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

FORM 10-Q

(Mark One)

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

For the quarterly period ended: September 30, 2024

or

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

For the transition period from ____________ to _____________

Commission File Number: 000-49709

CARDIFF LEXINGTON CORPORATION

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

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

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

As of November 5, 2024, there were 15,036,725 shares of common stock of the registrant issued and outstanding.

CARDIFF LEXINGTON CORPORATION

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

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

	September 30, 2024	December 31, 2023 (Restated)
ASSETS		
Current assets		
Cash	$ 1,949,600	$ 866,943
Accounts receivable-net	14,798,220	13,305,254
Prepaid and other current assets	5,000	5,000
Total current assets	16,752,820	14,177,197
Property and equipment, net	24,563	34,661
Land	540,000	540,000
Goodwill	5,666,608	5,666,608
Right of use - assets, net	465,389	289,062
Due from related party	4,979	4,979
Other assets	60,403	33,304
Total assets	$ 23,514,762	$ 20,745,811
LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expense	$ 1,386,412	$ 2,047,131
Accrued expenses - related parties	4,353,056	4,733,057
Accrued interest	361,172	620,963
Right of use – lease liabilities	227,606	157,669
Due to director and officer	–	120,997
Notes payable – current portion	500,826	15,977
Line of credit	7,468,971	2,120,100
Convertible notes payable, net of debt discounts of $0 and $24,820, respectively	105,000	3,807,030
Net liabilities of discontinued operations	237,643	237,643
Total current liabilities	14,640,686	13,860,567
Notes payable	140,272	144,666
Operating lease liability – long term	236,853	119,056
Total liabilities	15,017,811	14,124,289
Mezzanine equity		
Redeemable Series N Senior Convertible Preferred Stock - 3,000,000 shares authorized, $0.001 par value, stated value $4.00, 868,056 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively	3,230,023	3,891,439
Redeemable Series R Senior Convertible Preferred Stock - 5,000 shares authorized, $0.001 par value, stated value of $1,200, 0 and 165, shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively	–	307,980
Redeemable Series X Senior Convertible Preferred Stock - 5,000,000 shares authorized, $0.001 par value, stated value of $4.00 par value; 375,000 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively	1,537,808	1,690,685
Total Mezzanine Equity	4,767,831	5,890,104
Stockholders' equity		
Series B Preferred Stock - 3,000,000 shares authorized, $0.001 par value, stated value of $4.00, 753,929 and 2,139,478 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively	3,015,716	8,557,912
Series C Preferred Stock - 500 shares authorized, $0.001 par value, stated value of $4.00, 43 and 123 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively	172	492
Series E Preferred Stock - 1,000,000 shares authorized, $0.001 par value, stated value $4.00, 75,375 and 155,750 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively	301,500	623,000
Series F-1 Preferred Stock - 50,000 shares authorized, $0.001 par value, stated value $4.00, 9,500 and 35,752 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively	38,000	143,008
Series I Preferred Stock - 15,000,000 shares authorized, $0.001 par value, stated value $4.00, 11,540,500 and 14,885,000 issued and outstanding at September 30, 2024 and December 31, 2023, respectively	46,162,000	59,540,000

Series J Preferred Stock - 2,000,000 shares authorized, $0.001 par value, stated value $4.00, 0 and 1,713,584 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively	–	6,854,336
Series L Preferred Stock - 400,000 shares authorized, $0.001 par value, stated value $4.00, 319,493 shares issued and outstanding at September 30, 2024 and December 31, 2023	1,277,972	1,277,972
Series Y Senior Convertible Preferred Stock - 1,000,000 shares authorized, $0.001 par value, stated value of $4.00, 955,114 and 0 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively	3,820,456	–
Common Stock; 300,000,000 shares authorized, $0.001 par value; 14,555,601 and 25,121 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively	14,556	25
Additional paid-in capital	20,891,337	(7,581,212)
Accumulated deficit	(71,792,589)	(68,684,115)
Total stockholders' equity	3,729,120	731,418
Total liabilities, mezzanine equity and stockholders' equity	$ 23,514,762	$ 20,745,811

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023 (Restated)	2024	2023 (Restated)
REVENUE	$ 1,355,641	$ 3,405,859	$ 5,149,416	$ 9,476,764
COST OF SALES	1,000,601	551,423	2,741,765	2,589,407
GROSS PROFIT	355,040	2,854,436	2,407,651	6,887,357
OPERATING EXPENSES				
Depreciation expense	3,365	3,365	10,096	11,365
Share based compensation	–	–	300,225	–
Selling, general and administrative	936,835	577,677	2,622,981	2,095,611
Total operating expenses	940,200	581,042	2,933,302	2,106,976
(LOSS) INCOME FROM CONTINUING OPERATIONS	(585,160)	2,273,394	(525,651)	4,780,381
OTHER (EXPENSE) INCOME				
Other (expense) income	(6,767)	(1)	(4,720)	204
Gain on debt refinance and forgiveness	–	–	78,834	390
Penalties and fees	–	(16,000)	(1,330)	(48,000)
Interest expense	(1,386,041)	(226,119)	(1,803,657)	(1,763,698)
Amortization of debt discounts	–	(46,048)	(24,821)	(94,664)
Total other (expense) income	(1,392,808)	(288,168)	(1,755,694)	(1,905,768)
NET (LOSS) INCOME BEFORE DISCONTINUED OPERATIONS	(1,977,968)	1,985,226	(2,281,345)	2,874,613
LOSS FROM DISCONTINUED OPERATIONS	–	(3,705)	(111,312)	(93,005)
NET (LOSS) INCOME FOR THE PERIOD	$ (1,977,968)	$ 1,981,521	$ (2,392,657)	$ 2,781,608
PREFERRED STOCK DIVIDENDS	(238,009)	(150,965)	(715,817)	(605,384)
NET (LOSS) INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS	$ (2,215,977)	$ 1,830,556	$ (3,108,474)	$ 2,176,224
BASIC (LOSS) INCOME PER SHARE				
CONTINUING OPERATIONS	$ (0.16)	$ 136.12	$ (0.30)	$ 167.13
DISCONTINUED OPERATIONS	$ 0.00	$ (0.28)	$ (0.01)	$ (7.15)
DILUTED (LOSS) INCOME PER SHARE				
CONTINUING OPERATIONS	$ (0.16)	$ 2.30	$ (0.30)	$ 2.40
DISCONTINUED OPERATIONS	$ 0.00	$ (0.28)	$ (0.01)	$ (7.15)
WEIGHTED AVERAGE SHARES OUTSTANDING – BASIC	14,075,296	13,448	10,242,799	13,005
WEIGHTED AVERAGE SHARES OUTSTANDING – DILUTED	14,075,296	794,783	10,242,799	906,441

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

CARDIFF LEXINGTON CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023
(UNAUDITED)

Three Months Ended September 30, 2024:

	Preferred Stock Series A, I and Y		Preferred Stock Series B, E, F-1, J and L		Preferred Stock Series C		Common Stock		Additional Paid-In	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Equity
Balance, June 30, 2024 (Restated)	**12,579,410**	**$ 50,317,632**	**1,400,797**	**$ 5,603,188**	**60**	**$ 240**	**13,626,376**	**$ 13,626**	**$ 19,522,200**	**$ (69,576,612)**	**$ 5,880,274**
Conversion of series B preferred stock	–	–	(226,250)	(905,000)	–	–	452,500	453	904,547	–	–
Conversion of series C preferred stock	–	–	–	–	(17)	(68)	170,000	170	(102)	–	–
Conversion of series F-1 preferred stock	–	–	(16,250)	(65,000)	–	–	32,500	33	64,967	–	–
Conversion of series I preferred stock	(100,000)	(400,000)	–	–	–	–	200,000	200	399,800	–	–
Issuance of series Y preferred stock	16,206	64,824	–	–	–	–	–	–	(1)	–	64,823
Common stock issued in legal settlement	–	–	–	–	–	–	74,225	74	(74)	–	–
Preferred stock Dividends	–	–	–	–	–	–	–	–	–	(238,009)	(238,009)
Net income	–	–	–	–	–	–	–	–	–	(1,977,968)	(1,977,968)
Balance, September 30, 2024	**12,495,616**	**$ 49,982,456**	**1,158,297**	**$ 4,633,188**	**43**	**$ 172**	**14,555,601**	**$ 14,556**	**$ 20,891,337**	**$ (71,792,589)**	**$ 3,729,120**

CARDIFF LEXINGTON CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023
(UNAUDITED)
(continued)

Nine Months Ended September 30, 2024:

