

**SCITECH DEVELOPMENT, LLC  
GROSSE POINTE FARMS, MICHIGAN**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
DECEMBER 31, 2022 and 2021  
(2022 UNAUDITED)**

# SCITECH DEVELOPMENT, LLC

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**SCITECH DEVELOPMENT, LLC**

**BALANCE SHEET  
AS OF DECEMBER 31, 2022 and 2021  
(2022 unaudited)**

	<u>As of</u> <u>12/31/2022</u>	<u>As of</u> <u>12/31/2021</u>
<b><u>ASSETS</u></b>		
Current Assets		
Cash & Cash Equivalents	\$ 494,776	\$ 37,225
Total Current Assets	494,776	37,225
Non-Current Assets		
Other Current Assets	7,292	-
Deferred Tax Assets	398,131	258,131
Total Non-Current Assets	<u>405,423</u>	<u>258,131</u>
<b>TOTAL ASSETS</b>	<u>900,198</u>	<u>295,356</u>
<b><u>LIABILITIES AND MEMBERS' EQUITY</u></b>		
Current Liabilities		
Accounts Payable	\$ 89,354	\$ 36,004
Current Portion of Notes Payable	-	192,650
Total Current Liabilities	89,354	228,654
Long-Term Liabilities		
Accrued Independent Contractors	836,949	666,649
Accrued Expenses	26,949	95,195
Accrued Interest	217,758	122,118
Notes Payable (Net of Current Portion)	1,950,732	750,332
Total Long-Term Liabilities	3,032,388	1,634,294
Total Liabilities	<u>3,121,742</u>	<u>1,862,948</u>
Members' Equity (Deficit)		
Membership Units	1,696	1,691
Retained (Deficit)	(2,223,240)	(1,569,283)
Total Members' Equity (Deficit)	(2,221,544)	(1,567,592)
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<u>\$ 900,198</u>	<u>\$ 295,356</u>

**SCITECH DEVELOPMENT, LLC**

**STATEMENT OF INCOME AND COMPREHENSIVE INCOME  
YEARS ENDED DECEMBER 31, 2022 and 2021  
(2022 unaudited)**

	12/31/2022	12/31/2021
Sales	\$ -	\$ -
Cost of sales		
Materials & Supplies	172,359	-
Marketing Expense	23,597	5,000
Consulting Fees	107,952	79,394
Sub Contractors	428,595	228,437
Total Cost of Sales	732,503	312,831
Gross Profit (Loss)	(732,503)	(312,831)
General and Administrative Expenses		
Licenses	25	50
Meals	1,663	504
Travel & Events	18,959	2,104
Phone, Software & Internet	8,831	9,123
Office Expense	493	2,499
Bank Fees	3,528	2,916
Miscellaneous Expense	-	50
Total General and Administrative Expenses	33,500	17,246
Net Operating Income (Loss)	(766,003)	(330,077)
Other Income (Expense)		
Interest Income	7,165	8
Interest Expense	(95,640)	(51,196)
Other Expense	(52,698)	-
Total Other Income (Expense)	(141,173)	(51,188)
Net Income (Loss) Before Tax	(907,176)	(381,265)
Deferred Income Tax (Expense) Benefit	140,000	64,617
Net Income (Loss) After Tax	(767,176)	(316,648)
Other Comprehensive Income (Loss)	-	-
Total Comprehensive Income (Loss)	\$ (767,176)	\$ (316,648)
Loss per Unit - Basic	\$ (0.04)	\$ (0.01)
Weighted Average Units Outstanding - Basic	21,506,388	21,478,184
Loss per Unit - Diluted	\$ (0.03)	\$ (0.01)
Weighted Average Units Outstanding - Diluted	23,274,856	23,246,652

SCITECH DEVELOPMENT, LLC

STATEMENT OF CHANGES IN MEMBERS' EQUITY  
YEAR ENDED DECEMBER 31, 2022  
(unaudited)

	MEMBERSHIP UNITS	RETAINED (DEFICIT)	TOTAL
<u>BALANCE</u> - January 1, 2022	\$ 1,691	\$ (1,569,283)	\$ (1,567,592)
Income (Loss)	-	(767,176)	(767,176)
Units Issued	4	113,220	113,225
<u>BALANCE</u> - December 31, 2022	\$ 1,695	\$ (2,223,239)	\$ (2,221,544)

