480,544 shares issued and outstanding, respectively	2,481	2,481
Series G: 800,000 and 800,000 shares issued and outstanding, respectively	800	800
Common stock: \$0.0001 par value, 2,500,000,000 authorized; 20,060,334 and 20,060,334 shares issued and outstanding, respectively		
	1,981	1,981
Additional paid in capital	131,809,853	131,809,853
Accumulated equity (deficit)	(142,413,240)	(141,946,327)
Total stockholders' equity (deficit)	(10,598,126)	(10,131,213)
<b>TOTAL LIABILITIES STOCKHOLDERS' EQUITY (DEFICIT)</b>	<b>\$ 133,826</b>	<b>\$ 125,989</b>

See accompanying notes to the Consolidated Financial Statements.

**CLEANTECH ALPHA CORPORATION AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Revenue	\$ 252,118	\$ 1,458,085
Management fee expense	--	199,460
Gross Profit	252,118	1,258,626
Operating expenses:		
Selling, general and administrative	385,971	566,231
Research and development	25,720	105,000
Bad debt expense (recovery)	--	(128,000)
Total operating expenses	<u>411,691</u>	<u>543,231</u>
Income (loss) from operations	<u>(159,573)</u>	<u>715,394</u>
Other income (expense):		
Gain on extinguishment of debt	--	(8,998)
Miscellaneous income	--	1,112
Interest income	(187,713)	(207,092)
Interest expense – affiliate	(119,627)	(119,300)
Total other income (expense), net	<u>(307,340)</u>	<u>(334,274)</u>
Income (loss) before provision for income taxes	(466,913)	381,116
Provision for income taxes	--	--
Income from continuing operations	<u>\$ (466,913)</u>	<u>\$ 381,116</u>
Net income	<u>\$ (466,913)</u>	<u>\$ 381,116</u>
Weighted average common shares outstanding, basic	20,060,334	20,060,334
Weighted average common shares outstanding, diluted	20,060,334	535,594,764
Earnings per common share - Basic		
Income (loss) from continuing operations	<u>\$ (0.02)</u>	<u>\$ 0.02</u>
Net Income per share - basic	<u>\$ (0.02)</u>	<u>\$ 0.02</u>
Earnings per common share - Diluted		
Income (loss) from continuing operations	<u>\$ (0.02)</u>	<u>\$ --</u>
Net Income per share - basic	<u>\$ (0.02)</u>	<u>\$ --</u>

See accompanying notes to the Consolidated Financial Statements.

**CLEANTECH ALPHA CORPORATION AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND DECEMBER 31, 2019**

	Series B Preferred		Series D Preferred		Series G Preferred	
	Shares	Amount	Shares	Amount	Shares	Amount
Balance at December 31, 2018	2,480,544	\$2,481	--	--	800,000	800
Net income (loss)	--	--	--	--	--	--
Balance at December 31, 2019	2,480,544	\$2,481	--	--	800,000	800
Net income (loss)	--	--	--	--	--	--
Balance at December 31, 2020	2,480,544	\$2,481	--	--	800,000	800

See accompanying notes to the Consolidated Financial Statements.

**CLEANTECH ALPHA CORPORATION AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND DECEMBER 31, 2019**

	<u>Common Stock</u>		<u>Additional Paid</u>	<u>Accumulated</u>	<u>Total Equity</u>
	<u>Shares</u>	<u>Amount</u>	<u>in Capital</u>	<u>Deficit</u>	
Balance at December 31, 2018	20,060,334	\$1,981	\$131,809,853	\$(142,327,443)	\$(10,512,330)
Net income	--	--	--	381,116	381,116
Balance at December 31, 2019	20,060,334	\$1,981	\$131,809,853	\$(141,946,327)	\$(10,131,213)
Net income	--	--	--	(466,913)	(466,913)
Balance at December 31, 2020	20,060,334	\$1,981	\$131,809,853	\$(142,413,240)	\$(10,598,126)

See accompanying notes to the Consolidated Financial Statements.

**CLEANTECH ALPHA CORPORATION AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND DECEMBER 31, 2019**

	Years Ended	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (466,913)	\$ 381,116
<i>Adjustments to reconcile net income to net cash provided by (used in) operating activities:</i>		
Gain (loss) on extinguishment of debt	--	8,998
Bad debt expense	--	(128,000)
<i>Changes in working capital items net of acquisitions:</i>		
Accounts receivable	(7,837)	(21,500)
Accrued interest	187,713	207,092
Accrued interest – related party	119,627	119,300
Accounts payable and accrued expenses	250,220	288,337
Net cash provided by operating activities	<u>82,810</u>	<u>855,343</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments on convertible debentures	(82,810)	(855,343)
Net cash (used in) financing activities	<u>(82,810)</u>	<u>(855,343)</u>
Net increase (decrease) in cash	--	--
Cash at beginning of period	--	--
Cash at end of period	<u>\$ --</u>	<u>\$ --</u>

See accompanying notes to the Consolidated Financial Statements.

**CLEANTECH ALPHA CORPORATION AND SUBSIDIARIES**  
**UNAUDITED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 1 DESCRIPTION OF BUSINESS AND SUMMARY OF ACCOUNTING POLICIES**

**DESCRIPTION OF THE BUSINESS**

We develop and commercialize clean technologies that facilitate the more efficient use of natural resources. We are focused on doing so today in the U.S. and international ethanol industry, where we innovate and offer technologies that improve the profitability of licensed ethanol producers. We generate revenue by licensing our technologies to ethanol producers in exchange for ongoing royalty and other license fees. During the year ended December 31, 2020 one customer each provided over 100% of our revenue. During the year ended December 31, 2019, five customers each provided over 10% of our revenue and 92% of total revenue in the aggregate (see *Revenue Recognition* policies, below).

**PRINCIPLES OF CONSOLIDATION**

All significant intercompany balances and transactions were eliminated in consolidation. The financial statements for the periods ended December 31, 2020 and 2019 have been consolidated to include the accounts of the Company and its subsidiaries.

**USE OF ESTIMATES**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect (i) the reported amounts of assets and liabilities, (ii) the disclosure of contingent assets and liabilities at the date of the financial statements, and (iii) the reported amounts of revenues and expenses during the reporting period. We use estimates and assumptions in accounting for the following significant matters, among others:

- Allowances for doubtful accounts;
- Valuation of acquired assets;
- Fair value of derivative instruments and related hedged items;
- Contingencies;
- Fair value of options and restricted stock granted under our stock-based compensation plans; and
- Tax related items

Actual results may differ from previously estimated amounts, and such differences may be material to our consolidated financial statements. We periodically review estimates and assumptions, and the effects of revisions are reflected in the period in which the revision is made. The revisions to estimates or assumptions during the periods presented in the accompanying consolidated financial statements were not considered to be significant.

**CASH AND EQUIVALENTS**

The Company considers cash and equivalents to be cash and short-term investments with original maturities of three months or less from the date of acquisition.

**FINANCIAL INSTRUMENTS**

The carrying values of accounts receivable, other receivables, accounts payable and accrued expenses approximate their fair values due to their short-term maturities. The carrying values of the Company's long-term debt approximate their fair values based upon a comparison of the interest rate and terms of such debt to the rates and terms of debt currently available to the Company. It was not practical to estimate the fair value of the convertible debt. In order to do so, it would be necessary to obtain an independent valuation of these unique instruments. The cost of that valuation would not be justified in light of the materiality of the instruments to the Company.



## RECEIVABLES AND CREDIT CONCENTRATION

Accounts receivable are uncollateralized, non-interest-bearing customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. Accounts receivable are stated at the amount billed to the customer. Accounts receivable in excess of 90 days old are evaluated for delinquency. In addition, we consider historical bad debts and current economic trends in evaluating the allowance for bad debts. Payments of accounts receivable are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the oldest unpaid invoices.

## REVENUE RECOGNITION

The Company adopted ASC 606 for the year ended December 31, 2019 on a modified retrospective basis. The Company had no material contracts outstanding at the prior year end and consequently there were no material effects upon adoption or on prior period activity. Topic 606 established that the Company recognize revenue using the following five-step model

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and,
- Recognition of revenue when or as, the Company satisfies a performance obligation.

The Company will identify performance obligations in contracts with customers. The transaction price is determined based on the amount the Company expects to be entitled to receive in exchange for transferring the promised services to the customer. The transaction price in the contract is allocated to each distinct performance obligation in an amount that represents the relative amount of consideration expected to be received in exchange for satisfying each performance obligation. Revenue is recognized when performance obligations are satisfied.