	Preferred Stock Series A, I and Y		Preferred Stock Series B, E, F-1, J and L		Preferred Stock Series C		Common Stock		Additional Paid-In	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Equity
Balance, December 31, 2023 (Restated)	**14,885,002**	**$ 59,540,000**	**4,364,057**	**$ 17,456,228**	**123**	**$ 492**	**25,121**	**$ 25**	**$ (7,581,212)**	**$ (68,684,115)**	**$ 731,418**
Conversion of convertible notes payable	–	–	–	–	–	–	1,222	1	1,679	–	1,680
Conversion of series B preferred stock	–	–	(1,385,549)	(5,542,196)	–	–	2,771,098	2,771	5,539,425	–	–
Conversion of series C preferred stock	–	–	–	–	(78)	(312)	780,000	780	(468)	–	–
Conversion of series E preferred stock	–	–	(80,375)	(321,500)	–	–	160,750	161	321,339	–	–
Conversion of series F-1 preferred stock	–	–	(26,252)	(105,008)	–	–	52,504	53	104,955	–	–
Conversion of series I preferred stock	(3,477,000)	(13,908,000)	–	–	–	–	6,954,000	6,954	13,901,246	–	–
Conversion of series J preferred stock	–	–	(1,713,584)	(6,854,336)	–	–	3,427,168	3,427	6,850,909	–	–
Issuance of series I preferred stock to officers	132,500	530,000	–	–	–	–	–	–	63,600	–	593,600
Issuance of series Y preferred stock	955,114	3,820,456	–	–	–	–	–	–	–	–	3,820,456
Cancellation of series C preferred stock	–	–	–	–	(2)	(8)	–	–	8	–	–
Common stock issued for services	–	–	–	–	–	–	7,500	8	11,617	–	11,625
Common stock issued to board members	–	–	–	–	–	–	30,000	30	194,970	–	195,000
Common stock issued in Red Rock settlement	–	–	–	–	–	–	37,104	37	111,275	–	111,312
Common stock issued in legal settlement	–	–	–	–	–	–	74,225	74	(74)	–	–
Preferred stock Dividends	–	–	–	–	–	–	234,909	235	1,372,269	(715,817)	656,687
Net income	–	–	–	–	–	–	–	–	–	(2,392,657)	(2,392,657)
Balance, September 30, 2024	**12,495,616**	**$ 49,982,456**	**1,158,297**	**$ 4,633,188**	**43**	**$ 172**	**14,555,601**	**$ 14,556**	**$ 20,891,337**	**$ (71,792,589)**	**$ 3,729,120**

CARDIFF LEXINGTON CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023
(UNAUDITED)
(continued)

Three Months Ended September 30, 2023:

	Preferred Stock Series A and I		Preferred Stock Series B, E, F-1, J and L		Preferred Stock Series C		Common Stock		Additional Paid-In	Accumulated	Total Stockholders' (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Equity
Balance, June 30, 2023 (Restated)	**14,885,001**	**$ 59,540,000**	**4,354,057**	**$ 17,416,228**	**123**	**$ 492**	**13,636**	**$ 14**	**$ (9,802,172)**	**$ (68,338,447)**	**$ (1,183,885)**
Issuance of preferred stock series E	–	–	5,000	20,000	–	–	–	–	(20,000)	–	–
Conversion of convertible notes payable	–	–	–	–	–	–	2,079	2	29,016	–	29,018
Preferred stock Dividends	–	–	–	–	–	–	–	–	–	(150,965)	(150,965)
Net income	–	–	–	–	–	–	–	–	–	1,981,521	1,981,521
Balance, September 30, 2023 (Restated)	**14,885,001**	**$ 59,540,000**	**4,359,057**	**$ 17,436,228**	**123**	**$ 492**	**15,715**	**$ 16**	**$ (9,793,156)**	**$ (65,507,891)**	**$ 675,689**

Nine Months Ended September 30, 2023:

	Preferred Stock Series A and I		Preferred Stock Series B, E, F-1, J and L		Preferred Stock Series C		Common Stock		Additional Paid-In	Accumulated	Total Stockholders' (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Equity
Balance, December 31, 2022 (Restated)	**14,885,001**	**$ 59,540,000**	**4,350,907**	**$ 17,403,628**	**123**	**$ 492**	**12,053**	**$ 12**	**$ (10,004,808)**	**$ (68,684,115)**	**$ (1,744,791)**
Issuance of preferred stock series B	–	–	3,150	12,600	–	–	–	–	12,400	–	25,000
Issuance of preferred stock series E	–	–	5,000	20,000	–	–	–	–	(20,000)	–	–
Conversion of convertible notes payable	–	–	–	–	–	–	3,662	4	219,252	–	219,256
Preferred stock Dividends	–	–	–	–	–	–	–	–	–	(605,384)	(605,384)
Net income	–	–	–	–	–	–	–	–	–	2,781,608	2,781,608
Balance, September 30, 2023 (Restated)	**14,885,001**	**$ 59,540,000**	**4,359,057**	**$ 17,436,228**	**123**	**$ 492**	**15,715**	**$ 16**	**$ (9,793,156)**	**$ (65,507,891)**	**$ 675,689**

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

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

	Nine Months Ended September 30,	
	2024	2023 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income	$ (2,392,657)	$ 2,781,608
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation	10,096	11,365
Amortization of debt discount	24,821	94,664
Bad debt	–	270,000
Change in estimate for settlement realization rate	1,650,474	–
Conversion and note issuance cost	1,000	11,250
Share issuance for compensations to directors and officers	788,600	–
Share issuance for service rendered	11,625	25,000
Fair value settled upon conversion	–	141,406
Gain on settlement or forgiveness of debt	(78,834)	(390)
(Increase) decrease in:		
Accounts receivable	(3,143,440)	(5,510,098)
Right of use - assets	(176,327)	17,763
Prepaids and other current assets	(27,098)	–
Increase (decrease) in:		
Accounts payable and accrued expense	(691,072)	733,125
Accrued officers compensation	(380,001)	514,000
Accrued interest	218,174	380,020
Right of use - liabilities	187,734	(27,255)
Net cash used in operating activities	(3,996,905)	(557,542)
Net cash provided by (used in) Discontinued Operations – Operating	111,312	(38,255)
FINANCING ACTIVITIES		
Payments to director	(120,997)	–
Repayment of SBA loans	(4,545)	(803)
Proceeds from convertible notes payable	–	421,376
Payment of convertible notes	(105,079)	–
Net proceeds from line of credit	5,348,871	5,848
Payment of note payable	(50,000)	–
Proceeds from note payable – related party	–	250
Payment of dividends on preferred stock	(100,000)	–
Net cash provided by financing activities	4,968,250	426,671
Net cash provided by Discontinued Operations – Financing	–	131,260
NET INCREASE (DECREASE) IN CASH	1,082,657	(37,866)
CASH, BEGINNING OF PERIOD	866,943	219,085
CASH, END OF PERIOD	$ 1,949,600	$ 181,219
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for Interest	$ 126,732	$ 6,389
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Common stock issued upon conversion of notes payable	$ 1,680	$ 99,533
Common stock issued upon conversion of preferred stock	$ 14,158	$ –
Series Y preferred stock issued in exchange of convertible notes payable	$ 3,755,632	$ –
Promissory note payable issued in settlement agreement	$ 535,000	$ –
Right of use assets acquired	$ 363,411	$ –

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

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

Cardiff is an acquisition holding company focused on locating undervalued and undercapitalized companies, primarily in the healthcare industry, and providing them capitalization and leadership to maximize the value and potential of their private enterprises while also providing diversification and risk mitigation for stockholders. All of Cardiff's operations are predominantly conducted through, and its income derived from, its Nova Ortho and Spine, LLC ("Nova") subsidiary. Its subsidiaries include:

- Nova, which was acquired on May 31, 2021;
- Edge View Properties, Inc. ("Edge View"), which was acquired on July 16, 2014; and
- Platinum Tax Defenders ("Platinum Tax"), which was acquired on July 31, 2018 and sold on November 10, 2023. As a result, Platinum Tax is presented as a discontinued operation.

Principles of Consolidation

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

Reverse Stock Split

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

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

Use of Estimates

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

Accounts Receivable

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

The Company does not have a significant exposure to credit losses as it has historically had a less than 1.0% loss rate where the Company received no settlement amount for its outstanding accounts receivable. Although possible, claims resulting in zero collection upon settlement are rare based on the Company's historical experience and has historically been 0.5% to 1.0% of its outstanding accounts receivable, thereby resulting in a collection rate of 99%. The Company uses the loss rate method to record its allowance for credit losses. The Company applies the loss rate method by reviewing its zero collection history on a quarterly basis and updating its estimates of credit losses to adjust for changes in loss data. The Company typically collects on its accounts receivable between eighteen and twenty-four months after recording. The Company does not record an allowance for credit losses based on an aging of its accounts receivable as the aging of the Company's receivables do not influence the credit loss rate due to the nature of its business and the letter of protection. The Company does not adjust its receivables for the effects of a significant financing component at contract inception as the timing of variable consideration is determined by the settlement, which is outside of the Company's control. As of September 30, 2024 and December 31, 2023, the Company's allowance for credit losses was $122,190. The Company recognized $0 and $270,000 of credit loss expense during the nine months ended September 30, 2024 and 2023, respectively, which is included in selling, general and administrative expenses in the condensed consolidated statement of operations. The balance of accounts receivable, net as of January 1, 2023 was $6,603,920.

Property and Equipment

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

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

Goodwill

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

Valuation of Long-lived Assets

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

Revenue Recognition

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

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

At contract inception, once the contract is determined to be within the scope of ASC 606, the Company assesses services promised within each contract and determines those that are a performance obligation and assesses whether each promised service is distinct.

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

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

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

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

The Company may accept a lower settlement realization rate in order to receive faster payment. The Company obtains information about expected settlement realization trends from discussions with doctors and attorneys and its third-party medical billing company vendor, which handles settlement claims and negotiations. Settlement amounts are presented to the Company's third-party medical billing company vendor.

Settlement rates of 49% or higher based on gross billed amounts are typically accepted without further negotiation. Proposed settlement rates below 49% are negotiated when possible and longer negotiations typically result in higher settlement rates. If the Company accepts a lower settlement realization rate in order to receive payments more quickly, the Company considers that a price concession and estimates these concessions at contract inception. The various forms of variable consideration described above included in the transaction price may be constrained and are included in net revenue only to the extent that it is probable that a significant reversal in the amount of the cumulative revenue recognized will not occur in a future period. The Company has not constrained any of its estimates of variable consideration for any of the periods presented.

