

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

FORM 10-Q

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

For the quarterly period ended **March 31, 2024**

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. **000-53029**



**C-BOND SYSTEMS, INC.**

(Exact name of Registrant as Specified in its Charter)

<b>Colorado</b> (State or Other Jurisdiction of Incorporation or Organization)	<b>26-1315585</b> (IRS Employer Identification No.)
<b>2029 Pat Booker Rd.</b> <b>San Antonio, Texas</b> (Address of Principal Executive Offices)	<b>78148</b> (Zip Code)

**210-490-3977**

(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 Exchange Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
N/A	N/A	N/A

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 (Section 232.405 of this chapter) during the preceding 12 months (or 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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

There were 545,253,623 shares of the registrant's common stock, par value \$0.001 per share, issued and outstanding as of May 14, 2024.

C-BOND SYSTEMS, INC.  
FORM 10-Q  
MARCH 31, 2024

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

C-BOND SYSTEMS, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

	March 31, 2024 <u>(Unaudited)</u>	December 31, 2023
ASSETS		
CURRENT ASSETS:		
Cash	\$ 197,863	\$ 736,461
Accounts receivable, net	507,416	424,091
Inventory	101,751	181,663
Prepaid expenses and other current assets	269,683	28,503
Contract assets	8,489	2,400
Total Current Assets	<u>1,085,202</u>	<u>1,373,118</u>
OTHER ASSETS:		
Property and equipment, net	159,724	171,606
Right of use asset, net	143,810	158,484
Intangible asset, net	216,789	229,414
Goodwill	350,491	350,491
Total Other Assets	<u>870,814</u>	<u>909,995</u>
TOTAL ASSETS	<u>\$ 1,956,016</u>	<u>\$ 2,283,113</u>
LIABILITIES AND SHAREHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Convertible note payable - current portion	\$ 180,000	\$ 180,000
Notes payable, net of discount - current portion	232,104	81,908
Accounts payable	702,805	710,222
Accrued expenses	522,530	474,515
Accrued compensation	25,546	717,204
Contract liabilities	341,771	500,720
Lease liabilities, current portion	61,390	60,503
Total Current Liabilities	<u>2,066,146</u>	<u>2,725,072</u>
LONG-TERM LIABILITIES:		
Convertible notes payable, net of current portion	873,091	918,091
Notes payable, net of current portion and discount	52,447	42,109
Lease liabilities, net of current portion	82,420	97,249
Total Long-term Liabilities	<u>1,007,958</u>	<u>1,057,449</u>
Total Liabilities	<u>3,074,104</u>	<u>3,782,521</u>
Commitments and Contingencies (See Note 10)		
Series B convertible preferred stock: \$0.10 par value, 100,000 shares designated; 1,386 and 1,144 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively (\$1,445,221 redemption and liquidation value at March 31, 2024)	<u>1,445,221</u>	<u>1,203,967</u>
Series C convertible preferred stock: \$0.10 par value, 100,000 shares designated; 14,750 and 15,150 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively (\$2,382,923 redemption and liquidation value at March 31, 2024)	<u>1,588,615</u>	<u>1,621,160</u>
SHAREHOLDERS' DEFICIT:		
Preferred stock: \$0.10 par value, 2,000,000 shares authorized; 100,000 Series B and 100,000 Series C designated, no shares issued and outstanding	-	-
Common stock: \$0.001 par value, 4,998,000,000 shares authorized; 539,122,586 and 532,818,051 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively	539,123	532,818
Additional paid-in capital	56,340,780	55,852,477
Accumulated deficit	(61,183,221)	(60,851,714)
Total C-Bond Systems, Inc. shareholders' deficit	<u>(4,303,318)</u>	<u>(4,466,419)</u>
Noncontrolling interest	151,394	141,884
Total Shareholders' Deficit	<u>(4,151,924)</u>	<u>(4,324,535)</u>
Total Liabilities and Shareholders' Deficit	<u>\$ 1,956,016</u>	<u>\$ 2,283,113</u>

See accompanying notes to the unaudited consolidated financial statements.

**C-BOND SYSTEMS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

	<b>For the Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
SALES	\$ 936,804	\$ 515,220
COST OF SALES (excluding depreciation expense)	<u>461,929</u>	<u>245,360</u>
GROSS PROFIT	<u>474,875</u>	<u>269,860</u>
<b>OPERATING EXPENSES:</b>		
Compensation and related benefits (including stock-based compensation of \$376,968 and \$12,137 for the three months ended March 31, 2024, and 2023, respectively)	779,119	426,872
Professional fees	141,584	187,690
General and administrative expenses	<u>195,691</u>	<u>178,900</u>
Total Operating Expenses	<u>1,116,394</u>	<u>793,462</u>
LOSS FROM OPERATIONS	<u>(641,519)</u>	<u>(523,602)</u>
<b>OTHER INCOME (EXPENSES):</b>		
Gain on debt extinguishment, net	347,990	-
Interest expense	(14,119)	(195,786)
Interest expense - related party	<u>-</u>	<u>(3,699)</u>
Total Other Income (Expenses), net	<u>333,871</u>	<u>(199,485)</u>
NET LOSS BEFORE NONCONTROLLING INTEREST	(307,648)	(723,087)
Net (income) loss of subsidiary attributable to noncontrolling interest	<u>(9,510)</u>	<u>16,722</u>
NET LOSS	(317,158)	(706,365)
Preferred stock dividend	<u>(14,349)</u>	<u>(13,687)</u>
NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	<u>\$ (331,507)</u>	<u>\$ (720,052)</u>
<b>NET LOSS PER COMMON SHARE:</b>		
Basic and diluted	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:</b>		
Basic and diluted	<u>535,697,745</u>	<u>424,991,656</u>

See accompanying notes to the unaudited consolidated financial statements.

**C-BOND SYSTEMS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023**  
(Unaudited)

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Noncontrolling Interest</u>	<u>Total Shareholders' Deficit</u>
	<u># of Shares</u>	<u>Amount</u>				
Balance, December 31, 2023	532,818,051	\$ 532,818	\$ 55,852,477	\$ (60,851,714)	\$ 141,884	\$ (4,324,535)
Common stock issued for conversion of Series C preferred stock	11,554,535	11,555	28,445	-	-	40,000
Cancellation of common stock and Series B preferred shares	(5,250,000)	(5,250)	132,890	-	-	127,640
Preferred stock dividends and deemed dividend	-	-	-	(14,349)	-	(14,349)
Beneficial conversion charge for issuance of Series B preferred shares for accrued compensation recorded as stock-based compensation	-	-	326,968	-	-	326,968
Net loss	-	-	-	(317,158)	9,510	(307,648)
Balance, March 31, 2024	<u>539,122,586</u>	<u>\$ 539,123</u>	<u>\$ 56,340,780</u>	<u>\$ (61,183,221)</u>	<u>\$ 151,394</u>	<u>\$ (4,151,924)</u>
	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Noncontrolling Interest</u>	<u>Total Shareholders' Deficit</u>
	<u># of Shares</u>	<u>Amount</u>				
Balance, December 31, 2022	350,270,172	\$ 350,270	\$ 55,141,503	\$ (62,693,184)	\$ 150,742	\$ (7,050,669)
Common stock issued for cash and accrued compensation	54,545,455	54,545	245,455	-	-	300,000
Common stock issued for professional fees	6,666,667	6,667	33,333	-	-	40,000
Common stock issued for accrued compensation	9,636,364	9,636	43,364	-	-	53,000
Common stock issued for conversion of Series C preferred stock	26,585,614	26,586	74,814	-	-	101,400
Preferred stock dividends	-	-	-	(13,687)	-	(13,687)
Accretion of stock-based compensation	-	-	12,137	-	-	12,137
Net loss	-	-	-	(706,365)	(16,722)	(723,087)
Balance, March 31, 2023	<u>447,704,272</u>	<u>\$ 447,704</u>	<u>\$ 55,550,606</u>	<u>\$ (63,413,236)</u>	<u>\$ 134,020</u>	<u>\$ (7,280,906)</u>

See accompanying notes to the unaudited consolidated financial statements.