### *Judgments and Estimates*

The estimation of variable consideration for each performance obligation requires the Company to make subjective judgments. The Company may enter contracts with customers that regularly include promises to transfer multiple services. For arrangements with multiple services, the Company evaluates whether the individual services qualify as distinct performance obligations. In its assessment of whether a service is a distinct performance obligation, the Company determines whether the customer can benefit from the service on its own or with other readily available resources, and whether the service is separately identifiable from other services in the contract. This evaluation requires the Company to assess the nature of each individual service offering and how the services are provided in the context of the contract, including whether the services are significantly integrated, highly interrelated, or significantly modify each other, which may require judgment based on the facts and circumstances of the contract.

If an agreement involves multiple distinct performance obligations, the Company allocates arrangement consideration to all performance obligations at the inception of an arrangement based on the relative standalone selling prices ("SSP") of each performance obligation. Where the Company has standalone sales data for its performance obligations which are indicative of the price at which the Company sells a promised service separately to a customer, such data is used to establish SSP. In instances where standalone sales data is not available for a particular performance obligation, the Company estimates SSP by the use of observable market and cost-based inputs. The Company continues to review the factors used to establish list price and will adjust standalone selling price methodologies as necessary on a prospective basis.

### *Contract Assets*

Contract assets are recorded for those parts of the contract consideration not yet invoiced but for which the performance obligations are completed. The revenue is recognized when the customer receives services. Contract assets are included in other current or non-current assets in the consolidated balance sheets, depending on if their reduction will be recognized during the succeeding twelve-month period or beyond.

### Deferred Revenue

Deferred revenues represent billings or payments received in advance of revenue recognition and are recognized upon transfer of control. Balances consist primarily of prepaid services not yet provided as of the balance sheet date. Deferred revenues that will be recognized during the succeeding twelve-month period are recorded as current deferred revenues in the consolidated balance sheets, with the remainder recorded as other non-current liabilities in the consolidated balance sheets.

### Costs to Obtain a Customer Contract

Sales commissions and related expenses are considered incremental and recoverable costs of acquiring customer contracts. These costs are capitalized as other current or non-current assets and amortized on a straight-line basis over the life of the contract, which approximates the benefit period. The benefit period was estimated by taking into consideration the length of customer contracts, technology lifecycle, and other factors. All sales commissions are recorded as consulting fees within the Company's consolidated statement of operations.

### Remaining Performance Obligations

As of December 31, 2020 and 2019, the Company had no contract revenue which has a remaining performance obligation.

### INCOME TAXES

Income taxes are accounted for under the asset and liability method, whereby deferred income taxes are recorded for temporary differences between financial statement carrying amounts and the tax basis of assets and liabilities. Deferred tax assets and liabilities reflect the tax rates expected to be in effect for the years in which the differences are expected to reverse. A valuation allowance is provided if it is more likely than not that some or all of the deferred tax asset will not be realized. All of the subsidiaries are consolidated for state income tax purposes.

### BASIC AND DILUTED INCOME (LOSS) PER SHARE

The Company computes its net income or loss per common share under the provisions of ASC 260, "Earnings per Share," whereby basic net income or loss per share is computed by dividing the net loss for the period by the weighted-average number of shares of common stock outstanding during the period. Dilutive net loss per share excludes potential common shares issuable upon conversion of all derivative securities if the effect is anti-dilutive. During 2019, we reported net income and accordingly included potentially dilutive instruments in the fully diluted net income per share calculation and the dilutive effect of convertible instruments were determined by application of the if-converted method. Thus, common stock issuable upon exercise or conversion of options, warrants, convertible preferred stock, or convertible debentures are excluded from computation of diluted net loss per the years ended December 31, 2020 share but are included in computation of diluted net income per share. The following is a reconciliation of weighted common shares outstanding used in the calculation of basic and diluted net income per common share:

	Year Ended 12/31/2020	Year Ended 12/31/2019
Net income	\$ (466,913)	\$ 381,116
Adjustments for dilutive shares:		
Interest savings	--	--
Reversal of derivative gains	--	--
Net income - Adjusted	<u>(466,913)</u>	<u>381,116</u>
Weighted average shares used for basic net income per common share	<u>20,060,334</u>	<u>20,060,334</u>
Incremental diluted shares	<u>20,060,334</u>	<u>535,594,764</u>
Weighted average shares used for basic net income per common share	<u>40,120,668</u>	<u>555,655,098</u>
Net income per common share:		
Basic	<u>\$ (0.02)</u>	<u>\$ 0.02</u>
Diluted	<u>\$ (0.02)</u>	<u>\$ --</u>

### DERIVATIVE FINANCIAL INSTRUMENTS

Certain of the Company's debt and equity instruments include embedded derivatives that require bifurcation from the host contract under the provisions of ASC 815-40, *Derivatives and Hedging*. Under the provisions of these statements, the Company records the related derivative liabilities at fair value and records the accounting gain or loss resulting from the change in fair values at the end of each reporting period.

## FAIR VALUE INSTRUMENTS

Effective July 1 2009, the Company adopted ASC 820, *Fair Value Measurements and Disclosures*. This topic defines fair value for certain financial and nonfinancial assets and liabilities that are recorded at fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This guidance supersedes all other accounting pronouncements that require or permit fair value measurements.

Effective July 1 2009, the Company adopted ASC 820-10-55-23A, *Scope Application to Certain Non-Financial Assets and Certain Non-Financial Liabilities*, delaying application for non-financial assets and non-financial liabilities as permitted. ASC 820 establishes a framework for measuring fair value, and expands disclosures about fair value measurements. In January 2010, the FASB issued an update to ASC 820, which requires additional disclosures about inputs into valuation techniques, disclosures about significant transfers into or out of Levels 1 and 2, and disaggregation of purchases, sales, issuances, and settlements in the Level 3 rollforward disclosure.

ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1            quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date. Financial assets and liabilities utilizing Level 1 inputs include active exchange-traded securities and exchange-based derivatives
- Level 2            inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data. Financial assets and liabilities utilizing Level 2 inputs include fixed income securities, non-exchange-based derivatives, mutual funds, and fair-value hedges
- Level 3            unobservable inputs for the asset or liability only used when there is little, if any, market activity for the asset or liability at the measurement date. Financial assets and liabilities utilizing Level 3 inputs include infrequently-traded, non-exchange-based derivatives and commingled investment funds, and are measured using present value pricing models

For 2019, the fair value of most embedded derivative liabilities was determined using the present value model calculating fair value based on the conversion discount as well as the present value based on term and bond rate. During the year ended December 31, 2019 the following assumptions were used: (1) conversion discounts of 10%; (2) term of less than one year to 7 years and (3) bond rate of 10%. The Company also used the Black Scholes methodology with a weighted probability calculation for conversion features with a reset provision utilizing the following assumptions: (1) conversion discounts of 40% to 50%; (2) term of two years; (3) the US Treasury rate for two-year maturities and (4) 226% volatility. At December 31, 2019, the Company valued the conversion features using the following assumptions: dividend yield of zero, years to maturity of 2.0 years.

For 2020, the fair value of most embedded derivative liabilities was determined using the present value model calculating fair value based on the conversion discount as well as the present value based on term and bond rate. During the year ended December 31, 2020 the following assumptions were used: (1) conversion discounts of 10%; (2) term of less than one year to 7 years and (3) bond rate of 10%. The Company also used the Black Scholes methodology with a weighted probability calculation for conversion features with a reset provision utilizing the following assumptions: (1) conversion discounts of 40% to 50%; (2) term of two years; (3) the US Treasury rate for two-year maturities and (4) 226% volatility. At December 31, 2020, the Company valued the conversion features using the following assumptions: dividend yield of zero, years to maturity of 2.0 years.

As of December 31, 2020, the fair value of the derivative liabilities was \$128,022.

Fluctuations in the conversion discount percentage and/or volatility have the greatest effect on the value of the derivative liabilities valuations during each reporting period. As the conversion discount percentage increases for each

of the related conversion liabilities instruments, the change in the value of the conversion liabilities increases, therefore increasing the liabilities on the Company's balance sheet. The higher the conversion discount percentage, the higher the liability.

The following table presents the embedded derivatives, the Company's only financial assets measured and recorded at fair value on the Company's Consolidated Balance Sheets on a recurring basis and their level within the fair value hierarchy during the year ended December 31, 2020:

<i>Embedded derivative liabilities as of December 31, 2020:</i>	
Level 1	\$ --
Level 2	--
Level 3	128,022
Total	<u>\$ 128,022</u>

The following table reconciles, for the period ended December 31, 2020, the beginning and ending balances for financial instruments that are recognized at fair value in the consolidated financial statements:

Balance of embedded derivative as of December 31, 2018	\$ 128,022
Reductions in fair value due to repayments/redemptions	--
Reductions in fair value due to principal conversions	--
Balance of embedded derivatives at December 31, 2019	128,022
Reductions in fair value due to repayments/redemptions	--
Reductions in fair value due to principal conversions	--
Balance at December 31, 2020	<u>\$ 128,022</u>

We accounted for our convertible debt in accordance with ASC 815, *Derivatives and Hedging* as the conversion feature embedded in the convertible debentures could result in the note principal and related accrued interest being converted to a variable number of our common shares. The conversion feature on these debentures is variable and based on trailing market prices. It therefore contains an embedded derivative. The fair value of the conversion feature was calculated when the debentures were issued, and we recorded a note discount and derivative liability for the calculated value. We recognize interest expense for the excess value over the face value of the debt and for the accretion of the note discount over the term of the note. The conversion liability is valued at the end of each reporting period and results in a gain or loss for the change in fair value. Due to the volatile nature of our stock, the change in the derivative liability and the resulting gain or loss will usually be material to our results.