Service Fees – Net (PIP)

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

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

Settlement Rates

Prior to its fiscal year 2024, the Company has historically had a 49% settlement realization rate from its total gross billed charges. Accordingly, the Company has historically recognized net healthcare service revenue as 49% of gross billed amounts. During the nine months ended September 30, 2024, the Company underwent efforts to accelerate cash settlements by accepting lower settlement realization rates in order to settle outstanding accounts receivable more quickly, which is expected to continue for the foreseeable future. This new initiative caused the Company to reassess the average settlement rate used to recognize healthcare service revenue as a prospective change in estimate given new information available. Accordingly, during the third quarter of 2024, the Company completed a thorough review of its third-party billing data, including reviewing historical reports and new reporting methods as a part of its updated analysis. Based upon this review it was determined that a 24-month lookback period should be used in the analysis of its historical settlement realization rates. Accordingly, its estimate of its settlement realization rate was reduced from 49% to 44%, resulting in a $1,650,474 million reduction in its accounts receivable and revenue during the third quarter of 2024 related to the change in estimate. Additionally, as a result of this reduced settlement realization experience, the Company recorded reductions to net revenue of $0 and $1,199,155 for the three and nine months ended September 30, 2024, respectively.

The Company will continue to evaluate its estimate of its settlement realization rates in the future, which will include a monthly review of the Company's trailing 24-month historical settlement realization rate, along with estimates of current and pending settlements through ongoing discussions with attorneys, doctors and the Company's third-party medical billing company in order to determine its variable consideration under ASC 606 and the net transaction price. The Company will update its settlement realization rate estimate used in determining its accounts receivable and revenue each quarter based on this review.

Contract Fees (Non-PIP)

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

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs are included as a component of cost of sales in the consolidated statements of operations and changes in stockholders' equity. The Company recognized advertising and marketing expense of $84,914 and $71,636 for the three months ended September 30, 2024 and 2023, respectively. The Company recognized advertising and marketing expense of $263,864 and $243,315 for the nine months ended September 30, 2024 and 2023, respectively.

Fair Value Measurements

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

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

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

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

Distinguishing Liabilities from Equity

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

Stock-Based Compensation

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

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

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

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

Income Taxes

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

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

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

Income (Loss) per Share

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

Going Concern

The accompanying consolidated financial statements have been prepared using the going concern basis of accounting, which contemplates continuity of operations, realization of assets and liabilities and commitments in the normal course of business. The Company had sustained recurring operating losses since its inception and has an accumulated deficit of $71,792,589 as of September 30, 2024. These factors raise a substantial doubt about the Company’s ability to continue as a going concern. The accompanying consolidated financial statements do not reflect any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classifications of liabilities that might result if the Company is unable to continue as a going concern.

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

Recently Issued Accounting Standards

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

Recently Adopted Accounting Standards

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

2. RESTATEMENT OF FINANCIAL STATEMENTS

During the preparation of the financial statements for the year ended December 31, 2023, the Company identified and corrected its classification and accounting treatment for its series R convertible preferred stock and the related dividend accrual. Pursuant to ASC 250, *Accounting changes and error corrections* issued by FASB and Staff Accounting Bulletin 99 *Materiality*, issued by Securities and Exchange Commission, the Company determined the impact of the error was immaterial. The impact of the error correction is reflected in the consolidated balance sheet as of September 30, 2023 as a $274,982 increase to the mezzanine equity and offsetting decrease to the series R convertible preferred stock and subject to possible redemption mezzanine equity line item. In addition, the impact of the unpaid dividend accrual was reflected as of September 30, 2023 as a $24,681 increase to mezzanine equity and offsetting decrease to the accumulated deficits.

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

On November 10, 2023, the Company sold Platinum Tax, which was a full-service tax resolution firm located in Los Angeles, California. The Company presented in prior periods operating loss as loss from discontinued operations of $3,705 and $93,005 on the consolidated statement of operations for the three and nine months ended September 30, 2023, respectively.

The impact of the error corrections also reflected a $136.12 increase of basic earnings per share, and a $2.30 increase of diluted earnings per share on the consolidated statement of operations for the three months ended September 30, 2023. For the nine months ended September 30, 2023, the impact of the error correction reflected a $167.33 increase of basic earnings per share, and an increase of $2.40 of diluted earnings per share.

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

Balance sheet

	Impact of correction of error		
September 30, 2023 (Unaudited)	As previously reported	Adjustments	As restated
Total assets	$ 18,518,727	$ (844)	$ 18,517,883
Total liabilities	12,102,942	(244,129)	11,858,813
Mezzanine equity	5,440,434	299,663	5,740,097
Total stockholders' equity	$ 975,352	$ (299,663)	$ 675,689

Statement of operations

Three months ended September 30, 2023 (Unaudited)	Impact of correction of error		
	As previously reported	Adjustments	As restated
Revenue	$ 3,438,124	$ (32,265)	$ 3,405,859
Cost of sales	557,028	(5,605)	551,423
Gross profit	2,881,096	(26,660)	2,854,436
Operating expense	611,110	(30,067)	581,043
Income from operations	2,269,986	3,407	2,273,393
Other income (expense), net	(288,465)	298	(288,167)
Net income before discontinued operations	1,981,521	3,705	1,985,226
Loss from discontinued operations	–	(3,705)	(3,705)
Net income for the period	$ 1,981,521	$ –	$ 1,981,521
Preferred stock dividends	$ (150,965)	$ 0.00	$ (150,965)
Net income attributable to common shareholders	$ 1,830,556	$ 0.00	$ 1,830,556
Basic earnings per share for continuing operations	$ 0.00	$ 136.12	$ 136.12
Diluted earnings per share for continuing operations	$ 0.00	$ 2.30	$ 2.30

Nine months ended September 30, 2023 (Unaudited)	Impact of correction of error		
	As previously reported	Adjustments	As restated
Revenue	$ 9,781,731	$ (304,967)	$ 9,476,764
Cost of sales	2,643,137	(53,730)	2,589,407
Gross profit	7,138,594	(251,237)	6,887,357
Operating expense	2,448,876	(341,900)	2,106,976
Income from operations	4,689,718	90,663	4,780,381
Other income (expense), net	(1,908,110)	2,342	(1,905,768)
Net income before discontinued operations	2,781,608	93,005	2,874,613
Loss from discontinued operations	–	(93,005)	(93,005)
Net income for the period	$ 2,781,608	$ –	$ 2,781,608
Preferred stock dividends	$ (605,384)	$ 0.00	$ (605,384)
Net income attributable to common shareholders	$ 2,176,224	$ 0.00	$ 2,176,224
Basic earnings per share for continuing operations	$ 0.00	$ 167.33	$ 167.33
Diluted earnings per share for continuing operations	$ 0.00	$ 2.40	$ 2.40

Statement of Cash Flows

Nine months ended September 30, 2023 (Unaudited)	Impact of correction of error As previously reported	Adjustments	As restated
Net cash used in operating activities of continuing operations	$ (603,392)	$ 45,850	$ (557,542)
Net cash provided by financing activities of continuing operations	$ 557,933	$ (131,262)	$ 426,671

3. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	September 30, 2024	December 31, 2023
Accounts payable	$ 663,381	$ 720,774
Accrued credit cards	8,248	26,645
Accrued liability for settlement of previously factored receivables	599,956	1,247,772
Accrued income and property taxes	5,346	5,346
Accrued professional fees	50,721	29,122
Accrued board fees	15,000	–
Accrued dividend	30,354	–
Accrued public company fees	5,000	–
Accrued travel expense	1,571	–
Accrued payroll	6,835	17,472
Total	$ 1,386,412	$ 2,047,131

The Company is delinquent paying certain property taxes. As of September 30, 2024 and December 31, 2023, the balance for these property taxes was $1,659.

4. PLANT AND EQUIPMENT, NET

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

	September 30, 2024	December 31, 2023
Medical equipment	$ 96,532	$ 96,532
Computer Equipment	9,189	9,189
Furniture, fixtures and equipment	15,079	15,079
Leasehold Improvement	15,950	15,950
Total	136,750	136,750
Less: accumulated depreciation	(112,187)	(102,089)
Property and equipment, net	$ 24,563	$ 34,661

For the three months ended September 30, 2024 and 2023, depreciation expense was $3,365 and $3,365, respectively. For the nine months ended September 30, 2024 and 2023, depreciation expense was $10,096 and $11,365, respectively.