**C-BOND SYSTEMS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	<b>For the Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (307,648)	\$ (723,087)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	24,507	20,850
Amortization of debt discount to interest expense	3,789	63,916
Interest expense for put premium on convertible notes	-	29,212
Stock-based compensation	376,968	12,137
Stock-based professional fees	-	40,667
Non-cash gain on debt extinguishment	(347,990)	-
Lease costs	732	495
Bad debt expense	29,984	-
Change in operating assets and liabilities:		
Accounts receivable	(113,309)	70,754
Inventory	79,912	18,100
Prepaid expenses and other assets	(241,180)	(19,639)
Contract assets	(6,089)	279
Accounts payable	(7,417)	48,693
Accrued expenses	48,015	123,124
Accrued interest - related party	-	2,466
Accrued compensation	(32,561)	34,317
Contract liabilities	(158,949)	(13,255)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(651,236)</b>	<b>(290,971)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from sale of common stock	-	275,000
Proceeds from notes payable	174,000	-
Repayment of notes payable	(16,362)	(48,136)
Proceeds from convertible notes payable	-	50,000
Repayment of convertible notes payable	(45,000)	-
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>112,638</b>	<b>276,864</b>
<b>NET DECREASE IN CASH</b>	<b>(538,598)</b>	<b>(14,107)</b>
CASH, beginning of period	736,461	97,091
CASH, end of period	\$ 197,863	\$ 82,984
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for:		
Interest	\$ 8,246	\$ 33,795
Income taxes	\$ -	\$ -
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Common stock issued as prepaid for services	\$ -	\$ 40,000
Common stock issued for accrued compensation	\$ -	\$ 78,000
Series B preferred stock issued for accrued compensation	\$ 312,000	\$ 144,000
Preferred stock dividend accrued	\$ 14,349	\$ 13,687
Conversion of Series C preferred stock to common stock	\$ 40,000	\$ 101,400
Reclassification of Series B preferred stock and common stock to additional paid-in capital	\$ 132,890	\$ -

See accompanying notes to the unaudited consolidated financial statements.

**C-BOND SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2024**  
**(UNAUDITED)**

**NOTE 1 – NATURE OF ORGANIZATION**

**Nature of Organization**

C-Bond Systems, Inc., together with its subsidiaries (the “Company”), is a materials development company and sole owner and developer of the patented C-Bond technology. The Company is engaged in the implementation of proprietary nanotechnology applications and processes to enhance properties of strength, functionality, and sustainability of brittle material systems. The Company’s primary focus is in the multi-billion-dollar glass and window film industry with target markets in the United States and internationally. During the three months ended March 31, 2023, the Company operated in two segments: C-Bond Transportation Solutions and Patriot Glass Solutions. C-Bond Transportation Solutions sold a windshield strengthening, water repellent solution called C-Bond nanoShield™. Since May 8, 2023, the date that the nanoShield product line and related technologies were sold (see Note 16), the Company operates in one segment. Patriot Glass Solutions sells multi-purpose glass strengthening primer and window film mounting solutions, including C-Bond BRS, a ballistic-resistant film system, and C-Bond Secure, a forced entry system.

On June 30, 2021, the Company entered into a Share Exchange Agreement and Plan of Reorganization (the “Exchange Agreement”) with (i) Patriot Glass Solutions, LLC (formerly Mobile Tint LLC), a Texas limited liability company doing business as A1 Glass Coating (“Patriot Glass”), (ii) the sole member of Patriot Glass (the “Patriot Glass Shareholder”), and (iii) Michael Wanke as the Representative of the Patriot Glass Shareholder. Pursuant to the Exchange Agreement, on July 22, 2021, the Company acquired 80% of Patriot Glass’s units (the “Patriot Glass Shares”). The Patriot Glass Shares were exchanged for 28,021,016 restricted shares of the Company’s common stock in an amount equal to \$800,000, divided by the average of the closing prices of the Company’s common stock during the 30-day period immediately prior to the closing. On September 20, 2023, the Company and the Patriot Glass Shareholder entered into amendment #2 to the Exchange Agreement (the “Amended Exchange Agreement”). Pursuant to the Amended Exchange Agreement, the Company shall have the option (the “Option”), beginning on July 1, 2025 (the “Option Start Date”) and ending on 5:00 P.M. EST on the date that is thirty calendar days after the Option Start Date (the “Option Period”), to acquire the remaining 20% of Patriot Glass Units (the “Additional Units”), representing 20% of Patriot Glass’s issued and outstanding membership interests, collectively (the “Additional Closing”) (See Note 10). Patriot Glass provides quality window tint solutions for auto, home, and business owners across Texas, specializing in automotive window tinting, residential window film, and commercial window film that stop harmful UV rays from passing through its window films for reduced glare, comfortable temperatures, and lower energy bills. Patriot Glass also carries products that offer forced-entry protection and films that protect glass from scratches, graffiti, other types of vandalism, and even bullets, including C-Bond BRS and C-Bond Secure products. As part of the transaction, Patriot Glass’s owner-operator, Mr. Wanke, joined the Company as President of Patriot Glass. On November 29, 2023, the name of Mobile Tint LLC was changed to Patriot Glass Solutions, LLC.

On May 8, 2023, the Company entered into an Asset Purchase Agreement (“APA”) with Apex Protect GPS, LLC (the “Buyer”), whereby the Company sold its C-Bond nanoShield™ product line, including intangible assets, intellectual property, work in process, furniture, fixtures, equipment, inventory and other physical assets of the Company’s C-Bond nanoShield division (the “Assets”) to the Buyer. Accordingly, the Company assigned, transferred and delivered to the Buyer, free and clear of all liens, all of the Assets. Following the Closing, the Parties entered into an Assignment and Agreement to Re-Execute (“Assignment”) on June 15, 2023, by and among the Company (“Seller”); Apex Protect GPS, LLC, (“Assignor”) and CB Nanoshield, LLC, (“Assignee”), whereby the Assignor assigned all its right to the (i) APA; (ii) Bill of Sale (iii) IP Agreements; and (iv) and any memorandums, schedules and exhibits related to the foregoing to Assignee. The Seller and Assignee also entered into a Lease and Assignment and Assumption Agreement on June 15, 2023 (the “Assignment Agreement”), wherein the Seller assigned to Assignee, and Assignee took assignment from the Seller, of the lease for the premises located at 6035 South Loop East, Houston, Texas 77033 (the “Lease”) pursuant to the Assignment Agreement (See Note 16).