## STOCK BASED COMPENSATION

The Company accounts for stock, stock options and stock warrants issued for services and compensation by employees under the fair value method. For non-employees, the fair market value of the Company's stock is measured on the date of stock issuance or the date an option/warrant is granted as appropriate under ASC 718 "Compensation – Stock Compensation". The Company determined the fair market value of the warrants/options issued under the Black-Scholes Pricing Model. Effective July 1, 2006, the Company adopted the provisions of ASC 718, which establishes accounting for equity instruments exchanged for employee services. Under the provisions ASC 718, share-based compensation cost is measured at the grant date, based on the fair value of the award, and is recognized as an expense over the employee's requisite service period (generally the vesting period of the equity grant).

## SEGMENT INFORMATION

We determined our reporting units in accordance with FASB ASC 280, "*Segment Reporting*" ("ASC 280"). We evaluate a reporting unit by first identifying its operating segments under ASC 280. We then evaluate each operating segment to determine if it includes one or more components that constitute a business. If there are components within an operating segment that meet the definition of a business, we evaluate those components to determine if they must be aggregated into one or more reporting units. If applicable, when determining if it is appropriate to aggregate different operating segments, we determine if the segments are economically similar and, if so, the operating segments are aggregated.

We have one operating segment and reporting unit. We operate in one reportable business segment; we provide technologies and related products and services to U.S.-based ethanol producers. We are organized and operated as one

business. We exclusively sell our technologies, products and services to ethanol producers that have entered into license agreements with the Company. No sales of any kind occur, and no costs of sales of any kind are incurred, in the absence of a license agreement. A single management team that reports to the chief operating decision maker comprehensively manages the entire business. We do not operate any material separate lines of business or separate business entities with respect to our technologies, products and services. The Company does not accumulate discrete financial information according to the nature or structure of any specific technology, product and/or service provided to the Company's licensees. Instead, management reviews its business as a single operating segment, using financial and other information rendered meaningful only by the fact that such information is presented and reviewed in the aggregate. Discrete financial information is not available by more than one operating segment, and disaggregation of our operating results would be impracticable.

#### FUTURE IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In June 2016, the FASB issued ASU No. 2016-13 *Financial Instruments-Credit Losses*. The new guidance provides better representation about expected credit losses on financial instruments. This update requires the use of a methodology that reflects expected losses and requires consideration of a broader range of reasonable and supportive information to inform credit loss estimates. This ASU is effective for reporting periods beginning after December 15, 2022, with early adoption permitted. The company is studying the impact of adopting the ASU in fiscal year 2023, and what effect it could have. The Company believes the accounting change would not have a material effect on the financial statements.

In December 2019, the FASB issued Accounting Standard Update No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* (ASU 2019-12), which simplifies the accounting for income taxes. This guidance will be effective for us in the first quarter of fiscal 2022 on a prospective basis, and early adoption is permitted. We are currently evaluating the impact of the new guidance on our consolidated financial statements.

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

The Company does not expect the adoption of recently issued accounting pronouncements to have a significant impact on the Company's results of operations, financial position or cash flow.

#### NOTE 2 GOING CONCERN

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the ordinary course of business. However, the Company has had negative working capital and a stockholders' deficit. In addition, the Company is unable to meet its obligations as they become due and sustain its operations. The Company believes that its existing cash resources are not sufficient to fund its debt payments and working capital requirements.

The Company may not be able to raise sufficient additional debt, equity or other cash on acceptable terms, if at all. Failure to generate sufficient revenues, achieve certain other business plan objectives or raise additional funds could have a material adverse effect on the Company's results of operations, cash flows and financial position, including its ability to continue as a going concern, and may require it to significantly reduce, reorganize, discontinue or shut down its operations.

In view of the matters described above, recoverability of a major portion of the recorded asset amounts shown in the accompanying balance sheet is dependent upon continued operations of the Company which, in turn, is dependent upon the Company's ability to meet its financing requirements on a continuing basis, and to succeed in its future operations. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Company be unable to continue in its existence. Management's plans include efforts to develop new revenue sources and negotiate further debt reductions with creditors.

These matters raise substantial doubt about the Company's ability to continue as a going concern. Our ability to satisfy our obligations will depend on our success in obtaining financing, our success in preserving current revenue sources and developing new revenue sources, and our success in negotiating with the creditors. Management's plans to resolve the Company's working capital deficit by increasing revenue, reducing debt and exploring new financing options. There can be no assurances that the Company will be able to eliminate its working capital deficit and that the Company's historical operating losses will not recur. The accompanying financial statements do not contain any adjustments which may be required as a result of this uncertainty.

### **NOTE 3      CONCENTRATIONS**

The Company maintains cash balances with financial institutions that at times may exceed the limits insured by the Federal Deposit Insurance Corporation. Accounts receivable are uncollateralized, non-interest-bearing customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. Accounts receivable are stated at the amount billed to the customer. The accounts receivable is comprised of one customer balance; five customer's revenue represented 92% of total revenue.

### **NOTE 4      STOCKHOLDERS' EQUITY**

#### **SERIES B PREFERRED STOCK**

Each share of Series B Preferred Stock may be converted by the holder into 0.025 shares of common stock. Holders of Series B Shares are entitled to vote and participate in dividends on an as-converted basis. At December 31, 2020 and 2019, there were 2,480,544 shares of Series B Preferred Stock issued and outstanding.

#### **SERIES D PREFERRED STOCK**

Shares of the Series D Preferred Stock (the "Series D Shares") were convertible by the holder into 80% of the fully diluted outstanding common shares outstanding after the conversion (which included all common shares outstanding plus all common shares potentially issuable upon the conversion of all derivative securities not held by the holder). The holder of Series D Shares could cast the number of votes at a shareholders meeting or by written consent that equals the number of common shares into which the Series D Shares are convertible on the record date for the shareholder action. In the event the Board of Directors declared a dividend payable to Company common shareholders, the holders of Series D Shares will receive the dividend that would be payable if the Series D Shares were converted into Company common shares prior to the dividend. In the event of a liquidation of the Company, the holders of Series D Shares would receive a preferential distribution of \$0.001 per share, and would share in the distribution as if the Series D Shares had been converted into common shares. As of December 30, 2015, Viridis Capital LLC ("Viridis") held 800,000 Series D Shares and Minority Interest Fund (II) LLC ("MIF") held 62,500 Series D Shares. The Company additionally entered into an agreement on September 30, 2011, to issue 124,875 Series D Shares to Acutus Capital LLC ("AC") in exchange for the elimination of debt, however, the associated shares were never issued. The Company filed a Certificate of Elimination of the Series D Preferred Stock and a Certificate of Designations for its Series G Preferred Stock in connection with the December 31, 2015, Financing Agreements (see Note 9, *Related Party Transactions*, below)

#### **SERIES G PREFERRED STOCK**

On December 31, 2015, the Company filed with the Delaware Secretary of State a Certificate of Designation of Series G Preferred Stock ("Series G Shares"), designating 800,000 shares of preferred stock as Series G Preferred Stock with conversion rights into 80% of the fully diluted common shares outstanding after the conversion (which includes all common shares outstanding plus all common shares potentially issuable upon the conversion of all derivative securities not held by the holder). The holder of Series G Shares may cast the number of votes at a shareholders meeting or by written consent that equals the number of common shares into which the Series G Shares are convertible on the record date for the shareholder action. In the event the Board of Directors declares a dividend payable to Company common shareholders, the holders of Series G Shares will receive the dividend that would be payable if the Series G Shares were converted into the Company's common shares prior to the dividend. In the event of a liquidation, the holders of 800,000 Series G Shares will receive a preferential distribution equal to 80% of the net assets available for distribution to the shareholders. Effective December 31, 2015, the Company redeemed 100% of the issued and outstanding Series D Shares in exchange for 700,000 Series G Shares, and the Company issued an additional 100,000

Series G Shares to Bitzio, Inc. (“Bitzio”) in exchange for \$2,500,000 in cash. However, various events of default by Bitzio occurred shortly after completion of the foregoing transactions, including as the result of material misrepresentations and omissions giving rise to rescission rights and other remedies and claims for damages under the applicable agreements. Accordingly, the parties executed an omnibus forbearance and settlement agreement effective as of December 31, 2016 (“Forbearance Agreement”), pursuant to which the parties agreed to rescind the December 2015 equity exchange transactions and put all parties back into their original condition. As a result of that rescission, in pertinent part, 800,000 Series G Shares, corresponding to 80% of the Company issued and outstanding capital stock, were issued to Viridis in exchange for 800,000 Series D Shares, corresponding to 80% of the Company issued and outstanding capital stock, which were surrendered and cancelled in consideration of the Company’s December 31, 2015, Certificate of Elimination of the Series D Preferred Stock. The Series G Shares were recorded at stated value due to the fact that the transactions were between entities under common control.