5. LAND

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

6. RELATED PARTY TRANSACTIONS

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

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

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

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

7. NOTES AND LOANS PAYABLE

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

	September 30, 2024	December 31, 2023
Notes and loans payable	$ 8,215,069	$ 2,280,743
Less current portion	(8,074,797)	(2,136,077)
Long-term portion	$ 140,272	$ 144,666

Long-term debt matures as follows:

	Amount
2024 (remainder of year)	$ 8,071,169
2025	4,837
2026	4,837
2027	4,837
2028	4,837
Thereafter	124,552
Total	$ 8,215,069

Promissory Note – Settlement Agreement

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

The note does not bear interest and requires fixed payments as follows: (i) if the Company raises at least $5 million but less than $6 million in its planned underwritten public offering (the "Offering"), then it must pay $250,000 on the closing date of the Offering, with payments of $125,000, $125,000 and $35,000 to follow on the 90th, 180th, and 240th days following the closing of the Offering, respectively; (ii) if the Company raises at least $6 million but less than $7 million in the Offering, then it must pay $390,000 on the closing date of the Offering and $145,000 on the 90th day following the closing of the Offering; and (iii) if the Company raises at least $7 million in the Offering, then it must repay the entire principal amount on the closing date of the Offering. If the Offering is not completed by August 15, 2024, then the Company is required to pay $25,000 on such date and to continue making payments of $25,000 on each monthly anniversary thereof until the entire principal amount is repaid in full. Notwithstanding the foregoing, if the Company abandons the Offering and conducts a new public offering thereafter, then the Company is required to make a payment of $100,000 on the closing date of such other public offering, a second payment of $100,000 on the 90th day following the closing of such offering and $35,000 each month thereafter until the entire principal amount is repaid in full. If any portion of the principal amount remains unpaid on the second (2nd) anniversary of the date of the note, it shall become immediately due and payable on such date. The Company may prepay the entire principal amount at any time without penalty. The note is unsecured and contains customary events of default for a loan of this type. Upon an event of default, interest would automatically begin to accrue at a simple interest rate of ten percent per annum. This transaction was accounted for as a debt extinguishment and a gain on settlement of $78,834 was recorded to the unaudited, consolidated statement of operations for the quarter ended June 30, 2024, in accordance with FASB Topic 470 *Borrower's Accounting for Debt Modifications.* During the three months ended September 30, 2024, the Company paid $50,000 against the outstanding principal balance. At September 30, 2024, the remaining principal balance was $485,000.

Loans and Notes Payable – Unrelated Party

On March 12, 2009, the Company issued a debenture in the principal amount of $20,000. The debenture bore interest at 12% per year and matured on September 12, 2009. The balance of the debenture was $10,989 at September 30, 2024 and December 31, 2023. The accrued interest of the debenture was $8,537 and $7,547 at September 30, 2024 and December 31, 2023, respectively. The Company assigned all of its receivables from consumer activations of the rewards program as collateral on this debenture.

Small Business Administration ("SBA") Loans

On June 2, 2020, the Company obtained an SBA loan in the principal amount of $150,000 with an interest rate of 3.75% and a maturity date of June 2, 2050. The principal balance and accrued interest at September 30, 2024 was $145,109 and $0, respectively, and principal and accrued interest at December 31, 2023 was $149,655 and $956, respectively.

Line of Credit

On September 29, 2023, the Company and Nova entered into a two-year revolving purchase and security agreement with DML HC Series, LLC (“DML”) to sell, with recourse, Nova’s accounts receivables for a revolving financing up to a maximum advance amount of $4.5 million. A review is performed on a quarterly basis to assess the adequacy of the maximum amount. If mutually agreed upon by the Company and DML, the maximum amount may be increased. On April 24, 2024, the Company and Nova entered into amendment No. 1 with DML which increased the maximum advance amount to $8,000,000 and defined the discount fee equal to 2.25% per purchase and claims balance forward on new purchases with a minimum fee to now be $10,000. On June 11, 2024, the Company and Nova entered into amendment No. 2 with DML which further increased the maximum advance amount to $11,000,000. As of September 30, 2024, and December 31, 2023, the Company had $7,468,971 and $2,120,100, respectively, outstanding balance against the revolving receivable line of credit. As of September 30, 2024, there was $252,628 of interest accrued related to the line of credit. The revolving purchase and security agreement includes discounts recorded as interest expense on each funding and matures on September 29, 2025.

8. CONVERTIBLE NOTES PAYABLE

As of September 30, 2024 and December 31, 2023, the Company had convertible debt outstanding net of amortized debt discount of $105,000 and $3,807,030, respectively. During the nine months ended September 30, 2024, the Company paid the total principal outstanding of $100,080 and the total outstanding interest of $22,279 to the holder of Notes 9 and 10-1. The Company also paid the total principal outstanding of $5,000 and the total outstanding interest of $501 to the holder of Note 41. Additionally, the Company paid $100,000 of accrued interest to convertible noteholder related to note 40-1. On June 11, 2024, the Company entered into a settlement agreement and release of claims with the holder of Notes 29-2, 37-1, 37-2 and 37-3 (see below and also Note 7. *Notes and Loans Payable* for further details). Pursuant to the settlement agreement and release of claims, the holder agreed to cancel these notes in exchange for a new fixed amount settlement promissory note in the principal amount of $535,000. Additionally, during the nine months ended September 30, 2024, the Company exchanged Notes 40-1, 40-2, 40-3, 40-4, 40-5, 40-6, 40-7, 40-8, 40-9 and 40-10 for the issuance of 938,908 shares of series Y senior convertible preferred stock to the noteholder. See also Note 9. *Capital Stock*.

During the nine months ended September 30, 2023, the Company received net proceeds of $421,375 from convertible notes. There were debt discounts associated with the convertible debt of $0 and $24,820 at September 30, 2024 and December 31, 2023, respectively. For the three months ended September 30, 2024 and 2023, the Company recorded amortization of debt discounts of $0 and $46,048, respectively. For the nine months ended September 30, 2024 and 2023, the Company recorded amortization of debt discounts of $24,821and $94,664, respectively.

During the nine months ended September 30, 2024, the Company converted $680 in accrued interest and $1,000 in conversion cost into 1,222 shares of common stock. The Company recognized $1,679 of additional paid-in capital to adjust fair value for the debt settlement during the nine months ended September 30, 2024. During the nine months ended September 30, 2023, the Company converted $87,460 of convertible debt, $12,073 in accrued interest and $3,000 in conversion cost into 3,662 shares of the Company’s common stock. The Company recognized $141,406 of interest expense and additional paid-in capital to adjust fair value for the debt settlement during the nine months ended September 30, 2023.

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

	September 30, 2024	December 31, 2023
Convertible notes payable	$ 105,000	$ 3,831,850
Discounts on convertible notes payable	–	(24,820)
Total convertible debt less debt discount	105,000	3,807,030
Current portion	105,000	3,807,030
Long-term portion	$ –	$ –

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

Note #	Issuance	Maturity	Principal Balance 12/31/23	Settlements and/or Principal Conversions	New Loans or (Cash Paydown)	Shares Issued Upon Conversion or Exchange	Principal Balance 09/30/24	Accrued Interest on Convertible Debt at 12/31/23	Interest On Convertible Debt For the Period Ended 09/30/24	Accrued Interest on Convertible Debt at 09/30/24	Unamortized Debt Discount At 09/30/24
9	09/12/2016	09/12/2017	$ 50,080	$ –	$ (50,080)	1,222	$ –	$ 5,581	$ (5,581)	$ –	$ –
10	01/24/2017	01/24/2018	55,000	–	–	–	55,000	80,875	8,258	89,134	–
10-1	02/10/2023	02/10/2024	50,000	–	(50,000)	–	–	6,658	(6,658)	–	–
10-2	03/30/2023	03/30/2024	25,000	–	–	–	25,000	2,836	3,442	6,277	–
10-3	08/11/2023	08/11/2024	25,000	–	–	–	25,000	1,469	3,130	4,599	–
29-2	11/08/2019	11/08/2020	36,604	(36,604)	–	–	–	10,109	(10,109)	–	–
31	08/28/2019	08/28/2020	–	–	–	–	–	8,385	(8,385)	–	–
37-1	09/03/2020	06/30/2021	113,667	(113,667)	–	–	–	64,929	(64,929)	–	–
37-2	11/02/2020	08/31/2021	113,167	(113,167)	–	–	–	63,594	(63,594)	–	–
37-3	12/29/2020	09/30/2021	113,166	(113,166)	–	–	–	62,558	(62,558)	–	–
40-1	09/22/2022	09/22/2024	2,600,000	(2,600,000)	–	938,908(1)	–	252,665	(252,655)	–	–
40-2	11/04/2022	09/22/2024	68,667	(68,667)	–	–	–	7,939	(7,939)	–	–
40-3	11/28/2022	09/22/2024	68,667	(68,667)	–	–	–	7,506	(7,506)	–	–
40-4	12/21/2022	09/22/2024	68,667	(68,667)	–	–	–	7,054	(7,054)	–	–
40-5	01/24/2023	03/21/2024	90,166	(90,166)	–	–	–	8,284	(8,284)	–	–
40-6	03/21/2023	09/22/2024	139,166	(139,166)	–	–	–	10,671	(10,671)	–	–
40-7	06/05/2023	06/05/2024	139,166	(139,166)	–	–	–	7,826	(7,826)	–	–
40-8	06/13/2023	06/13/2024	21,167	(21,167)	–	–	–	1,127	(1,127)	–	–
40-9	07/19/2023	07/19/2024	35,500	(35,500)	–	–	–	1,605	(1,605)	–	–
40-10	07/24/2023	07/24/2024	14,000	(14,000)	–	–	–	614	(614)	–	–
41	08/25/2023	08/25/2024	5,000	–	(5,000)	–	–	175	(175)	–	
			$ 3,831,850	$ (3,621,770)	$ (105,080)	940,130	$ 105,000	$ 612,460	$ (512,450)	$ 100,010	$ –

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

Note 9

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

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

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

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

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

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

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

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

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

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

Note 41

On August 25, 2023, the Company issued a twelve-month convertible promissory note in the principal amount of $5,000 to the Company's CEO for the Company's operating expenses. The rate of interest is 10% per annum. In August of 2024, the remaining outstanding principal and interest of $5,501 was paid in full.