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation and Principles of Consolidation**

The Company’s unaudited consolidated financial statements include the financial statements of its wholly owned subsidiary, C-Bond Systems, LLC, and its 80% owned subsidiary, Patriot Glass. All significant intercompany accounts and transactions have been eliminated in consolidation.

Management acknowledges its responsibility for the preparation of the accompanying unaudited condensed consolidated financial statements which reflect all adjustments, consisting of normal recurring adjustments, considered necessary in its opinion for a fair statement of its financial position and the results of its operations for the periods presented. The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (the “U.S. GAAP”) for interim financial information and with the instructions Article 8-03 of Regulation S-X. Operating results for interim periods are not necessarily indicative of results that may be expected for the fiscal year as a whole.

Certain information and note disclosure normally included in consolidated financial statements prepared in accordance with U.S. GAAP has been condensed or omitted from these statements pursuant to such accounting principles and, accordingly, they do not include all the information and notes necessary for comprehensive consolidated financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with the summary of significant accounting policies and notes to the consolidated financial statements for the year ended December 31, 2023 of the Company which were included in the Company’s Annual Report on Form 10-K as filed with the Securities and Exchange Commission (the “SEC”) on April 1, 2024.

**C-BOND SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2024**  
**(UNAUDITED)**

**Going Concern**

These unaudited consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. As reflected in the accompanying unaudited consolidated financial statements, the Company had a net loss of \$307,648 and \$723,087 for the three months ended March 31, 2024 and 2023, respectively. Net cash used in operations was \$651,236 and \$290,971 for the three months ended March 31, 2024 and 2023, respectively. Additionally, as of March 31, 2024, the Company had an accumulated deficit, shareholders' deficit, and working capital deficit of \$61,183,221, \$4,151,924 and \$980,944, respectively. On May 8, 2023, the Company sold its nanoShield product line and received proceeds of \$4,042,631. The proceeds were used to repay convertible notes payable, notes payable and related accrued interest. On March 31, 2024, the Company had cash of \$197,863. These factors raise substantial doubt about the Company's ability to continue as a going concern for a period of twelve months from the issuance date of this report. Management cannot provide assurance that the Company will ultimately achieve profitable operations or become cash flow positive or raise additional debt and/or equity capital. The Company is seeking to raise capital through additional debt and/or equity financings to fund its operations in the future. Although the Company has historically raised capital from sales of common shares and preferred shares, and from the issuance of promissory notes and convertible promissory notes, there is no assurance that it will be able to continue to do so. If the Company is unable to raise additional capital or secure additional lending in the near future, management expects that the Company will need to curtail its operations. These unaudited consolidated financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

**Use of Estimates**

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates during the three months ended March 31, 2024 and 2023 include estimates for allowance for doubtful accounts on accounts receivable, the estimates for obsolete or slow moving inventory, estimates used in the calculation of progress towards completion on uncompleted jobs, the useful life of property and equipment, assumptions used in assessing impairment of long-term assets, the estimate of the fair value lease liability and related right of use asset, the valuation of redeemable and mandatorily redeemable preferred stock, the value of beneficial conversion features and deemed dividends, the valuation allowances for deferred tax assets, and the fair value of non-cash equity transactions.

**Fair Value of Financial Instruments and Fair Value Measurements**

The carrying amounts reported in the unaudited consolidated balance sheets for cash, accounts receivable, contract assets and liabilities, notes payable, convertible note payable, accounts payable, accrued expenses, accrued compensation, and lease liabilities approximate their fair market value based on the short-term maturity of these instruments.

The Company analyzes all financial instruments with features of both liabilities and equity under the Financial Accounting Standard Board's (the "FASB") accounting standard for such instruments. Under this standard, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company did not identify any assets or liabilities that are required to be presented on the balance sheet at fair value in accordance with Accounting Standards Codification ("ASC") Topic 820.

ASC 825-10 "*Financial Instruments*", allows entities to voluntarily choose to measure certain financial assets and liabilities at fair value (fair value option). The fair value option may be elected on an instrument-by-instrument basis and is irrevocable unless a new election date occurs. If the fair value option is elected for an instrument, unrealized gains and losses for that instrument should be reported in earnings at each subsequent reporting date. The Company did not elect to apply the fair value option to any outstanding instruments.

**Cash and Cash Equivalents**

For purposes of the consolidated statements of cash flows, the Company considers all highly liquid instruments with a maturity of three months or less at the purchase date and money market accounts to be cash equivalents. The Company had no cash equivalents as of March 31, 2024 and December 31, 2023.



**C-BOND SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2024**  
**(UNAUDITED)**

**Accounts Receivable**

The Company recognizes an allowance for losses on accounts receivable and notes receivable in an amount equal to the estimated probable losses net of recoveries under the current expected credit loss method. The allowance is based on an analysis of historical bad debt experience, current receivables aging and expected future write-offs, as well as an assessment of specific identifiable customer accounts and notes receivable considered at risk or uncollectible. On January 1, 2023, the Company adopted ASC 326, "Financial Instruments - Credit Losses". In accordance with ASC 326, an allowance is maintained for estimated forward-looking losses resulting from the possible inability of customers to make the required payments (current expected losses). The amount of the allowance is determined principally on the basis of past collection experience and known financial factors regarding specific customers. The expense associated with the allowance for doubtful accounts on accounts receivable is recognized in general and administrative expenses.

**Inventory**

Inventory, consisting of raw materials and finished goods, are stated at lower of cost and net realizable value utilizing the first-in, first-out (FIFO) method. A reserve is established when management determines that certain inventories may not be saleable. If inventory costs exceed the expected net realizable value due to obsolescence or quantities in excess of expected demand, the Company will record reserves for the difference between the cost and the net realizable value. These reserves are recorded based on estimates and included in cost of sales.

**Property and Equipment**

Property and equipment are stated at cost and are depreciated using the straight-line method over their estimated useful lives, which range from one to seven years. Leasehold improvements are depreciated over the shorter of the useful life or lease term including scheduled renewal terms. Maintenance and repairs are charged to expense as incurred. When assets are retired or disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gains or losses are included in income in the year of disposition. The Company examines the possibility of decreases in the value of these assets when events or changes in circumstances reflect the fact that their recorded value may not be recoverable.

**Goodwill and Intangible Assets**

Goodwill represents the future economic benefit arising from other assets acquired that could not be individually identified and separately recognized. Any goodwill arising from the Company's acquisition is attributable to the value of the potential expanded market opportunity with new customers. Intangible assets may have either an identifiable or indefinite useful life. Intangible assets with identifiable useful lives are amortized on a straight-line basis over their economic or legal life, whichever is shorter. The Company's amortizable intangible assets are being amortized over a useful life of 5 years.