ASC 480, *Distinguishing Liabilities from Equity*, sets forth the requirements for determination of whether a financial instrument contains an embedded derivative that must be bifurcated from the host contract, therefore the Company evaluated whether the conversion feature for Series G Shares would require such treatment; one of the exceptions to bifurcation of the embedded conversion feature is that the conversion feature as a standalone instrument would be classified in stockholders’ equity. Management has determined that the conversion option would not be classified as a liability as a standalone instrument, therefore it meets the exception for bifurcation of the embedded derivative under ASC 815, *Derivatives and Hedging*. ASC 815 addresses whether an instrument that is not under the scope of ASC 480 would be classified as liability or equity; one of the factors that would require liability classification is if the Company does not have sufficient authorized shares to effect the conversion. If a company could be required to obtain shareholder approval to increase the company’s authorized shares in order to net-share or physically settle a contract, share settlement is not controlled by the company. The majority of the Company’s outstanding shares are indirectly owned by entities owned by Kevin Kreisler, the chairman of the Company. If all the Series G Shares held as of the years ended December 31, 2020 and December 31, 2018, were converted and exceeded the number of authorized common shares, there would be no contingent factors or events that a third party could bring up that would prevent Mr. Kreisler from causing the Company to authorize the additional shares. There would be no need to go to anyone outside the Company for approval since Mr. Kreisler controls the Company’s majority shareholder. As a result, the share settlement is controlled by the Company and with ASC 815. The Company assessed all other factors in ASC 815 to determine how the conversion feature would be classified. The only conditions under which the Company would be required to redeem its convertible preferred stock for cash would be in the event of a liquidation of the Company or in the event of a cash-out merger of the Company.

## COMMON STOCK

During the years ended December 31, 2020 and 2019, the Company did not issue any shares of common stock for any conversions of the Company’s various convertible debentures (see Note 5, *Debt Obligations*, below).

## NOTE 5 DEBT OBLIGATIONS

The following is a summary of the Company’s financing arrangements as of December 31, 2020 and 2019:

	Year Ended 2020	Year Ended 2019
<i>Current portion of convertible debentures:</i>		
Better Half Bloodstock, Inc., 0% interest, conversion at 90% of market	\$ --	\$ --
Dakota Capital, 6% interest, conversion at 90% of market	--	--
EFG Bank, 6% interest, conversion at 90% of market	--	--
Empire Equity, 6% interest, conversion at 90% of market	--	--
Epelbaum Revocable Trust, 6% interest, conversion at 90% of market	--	--
JMC Holdings, LP, 6% interest, conversion at 90% of market	--	--
David Moran & Siobhan Hughes, 6% interest, conversion at 90% of market	2,399	2,399
Susan Schneider, 6% interest, conversions at 90% of market	10,510	10,510
Mountainville Ltd., 6% interest, conversions at 90% of market	--	--
Minority Interest Fund (II), LLC, 6% interest, conversion at \$0.001 per share	1,267,811	1,267,811
Related Party Debenture, 6% interest, no conversion discount	4,262	4,262
Derivative liabilities	128,022	128,022
Total current portion of convertible debentures	<u>\$ 1,413,004</u>	<u>\$ 1,413,004</u>

*Long term portion on notes payable:*

Notes payable – K Kreisler	\$ 607,934	\$ 607,934
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*Long term convertible debentures:*

Gerova Asset Backed Holdings, LP, 2% interest, no conversion discount	175,000	175,000
Long Side Ventures, 6% interest, conversion at 90% of market	218,402	218,402
Cantrell Winsness Technologies, LLC, 2% interest, conversion at 100% of market	325,000	325,000
TRK Management LLC, 6% interest, no conversion discount	100,000	100,000
F Scrogam, no interest, conversion at 100% of market	300,000	300,000
EXO Opportunity Fund, LLC, 6% interest, conversion at 100% of market	2,690,597	2,773,406
Note discount	--	--
Total long-term convertible debentures	<u>\$ 3,808,999</u>	<u>\$ 3,891,808</u>

A total of \$5,093,981 in principal from the convertible debt noted above is convertible into the common stock of the Company. The following chart is presented to assist the reader in analyzing the Company's ability to fulfill its fixed debt service requirements as of December 31, 2020 and the Company's ability to meet such obligations:

Year	December 31, 2020
2021	1,784,982
2022	3,008,999
2023	300,000
2024	--
2025	--
Thereafter	--
Total minimum payments due under current and long-term obligations	<u>\$ 5,093,981</u>

#### YA GLOBAL INVESTMENTS, L.P.

On December 31, 2015, YA Global Investments, LP ("YA Global") and the Company entered into a Settlement Agreement pursuant to which YAGI split its outstanding debt into two debentures, a \$14,196,897 debenture and a \$5,000,000 debenture; and then accepted, in satisfaction of \$14,196,897 of principal and interest accrued on debentures previously issued by the Company, a cash payment of \$2,000,000, and the execution of a participation agreement by the Company and its affiliates. The \$5 million debenture was assigned to EXO Opportunity Fund LLC ("EXO") on the same date. The participation agreement provides that, for an indefinite term, the Company and its subsidiaries will pay to YA Global an amount equal to 15% of all payments received by the Company from any new licensees issued in connection with its intellectual properties, including any amounts awarded in the Company's pending and future infringement matters, net of any legal fees and expenses incurred in obtaining the settlement or award. The balance due to YA Global, including all convertible debt, was paid and satisfied in full as a result of the foregoing transactions.

On the same date, the Company deposited \$400,000 in cash into escrow in anticipation of settling an additional \$2,939,000 in principal and interest due from the Company to various assignees of YAGI ("YAGI Assignees"). The relevant agreement provided that the YAGI Assignees had until March 31, 2016, to accept their respective share of the settlement amount. All but three of the assignees, corresponding to about \$25,000 in debt, accepted the settlement terms as of such date; in turn corresponding to a total of an additional \$2,914,000 in debt elimination during the first quarter 2016. The carrying value of the two remaining YAGI Assignee debentures was \$14,341 as of December 31, 2020, including principal of \$12,909 and the value of the conversion liability. The present value of the liability for the conversion feature has reached its estimated settlement value of \$1,432 as of December 31, 2019. Interest expense of \$775 for these obligations was accrued for the year ended December 31, 2020.

The terms of the \$5 million debenture assigned to EXO and the \$25,000 balance due to the YA Global assignees noted above are nearly identical. Each debenture bears interest at 6% per annum, and each holder has the right, but not the obligation, to convert any portion of the debenture into the Company's common stock at a rate equal to 90% of the lowest daily volume weighted average price of the Company's common stock during the 20 consecutive trading days immediately preceding the conversion date. The debentures matured on December 31, 2018. The debentures also contain a "buy-in" provision in regard to potential cash-settled portion of any conversion.

The Company accounted for the foregoing debentures in accordance with ASC 815, *Derivatives and Hedging*, as the conversion feature embedded in each debenture could result in the note principal being converted to a variable number of the Company's common shares.



The Company is prohibited under its loan agreements from issuing common shares at prices lower than those afforded to EXO in the absence of EXO's prior consent. The EXO Debenture provides for adjustments to the conversion price to the extent that the Company issues equity at a lower price in the future. As a result, in any such event, EXO would have the right to receive common shares upon conversion of the EXO Debenture at rates equal to the relevant lower rates. A note discount of \$5,000,000 and a derivative liability of \$7,484,632 were recorded at the time of the assignment. The Company accounted for the EXO Debenture in accordance with 815-40, *Derivatives and Hedging*, as the conversion feature embedded in the EXO Debenture could result in the note principal being converted to a variable number of the Company's common shares. The balance of the EXO Debenture (including the related note discount) was \$4,500,000 at December 31, 2016. At December 31, 2016, the Company had amended the conversion terms to 100% of common stock resulting in the write-off of the conversion features as of December 31, 2016. During the year ended December 31, 2016, the change in the fair value of the derivative resulted in an accounting gain of \$5,084,386. As of December 31, 2016, the fair value of the derivative liability was \$0. As of the year ended December 31, 2018, the note discount had been fully amortized.