9. CAPITAL STOCK

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

Preferred Stock

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

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

Redeemable Preferred Stock

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

Series N Senior Convertible Preferred Stock

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

Dividend Rights. Holders of series N senior convertible preferred stock are entitled to dividends at a rate per annum of 12.0% of the stated value ($4.00 per share); provided that upon an event of default (as defined in the certificate of designation for the series N senior convertible preferred stock), such rate would increase by 8% per annum. Dividends accrued from day to day, whether or not declared, and are cumulative. Dividends are payable quarterly in arrears on each dividend payment date in cash or common stock at the Company's discretion. Dividends payable in common stock are to be calculated based on a price equal to eighty percent (80%) of the volume weighted average price for the common stock on the Company's principal trading market (the "VWAP") during the five (5) trading days immediately prior to the applicable dividend payment date. At September 30, 2024 and December 31, 2023, cumulative dividends earned on the series N senior convertible preferred stock were $1,211,585 and $766,437, respectively. At September 30, 2024 $1,106,562 of the cumulative accrued dividends were paid by the Company via the issuance of 197,601 shares of the Company's common stock. The remaining $105,023 cumulative accrued dividend will be paid during the fourth quarter 2024 via the issuance of 26,256 shares of the Company's series N senior convertible preferred stock.

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

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

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

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

Series R Convertible Preferred Stock

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- there shall have occurred a Bankruptcy Event (as defined in the certificate of designation);

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

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

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

Series X Senior Convertible Preferred Stock

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

Dividend Rights. Holders of series X senior convertible preferred stock are entitled to dividends at a rate per annum of 10.0% of the stated value ($4.00 per share); provided that upon an event of default (as defined in the certificate of designation for the series X senior convertible preferred stock), such rate was to increase by 5% per annum. Dividends accrue from day to day, whether or not declared, and are cumulative. Dividends are payable quarterly in arrears on each dividend payment date. At September 30, 2024 and December 31, 2023, cumulative dividends earned on the series X senior convertible preferred stock were $221,018 and $190,685, respectively. At September 30, 2024, $183,210 of the cumulative accrued dividends were paid by the Company via the issuance of 25,173 shares of the Company's common stock. The remaining $37,808 cumulative accrued dividend will be paid during the fourth quarter 2024 via the issuance of 9,453 shares of the Company's series X senior convertible preferred stock.

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

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

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

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

Non-redeemable Preferred Stock

Series A Preferred Stock

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

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

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

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

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

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

Series B Preferred Stock

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Series F-1 Preferred Stock

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

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

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

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

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

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

Series I Preferred Stock

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

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

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

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

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

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

Series J Preferred Stock

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

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

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

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

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

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

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

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

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

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

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

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

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

Series Y Senior Preferred Stock

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

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

Dividend Rights. Holders of series Y senior convertible preferred stock are entitled to dividends at a rate per annum of 10.0% of the stated value ($4.00 per share); provided that upon an event of default (as defined in the certificate of designation for the series Y senior convertible preferred stock), such rate shall increase by 5% per annum. Dividends shall accrue from day to day, whether or not declared, and shall be cumulative. Dividends shall be payable quarterly in arrears on each dividend payment date and may be paid in cash or common stock at our discretion; provided that the Company may only pay dividends in common stock if such common stock is free-trading, freely transferable, and does not contain a legend (or be subject to stop transfer or similar instructions) restricting the resale or transferability thereof. Dividends payable in common stock shall be calculated based on a price equal to eighty percent (80%) of the VWAP during the five (5) trading days immediately prior to the applicable payment date. At September 30, 2024, cumulative dividends earned on the series Y senior convertible preferred stock were $177,910. $147,555 of the cumulative accrued dividends was paid by the Company via the issuance of 12,135 shares of the Company's common stock and 16,206 shares of the Company's series Y senior convertible preferred stock as of September 30, 2024. At September 30, 2024, the total dividends payable was $30,354.

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

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

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

Preferred Stock Transactions

During the nine months ended September 30, 2024, the Company executed the following transactions:

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

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

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

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

- An aggregate of 1,385,549 shares of series B preferred stock were converted into an aggregate of 2,771,098 shares of common stock.

- An aggregate of 78 shares of series C preferred stock were converted into an aggregate of 780,000 shares of common stock.

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

- An aggregate of 26,252 shares of series F-1 preferred stock were converted into an aggregate of 52,504 shares of common stock.
- An aggregate of 3,477,000 shares of series I preferred stock were converted into an aggregate of 6,954,000 shares of common stock.
- An aggregate of 1,713,584 shares of series J preferred stock were converted into an aggregate of 3,427,168 shares of common stock.
- 2 shares of series C preferred stock were cancelled, which were issued erroneously.
- 165 shares of series R preferred stock were cancelled as part of the settlement agreement described in Note 7. *Notes and Loans Payable*
- On May 15, 2024, in conjunction with the exchange of certain senior secured convertible promissory notes, 938,908 shares of series Y senior convertible preferred stock were issued with an aggregate value of $3,755,632.
- On September 25, 2024, 16,206 shares of series Y senior convertible preferred stock were issued with an aggregate value of $64,824 as payment of accrued dividends.

During the nine months ended September 30, 2023, the Company executed the following transaction:

- On May 25, 2023, the Company issued 3,150 shares of series B preferred stock to Zia Choe, Interim Chief Financial Officer for $25,000.
- On July 24, 2023, the Company issued 5,000 shares of series E preferred stock as compensation for the property manager of Edge View in exchange for a bonus of $5,000.

Common Stock

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

- The Company issued an aggregate of 234,909 shares of common stock in payment of various accrued dividends on the series N, series X and series Y preferred stock.
- The Company issued 1,222 shares of common stock upon conversion of certain convertible notes.
- On March 5, 2024, the Company issued 7,500 shares of common stock to an investor relation service provider. The Company recognized the fair value for the issuance of the 7,500 shares at $1.55 per share on the closing market price of March 5, 2024 and recorded selling, general and administrative expense of $11,617 in the consolidated statement of operations.
- On March 26, 2024, the Company issued an aggregate of 30,000 shares of common stock to three board members. The Company recognized the fair value for the issuance of 30,000 shares at $6.50 per share on the closing market price of March 26, 2024 and recorded share-based compensation expense of $195,000 in the consolidated statement of operations.

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

- In September 2024, the Company issued an aggregate of 74,225 shares of common stock as part of a legal settlement.

During the nine months ended September 30, 2023, the Company executed the following transaction:

- During the nine months ended September 30, 2023, the Company issued 3,662 shares of common stock upon conversion of certain convertible notes.

10. WARRANTS

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

	Number of Warrants		Weighted Average Exercise Price
Balance at January 1, 2024	3,150	$	1,162.76
Granted	–		–
Exercised	–		–
Expired	(3)		135.00
Balance at September 30, 2024	3,147		1,163.74
Warrants Exercisable at September 30, 2024	3,147	$	1,162.76

	Number of Warrants		Weighted Average Exercise Price
Balance at January 1, 2023	3,153	$	1,162.17
Granted	–		–
Exercised	–		–
Expired	(3)		547.50
Balance at September 30, 2023	3,150		1,162.76
Warrants Exercisable at September 30, 2023	3,150	$	1,162.76

11. DISCONTINUED OPERATIONS

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

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

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

	Three Months Ended September 30,	
Gain (Loss) from discontinued operations	**2024**	**2023**
Revenue	$ –	$ 32,264
Cost of sales	–	(5,604)
Selling, general and administrative expenses	–	(30,067)
Interest expense	–	(298)
Settlement loss	–	–
Loss from discontinued operations	$ –	$ (3,705)

	Nine Months Ended September 30,	
Gain (Loss) from discontinued operations	**2024**	**2023**
Revenue	$ –	$ 304,967
Cost of sales	–	(53,730)
Selling, general and administrative expenses	–	(341,900)
Interest expense	–	(2,342)
Settlement loss	(111,312)	–
Loss from discontinued operations	$ (111,312)	$ (93,005)

12. GOODWILL

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

13. COMMITMENTS AND CONTINGENCIES

Leases

ASC 842, "Leases", requires that a lessee recognize the assets and liabilities that arise from operating leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. The Company adopted ASC 842, January 1, 2020, using the effective date method and elected certain practical expedients allowing the Company not to reassess:

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

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

The Company leases twelve medical facilities and one vehicle as operating leases as of September 30, 2024. The Company recorded operating lease expenses of $126,831 and $76,466 for the three months ended September 30, 2024 and 2023, respectively, and the Company recorded operating lease expense of $327,008 and $210,696 for the nine months ended September 30, 2024 and 2023, respectively.

The Company has operating leases with future commitments as follows:

		Amount
October 2024 – September 2025	$	251,214
October 2025 – September 2026		171,507
October 2026 – September 2027		77,871
Total Future Undiscounted Lease Payments	$	464,459
Less imputed interest		36,132
Total lease obligations	$	464,459

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

Weighted-average remaining lease term	2.37 years
Weighted-average discount rate	6.38%

Employees

The Company agreed to pay $360,000 per year and $200,000 of targeted annual incentives to the Chief Executive Officer based on his employment agreement since July 1, 2020, of which 50% was being paid in cash and 50% was being accrued through December 31, 2023. As of January 1, 2024, these are being paid in cash. The total outstanding accrued compensation as of September 30, 2024 and December 31, 2023 was $2,115,500 and $2,365,500, respectively.