Goodwill is not subject to amortization but is subject to impairment tests at least annually. The Company reviews the carrying amounts of goodwill by reporting unit at least annually, or when indicators of impairment are present, to determine if goodwill may be impaired. To test goodwill impairment, the Company first assesses qualitative factors to determine whether it is more likely than *not* that the fair value of goodwill is less than its carrying value. The Company would not be required to quantitatively determine the fair value of goodwill unless it determines, based on the qualitative assessment there are indicators of impairment. Under the quantitative test of goodwill, the Company compares the fair value of the reporting unit to its carrying value, including goodwill. If the carrying value exceeds the fair value, then the goodwill is impaired by the excess amount. The Company performs its annual testing for goodwill during the fourth quarter of each fiscal year or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit.

Intangible assets determined to have finite lives are amortized over their estimated useful lives of 5 years. The useful life of an intangible asset is the period over which the asset is expected to contribute directly or indirectly to future cash flows. The Company periodically evaluates both finite and indefinite lived intangible assets for impairment upon occurrence of events or changes in circumstances that indicate the carrying amount of intangible assets may not be recoverable.

As of December 31, 2023, the Company performed its annual goodwill impairment test for its one reporting unit. The results of the Company's annual impairment test indicated that the fair value of the reporting unit exceeded its carrying value. Therefore, no impairment of goodwill or intangibles assets was recorded as of December 31, 2023.

**Impairment of Long-Lived Assets**

In accordance with ASC Topic 360, the Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable, or at least annually. The Company recognizes an impairment loss when the sum of expected undiscounted future cash flows is less than the carrying amount of the asset. The amount of impairment is measured as the difference between the asset's estimated fair value and its book value.

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**Warranty Liability**

The Company provides limited warranties on its products for product defects for periods ranging from 12 months to the life of the product. Warranty costs may include the cost of product replacement, refunds, labor costs and other costs. Allowances for estimated warranty costs are recorded during the period of sale. The determination of such allowances requires the Company to make estimates of product warranty claim rates and expected costs to repair or to replace the products under warranty. The Company currently establishes warranty reserves based on historical warranty costs for each product line combined with liability estimates based on the prior 12 months' sales activities. If actual return rates and/or repair and replacement costs differ significantly from the Company's estimates, adjustments to recognize additional cost of sales may be required in future periods. Historically the warranty accrual and the expense amounts have been immaterial. The warranty liability is included in accrued expenses on the accompanying unaudited consolidated balance sheets and amounted to \$1,000 on March 31, 2024 and December 31, 2023, respectively. During the three months ended March 31, 2024 and 2023, warranty costs were de minimis.

**Revenue Recognition**

The Company follows ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606"). This standard establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most of the existing revenue recognition guidance. ASC 606 requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services and requires certain additional disclosures.

The Company sells its products, which include standard warranties, primarily to distributors and authorized dealers. Product sales are recognized at a point in time when the product is shipped to the customer and the title is transferred and are recorded net of any discounts or allowances. The warranty does not represent a separate performance obligation.

Revenues from contracts for the distribution and installation of window film solutions are recognized over time on the basis of the Company's estimates of the progress towards completion of contracts using various output or input methods depending on the type of contract terms including (1) the ratio of number of labor hours spent compared to the number of estimated labor hours to complete a job, (2) using the milestone method, or (3) using a units completed method. These methods are used because management considers these to be the best available measure of progress on these contracts. We use the same method for similar types of contracts. The asset, "contract assets" represents revenues recognized in excess of amounts billed. The liability, "contract liabilities," represents billings in excess of revenues recognized.

**Cost of Sales**

Cost of sales includes inventory costs, packaging costs and warranty expenses.

Cost of revenues from fixed-price contracts for the distribution and installation of window film solutions include all direct material, sub-contractor, labor and certain other direct costs, as well as those indirect costs related to contract performance, such as indirect labor and fringe benefits. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions and estimated profitability may result in revisions to cost and income, which are recognized in the period in which the revisions are determined. Changes in estimated job profitability resulting from job performance, job conditions, claims, change orders, and settlements, are accounted for as changes in estimates in the current period.

**Shipping and Handling Costs**

Shipping and handling costs incurred for product shipped to customers are included in general and administrative expenses and amounted to \$5,456 and \$3,624 for the three months ended March 31, 2024 and 2023, respectively. Shipping and handling costs charged to customers are included in sales.

**Research and Development**

Research and development costs incurred in the development of the Company's products are expensed as incurred and includes costs such as labor, materials, and other allocated costs incurred. For the three months ended March 31, 2024 and 2023, research and development costs incurred in the development of the Company's products were \$0.

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**Advertising Costs**

The Company may participate in various advertising programs. All costs related to advertising of the Company's products are expensed in the period incurred. For the three months ended March 31, 2024 and 2023, advertising costs charged to operations were \$12,014 and \$4,155, respectively and are included in general and administrative expenses on the accompanying unaudited consolidated statements of operations. These advertising expenses do not include cooperative advertising and sales incentives which shall be deducted from sales.

**Federal and State Income Taxes**

The Company accounts for income tax using the liability method prescribed by ASC 740, "Income Taxes". Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the year in which the differences are expected to reverse. The Company records a valuation allowance to offset deferred tax assets if based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rates is recognized as income or loss in the period that includes the enactment date.

The Company follows the accounting guidance for uncertainty in income taxes using the provisions of ASC 740 "Income Taxes". Using that guidance, tax positions initially need to be recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. As of March 31, 2024 and December 31, 2023, the Company had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Tax years that remain subject to examination are the years ending on and after December 31, 2018. The Company recognizes interest and penalties related to uncertain income tax positions in other expense. However, no such interest and penalties were recorded as of March 31, 2024 and December 31, 2023.

**Stock-Based Compensation**

Stock-based compensation is accounted for based on the requirements of ASC 718 – "Compensation – Stock Compensation", which requires recognition in the financial statements of the cost of employee, director, and non-employee services received in exchange for an award of equity instruments over the period the employee, director, or non-employee is required to perform the services in exchange for the award (presumptively, the vesting period). The ASC also requires measurement of the cost of employee, director, and non-employee services received in exchange for an award based on the grant-date fair value of the award. The Company has elected to recognize forfeitures as they occur as permitted under the FASB's Accounting Standards Update ("ASU") 2016-09 *Improvements to Employee Share-Based Payment*.

**Leases**

The Company accounts for leases in accordance with ASC 842. The lease standard requires certain leases to be reported on the consolidated balance sheets as right-of-use assets and lease liabilities. The Company has elected the practical expedients permitted under the transition guidance of this standard that retained the lease classification and initial direct costs for any leases that existed prior to adoption of the standard. The Company does not reassess whether any contracts entered into prior to adoption are leases or contain leases.