**SCITECH DEVELOPMENT, LLC**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2022**  
**(unaudited)**

Cash Flows from Operating Activities	
Net Income (Loss)	\$ (767,176)
Adjustments to Reconcile Net Income to Net Cash Provided (Used) by Operating Activities	
Deferred Income Taxes	(140,000)
Increase (Decrease) in	
Accounts Payable	53,350
Accrued Independent Contractors	170,300
Accrued Expenses	(68,246)
Accrued Interest	95,640
	<hr/>
Net Cash Provided (Used) by Operating Activities	(656,132)
	<hr/>
Cash Flows from Financing Activities	
Proceeds from Long-Term Debt	1,007,750
Proceeds from Sale of Units, net of expenses	113,225
Expenses Paid in Equity	(7,292)
	<hr/>
Net Cash Provided (Used) by Financing Activities	1,113,683
	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	457,551
Cash & Cash Equivalents at the Beginning of the Year	37,225
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Cash & Cash Equivalents at the End of the Year	<u>\$ 494,776</u>

# SCITECH DEVELOPMENT, LLC

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022 (unaudited)

### NOTE 1 – NATURE OF OPERATIONS

SciTech Development, LLC (the “Company”) was established in 2000 for the purpose of engaging in scientific, engineering, medical and related research; creating and developing intellectual property as a result of such research; developing, producing, and marketing products for medical, health-care, engineering, or other commercial or noncommercial purposes; and engaging in all matters incidental or related thereto, or resulting therefrom.

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Basis of Accounting*

The financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP).

#### *Use of Estimates*

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

#### *Inventories*

Inventories are stated at the lower of cost or market on the first-in first-out basis. There was no material inventory at December 31, 2022.

#### *Cash and Cash Equivalents*

The Company considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents on the statement of cash flows. At December 31, 2022 and 2021, the Company did not have cash held in a bank depository account in excess of the amount insured by the Federal Deposit Insurance Corporation. Cash equivalents were held in a money market mutual fund.

#### *Fair Value of Financial Instruments*

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants as of the measurement date. Applicable accounting guidance provides an established hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company’s assumptions about the factors that market participants would use in valuing the asset or liability. There are three levels of inputs that may be used to measure fair value:

Level 1 – Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Include other inputs that are directly or indirectly observable in the marketplace.

## SCITECH DEVELOPMENT, LLC

Level 3 – Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Fair-value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of December 31, 2022 and 2021. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values.

### *Income Taxes*

SciTech Development, LLC is taxed as a corporation, which causes it to recognize deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the respective tax basis of their assets and liabilities. Deferred tax assets and liabilities are measured using current enacted tax rates expected to apply to taxable income in the years in which they expect the temporary differences to reverse.

### *Risks and Uncertainties*

The Company has a limited operating history and has not generated revenue from intended operations. The Company is subject to all the risks incident to the creation and development of a new business along with regulatory approvals through various federal agencies, including obtaining FDA approval. A host of factors beyond the Company's control are unpredictable and could be critical to continued operations. As of December 31, 2022, the Company has no revenues and likely will not have revenues for several years. There can be no assurance that the Company can realize its plans in order to reach sustainable or profitable operations or obtain additional capital to fund operations. These factors could affect the Company's financial condition and the results of its operations.

## **NOTE 3 – RELATED PARTY TRANSACTIONS**

There are no related party accounts receivable at December 31, 2022. During the year, SciTech Development, LLC made various payments to some of the members for work performed as well as reimbursed expenses, the total of these payments are listed below:

<u>Member</u>	<u>Amount Paid</u>	<u>Description of Payments</u>
Earle Holsapple	\$ 100,100	Consulting Fees
Louis Scarmoutzos	\$ 77,000	Consulting Fees
BD/M Collective	\$ 93,800	Consulting Fees
Michael Young	\$ 3,800	Consulting Fees

## **NOTE 4 – INCOME TAXES**

As a result of prior and current operating losses, SciTech Development, LLC recognizes deferred income tax assets on carried forward net operating loss, or “NOL,” carryforwards for federal and state income tax purposes. The ability to utilize the NOL carryforwards to reduce income in future years is evaluated on an annual basis. An NOL can benefit a company by reducing taxable income in future tax years.