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

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

The Company agreed to pay $210,000 per year to the former Chief Accounting Officer based on her employment agreement effective as of January 2, 2024. There was no outstanding accrued compensation as of September 30, 2024.

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

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

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

14. LEGAL PROCEEDINGS

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

15. INCOME TAXES

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

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

16. SEGMENT REPORTING

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

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

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

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

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

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

Asset:	**September 30, 2024**	**December 31, 2023**
Healthcare	$ 20,155,319	$ 18,955,991
Real Estate	578,620	587,456
Corporate, administration and other	2,780,823	1,202,364
Consolidated assets	$ 23,514,762	$ 20,745,811

	Three Months Ended September 30,	
	2024	2023 (Restated)
Revenues:		
Healthcare	$ 1,355,641	$ 3,405,859
Real Estate	–	–
Consolidated revenues	$ 1,355,641	$ 3,405,859
Cost of sales:		
Healthcare	$ 1,000,601	$ 551,423
Real Estate	–	–
Consolidated cost of sales	$ 1,000,601	$ 551,423
Income from operations from subsidiaries		
Healthcare	$ 138,197	$ 2,610,188
Real Estate	(4,000)	(278)
Income from operations from subsidiaries	$ 134,197	$ 2,609,910
Loss from operations from Cardiff Lexington	$ (719,357)	$ (336,516)
Total income from operations	$ (585,160)	$ 2,273,394
Income (loss) before taxes		
Healthcare	$ 138,197	$ 2,521,820
Real Estate	(4,000)	(278)
Corporate, administration and other non-operating expenses	(2,112,165)	(536,316)
Consolidated (loss) income before taxes	$ (1,977,968)	$ 1,985,226

	Nine Months Ended September 30,	
	2024	2023 (Restated)
Revenues:		
Healthcare	$ 5,149,416	$ 9,476,764
Real Estate	–	–
Consolidated revenues	$ 5,149,416	$ 9,476,764
Cost of sales:		
Healthcare	$ 2,741,765	$ 2,589,407
Real Estate	–	–
Consolidated cost of sales	$ 2,741,765	$ 2,589,407
Income (loss) from operations from subsidiaries		
Healthcare	$ 1,739,099	$ 5,994,978
Real Estate	(8,836)	(2,118)
Income from operations from subsidiaries	$ 1,730,263	$ 5,992,860
Loss from operations from Cardiff Lexington	$ (2,255,914)	$ (1,212,479)
Total (loss) income from operations	$ (525,651)	$ 4,780,381
Income (loss) before taxes		
Healthcare	$ 1,739,099	$ 4,717,363
Real Estate	(8,836)	(2,118)
Corporate, administration and other non-operating expenses	(4,011,608)	(1,840,632)
Consolidated (loss) income before taxes	$ (2,281,345)	$ 2,874,613

17. SUBSEQUENT EVENTS

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

- On October 14, 2024, the Company issued 9,453 shares of series X senior convertible preferred stock with an aggregate value of $37,808 as payment of accrued dividends.
- On October 25, 2024, an aggregate of 41,812 shares of series B preferred stock were converted into an aggregate of 83,624 shares of common stock.
- On October 25, 2024, an aggregate of 8 shares of series C preferred stock were converted into an aggregate of 80,000 shares of common stock.
- On October 25, 2024, an aggregate of 50,000 shares of series I preferred stock were converted into an aggregate of 100,000 shares of common stock.
- On October 25, 2024, the Company issued 26,256 shares of series N senior convertible preferred stock with an aggregate value of $105,023 as payment of accrued dividends.
- On October 28, 2024, 1 share of series C preferred stock was converted into 10,000 shares of common stock.

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

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

Use of Terms

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

Special Note Regarding Forward-Looking Statements

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

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

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

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

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

Overview

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

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

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

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

Segments

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

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

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

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

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

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

Discontinued Operations

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

Results of Operations

Comparison of Three Months Ended September 30, 2024 and 2023

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

	Three Months Ended September 30,			
	2024		2023 (Restated)	
	Amount	% of Revenue	Amount	% of Revenue
Total revenue	$ 1,355,641	100.00%	$ 3,405,859	100.0%
Total cost of sales	1,000,601	73.81%	551,423	16.19%
Gross profit	355,040	26.19%	2,854,436	83.81%
Operating expenses				
Depreciation expense	3,365	0.25%	3,365	0.10%
Selling, general and administrative	936,835	69.11%	577,677	16.96%
Total operating expenses	940,200	69.35%	581,042	17.06%
(Loss) income from continuing operations	(585,160)	(43.16)%	2,273,394	66.75%
Other expense				
Other expense	(6,767)	(0.50)%	(1)	–
Penalties and fees	–	–	(16,000)	(0.47)%
Interest expense	(1,386,041)	(102.24)%	(226,119)	(6.64)%
Amortization of debt discounts	–	–	(46,048)	(1.35)%
Total other expense	(1,392,808)	(102.74)%	(288,168)	(8.46)%
Net (loss) income before discontinued operations	(1,977,968)	(145.91)%	1,985,226	58.29%
Loss from discontinued operations	–	–	(3,705)	(0.11)%
Net (loss) income	$ (1,977,968)	(145.91)%	$ 1,981,521	58.18%

Revenue. For the three months ended September 30, 2024, and 2023, all of our revenue was generated by our healthcare segment, which generates revenue through a full range of diagnostic and surgical services. Our total revenue decreased by $2,050,218, or 60.20%, to $1,355,641 for the three months ended September 30, 2024 from $3,405,859 for the three months ended September 30, 2023. The decrease in revenue is primarily attributable to the following factors:

- The 2024 third quarter revenue was negatively impacted by the hurricanes that occurred in Florida during this timeframe. The harsh weather caused several of our facilities to shut down for periods of time due to storm damage as well as patients not being able to attend their appointments. All of our facilities have reopened.
- Prior to fiscal year 2024 we historically realized a 49% settlement rate from total gross billed charges. Accordingly, we had historically recognized net healthcare service revenue as 49% of gross billed amounts. Throughout the first half of 2024 as well as the third quarter of 2024, we underwent efforts to accelerate cash settlement of our accounts receivable to generate cash flow for operations. We did this by shortening our settlement negotiations timespan with attorneys and insurance companies and accepting lower settlement amounts. We expect this trend to continue in the short term as we work to settle our accounts receivables more quickly to generate cash flow for operations.
- Additionally, during the third quarter of 2024, we completed a thorough review of our third-party billing data, including reviewing historical reports and new reporting methods as a part of our updated analysis. Based upon this review it was determined that a 24-month lookback period should be used in the analysis of our historical settlement realization rates. As a result of the new efforts to accelerate cash settlement during the nine months ended September 30, 2024, we realized a 44% average settlement rate of our gross billed charges during this time frame, which were historically recorded in accounts receivable and revenue at 49% of gross billings. With the reduction in our estimate of our settlement realization rate from 49% to 44%, a $1,650,474 change in accounting estimate was taken during the third quarter of 2024 in our accounts receivable and revenue.

Cost of sales. Our cost of sales consists of surgical center and laboratory fees, physician and professional fees, salaries and wages and medical supplies. Our total cost of sales increased by $449,178, or 81.46%, to $1,000,601 for the three months ended September 30, 2024 from $551,423 for the three months ended September 30, 2023. As a percentage of revenue, cost of sale increased from 16.19% for the three months ended September 30, 2023 to 73.81% for the three months ended September 30, 2024. This increase is mainly attributable to increases in laboratory fees.

Gross profit. As a result of the foregoing, our total gross profit decreased by $2,499,396, or 87.56%, to $355,040 for the three months ended September 30, 2024 from $2,854,436 for the three months ended September 30, 2023. Our total gross margin (as a percent of revenue) decreased from 83.81% for the three months ended September 30, 2023 to 26.19% for the three months ended September 30, 2024.

Depreciation expense. Our depreciation expense was $3,365, or 0.25% of revenue, for the three months ended September 30, 2024, as compared to $3,365, or 0.10% of revenue, for the three months ended September 30, 2023.

Selling, general and administrative expenses. Our selling, general and administrative expenses consist primarily of accounting, auditing, legal and public reporting expenses, personnel expenses, including employee salaries, bonuses plus related payroll taxes and stock compensation expense, advertising expenses, professional advisor fees, rent expense, insurance and other expenses incurred in connection with general operations. Our selling, general and administrative expenses increased by $359,158, or 62.17%, to $936,835 for the three months ended September 30, 2024 from $577,677 for the three months ended September 30, 2023. As a percentage of revenue, our selling, general and administrative expenses were 69.11% and 16.96% for the three months ended September 30, 2024 and 2023, respectively. Increases were primarily attributable to increases in salaries and wages expense of $265,346, professional fees of $153,624, rent expense of $33,386, payroll taxes of $20,010, and board fee expense of $15,000, offset by a decrease in management fees of $180,000.

Total other income (expense). We had $1,392,808 in total other expense, net, for the three months ended September 30, 2024, as compared to total other expense, net, of $288,168 for the three months ended September 30, 2023. Other expense, net, for the three months ended September 30, 2024 consisted of interest expense of $1,386,041 and other expense of $6,767. Other expense, net, for the three months ended September 30, 2023 consisted of interest expense of $226,119, amortization of debt discounts of $46,048, financing penalties and fees of $16,000 and other expense of $1.

Discontinued operations. For the three months ended September 30, 2024 and 2023, we recorded a loss from discontinued operations of $0 and $3,705, respectively.