The Company categorizes leases with contractual terms longer than twelve months as either operating or finance. Finance leases are generally those leases that would allow the Company to substantially utilize or pay for the entire asset over its estimated life. Assets acquired under finance leases are recorded in property and equipment, net. All other leases are categorized as operating leases. The Company does not have any finance leases as of March 31, 2024 and December 31, 2023. The Company's leases generally have terms that range from three to four years for property and equipment and five years for property. The Company elected the accounting policy to include both the lease and non-lease components of our agreements as a single component and account for them as a lease.

Lease liabilities are recognized at the present value of the fixed lease payments using a discount rate based on the Company's current borrowing rate. Lease assets are recognized based on the initial present value of the fixed lease payments, reduced by landlord incentives, plus any direct costs from executing the leases. Leasehold improvements are capitalized at cost and amortized over the lesser of their expected useful life or the lease term.

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When the Company has the option to extend the lease term, terminate the lease before the contractual expiration date, or purchase the leased asset, and it is reasonably certain that the Company will exercise the option, the Company considers these options in determining the classification and measurement of the lease. Costs associated with operating lease assets are recognized on a straight-line basis within operating expenses over the term of the lease.

**Loss Per Common Share**

ASC 260 “Earnings Per Share”, requires dual presentation of basic and diluted earnings per common share (“EPS”) with a reconciliation of the numerator and denominator of the basic EPS computation to the numerator and denominator of the diluted EPS computation. Basic EPS excludes dilutive securities and non-vested forfeitable shares. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted into common shares or resulted in the issuance of common shares that then shared in the earnings of the entity. Basic net loss per common share is computed by dividing net loss available to members by the weighted average number of common shares outstanding during the period. Diluted net loss per common share is computed by dividing net loss by the weighted average number of common shares, common share equivalents and potentially dilutive securities outstanding during each period. Potentially dilutive common shares consist of stock options and non-vested forfeitable shares (using the treasury stock method) and shares issuable upon conversion of preferred shares and convertible notes payable (using the as-if converted method). These common share equivalents may be dilutive in the future.

For the three months ended March 31, 2024 and 2023, all potentially dilutive common shares were excluded from the computation of diluted common shares outstanding as they would have an anti-dilutive impact on the Company’s net losses. As of March 31, 2024 and 2023, common share equivalents and potentially dilutive securities consisted of the following:

	<b>March 31,</b>	
	<b>2024</b>	<b>2023</b>
Stock options	7,345,698	8,445,698
Warrants	33,800,000	34,000,000
Series B preferred stock	419,369,203	324,240,164
Series C preferred stock	429,355,405	406,900,000
Convertible debt	1,170,101,111	1,206,660,749
Non-vested, forfeitable common shares	-	16,970,120
	<b>2,059,971,417</b>	<b>1,997,216,731</b>

**Segment Reporting**

For the three months ended March 31, 2023, the Company operated in two reportable business segments which consisted of (1) the manufacture and sale of a windshield strengthening water repellent solution as well as disinfection products, and the sale of multi-purpose glass strengthening primer and window film mounting solutions, including ballistic-resistant film systems and a forced entry system, and (2) the distribution and installation of window film solutions. The Company’s reportable segments were strategic business units that offered different products and were managed separately based on the fundamental differences in their operations and locations. On May 8, 2023, the Company sold its C-Bond nanoShield™ product line and the remaining segment (1) as described above was combined into segment (2) and is now being managed together (see Note 16).

**Noncontrolling Interest**

The Company accounts for noncontrolling interest in accordance with ASC Topic 810-10-45, which requires the Company to present noncontrolling interests as a separate component of total shareholders’ deficit on the consolidated balance sheets and the consolidated net loss attributable to its noncontrolling interest be clearly identified and presented on the face of the consolidated statements of operations.

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**Risk and Uncertainties**

The Company operates in an industry that is subject to intense competition and changes in consumer and commercial demand. The Company's operations are subject to significant risk and uncertainties including financial and operational risks including the potential risk of business failure.

The Company has experienced, and in the future expects to continue to experience, variability in sales and earnings. The factors expected to contribute to this variability include, among others, (i) the cyclical nature of the business, (ii) general economic conditions in the various local markets in which the Company competes, including a potential general downturn in the economy, and (iii) the volatility of prices in connection with the Company's products and services. These factors, among others, make it difficult to project the Company's operating results on a consistent basis.

**Recent Accounting Pronouncements**

In August 2020, 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 815-40)—Accounting for Convertible Instruments and Contracts in an Entity's Own Equity. The ASU simplifies accounting for convertible instruments by removing major separation models required under current U.S. GAAP. Consequently, more convertible debt instruments will be reported as a single liability instrument with no separate accounting for embedded conversion features. The ASU removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception, which will permit more equity contracts to qualify for the exception. The ASU also simplifies the diluted net income per share calculation in certain areas. The new guidance is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years, and early adoption is permitted. The adoption of this standard on January 1, 2024 had no impact on the Company's unaudited consolidated financial statements.

Other accounting standards that have been issued or proposed by FASB that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption. The Company does not discuss recent pronouncements that are not anticipated to have an impact on or are unrelated to its financial condition, results of operations, cash flows or disclosures.

**NOTE 3 – ACCOUNTS RECEIVABLE**

On March 31, 2024 and December 31, 2023, accounts receivable consisted of the following:

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Accounts receivable	\$ 572,723	\$ 459,414
Less: allowance for doubtful accounts	(65,307)	(35,323)
Accounts receivable, net	<u>\$ 507,416</u>	<u>\$ 424,091</u>

For the three months ended March 31, 2024 and 2023, bad debt expense amounted to \$29,984 and \$0, respectively.

**NOTE 4 – INVENTORY**

On March 31, 2024 and December 31, 2023, inventory consisted of the following:

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Finished goods	\$ 101,751	\$ 181,663
Total Inventory	<u>\$ 101,751</u>	<u>\$ 181,663</u>

For the three months ended March 31, 2024 and 2023, the Company did not record any allowance for slow moving inventory.

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**NOTE 5 – PROPERTY AND EQUIPMENT**

On March 31, 2024 and December 31, 2023, property and equipment consisted of the following:

	<u>Useful Life</u>	<u>March 31, 2024</u>	<u>December 31, 2023</u>
Machinery and equipment	5 – 7 years	\$ 73,411	\$ 73,411
Furniture and office equipment	3 – 7 years	2,061	2,061
Vehicles	1 – 5 years	68,050	68,050
Leasehold improvements	3 – 5 years	110,645	110,645
		<u>254,167</u>	<u>254,167</u>
Less: accumulated depreciation		(94,443)	(82,561)
Property and equipment, net		<u>\$ 159,724</u>	<u>\$ 171,606</u>

For the three months ended March 31, 2024 and 2023, depreciation expense is included in general and administrative expenses and amounted to \$11,882 and \$8,224, respectively.