## SCITECH DEVELOPMENT, LLC

The Company's provision for income taxes for 2022 consist of the following:

	<u>Total</u>
Current Tax Expense	\$ -
Deferred Tax (Expense) Benefit	<u>140,000</u>
	\$ 140,000

### NOTE 5 – LONG-TERM DEBT

At December 31, 2022, SciTech Development LLC, had outstanding convertible notes totaling \$1,950,732. The estimated annual requirement for principal and accrued interest payments is:

<u>Year Ended</u>	<u>Principal</u>	<u>Accrued Interest</u>	<u>Total</u>
December 31, 2023	\$ 325,332	\$ 49,493	\$ 374,826
Unknown	\$ 1,625,399	\$ 168,265	\$ 1,793,664
	<u>\$ 1,950,732</u>	<u>\$ 217,758</u>	<u>\$ 2,168,490</u>

Interest expense for the year was \$95,640.

The outstanding convertible notes consist of the following issues:

#### 2016 NOTES

1. During 2016, SciTech Development, LLC issued \$165,000 worth of 6% interest unsecured convertible promissory notes, convertible into membership units. During 2021, one of the notes was amended and was combined with a 2021 note, leaving \$140,000 worth of 6% interest unsecured convertible promissory notes, convertible into membership units outstanding. The notes are convertible at the option of the holders with the following terms:
  - If at any time the company consummates a financing for the sale of equity in which the gross offering proceeds to the company are at least two million dollars, and the financing structure incorporates reasonable customary terms for equity financing, then, the outstanding principal and accrued interest will automatically convert into units.
  - If the subscriber has invested, in total, less than \$50,000, the conversion price for their notes in a qualified financing will be equal to 90% of the per unit price paid by the purchasers of such membership units in the qualified financing.
  - If the subscriber has invested, in total, between \$50,000 and \$100,000, the conversion price for their notes in a qualified financing will be equal to 87.5% of the per unit price paid by the purchasers of such membership units in the qualified financing.
  - If the subscriber has invested, in total, more than \$100,000, the conversion price for their notes in a qualified financing will be equal to 85% of the per unit price paid by the purchasers of such membership units in the qualified financing.

The conversion price is subject to adjustment to reflect distributions and similar events as determined by the company's manager. The automatic conversion of the notes into membership units will be deemed to occur as of the date of closing the qualified financing, or the date of the

## SCITECH DEVELOPMENT, LLC

first closing in a series of closings constituting qualified financing.

The maturity date of the 2016 notes was December 31, 2019, and although, the notes have reached their maturity, none of the note holders have demanded repayment of principal and accrued interest for these notes. In consideration for this, SciTech Development, LLC has continued to accrue interest at the stated terms beyond the maturity date in these instances.

<u>Year Ended</u>	<u>Principal</u>	<u>Accrued Interest</u>	<u>Total</u>
Unknown	\$ 140,000	\$ 53,061	\$ 193,061

### 2018 NOTES

- During 2018, SciTech Development, LLC issued \$85,000 worth of 6% interest unsecured convertible promissory notes, convertible into membership units. During 2021, one of the notes was amended and was combined with a 2021 note, leaving \$35,000 worth of 6% interest unsecured convertible promissory notes, convertible into membership units outstanding. The notes are convertible at the option of the holders with the follow terms:
  - If at any time the company consummates a financing for the sale of equity in which the gross offering proceeds to the company are at least two million dollars, and the financing structure incorporates reasonable customary terms for equity financing, then, the outstanding principal and accrued interest will automatically convert into units.
  - If a qualified financing has not occurred prior to the maturity date, then the company may elect, upon notice of such election to convert any outstanding balance into membership units. The conversion price per share shall be equal to the quotient of \$10,000,000 divided by the aggregate number of outstanding membership units as of the maturity date.

The maturity date of the 2018 notes is December 31, 2020, and although, the notes have reached their maturity, none of the note holders have demanded repayment of principal and accrued interest for these notes. In consideration for this, SciTech Development, LLC has continued to accrue interest at the stated terms beyond the maturity date in these instances.