Net income (loss). As a result of the cumulative effect of the factors described above, our net loss was $1,977,968 for the three months ended September 30, 2024, as compared to net income of $1,981,521 for the three months ended September 30, 2023, a decrease of $3,959,489.

Comparison of Nine Months Ended September 30, 2024 and 2023

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

	Nine Months Ended September 30,			
	2024		2023 (Restated)	
	Amount	% of Revenue	Amount	% of Revenue
Total revenue	$ 5,149,416	100.00%	$ 9,476,764	100.0%
Total cost of sales	2,741,765	53.24%	2,589,407	27.32%
Gross profit	2,407,765	46.76%	6,887,357	72.68%
Operating expenses				
Depreciation expense	10,096	0.20%	11,365	0.12%
Share based compensation	300,225	5.83%	–	–
Selling, general and administrative	2,622,981	50.94%	2,095,611	22.11%
Total operating expenses	2,933,302	56.96%	2,106,976	22.23%
(Loss) income from continuing operations	(525,651)	(10.21)%	4,780,381	50.44%
Other income (expense)				
Other (expense) income	(4,720)	(0.09)%	204	–
Gain on debt refinance and forgiveness	78,834	1.53%	390	–
Penalties and fees	(1,330)	(0.03)%	(48,000)	(0.51)%
Interest expense	(1,803,657)	(35.03)%	(1,763,698)	(18.61)%
Amortization of debt discounts	(24,821)	(0.48)%	(94,664)	(1.00)%
Total other expense	(1,755,694)	(34.10)%	(1,905,768)	(20.11)%
Net (loss) income before discontinued operations	(2,281,345)	(44.30)%	2,874,613	30.33%
Loss from discontinued operations	(111,312)	(2.16)%	(93,005)	(0.98)%
Net (loss) income	$ (2,392,657)	(46.46)%	$ 2,781,608	29.35%

Revenue. Our total revenue decreased by $4,327,348, or 45.66%, to $5,149,416 for the nine months ended September 30, 2024 from $9,476,764 for the nine months ended September 30, 2023. The decrease in revenue is mainly attributable to the following factors:

- The 2024 third quarter revenue was negatively impacted by the hurricanes that occurred in Florida during this timeframe. The harsh weather caused several of our facilities to shut down for periods of time due to storm damage as well as patients not being able to attend their appointments. All of our facilities have reopened.

- Our mix of services provided during the first nine months of the year with lower settlement realization rates from surgical procedures performed and an increase in the lower revenue pain management treatments being performed for approximately the same number of patient visits in the current nine-month period as compared to the same nine-month period in the prior year, also contributed to the decrease in revenue.

- Prior to fiscal year 2024, we historically realized a 49% settlement rate from total gross billed charges. Accordingly, we had historically recognized net healthcare service revenue as 49% of gross billed amounts. During the nine months ended September 30, 2024, we underwent efforts to accelerate cash settlement of our accounts receivable throughout 2024 to generate cash flow for operations. We did this by shortening our settlement negotiations timespan with attorneys' insurance companies and accepting lower settlement amounts. We expect this trend to continue in the short term as we work to settle our accounts receivables more quickly to generate cash flow for operations.

- Additionally, during the third quarter of 2024, we completed a thorough review of our third-party billing data, including reviewing historical reports and new reporting methods as a part of our updated analysis. Based upon this review it was determined that a 24-month lookback period should be used in the analysis of our historical settlement realization rates. As a result of the new efforts to accelerate cash settlement during the nine months ended September 30, 2024, we realized a 44% average settlement rate of our gross billed charges during this time frame, which were historically recorded in accounts receivable and revenue at 49% of gross billings. Accordingly, we recorded a reduction to net revenue of $1,199,155 for the nine months ended September 30, 2024. Additionally, with the reduction in our estimate of our settlement realization rate from 49% to 44%, a $1,650,474 change in accounting estimate was taken during the third quarter of 2024 in our accounts receivable and revenue.

Cost of sales. Our total cost of sales increased by $152,358, or 5.88%, to $2,741,765 for the nine months ended September 30, 2024 from $2,589,407 for the nine months ended September 30, 2023. As a percentage of revenue, cost of sale increased from 27.32% for the nine months ended September 30, 2023 to 53.24% for the nine months ended September 30, 2024. This increase is mainly attributable to an increase in laboratory fees.

Gross profit. As a result of the foregoing, our total gross profit decreased by $4,479,706, or 65.04%, to $2,407,651 for the nine months ended September 30, 2024 from $6,887,357 for the nine months ended September 30, 2023. Our total gross margin (as a percent of revenue) decreased from 72.68% for the nine months ended September 30, 2023 to 46.76% for the nine months ended September 30, 2024.

Depreciation expense. Our depreciation expense was $10,096 or 0.20% of revenue, for the nine months ended September 30, 2024, as compared to $11,365, or 0.12% of revenue, for the nine months ended September 30, 2023.

Share based compensation expense. Our share-based compensation expense $300,225, or 5.83% of revenue, for the nine months ended September 30, 2024, as compared to $0 for the nine months ended September 30, 2023. The increase is due to stock issuances for investor relation services, stock issued to board members and stock issued as compensation for new employment bonuses to management.

Selling, general and administrative expenses. Our selling, general and administrative expenses increased by $527,370, or 25.17%, to $2,622,981 for the nine months ended September 30, 2024 from $2,095,611 for the nine months ended September 30, 2023. As a percentage of revenue, our selling, general and administrative expenses were 50.94% and 22.11% for the nine months ended September 30, 2024 and 2023, respectively. Increases were primarily attributable to increases in salaries and wages expense of $769,696, stock compensation expense of $93,600, professional fees of $60,367, investor relations and public company fees of $71,431, insurance expense of $71,635 and rent expense of $100,000, offset by decreases in management fees of $225,000, bad debt expense of $270,000, and penalties of $44,670.

Total other expense. We had $1,755,694 in total other expense, net, for the nine months ended September 30, 2024, as compared to total other expense, net, of $1,905,768 for the nine months ended September 30, 2023. Other expense, net, for the nine months ended September 30, 2024 consisted of interest expense of $1,803,657, amortization of debt discounts of $24,821, penalties and fees of $1,330, and other expenses of $4,720, offset by other income of $78,834 for the gain on debt refinance. Other expense, net, for the nine months ended September 30, 2023 consisted of interest expense of $1,763,698, amortization of debt discounts of $94,664 and financing penalties and fees of $48,000, offset by a gain on debt refinance and forgiveness of $390 and other income of $204.

Discontinued operations. For the nine months ended September 30, 2024 and 2023, we recorded a loss from discontinued operations of $111,312 and $93,005, respectively.

Net income (loss). As a result of the cumulative effect of the factors described above, our net loss for the nine months ended September 30, 2024 was $2,392,657, as compared to net income of $2,781,608 for the nine months ended September 30, 2023, a decrease of $5,174,265.

Liquidity and Capital Resources

As of September 30, 2024, we had $1,949,000 in cash. To date, we have financed our operations primarily through revenue generated from operations, sales of securities, advances from stockholders and third-party and related party debt.

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

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

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

Summary of Cash Flow

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

	Nine Months Ended September 30,			
		2024		**2023 (Restated)**
Net cash used in operating activities from continuing operations	$	(3,996,905)	$	(557,542)
Net cash provided by financing activities from continuing operations		4,968,250		426,671
Net change in cash		1,082,657		(37,866)
Cash and cash equivalents at beginning of period		866,943		219,085
Cash and cash equivalents at end of period	$	1,949,600	$	181,219

Our net cash used in operating activities from continuing operations was $3,996,905 for the nine months ended September 30, 2024, as compared to $557,542 for the nine months ended September 30, 2023. The primary drivers of our net cash used in operating activities for the nine months ended September 30, 2024 are our net loss of $2,392,657, decreases of $1,492,966 in accounts receivable, $691,072 in accounts payable and other accrued expenses and $380,001 in accrued officer's compensation, offset by share based compensation of $788,600. For the nine months ended September 30, 2023, our net income of $2,781,608, an increase in accounts payable and accrued expenses of $733,125, an increase in accrued officer's compensation of $514,000, bad debt expense of $270,000 and an increase in accrued interest of $380,020, offset by a decrease in accounts receivable of $5,510,098, were the primary drivers for the cash used in operations.

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

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

Prior to fiscal year 2024, we historically realized a 49% settlement rate from total gross billed charges. Accordingly, we had historically recognized net healthcare service revenue as 49% of gross billed amounts. During the nine months ended September 30, 2024, we underwent efforts to accelerate cash settlement of our accounts receivable throughout 2024 to generate cash flow for operations. We did this by shortening our settlement negotiations with insurance companies and accepting lower settlement amounts. We expect this trend to continue in the short term as we work to settle our accounts receivables more quickly to generate cash flow for operations. Additionally, during the third quarter of 2024, we completed a thorough review of our third-party billing data, including reviewing historical reports and new reporting methods as a part of our updated analysis. Based upon this review it was determined that a 24-month lookback period should be used in the analysis of our historical settlement realization rates. As a result of the new efforts to accelerate cash settlement during the nine months ended September 30, 2024, we realized a 44% average settlement rate of our gross billed charges during this time frame, which were historically recorded in accounts receivable and revenue at 49% of gross billings. Accordingly, we recorded reductions to net revenue of $1,199,155 for the nine months ended September 30, 2024. Additionally, with the reduction in our estimate of our settlement realization rate from 49% to 44%, a $1,650,474 change in accounting estimate was taken during the third quarter of 2024 in our accounts receivable and revenue.