As of December 31, 2010, the Company had convertible debentures payable to Minority Interest Fund (II), LLC ("MIF") in an aggregate principal amount of \$3,988,326 (the "MIF Debenture"). Effective October 1, 2015, MIF assigned \$557,500 of its convertible debt to EXO (the "EXO Debenture"). As of December 31, 2015, MIF assigned \$100,000 of its balance to TKR Management LLC. During the year ended December 31, 2018, \$0 and \$38,200 in principal was converted into common stock as of December 31, 2020 and 2019, respectively. As of December 31, 2020, the balances of the EXO, TKR and MIF Debentures were \$2,690,597, \$100,000 and \$1,267,811, respectively.

During the year ended December 31, 2015, the Company issued a \$400,000 convertible debt to Cantrell Winsness Technologies, LLC ("CWT" and the "CWT Debenture") in exchange for all amounts accrued under the technology agreement and CWT's interest in the Series F Preferred Stock. CWT shall have the right, but not the obligation, to convert any portion of the convertible debenture into the Company's common stock at \$0.01 per share. The CWT Debenture matured December 31, 2018. The balance of the CWT Debenture was \$325,000 at December 31, 2020.

During the year ended December 31, 2012, the Company incurred \$175,000 in convertible debt to Gerova Asset Back Holdings, LP ("Gerova" and the "Gerova Debenture"). Gerova shall have the right, but not the obligation, to convert any portion of the convertible debenture into the Company's common stock at a rate equal to 100% of the closing market price for the Company's common stock for the day preceding the conversion date. The Gerova Debenture matured December 31, 2018. Gerova delivered a release in favor of the Company in respect of any and all amounts that may have been due under the Company's former guaranty agreement with Gerova. The balance of the Gerova Debenture was \$175,000 at December 31, 2020. Interest expense of \$3,510 for these obligations was accrued for the year ended December 31, 2020.

Effective December 31, 2015, Minority Interest Fund (II), LLC assigned \$100,000 of its convertible debt to TRK Management, LLC ("TRK" and the "TRK Debenture"). TRK shall have the right, but not the obligation, to convert any portion of the accrued interest into the Company's common stock at 100% of the market price for the Company's common stock at the time of conversion. The balance of the TRK Debenture was \$100,000 at December 31, 2020.

## **NOTE 6    COMMITMENTS AND CONTINGENCIES**

### **FACILITIES**

The Company's corporate headquarters are located in Oklahoma City, Oklahoma.

### **INFRINGEMENT**

On October 13, 2009, the U.S. Patent and Trademark Office ("PTO") issued U.S. Patent No. 7,601,858, titled "Method of Processing Ethanol Byproducts and Related Subsystems" (the '858 Patent) to GS CleanTech Corporation, a wholly-owned subsidiary of the Company. On October 27, 2009, the U.S. Patent and Trademark Office ("USPTO") issued U.S. Patent No. 7,608,729, titled "Method of Freeing the Bound Oil Present in Whole Stillage and Thin Stillage" (the '729 Patent) to GS CleanTech. Both the '858 Patent and the '729 Patent relate to the Company's corn oil extraction technologies. GS CleanTech Corporation, the Company's wholly-owned subsidiary, subsequently filed legal actions in multiple jurisdictions alleging infringement by various persons and entities. Multiple additional related suits and

countersuits were filed. On May 6, 2010, CleanTech submitted a "Motion to Transfer Pursuant to 28 U.S.C. § 1407 for Consolidated Pretrial Proceedings" to the United States Judicial Panel on Multidistrict Litigation (the "Panel") located in Washington, D.C. In this motion, CleanTech moved the Panel to transfer and consolidate all pending suits involving infringement of our patents to one federal court for orderly and efficient review of all pre-trial matters. On August 6, 2010, the Panel ordered the consolidation and transfer of all pending suits in the U.S. District Court, Southern District of Indiana for pretrial proceedings (the "MDL Case"). In October 2014, the District Court in Indiana ruled in favor of the defendants in our pending patent infringement matter on their motions for summary judgment alleging that the patents in suit were "reduced to practice" in 2003 as a result of limited, confidential small-scale bench testing, and that an invalidating "offer for sale" occurred when the inventors submitted a confidential non-public letter to an operating ethanol plant in 2003 in connection with the inventors' efforts to conduct a confidential full-scale feasibility test. That full-scale feasibility test eventually occurred in May 2004. The first patent application giving rise to the '858 Patent was filed shortly thereafter. In September 2016, the District Court then ruled that the patents in suit were additionally unenforceable, concluding that since it had previously determined that the invention had been "reduced to practice" and "offered for sale" in 2003, the only reasonable inference that could be drawn was that CleanTech's inventors and attorneys knowingly withheld material information with the intent to deceive the USPTO about the timing of the "reduction to practice" (i.e., that the invention was "ready for patenting" after the 2003 bench test as alleged by the defendants, instead of 2004 as CleanTech's inventors and attorneys believed and knew to be correct). CleanTech strongly disagreed with the District Court's conclusions in each ruling, and believes that each decision relied heavily on an erroneous determination that the inventions were "reduced to practice" in 2003 as a result of the limited, small-scale bench testing – the first experimentation ever conducted by the inventors. Critically, no jury trial or hearing was ever held in respect of the material factual determinations supporting the District Court's 2014 ruling, including material factual issues that should have resulted in the right to a jury trial.

Further, in connection with ongoing patent filings, the USPTO allowed CleanTech's new corn oil extraction patents after considering the very information that the District Court found to have been withheld, and upon which the bulk of the District Court's rulings were based. All of the information alleged to have been "knowingly withheld" from the USPTO in connection with the patents in suit was provided to and considered by the USPTO prior to issuance of several additional patents that are not covered by the District Court's prior rulings (the "New Patents"). The USPTO subsequently disagreed that deception of any kind occurred when, on February 21, 2020, it issued another patent to us after reviewing the very evidence that was allegedly "withheld," along with everything the defendants ever submitted and claimed, as well as the District Court's 2014 and 2016 rulings – all in light of the facts that were never presented to a jury. Significantly, the new patent was allowed by the same examiner that the District Court said was deceived. In other words, the same patent examiner that was allegedly deceived looked at the purported evidence and claims of deception, and disagreed that she had ever been deceived. Thus, in issuing that patent, the examiner concluded that the inventive process was not "ready for patenting" in July 2003, that an invalidating "offer for sale" did not occur in July 2003, and that the "ready for patenting" and "offer for sale" information that the District Court determined to have been "deliberately withheld" from the USPTO was immaterial to patentability.

Under applicable law, a patent cannot be declared irrevocably invalid or unenforceable until all available appeals have been exhausted. CleanTech appealed the October 2014 and September 2016 rulings, however, on March 2, 2020, the Federal Circuit upheld the District Court's rulings that five of CleanTech's twelve corn oil extraction patents were invalid, and that CleanTech's inventors and former attorneys, Cantor Colburn LLP, withheld information from the USPTO. In doing so, the Federal Circuit ignored CleanTech's arguments and its own prior rulings, further depriving CleanTech of its rights to due process and a jury trial on these issues. A petition for a writ of certiorari to the U.S. Supreme Court was filed on November 25, 2020, and denied in early 2021.

CleanTech strongly disagrees with each of the foregoing rulings. CleanTech subsequently received an opinion of counsel that its remaining seven of twelve corn oil extraction patents are clearly valid and enforceable, along with a contingency-based offer to restart the infringement litigation from scratch. CleanTech is additionally party to agreements that are in breach for the failure to pay royalties based on the amount of corn oil produced until and unless a final determination of invalidity was issued for all claims of all issued patents, which has not occurred in spite of the partial determinations described above. Management is evaluating CleanTech's rights and remedies in connection with all applicable matters, and is unable to characterize or evaluate the probability of any outcome at this time.

## OTHER MATTERS

Effective as of December 31, 2015, the Company entered into a series of agreements providing for contingent participation payments involving use of the Company's extraction technologies. Collectively, these agreements resulted in an aggregate of \$26,720,059 in debt extinguishment for amounts that had been due, payable and accrued as of December 31, 2015, as well as a reduction in the Company's continuing costs of sales, legal expenses and interest expense moving forward. No contingent participation payments are anticipated to be payable in view of the status of the Company's patent infringement litigation described above.

On December 31, 2015, Bitzio, Inc. ("Bitzio") entered into a secured loan transaction with its lender, pursuant to which Bitzio drew \$2,500,000 for use in its acquisition of 100,000 shares of the Company's Series G Preferred Stock (see Note 4, *Shareholders' Equity*, above). The Company executed a Guaranty Agreement in favor of Bitzio's lender on December 31, 2015, pursuant to which the Company guaranteed payment of all amounts due to Bitzio's lender under the applicable agreements. Bitzio was in default of its loan agreements as of December 31, 2016, Bitzio agreed to indemnify the Company and its subsidiaries from and against any and all expenses and costs incurred (including attorney's fees, judgments, fines and amounts paid for settlement) in connection with Bitzio's defaults (see Note 9, *Related Party Transactions*, below).