<u>Year Ended</u>	<u>Principal</u>	<u>Accrued Interest</u>	<u>Total</u>
Unknown	\$ 35,000	\$ 9,629	\$ 44,629

### 2019 NOTES

- During 2019, SciTech Development, LLC issued \$250,000 worth of 6% interest unsecured convertible promissory notes, convertible into membership units. The notes are convertible at the option of the holders at a conversion rate based on the qualified financing closing.
  - If the subscriber has invested, in total, less than or equal to \$100,000 pursuant to this purchase agreement and the qualified financing closes no later than 180 days from the date of the subscriber's note, then the subscriber will receive a warrant in an amount equal to 25% of the amount invested by the subscriber in this offering.
  - If the subscriber has invested, in total, less than or equal to \$100,000 pursuant to this purchase agreement and the qualified financing closes more than 360 days from the date of the subscriber's note, then the subscriber will receive a warrant in an amount equal to 50% of the

## SCITECH DEVELOPMENT, LLC

amount invested by the subscriber in this offering.

- If the subscriber has invested, in total, less than or equal to \$100,000 pursuant to this purchase agreement and the qualified financing closes more than 360 days from the date of the subscriber's note, then the subscriber will receive a warrant in an amount equal to 100% of the amount invested by the subscriber in this offering.
- In addition to above, if the subscriber has invested, in total, greater than \$100,000 pursuant to this purchase agreement, then the subscriber will receive concurrently with qualified financing close a warrant in an amount equal to 100% of the amount invested that exceeds \$100,000 by the subscriber in this offering. Each warrant will have a three-year term from the date of granting and an exercise price equal to 80% of the unit price paid by the qualified financing investors.

The maturity date of the 2019 notes is December 31, 2021, and although, the notes have reached their maturity, none of the note holders have demanded repayment of principal and accrued interest for these notes. In consideration for this, SciTech Development, LLC has continued to accrue interest at the stated terms beyond the maturity date in these instances.

Year Ended	Principal	Accrued Interest	Total
Unknown	\$ 250,000	\$ 51,947	\$ 301,947

4. SciTech Development, LLC also issued \$250,000 was originally issued as a 7% convertible translation research grant that could be converted to a convertible note, this grant would be due at the time that the translation research was deemed successful. The note was adjusted in 2020 for an additional \$10,332 which included accrued interest being recorded as an outstanding note, for a total unsecured convertible promissory note of \$260,332, with an interest rate of 6%. The note is convertible at the option of the holders at a conversion rate based on the qualified financing closing.
  - If the subscriber has invested, in total, less than or equal to \$100,000 pursuant to this purchase agreement and the qualified financing closes no later than 180 days from the date of the subscriber's note, then the subscriber will receive a warrant in an amount equal to 25% of the amount invested by the subscriber in this offering.
  - If the subscriber has invested, in total, less than or equal to \$100,000 pursuant to this purchase agreement and the qualified financing closes between 181 days and 360 days from the date of the subscriber's note, then the subscriber will receive a warrant in an amount equal to 50% of the amount invested by the subscriber in this offering.
  - In addition to above, if the subscriber has invested, in total, greater than \$100,000 pursuant to this purchase agreement, then the subscriber will receive concurrently with qualified financing close a warrant in an amount equal to 100% of the amount invested that exceeds \$100,000 by the subscriber in this offering. Each warrant will have a three-year term from the date of granting and an exercise price equal to 80% of the per unit price paid by the qualified financing investors.

The outstanding principal amount of the note, together with accrued but unpaid interest, will be due and payable, unless otherwise converted into stock of the company by the note holder, pursuant to the maturity date of December 31, 2023.

## SCITECH DEVELOPMENT, LLC

Year Ended	Principal	Accrued Interest	Total
December 31, 2023	\$ 260,332	\$ 40,526	\$ 300,858

### 2020 NOTES

5. During 2020, SciTech Development, LLC issued \$50,000 worth of 6% interest unsecured convertible promissory notes, convertible into membership units. The note is convertible at the option of the holders at a conversion rate based on the qualified financing closing.

The outstanding principal amount of the note, together with accrued but unpaid interest, will be due and payable, unless otherwise converted into stock of the company by the note holder, pursuant to the maturity date of December 31, 2023.