We had no investing activities for the nine months ended September 30, 2024 and 2023.

Our net cash provided by financing activities was $4,968,250 for the nine months ended September 30, 2024, as compared to $426,671 for the nine months ended September 30, 2023. Net cash provided by financing activities for the nine months ended September 30, 2024 consisted of the proceeds of $5,348,871 from line of credit, offset by the payment of $120,997 to a director, $105,080 paid on convertible notes payable, $100,000 in dividend payments, $50,000 paid on a note payable, and $4,545 in payments on the SBA loan described below. Net cash provided by financing activities for the nine months ended September 30, 2023 consisted of proceeds from convertible notes payable of $421,376 and proceeds from line of credit of $35,632, offset by repayments of line of credit of $28,784.

Convertible Notes

As of September 30, 2024, we had convertible debt outstanding net of amortized debt discount of $105,000. During the nine months ended September 30, 2024, we made $105,080 in principal payments and paid the total outstanding accrued interest on these notes in the amount of $22,780. We also paid $100,000 of accrued interest to a convertible noteholder.

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

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

Promissory Note – Settlement Agreement

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

The note does not bear interest and requires fixed payments as follows: (i) if we raise at least $5 million but less than $6 million in our planned underwritten public offering, or the Offering, then we must pay $250,000 on the closing date of the Offering, with payments of $125,000, $125,000 and $35,000 to follow on the 90th, 180th, and 240th days following the closing of the Offering, respectively; (ii) if we raise at least $6 million but less than $7 million in the Offering, then we must pay $390,000 on the closing date of the Offering and $145,000 on the 90th day following the closing of the Offering; and (iii) if we raise at least $7 million in the Offering, then we must repay the entire principal amount on the closing date of the Offering. As the Offering was not completed by August 15, 2024, we are required to pay $25,000 on such date and to continue making payments of $25,000 on each monthly anniversary thereof until the entire principal amount is repaid in full. If the Offering is completed after August 15, 2024, then we are required to make payments as described in the schedule above. Notwithstanding the foregoing, if we abandon the Offering and conduct a new public offering thereafter, then we are required to make a payment of $100,000 on the closing date of such other public offering, a second payment of $100,000 on the 90th day following the closing of such offering and $35,000 each month thereafter until the entire principal amount is repaid in full. If any portion of the principal amount remains unpaid on the second (2nd) anniversary of the date of the note, it shall become immediately due and payable on such date. We may prepay the entire principal amount at any time without penalty. The note is unsecured and contains customary events of default for a loan of this type. Upon an event of default, interest would automatically begin to accrue at a simple interest rate of ten percent per annum. During the three and nine months ended September 30, 2024, we paid a total of $50,000 against the outstanding principal due.

Small Business Administration Loans

On June 2, 2020, we obtained a loan from the Small Business Administration of $150,000 at an interest rate of 3.75% with a maturity date of June 2, 2050. The principal balance and accrued interest at September 30, 2024 was $145,109 and $0, respectively.

Debenture

On March 12, 2009, we issued a debenture in the principal amount of $20,000. The debenture bore interest at 12% per year and matured on September 12, 2009. The balance of the debenture was $10,989 at September 30, 2024 and the accrued interest was $8,537. We assigned all of our receivables from consumer activations of the rewards program as collateral on this debenture.

Line of Credit

On September 29, 2023, our company and Nova entered into a two-year revolving purchase and security agreement with DML HC Series, LLC, or DML, to sell, with recourse, Nova's accounts receivables for a revolving financing up to a maximum advance amount of $4.5 million. A review is performed on a quarterly basis to assess the adequacy of the maximum amount. If mutually agreed upon by us and DML, the maximum amount may be increased. On April 24, 2024, we entered into amendment No. 1 with DML which increased the maximum advance amount to $8,000,000 and defined the discount fee equal to 2.25% per purchase and claims balance forward on new purchases with a minimum fee to now be $10,000. On June 11, 2024, we entered into amendment No. 2 with DML which further increased the maximum advance amount to $11,000,000. As of September 30, 2024, we had an outstanding balance of $7,468,971 against the revolving receivable line of credit and accrued interest of $252,628. The revolving purchase and security agreement includes discounts recorded as interest expense on each funding and matures on September 29, 2025.

Related Party Loans

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

Contractual Obligations

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

Critical Accounting Policies

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

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

Off Balance Sheet Arrangements

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

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

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

Remediation of Material Weaknesses in Internal Control Over Financial Reporting

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

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

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

- We are implementing proper documentation procedures for key functional areas, control objectives and our workflows.

- We are enhancing our processes, routine and non-routine, to encompass segregation of duties as well as oversight of secondary independent reviews.

- We plan to reinforce effective compensating controls can improve the design of the current process with limited human resources.

- We hired external consultants to assist with our assessment and accounting for variable consideration as accounted for under ASC 606 and our credit loss expense as accounted for under ASC 326.

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

Changes in Internal Control Over Financial Reporting

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

PART II
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

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

ITEM 1A. RISK FACTORS.

Not applicable.

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

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

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

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

Exhibit No.	Description
3.1	Amended and Restated Articles of Incorporation Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.1 to Amendment No. 1 to the Registration Statement on Form S-1/A filed on August 3, 2023)
3.2	Certificate of Amendment to Amended and Restated Articles of Incorporation Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.2 to the Quarterly Report on Form 10-Q filed on May 10, 2024)
3.3	Certificate of Designation of Series A Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.2 to Amendment No. 1 to the Registration Statement on Form S-1/A filed on August 3, 2023)
3.4	Certificate of Designation of Series B Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.3 to Amendment No. 1 to the Registration Statement on Form S-1/A filed on August 3, 2023)

3.5	Certificate of Correction of Certificate of Designation of Series B Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.4 to the Annual Report on Form 10-K filed on March 27, 2024)
3.6	Certificate of Designation of Series C Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.4 to Amendment No. 1 to the Registration Statement on Form S-1/A filed on August 3, 2023)
3.7	Certificate of Correction of Certificate of Designation of Series C Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.6 to the Annual Report on Form 10-K filed on March 27, 2024)
3.8	Certificate of Designation of Series E Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.5 to Amendment No. 1 to the Registration Statement on Form S-1/A filed on August 3, 2023)
3.9	Certificate of Correction of Certificate of Designation of Series E Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.8 to the Annual Report on Form 10-K filed on March 27, 2024)
3.10	Certificate of Designation of Series F-1 Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.6 to Amendment No. 1 to the Registration Statement on Form S-1/A filed on August 3, 2023)
3.11	Certificate of Correction of Certificate of Designation of Series F-1 Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.10 to the Annual Report on Form 10-K filed on March 27, 2024)
3.12	Certificate of Designation of Series I Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.7 to Amendment No. 1 to the Registration Statement on Form S-1/A filed on August 3, 2023)
3.13	Certificate of Correction of Certificate of Designation of Series I Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.12 to the Annual Report on Form 10-K filed on March 27, 2024)
3.14	Certificate of Designation of Series L Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.9 to Amendment No. 1 to the Registration Statement on Form S-1/A filed on August 3, 2023)
3.15	Certificate of Correction of Certificate of Designation of Series L Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.16 to the Annual Report on Form 10-K filed on March 27, 2024)
3.16	Certificate of Designation of Series N Senior Convertible Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.3 to the Annual Report on Form 10-K filed on June 6, 2023)
3.17	Certificate of Designation of Series X Senior Convertible Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.12 to Amendment No. 1 to the Registration Statement on Form S-1/A filed on August 3, 2023)
3.18	Certificate of Designation of Series Y Senior Convertible Preferred Stock of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on May 14, 2024)
3.19	Amended and Restated Bylaws of Cardiff Lexington Corporation (incorporated by reference to Exhibit 3.2 to the Annual Report on Form 10-K filed on June 6, 2023)
4.1	Common Stock Purchase Warrant issued by Cardiff Lexington Corporation to SILAC Insurance Company on May 21, 2021 (incorporated by reference to Exhibit 4.2 to the Annual Report on Form 10-K filed on June 6, 2023)
31.1*	Certifications of Principal Executive Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certifications of Principal Financial Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certifications of Principal Executive Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certifications of Principal Financial Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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*Filed herewith

** Furnished herewith

SIGNATURES

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

Date: November 6, 2024

CARDIFF LEXINGTON CORPORATION

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

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

Exhibit 31.1

CERTIFICATIONS

I, Alex Cunningham, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cardiff Lexington Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2024

/s/ Alex Cunningham
Alex Cunningham
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Matthew Shafer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cardiff Lexington Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2024

/s/ Matthew Shafer
Matthew Shafer
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

The undersigned Chief Executive Officer of Cardiff Lexington Corporation (the "Company"), DOES HEREBY CERTIFY that:

1. The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2024 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

IN WITNESS WHEREOF, the undersigned has executed this statement on November 6, 2024.

/s/ Alex Cunningham
Alex Cunningham
Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to Cardiff Lexington Corporation and will be retained by Cardiff Lexington Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

The forgoing certification is being furnished to the Securities and Exchange Commission pursuant to § 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Exhibit 32.2

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned Chief Financial Officer of Cardiff Lexington Corporation (the “Company”), DOES HEREBY CERTIFY that:

1. The Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2024 (the “Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

IN WITNESS WHEREOF, the undersigned has executed this statement on November 6, 2024.

/s/ Matthew Shafer
Matthew Shafer
Chief Financial Officer
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to Cardiff Lexington Corporation and will be retained by Cardiff Lexington Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

The forgoing certification is being furnished to the Securities and Exchange Commission pursuant to § 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.