The Company is also involved in various collection matters for which vendors are seeking payment for services rendered and goods provided. The Company and its subsidiaries are party to numerous matters pertaining to outstanding amounts alleged to be due. Management is unable to characterize or evaluate the probability of any outcome at this time.

The Company is party to an employment agreement with Kevin Kreisler, the Company's Chairman and Chief Executive Officer, which agreement includes terms for reimbursement of expenses, periodic bonuses, four weeks' vacation and participation in any employee benefits provided to all employees of the Company Corporation.

The Company's Articles of Incorporation provide that the Company shall indemnify its officers, directors, employees and agents to the full extent permitted by Delaware law. The Company's Bylaws include provisions to indemnify its officers and directors and other persons against expenses (including attorney's fees, judgments, fines and amounts paid for settlement) incurred in connection with actions or proceedings brought against them by reason of their serving or having served as officers, directors or in other capacities. The Company does not, however, indemnify them in actions in which it is determined that they have not acted in good faith or have acted unlawfully. The Company is further subject to various indemnification agreements with various parties pursuant to which the Company has agreed to indemnify and hold such parties harmless from and against expenses and costs incurred (including attorney's fees, judgments, fines and amounts paid for settlement) in connection with the provision by such parties of certain financial accommodations to the Company. Such parties indemnified by the Company include YA Global Investments, L.P., YA Corn Oil Systems, LLC, Viridis Capital LLC, Minority Interest Fund (II) LLC, Acutus Capital LLC, and various family members of the Company's chairman that have provided the Company with cash investments.

Prior to December 31, 2015, Viridis was subject to guaranty and pledge agreements in favor of YA Global, pursuant to which Viridis pledged its equity in the Company and other assets to secure the Company's payment obligations under its prior agreements with YA Global. To cure various defaults of the Company's debt to YA Global in 2007, 2009 and 2010, YA Global liquidated about \$1.8 million of stock owned by Viridis, the proceeds of which were applied by YA Global to the reduction of amounts due from the Company. In addition, a further requirement of YA Global to cure debt defaults in 2007 and 2008, an affiliate of Viridis agreed to eliminate about \$2.2 million in debt and exchange another \$800,000 in debt for restricted common shares, which shares were subject to restrictions on transfer required by YA Global. Each of the foregoing transactions triggered tax consequences and the Company's associated agreements to indemnify. During the year ended December 31, 2015, the Company incurred a total of about \$1 million in other expenses related to indemnification expenses in satisfaction of its obligations under relevant agreements, which is disclosed in Other Expenses within the accompanying Statement of Operations.

#### **NOTE 7      GUARANTY AGREEMENT**

On December 31, 2015, Bitzio, Inc. ("Bitzio") entered into a secured loan transaction with its lender, pursuant to which Bitzio drew \$2,500,000 for use in its acquisition of 100,000 shares of the Company's Series G Preferred Stock (see Note 4, *Shareholders' Equity*, above). The Company executed a Guaranty Agreement in favor of Bitzio's lender on December 31, 2015, pursuant to which the Company guaranteed payment of all amounts due to Bitzio's lender under the applicable agreements. By separate agreements, the Company pledged its assets to secure the guaranty,

subject only to the pre-existing senior security interest and lien granted to EXO Opportunity Fund LLC (“EXO”) in connection with EXO’s purchase of the \$5.0 million debenture originally issued to YA Global Investments, LP (“YA Global”) (see Note 5, *Debt Obligations*, above). The maturity dates for each of the foregoing loans have passed without the debt being satisfied, however, Bitzio agreed to indemnify the Company and its subsidiaries from and against any and all expenses and costs incurred (including attorney’s fees, judgments, fines and amounts paid for settlement) in connection with Bitzio’s defaults (see Note 9, *Related Party Transactions*, below).

## **NOTE 8      SEGMENT INFORMATION**

We determined our reporting units in accordance with FASB ASC 280, “*Segment Reporting*” (“ASC 280”). We evaluate a reporting unit by first identifying its operating segments under ASC 280. We then evaluate each operating segment to determine if it includes one or more components that constitute a business. If there are components within an operating segment that meet the definition of a business, we evaluate those components to determine if they must be aggregated into one or more reporting units. If applicable, when determining if it is appropriate to aggregate different operating segments, we determine if the segments are economically similar and, if so, the operating segments are aggregated. We have one operating segment and reporting unit. We operate in one reportable business segment; we provide technologies and related products and services to U.S.-based ethanol producers. We are organized and operated as one business. We exclusively sell our technologies, products and services to ethanol producers that have entered into license agreements with the Company. No sales of any kind occur, and no costs of sales of any kind are incurred, in the absence of a license agreement. A single management team that reports to the chief operating decision maker comprehensively manages the entire business. We do not operate any material separate lines of business or separate business entities with respect to our technologies, products and services. The Company does not accumulate discrete financial information according to the nature or structure of any specific technology, product and/or service provided to the Company’s licensees. Instead, management reviews its business as a single operating segment, using financial and other information rendered meaningful only by the fact that such information is presented and reviewed in the aggregate. Discrete financial information is not available by more than one operating segment, and disaggregation of our operating results would be impracticable.

## **NOTE 9      RELATED PARTY TRANSACTIONS**

Minority Interest Fund (II), LLC (“MIF”) is party to certain convertible debentures issued by the Company (see Note 5, *Debt Obligations*, above). The managing member of MIF is a relative of the Company’s chairman. On December 31, 2015, MIF and Acutus Capital LLC (“AC”) assigned their respective beneficial ownership interests in the Series D Shares to EXO Opportunity Fund LLC (“EXO”), the Company’s senior secured lender (see Note 4, *Shareholders’ Equity*, above). EXO, in turn, assigned the corresponding beneficial interests to Bitzio, Inc. (“Bitzio”) in exchange for 200,000 shares of Bitzio Series E Preferred Stock. Effective December 31, 2016, Bitzio, EXO, and the Company entered into an agreement to rescind the foregoing transaction, resulting in the reinstatement, surrender, and cancellation of EXO’s beneficial ownership interest in the Series D Shares.

On December 31, 2015, Bitzio and an affiliate of Kevin Kreisler entered into an agreement under which Bitzio issued 800,000 shares of its Series F Preferred Stock, corresponding to 80% of Bitzio’s fully diluted issued and outstanding equity, in exchange for 100% of the issued and outstanding equity of Viridis Capital LLC (“Viridis”). The principal asset owned by Viridis at that time was 800,000 shares of the Company’s Series D Preferred Stock (“Series D Shares”), corresponding to 80% of the Company’s issued and outstanding equity. As a result, Mr. Kreisler was the indirect beneficial owner of 80% of the Company’s issued and outstanding equity prior to and after closing the foregoing transaction. On the same date, Bitzio caused its new subsidiary, Viridis, to purchase a 100,000 shares of the Company’s Series G Preferred Stock in exchange for \$2,500,000 in cash, and to exchange 100% of its interest in the Company’s Series D Shares for 700,000 shares of the Company’s Series G Preferred Stock, corresponding to 80% of the Company’s issued and outstanding equity. However, various events of default by Bitzio occurred shortly after completion of the foregoing transactions, including as the result of material misrepresentations and omissions by Bitzio prior to December 31, 2015, which induced the Company and other transaction parties to complete the foregoing transactions, and which gave rise to rescission rights and other remedies and claims for damages under the applicable agreements. Consequently, the parties executed an omnibus forbearance and settlement agreement effective as of December 31, 2016 (“Forbearance Agreement”), pursuant to which the parties agreed to rescind the December 2015 equity exchange transactions and put the parties back into their original condition. As a result of the Forbearance Agreement, Mr. Kreisler’s affiliate was reinstated as the direct beneficial owner of 100% of the issued and outstanding equity of Viridis, and Viridis was reinstated as the direct beneficial owner of 800,000 shares of the Company’s Series

D Shares. Immediately thereafter, effective December 31, 2016, Viridis and the Company entered into an agreement under which Viridis exchanged 800,000 shares of the Company Series D Shares, corresponding to 80% of the Company's issued and outstanding equity, for 800,000 shares of the Company's Series G Shares, corresponding to 80% of the Company's issued and outstanding equity. All previously outstanding shares of the Company's Series D Shares were cancelled and eliminated. The Forbearance Agreement additionally called for the Company to issue a \$2,500,000 term note to Bitzio in exchange for cash provided by BTZO on December 15, 2015 ("Bitzio Note"). The Bitzio Note included a maturity date of December 31, 2018, and carried interest at 6% per annum, but, in consideration of Bitzio's various defaults, Bitzio agreed to waive all interest if the Company paid a minimum of \$1,250,000 in principal on or before December 31, 2016, and the balance in full on or before December 31, 2018. The Company paid a total of \$1,836,099 as of December 31, 2016, corresponding to a principal balance of \$663,901 as of December 31, 2016. The Company fully paid off the remaining balance of the Bitzio Note during the year ended December 31, 2018. Finally, the Forbearance Agreement stated the Company's agreement to forbear from exercising its rights and remedies in connection with the stated prior defaults for so long as Bitzio continued to remain in compliance with the Forbearance Agreement, including Bitzio's waiver, release, and indemnification of any and all claims in favor of the Company, all applicable parties, and all of their respective affiliates.