Year Ended	Principal	Accrued Interest	Total
December 31, 2023	\$ 50,000	\$ 7,784	\$ 57,784

### 2021 NOTES

6. During 2021, SciTech Development, LLC issued \$15,000 worth of 6% interest unsecured convertible promissory notes, convertible into membership units. The note is convertible at the option of the holders at a conversion rate based on the qualified financing closing.

The outstanding principal amount of the note, together with accrued but unpaid interest, will be due and payable, unless otherwise converted into stock of the company by the note holder, pursuant to the maturity date of December 31, 2023.

Year Ended	Principal	Accrued Interest	Total
December 31, 2023	\$ 15,000	\$ 1,184	\$ 16,184

7. During 2021, SciTech Development, LLC amended a 2016 and 2018 note, as well as issued \$100,000 worth of 6% interest unsecured convertible promissory notes, convertible into membership units. The note is convertible at the option of the holders at a conversion rate based on the qualified financing closing.

The outstanding principal amount of the note, together with accrued but unpaid interest, will be due and payable, unless otherwise converted into stock of the company by the note holder, pursuant to the maturity date of June 30, 2022.

Year Ended	Principal	Accrued Interest	Total
Unknown	\$ 192,649	\$ 14,567	\$ 207,217

### 2022 NOTES

8. During 2022, SciTech Development, LLC issued \$1,007,750 worth of 6% interest unsecured convertible promissory notes, convertible into membership units. The note is convertible at the option of the holders at a conversion rate based on the qualified financing closing.

The outstanding principal amount of the note, together with accrued but unpaid interest, will be due and payable, unless otherwise converted into stock of the company by the note holder, pursuant to the maturity date of December 31, 2024.

## SCITECH DEVELOPMENT, LLC

<u>Year Ended</u>	<u>Principal</u>	<u>Accrued Interest</u>	<u>Total</u>
December 31, 2024	\$ 1,007,750	\$ 39,061	\$ 1,046,811

### **NOTE 6 – RESEARCH AND DEVELOPMENT**

Research and development costs are charged to operations when incurred and are included in operating expenses. The amount charged in 2022 was \$732,503.

### **NOTE 7 – COMMITMENTS AND CONTINGENCIES**

The Company is not currently involved with, and does not know of any pending or threatening litigation against the Company or its member.

### **NOTE 8 – EQUITY**

In 2021, SciTech Development, LLC's units were split 12.6999997 to 1. During 2022, an additional 55,948 units were issued. As of December 31, 2022, SciTech Development, LLC had authorized 21,534,132 units, all of which are issued and outstanding.

In addition to the units above, SciTech Development, LLC has 1,768,468 outstanding warrants which represent the right, but not the obligation, to purchase units of SciTech Development, LLC.

### **NOTE 8 – SUBSEQUENT EVENTS**

The Company has evaluated subsequent events that occurred after December 31, 2022 through April 29, 2023. During this period, SciTech Development, LLC issued \$450,000 worth of 6% interest unsecured convertible promissory notes, convertible into membership units. The notes are convertible at the option of the holders at a conversion rate based on the qualified financing closing. The outstanding principal amount of the notes, together with accrued but unpaid interest, will be due and payable, unless otherwise converted into stock of the company by the note holder, pursuant to the maturity date of December 31, 2024.

There have been no other events or transactions during this time that would have a material effect on the balance sheet.

I, Earle Holsapple (Print Name), the CEO & President (Principal Executive Officers) of SciTech Development, L.L.C. (Company Name), hereby certify that the financial statements of SciTech Development, L.L.C. (Company Name) and notes thereto for the periods ending December 31, 2021 (first Fiscal Year End of Review) and December 31, 2022 (second Fiscal Year End of Review) included in this Form C offering statement are true and complete in all material respects and that the information below reflects accurately the information reported on our federal income tax returns.

SciTech Development, L.L.C. has not yet filed its federal tax return for 2022.

IN WITNESS THEREOF, this Principal Executive Officer's Financial Statement Certification has been executed as of the April 28, 2023 (Date of Execution).

Earle T. Holsapple III (Signature)

President (Title)

April 28, 2023 (Date)