**NOTE 6 – INTANGIBLE ASSETS AND GOODWILL**

On March 31, 2024 and December 31, 2023, intangible assets and goodwill, which were acquired from Patriot Glass in 2021, consisted of the following:

	<u>Useful life</u>	<u>March 31, 2024</u>	<u>December 31, 2023</u>
Customer relations	5 years	\$ 212,516	\$ 212,516
Non-compete	5 years	40,000	40,000
Trade name (non-amortizable)	-	100,000	100,000
		<u>352,516</u>	<u>352,516</u>
Less: accumulated amortization		(135,727)	(123,102)
Intangible assets, net		<u>\$ 216,789</u>	<u>\$ 229,414</u>

  

	<u>Useful life</u>	<u>March 31, 2024</u>	<u>December 31, 2023</u>
Goodwill	-	<u>\$ 350,491</u>	<u>\$ 350,491</u>

For the three months ended March 31, 2024 and 2023, amortization expense of amortizable intangible assets amounted to \$12,625 and \$12,626, respectively. On March 31, 2024, accumulated amortization amounted to \$114,227 and \$21,500 for the customer relations and non-compete, respectively. On December 31, 2023, accumulated amortization amounted to \$103,602 and \$19,500 for the customer relations and non-compete, respectively.

Amortization of intangible assets with identifiable useful lives that is attributable to future periods is as follows:

<b>Twelve months ending March 31:</b>	<u>Amount</u>
2025	\$ 50,503
2026	50,503
2027	15,783
Total	<u>\$ 116,789</u>

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**NOTE 7 – CONVERTIBLE NOTES PAYABLE**

Mercer Convertible Debt

On October 15, 2021, the Company entered into a Securities Purchase Agreement (the “SPA”) with Mercer Street Global Opportunity Fund, LLC (the “Investor”), pursuant to which the Company issued and sold to Investor a 10% Original Issue Discount Senior Convertible Promissory Note in the principal amount of \$825,000 (the “Mercer Note”) and five-year warrants to purchase up to 16,500,000 shares of the Company’s common stock at an initial exercise price of \$0.05 per share, an amount equal to 50% of the conversion shares that were issued (the “Mercer Warrants”). The Company received net proceeds of \$680,000, which was net of original issue discounts of \$75,000, placement fees of \$60,000, and legal fees of \$10,000. The transactions contemplated under the SPA closed on October 18, 2021.

The Mercer Note matured 12 months after issuance, bore interest at a rate of 4% per annum through the date of default, and was initially convertible beginning on the six-month anniversary of the original issue date into the Company’s common stock at a fixed conversion price of \$0.025 per share, subject to adjustment for stock splits, stock combinations, dilutive issuances, and similar events, as described in the Initial Note.

The Mercer Note and Mercer Warrants contain conversion limitations providing that a holder thereof may not convert the Notes or exercise the Warrants to the extent (but only to the extent) that, if after giving effect to such conversion, the holder or any of its affiliates would beneficially own in excess of 4.99% of the outstanding shares of the Company’s common stock immediately after giving effect to such conversion or exercise. A holder may increase or decrease its beneficial ownership limitation upon notice to the Company provided that in no event such limitation exceeds 9.99%, and that any increase shall not be effective until the 61<sup>st</sup> day after such notice.

Upon the occurrence of an event of default under the Mercer Note, the Investor has the right to be prepaid at 125% of the outstanding principal balance and accrued interest, and interest accrues at 18% per annum. Events of default included, among other things,

- (i) any default in the payment of (A) principal and interest payment under this Note or any other Indebtedness, or (B) Late Fees, liquidated damages and other amounts owing to the Holder of this Note, as and when the same shall become due and payable (whether on a Conversion Date, or the Maturity Date, or by acceleration or otherwise), which default, solely in the case of a default under clause (B) above, is not cured within five Trading Days;
- (ii) the Company or any Subsidiary shall be subject to a Bankruptcy Event;
- (iii) the SEC suspends the Common Stock from trading or the Company’s Common Stock is not listed or quoted for trading on a Trading Market which failure is not cured, if possible to cure, within the earlier to occur of 10 Trading Days after notice of such failure is sent by the Holder or by any other Holder to the Company or the transfer of shares of Common Stock through the Depository Trust Company System is no longer available or is subject to a “chill” by the Depository Trust Company or any successor;
- (iv) the Company shall be a party to any Change of Control Transaction or shall agree to sell or dispose of all or in excess of 50% of its assets in one transaction or a series of related transactions (whether or not such sale would constitute a Change of Control Transaction);
- (v) the Company incurs any Indebtedness other than Permitted Indebtedness;
- (vi) the Company restates any financial statements included in its reports or registration statements filed pursuant to the Securities Act or the Exchange Act for any date or period from two years prior to the Original Issue Date of this Note and until this Note is or the Warrants issued to the Holder are no longer outstanding, if following first public announcement or disclosure that a restatement will occur the VWAP on the next Trading Day is 20% less than the VWAP on the prior Trading Day. For the purposes of this clause the next Trading Day if an announcement is made before 4:00 pm New York, NY time is either the day of the announcement or the following Trading Day. The Company filed a Report on Form 8-K announcing the restatement of its financial statements for the year ended December 31, 2020. Following the first public announcement or disclosure that a restatement occurred, the VWAP on the next Trading Day was not 20% less than the VWAP on the prior Trading Day and accordingly, the default provisions were not triggered.

The Company has also granted the investor a 12-month (or until the Notes are no longer outstanding) right to participate in specified future financings, up to a level of 30%.

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On April 20, 2022, the Company and the Investor entered into an Exchange Agreement (the “Exchange Agreement”). The original SPA remains in effect. Per the terms of the Exchange Agreement, the Parties agreed to exchange (i) the Mercer Note for a new Convertible Promissory Note (the “New Note”) and (ii) the Mercer Warrant for a new five-year warrant to purchase, in the aggregate, 33,000,000 shares of the Company’s common stock at an exercise price of \$0.025 per share (the “New Warrant”) and together with the New Note, the “New Securities”), according to the terms and conditions of the Exchange Agreement. On April 20, 2022, pursuant to the terms of the Exchange Agreement, the Investor surrendered the Prior Securities in exchange for the New Securities. Other than the surrender of the Prior Securities, no consideration of any kind whatsoever was given by the Investor to the Company in connection with the Exchange Agreement. The terms of the New Securities are the same as the Prior Securities except for the pricing of the shares issuable under the New Note and the shares issuable upon exercise of the New Warrant. The New Securities are composed of the New Note, which is a 10% Original Issue Discount Senior Convertible Promissory Note in the principal amount of \$825,000, and the New Warrant. The New Note matured on October 15, 2022, bore interest at a rate of 4% per annum through the date of default, and was initially convertible into the Company’s common stock at a fixed conversion price of \$0.0125 per share, subject to adjustment for stock splits, stock combinations, dilutive issuances, and similar events, as described in the New Note. If the average Closing Price during any 10 consecutive Trading Day period beginning and ending during the 60 Day Effectiveness Period (the “Average Closing Price”) is below the Conversion Price then the conversion price will be reduced to such Average Closing Price but in no event less than \$0.00875.

On October 15, 2022, the due date of the New Note, the New Note defaulted due to non-payment. Accordingly, the Company added a default penalty of \$206,250, or 25%, to the principal balance and recorded interest expense of \$206,250, and interest shall accrue at 18% per annum.