During the year ended December 31, 2015, the Company issued a \$400,000 convertible debt to Cantrell Winsness Technologies, LLC ("CWT" and the "CWT Debenture") in exchange for all amounts accrued under the TAA and CWT's interest in the Series F Preferred Stock. CWT shall have the right, but not the obligation, to convert any portion of the convertible debenture into the Company's common stock at \$0.01 per share. The CWT Debenture matured December 31, 2018. CWT delivered a release in favor of the Company in respect of any and all amounts that may have been due under the Company's Amended and Restated Technology Acquisition Agreement with CWT. The balance of the CWT Debenture was \$325,000 at December 31, 2018.

During the years ended December 31, 2018, and December 31, 2016, the Company loaned about \$639,000 to Plaid Canary Corporation ("PCC"), for use in the development of agricultural technology; about \$162,000 to GS EnviroServices ("GSEN"); about \$562,000 to FLUX Carbon Mitigation Fund LLC ("FCMF"), for use in the development of energy technology and businesses; and about \$574,000 to Bitzio, Inc. ("Bitzio"), for use in the development of lifestyle technology and businesses. Of these amounts, the Company expensed \$471,000 related to GSEN, \$661,000 related to PCC and \$517,500 to FCMF, and eliminated all remaining balances as of December 31, 2018. Kevin Kreisler, the Company's chairman and chief executive officer, was the indirect beneficial owner of a majority of the equity of PCC, GSEN, FCMF, and Bitzio during the year ended December 31, 2016. Mr. Kreisler ceased to own any equity interest of any kind in Bitzio effective as of December 31, 2016, upon completion of the forbearance and rescission transactions described above.

Effective May 25, 2018, affiliates of Kevin Kreisler, the Company's chairman and chief executive officer, contributed 100% of the equity of FLUX Carbon LLC ("FC") to the Company for no additional consideration. FC held intellectual property license rights involving (i) methods for real-time data acquisition, verification, and analytics in renewable energy applications, (ii) methods of using blockchain to manage commodity risk in emerging carbon and agricultural markets, (iii) low temperature catalysis of renewable fuels, (iv) power production from low temperature thermal emissions, and (v) related know-how. The equity of FC was contributed to the Company with a pre-existing senior secured lien granted by affiliates of Kevin Kreisler to EXO Opportunity Fund LLC ("EXO"), as additional collateral for EXO's historical loans and other financial accommodations to the Company. Immediately after the foregoing contribution, the Company sold 80% of the issued and outstanding equity of FC to Attis Industries, Inc. (see Note 9, *Related Party Transactions, Transactions Involving Attis Industries, Inc.*, below).

## TRANSACTIONS INVOLVING ATTIS INDUSTRIES, INC.

### *License Agreement*

Effective May 25, 2018, CleanTech and FC entered into a Master License Agreement, pursuant to which CleanTech granted FC a continuing exclusive, fully-paid license to use, practice, sub-license, and prosecute infringing use of CleanTech's corn oil extraction technologies.

### *Subsidiary Sale*

Effective May 25, 2018, Attis Industries Inc. (“Attis”) and its wholly-owned subsidiary, Attis Innovations, LLC (“Innovations”), the Company, and the Company’s wholly-owned subsidiary, GS CleanTech Corporation (“CleanTech”), among others, entered into a Securities Purchase Agreement (“SPA”) and related transaction documents pursuant to which Attis acquired 80% of the issued and outstanding membership interest units (“80% Units”) of FLUX Carbon LLC (“FC”) in exchange for the payment to the Company of an earn-out based purchase price equal to the greater of (i) \$18,000,000 (“Floor Price”); (ii) five (5) times FC’s Consolidated EBITDA during 2018, 2019, and 2020; (iii) four (4) times FC’s Consolidated EBITDA during 2021, 2022, and 2023; (iv) three (3) times FC’s Consolidated EBITDA during 2024 and 2025; (v) two (2) times FC’s Consolidated EBITDA during 2026; or (vi), one (1) times FC’s Consolidated EBITDA during 2027. The term “Consolidated EBITDA” is defined in the SPA as the aggregate annual earnings before interest, taxes, depreciation and amortization (“EBITDA”) deriving from: (a) all use of now and hereinafter-owned FC assets, including, without limitation, FC’s intellectual properties by FC, Attis, Innovations, and/or any related person; and (b), the operations, assets, investments, licenses and other agreements of FC and FC’s now and hereinafter-existing subsidiaries. An initial payment against the SPA purchase price was paid at Closing in the form of 2,000,000 restricted shares of Attis common stock (“Attis Common Stock”) and 180,000 shares of Attis Series G Convertible Preferred Stock (“Attis Preferred Stock” and, together with the Attis Common Stock, the “Attis Securities”). Each share of Attis Preferred Stock had a face value of \$100.00 per preferred share, and was convertible into Attis common stock at a rate equal to the greater of \$0.50 (“Conversion Floor”), or 100% of the lowest closing market price per share for Attis common stock for the thirty (30) Trading Days preceding conversion (“Market Price”); provided, however, that upon the occurrence of any event of default, and continuing for so long as any such event of default remains uncured, the Conversion Floor shall cease to apply, and the conversion price shall equal the Market Price. The SPA additionally required Attis to register the Attis Securities on a best efforts, time of the essence basis after closing, such that the Attis Securities were required to be registered and freely-trading on or before August 31, 2018 (“Registration Date”). If Attis did not deliver registered and freely-trading shares of Attis common stock to the Company on a timely basis, or if any Attis Securities could not otherwise be deposited and/or sold after commercially reasonable attempts are made to do so, then Attis was required to pay cash to the Company to redeem the Attis Securities at the rate of \$100,000 per month commencing August 31, 2018 (the “Redemption Payment”), and continuing on the first of each month thereafter until such time as Attis delivered conforming registered and freely-tradable shares of Attis common stock in compliance with applicable provisions of the SPA and related transaction documents. If the Company was not able to sell the Attis Securities, or for any other reason, the Company’s net cash proceeds upon sale or redemption of the Attis Securities were less than \$18,000,000 as of June 1, 2022, then Attis and Innovations agreed, on a joint and several basis, to pay the difference between \$18,000,000 and the Company’s net cash proceeds upon sale or redemption of the Attis Securities in immediately available U.S. cash funds on or before July 1, 2022. The transaction documents accompanying the SPA additionally called for Attis to pay the Company liquidated damages for failures to timely deliver Attis common stock issuable upon conversion of the Attis Preferred Stock (“Liquidated Damages”), registration penalties at a rate equal to \$100,000 per month commencing on the occurrence of a registration effectiveness failure (“Effectiveness Penalties”), and \$90,000 per month commencing on the occurrence of a current public information failure (“Reporting Penalties”). The 80% equity interest in FC was transferred to Attis with a pre-existing senior secured lien granted by affiliates of Kevin Kreisler to EXO Opportunity Fund LLC (“EXO”), and an additional senior secured lien granted by the Company and CleanTech as additional collateral for EXO’s historical loans and other financial accommodations to the Company. Upon completion of the closing under the SPA on May 25, 2018, the Company was the direct beneficial owner of 20% of FC’s issued and outstanding equity and the Attis Securities.

#### *Escrow Agreement*

The parties used an escrow account and agent to hold Attis’ 80% equity interest in FC, the Company’s 20% equity interest in FC, and the Attis Securities to secure Attis’ compliance with the SPA and related transaction documents, including, without limitation, timely payment of the stock and cash amounts due thereunder. Thus, while Attis was the beneficial owner of record of 80% of FC’s equity effective May 25, 2018, the escrow agent had physical possession of that equity subject to the terms and conditions of the escrow agreement.