On December 4, 2023, the Company entered into a letter agreement (the “Agreement”) with the Investor to eliminate the convertible features and implement a standstill on the interest due under the Convertible Promissory Note Dated October 15, 2021 (the “Note”). This Note is the only remaining convertible note on the Company’s balance sheet. Per the terms of the Agreement, provided that the Company continues making the Payments as outlined in the Agreement and meets its obligations under the Agreement, the Investor shall not have the right to convert the Note into the Company’s common stock. The Company shall make the Payments on the 15th of every month. “Payments” shall mean \$15,000 per month for 35 months with a balloon payment of \$588,091 on the 36th month, for aggregate payments of \$1,113,091.

Additionally, the Company shall pay Mercer 20% of the gross proceeds from capital raised by the Company through the issuance of securities or incurrence of any Debt (regardless of whether the incurrence of debt includes of the sale of any securities) (“Capital Raise Payments”). Capital Raise Payments shall only be required for capital raises resulting in the Company receiving gross proceeds of at least \$500,000. By way example, if the Company receives \$600,000 from the issuance of Debt, the Company shall make a Capital Raise Payment of \$120,000 to Mercer. Any Capital Raise Payments shall be first be applied to the then outstanding Balloon Payment and thereafter to the last Payments (35th, 34th and so on). “Debt” means borrowed money including the sale of any existing and future receivables. The Capital Raise Payments shall be made within two business days of the receipt of the funds under such raise. Any failure to make the Payments within the cure period or from the Capital Raise Payments by the required date shall make this Agreement null and void.

Additionally, provided that the Company is in compliance with this Agreement, Mercer agrees to a standstill on the interest due under the Note beginning with the date that the first \$15,000 Payment is made which the Company paid on December 15, 2023 as required by the Note. Further, if the Company pays off the entire principal and accrued interest by the dates detailed below, the Investor agrees to reduce the total amount due on the Note (principal and interest) by the percentages as follows: 20% if fully paid by March 31, 2024, 15% if fully paid by June 30, 2024, 10% if fully paid by September 30, 2024, and 5% if fully paid by December 31, 2024. All rights and obligations under the original Note shall remain the same. Mercer is not waiving any of its rights under the original Note, including but not limited to, rights available prior to this Agreement.

As of March 31, 2024 and December 31, 2023, the principal balance of the New Note was \$1,053,091 and \$1,098,091, respectively. Additionally, as of March 31, 2024 and December 31, 2023, accrued interest payable amounted to \$176,184 and \$176,184, respectively, which is reflected in accrued expenses on the accompanying unaudited consolidated statements of operations. Under the terms of the Agreement, \$176,184 of accrued interest is subject to forgiveness if the Company complies with the terms of the Agreement. As of the date of this report, the Company has made all required payments.



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At any time this Note or any amounts accrued and payable thereunder remain outstanding, the Company or any Subsidiary, as applicable, sells or grants any option to purchase or sells or grants any right to reprice, or otherwise disposes of or issues (or announces any sale, grant or any option to purchase or other disposition), any common stock or common stock equivalents entitling any Person to acquire shares of the Company's common stock at an effective price per share that is lower than the conversion price then in effect (such lower price, the "Base Conversion Price" and each such issuance or announcement a "Dilutive Issuance"), then the conversion price shall be immediately reduced to equal the Base Conversion Price. Such adjustment shall be made whenever such common stock or common stock equivalents are issued. On September 6, 2022, the Company issued common stock equivalents with an initial conversion price of \$0.009 per share and accordingly, the conversion price and warrant down-round provisions were triggered. As a result, the conversion price of the New April 2022 Note was reduced to \$0.009 per share and the exercise price of the New April 2022 Warrant was lowered to \$0.009.

Pursuant to the provisions of ASC 815-40 – *Derivatives and Hedging – Contracts in an Entity's Own Stock*, the convertible note and related warrants issued in connection with the Mercer convertible note was analyzed and it was determined that the terms of the convertible note and warrants contained terms that were not considered derivatives.

1800 Diagonal Lending Convertible Debt

On November 9, 2022, the Company closed a Securities Purchase Agreement dated November 4, 2022, with 1800 DIAGONAL LENDING LLC, a Virginia limited liability company, ("Diagonal"), pursuant to which a Promissory Note (the "November 2022 Diagonal Note") dated November 4, 2022, was made to Diagonal in the aggregate principal amount of \$104,250 and the Company received net proceeds of \$100,000 which was net of fees of \$4,250. The November 2022 Diagonal Note bore interest at a rate of 12% per annum and all outstanding principal and accrued and unpaid interest was due on May 4, 2024. In May 2023, the November 2022 Diagonal Note and any interest due was repaid in full (See Note 16).

On December 27, 2022, the Company closed a Securities Purchase Agreement dated December 27, 2022, with 1800 Diagonal pursuant to which a Promissory Note ("December 2022 Diagonal Note") dated December 27, 2022, was made to Diagonal in the aggregate principal amount of \$64,250 and the Company received net proceeds of \$60,000 which was net of fees of \$4,250. The December 2022 Diagonal Note bore interest at a rate of 12% per annum and all outstanding principal and accrued and unpaid interest was due on June 27, 2024. In May 2023, the December 2022 Diagonal Note and any interest due was repaid in full (See Note 16).

On March 17, 2023, the Company closed a Securities Purchase Agreement dated November 4, 2022, with Diagonal pursuant to which a Promissory Note (the "March 2023 Diagonal Note") dated March 17, 2023, was made to Diagonal in the aggregate principal amount of \$54,250 and the Company received net proceeds of \$50,000 which was net of fees of \$4,250. The March 2023 Diagonal Note bore interest at a rate of 12% per annum and all outstanding principal and accrued and unpaid interest was due on March 17, 2024. In May 2023, the March 2023 Diagonal Note and any interest due was repaid in full (See Note 16).

The Company accounted for the November 2022 and December 2022 Diagonal Notes as stock settled debt under ASC 480 and recorded an aggregate debt premium of \$90,731 with a charge to interest expense. The Company has accounted for the March 2023 Diagonal Note as stock settled debt under ASC 480 and recorded an aggregate debt premium of \$29,212 with a charge to interest expense. On May 11, 2023, upon repayment of the November 2022, December 2022 and March 2023 Diagonal Notes, the Company reversed the debt premium of \$119,943 and recorded a gain on debt extinguishment of \$119,943 on the accompanying unaudited consolidated statement of operations.

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For the three months ended March 31, 2024 and 2023, amortization of debt discounts related to the convertible notes payable amounted to \$0 and \$1,593, respectively, which has been included in interest expense on the accompanying unaudited consolidated statements of operations.

On March 31, 2024 and December 31, 2023, accrued interest payable under all outstanding convertible notes discussed above amounted to \$176,184 and \$176,184, respectively, and is included in accrued expenses on the accompanying unaudited consolidated balance sheets.