#### *Joint Venture*

Effective May 25, 2018, in connection with the execution of the Master License Agreement above, Attis, the Company, CleanTech and FC entered into an Amended and Restated Limited Liability Company Operating Agreement and a Management Agreement (“JVCo Agreements”) under which the Company and CleanTech in essence outsourced 100% of their operations to FC, which Attis agreed to fully capitalize to meet a number of specific

objectives, including servicing the continuing and future needs of licensees, investing in growth, and covering 100% of the costs for all pending and future litigation for infringement and related matters. Substantially all of the Company's employees were hired by Attis as of May 25, 2018, for that purpose. The Company and CleanTech agreed to assign to FC 100% of all rights arising under third party license and other agreements, including all revenue and all rights pertaining thereto, arising in connection with the intellectual properties covered by the Master License Agreement; including, without limitation, 100% of all royalty revenues arising under CleanTech's pre-existing third party license agreements for its corn oil extraction technologies, and all product and service sales relating thereto. In return, Attis, Innovations, and FC agreed to pay the Company and CleanTech certain management fees on a monthly basis commencing May 25, 2018, at a rate equal to the Company's cost on a time and materials basis for mutually agreeable administrative expenses, such as rent, insurance, accounting expenses, legal and professional fees, and other pre-approved expenses ("Management Fees").

#### *Additional Contribution*

Effective May 25, 2018, the Company agreed to issue to Attis a subordinate secured convertible debenture in the amount of \$10,000,000 ("Attis Debenture") in exchange for the contribution by Attis and Innovations to FC of 100% of their respective right, title, and interest in, to and under any and all biomass processing technologies, and any and all proceeds deriving therefrom. The Company agreed that the Attis Debenture shall be convertible into the Company's common stock commencing November 22, 2018, in one or more installments up to 9.9% of the Company's issued and outstanding common stock at the time of conversion (when taken with any other shares of the Company's common stock held by Attis at the time of conversion), at the greater of (i) \$0.10 per share or (ii) 100% of the lowest closing market price per share for the Company's common stock for the thirty (30) Trading Days preceding conversion. The Company further agreed that the Attis Debenture shall accrue interest at the lesser of 2% or the minimum allowable rate under applicable law, which shall be waived if the Attis Debenture is converted or otherwise fully paid on or before June 30, 2028. Finally, the Company agreed that the Attis Debenture would be exclusively paid in the form of the Company's common stock, provided, however, that the principal balance due under the Attis Debenture would be reduced on a dollar for dollar basis in an amount equal to any distributions paid from FC to Attis and/or Innovations. However, while the Company agreed to issue the Attis Debenture effective May 25, 2018, issuance thereof was conditioned upon the provision by Attis and Innovations of an effective assignment of 100% of their respective right, title, and interest in, to and under any and all biomass processing technologies, and any and all proceeds deriving therefrom, which assignment was never delivered at or after the closing in breach of the SPA and related transaction documents. Accordingly, while the Attis Debenture was delivered to the designated escrow agent for the SPA in anticipation of closing on May 25, 2018, the Attis Debenture was never validly issued and delivered to Attis.

#### *Material Breaches*

Attis failed to timely register the Attis Securities in material breach of the Attis SPA and related transaction documents, and failed to pay all cash amounts payable under the SPA, JVCo Agreements, and related transaction documents. Attis subsequently interfered with the Company's ability to liquidate the Attis Securities, and committed a series of additional breaches and other misconduct, including, without limitation, by failing to contribute the biomass processing technologies in exchange for the Attis Debenture, by misappropriating FC's revenues, by failing to operate the FC business, and by failing to provide any funding to FC as required by the JVCo Agreements. Accordingly, the Company filed formal notice of default on June 30, 2019, alleging several events of breach, material misrepresentation, fraudulent inducement, and irreparable harm. The parties subsequently negotiated a settlement agreement calling for the payment by Attis to the Company of \$3,000,000 in cash, the cancellation of the Attis Debenture, and the return of 100% of all right, title and interest in, to and under the equity of FC in exchange for the Company's agreement to execute a release of all claims against Attis and its affiliates. However, Attis there again failed to perform as agreed and, effective February 17, 2021, the Company issued formal notice of termination to Attis, including a demand for payment of outstanding amounts due under the SPA and related transaction documents, and restitution of all amounts Attis received in connection with FC and its intellectual property rights. Attis has ignored the Company's demand and appears to have discontinued operations. Management is evaluating the Company's rights and remedies in connection with all matters involving Attis, and is unable to characterize or evaluate the probability of any outcome at this time.

#### *Senior Loan Default*

The foregoing breaches by Attis triggered multiple material events of default under the Company's loan agreements with EXO Opportunity Fund LLC ("EXO") (see Note 9, *Debt Obligations*, above), as well as the pre-existing senior

security interest granted to EXO as collateral for EXO's historical loans and other financial accommodations to the Company.

### Current Status

Upon completion of the closing under the SPA on May 25, 2018, the Company was the direct beneficial owner of 20% of FC's issued and outstanding equity (which was contributed to the Company for no additional consideration), and the Attis Securities with a deemed value equal to the \$18,000,000 Floor Price payable under the SPA. During the year ended December 31, 2019, the Company received \$137,206 in stock sales proceeds upon sale of the 2,000,000 shares of Attis Common Stock received at closing of the SPA. No further amounts were paid or received. Accordingly, the Company recorded \$18,000,000 in connection with the closing under the SPA effective as of May 25, 2018, however, the Company additionally recorded a \$18,000,000 reserve for doubtful accounts as of December 31, 2018, in consideration of Attis' various breaches and non-payment during 2018. The Company then realized a gain on disposal of \$137,206 during the year ended December 31, 2019, after accounting for the foregoing Attis Common Stock sales proceeds. Likewise, the Company's 20% equity interest in FC is recorded at cost (zero), and the Attis Debenture was never validly issued on May 25, 2018, due to the failure by Attis to contribute the biomass processing technologies to FC at the closing as required under the SPA.

### NOTE 10 INCOME TAXES

The Company adopted the provisions of ASC 740, *Income Taxes*. As a result of the implementation of this guidance, the Company recognized no material adjustment in the liability for unrecognized income tax benefits. At the adoption date of January 1, 2007, and through December 31, 2020, there were no unrecognized tax benefits. Interest and penalties related to uncertain tax positions will be recognized in income tax expense. As of December 31, 2020, no interest related to uncertain tax positions had been accrued. The Company provides for income taxes using the asset and liability 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 bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The Tax Cuts and Jobs Act ("Tax Act") was enacted on December 22, 2017. Among numerous provisions, the Tax Act reduced the U.S. federal corporate tax rate from 35% to 21%, requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred, and creates new taxes on certain foreign sourced earnings. As a result of the Tax Act, the Company remeasured certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21% for federal taxes as 6% for state taxes.

The Company recorded no provision for income taxes for the years ended December 31, 2020 and December 31, 2019 due to the availability of a tax loss carryforward to offset any potential tax.

The Company's total deferred tax asset and valuation allowance as of December 31, 2020 and 2019 are as follows:

	Year Ended 2020	Year Ended 2019
NOL carryforwards	\$ 9,469,000	\$ 9,356,000
Net deferred tax asset	<u>9,469,000</u>	<u>9,356,000</u>
Less valuation allowances	<u>(9,469,000)</u>	<u>(9,356,000)</u>
Total deferred tax asset, net of valuation allowance	<u>\$ --</u>	<u>\$ --</u>

In assessing whether the deferred tax assets are realizable, Management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, Management



believes it is more likely than not that the Company will not realize the benefits of these deductible differences. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced. The valuation allowance increased by \$113,000 to \$9,469,000 as of December 31, 2020, from \$9,356,000 as of December 31, 2019.

The Company had federal and state net operating tax loss carry-forwards of approximately \$35,000,000 as of December 31, 2020. The tax loss carry-forwards are available to offset future taxable income with the federal and state carry-forwards beginning to expire in 2031.

In 2020, the Company evaluated its tax positions for years which remain subject to examination by major tax jurisdictions, in accordance with the requirements of ASC 740 and as a result concluded no adjustment was necessary. The Company files income tax returns in the U.S. federal jurisdiction, and various state jurisdictions. The Company's evaluation of uncertain tax positions was performed for the tax years ended December 31, 2015 and forward, the tax years which remain subject to examination by major tax jurisdictions as of December 31, 2020.

#### **NOTE 11 SUBSEQUENT EVENTS**

Effective March 26, 2021, the Company entered into a Securities Purchase Agreement with Revokor Holdings LLC (“Revokor”) pursuant to which Revokor purchased \$150,000 in convertible debt for \$75,000 in cash to cover the Company’s accounting, legal, and other costs (“Revokor Debenture”). The Revokor Debenture bears interest at 6% per year, matures on December 31, 2021, and is convertible into the Company’s common stock at a rate equal to 90% of the then-current average closing market price for the thirty days preceding conversion.

Effective March 26, 2021, the Company entered into a Securities Purchase Agreement with EDP Financial LLC (“EDP”) pursuant to which EDP purchased \$150,000 in convertible debt for \$75,000 in cash to cover the Company’s accounting, legal, and other costs (“EDP Debenture”). The EDP Debenture bears interest at 6% per year, matures on December 31, 2021, and is convertible into the Company’s common stock at a rate equal to 90% of the then-current average closing market price for the thirty days preceding conversion.