On March 31, 2024 and December 31, 2023, convertible notes payable consisted of the following:

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Convertible note payable	\$ 1,053,091	\$ 1,098,091
Convertible note payable, net	1,053,091	1,098,091
Less: current portion of convertible note payable	(180,000)	(180,000)
Convertible note payable – long-term	<u>\$ 873,091</u>	<u>\$ 918,091</u>

On March 31, 2024, future annual maturities of convertible note payable are as follows:

<b>March 31,</b>	<b>Amount</b>
2025	\$ 180,000
2026	180,000
2027	693,091
Total convertible note payable on March 31, 2024	<u>\$ 1,053,091</u>

**NOTE 8 – NOTES PAYABLE**

On March 31, 2024 and December 31, 2023, notes payable consisted of the following:

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Notes payable	\$ 298,028	\$ 105,958
Note payable – PPP note	16,834	18,823
Total notes payable	314,862	124,781
Less: unamortized debt discount	(30,311)	(764)
Note payable, net	284,551	124,017
Less: current portion of notes payable, net of discount	(232,104)	(81,908)
Notes payable – long-term	<u>\$ 52,447</u>	<u>\$ 42,109</u>

**Notes Payable**

**BOCO Investment Note**

On November 14, 2018, the Company entered into a Revolving Credit Facility Loan and Security Agreement (“Loan Agreement”) and a Secured Promissory Note (the “Note”) with BOCO Investments, LLC (the “Lender”). Subject to and in accordance with the terms and conditions of the Loan Agreement and the Note, the Lender agreed to lend to the Company up to \$400,000 (the “Maximum Loan Amount”) against the issuance and delivery by the Company of the Note for use as working capital and to assist in inventory acquisition. In 2018, the Lender loaned \$400,000 to the Company, the Maximum Loan Amount. The outstanding principal advanced to Company pursuant to the Loan Agreement initially bore interest at the rate of 12% per annum, compounded annually. Upon the occurrence of an Event of Default under the Loan Agreement and Note, all amounts then outstanding (including principal and interest) bore interest at the rate of 18% per annum, compounded annually until the Event of Default is cured.

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In May 2023, the Company and the Lender entered into a Debt Exchange and Release Agreement in regard to the \$400,000 Note discussed above, whereby the Company paid the Lender cash of \$200,000 and issued the Lender 22,000,000 shares of Common Stock of the Company (see Note 9) in exchange for settlement of the remaining \$200,000 of the loan and all accrued interest amounting to \$317,293, which were deemed paid in full (see Note 16). The 22,000,000 shares issued were valued at \$132,000, or \$0.006 per share, based on the quoted closing price of the Company's common stock on the measurement date. In connection with the repayment and settlement of this debt, in May 2023, the Company recorded a gain from debt extinguishment of \$385,293 consisting of a) \$68,000 calculated as the difference in the principal amount settled for shares of \$200,000 and the fair value of the shares on the measurement date of \$132,000, and b) the forgiveness of interest due of \$317,293.

On March 31, 2024 and December 31, 2023, the principal amount due and accrued interest payable under this Note amounted to \$0.

Mercer Street Global Opportunity Fund Notes

On March 14, 2022, the Company entered into an Original Issue Discount Promissory Note and Security Agreement (the "March 2022 Note") in the principal amount of \$197,500 with Mercer Street Global Opportunity Fund, LLC (the "Investor"). The March 2022 Note was funded on March 14, 2022 and the Company received net proceeds of \$175,000 which is net of an original issue discount and investor legal fees of \$22,500. The original issue discount was recorded as a debt discount to be amortized over the life of the March 2022 note. On March 31, 2024 and December 31, 2023, the principal balance due and accrued interest payable on the March 2022 Note amounted to \$0. In May 2023, the March 2022 Note and all accrued interest due was paid in full (See Note 16).

On November 22, 2022, the Company entered into a Promissory Note and Security Agreement (the "November 2022 Note") with a principal amount of \$65,000 with the Investor. The November 2022 Note was funded on November 22, 2022 and the Company received net proceeds of \$62,500 which is net of Investor legal fees of \$2,500. The legal fees were recorded as a debt discount to be amortized over the life of the November 2022 note. The November 2022 Note was to mature on August 22, 2023 and bore interest at a rate of 8% per annum. On March 31, 2024 and December 31, 2023, the principal balance due and accrued interest payable on the November 2022 Note amounted to \$0. In May 2023, the November 2022 Note and all accrued interest due was paid in full and the Company recorded a gain on debt extinguishment of approximately \$18,900 (See Note 16).

GS Capital Debt

On June 23, 2022, the Company entered into a Securities Purchase Agreement ("Agreement") with GS Capital Partners, LLC ("GS Capital"), pursuant to which a Promissory Note (the "GS Capital June 2022 Note") was made to GS Capital in the aggregate principal amount of \$195,000. The GS Capital June 2022 Note was purchased for \$176,000, reflecting an original issuance discount of \$19,000, and was funded on June 24, 2022 (less legal and other administrative fees). The Company received net proceeds of \$148,420. In 2022, the Company issued GS Capital a total of 1,750,000 commitment shares ("Commitment Shares") as additional consideration for the purchase of this Note. Through December 31, 2022, the Company paid \$53,512 of principal balance and during the year ended December 31, 2023, paid principal balance of \$79,488. During April and May 2023, the Company issued 21,371,481 shares of its common stock upon the conversion of the remaining principal amount of \$62,000, accrued interest of \$4,139, and fees of \$2,250 (See Note 9). On March 31, 2024 and December 31, 2023, the principal balance due on the GS Capital Note and accrued interest payable amounted to \$0 (See Note 16).

On July 26, 2022, the Company closed a Securities Purchase Agreement ("July 2022 Agreement") with GS Capital, pursuant to which a Promissory Note ("GS Capital July 2022 Note") was made to GS Capital in the aggregate principal amount of \$195,000. The GS Capital July 2022 Note was purchased for \$176,000, reflecting an original issuance discount of \$19,000, and was funded on July 28, 2022 (less legal and other administrative fees). The Company received net proceeds of \$158,920. In 2022, the Company issued GS Capital a total of 2,600,000 commitment shares ("July 2022 Commitment Shares") as additional consideration for the purchase of the July 2022 Note. In addition, in 2022, the Company issued 998,008 of its common stock to the placement agent as a fee for the capital raise, respectively. The July Commitment Shares and the placement agent shares were recorded as a debt discount of \$34,606 based on the relative fair value method to be amortized over the life of the Note. Principal and interest payments were payable in 10 installments of \$21,060 each beginning on the 90th-day anniversary following the issue date and continuing thereafter each 30 days for nine months. The GS Capital July 2022 Note was to mature 12 months after issuance and bore interest at a rate of 8% per annum. On December 15, 2022, the Company and GS Capital entered into a letter agreement to extend the due date of the GS Capital July 2022 note by 60 days. Specifically, the maturity date of the GS Capital July 2022 note was extended to September 26, 2023 and the next payment due date was extended to February 28, 2023. Through December 31, 2022, the Company paid \$34,120 of principal balance and in May 2023, the Company paid the remaining principal balance of \$160,880 and all accrued interest due in full (See Note 16). On March 31, 2024 and December 31, 2023, the principal balance due on the GS Capital July 2022 Note and accrued interest payable amounted to \$0.

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On September 6, 2022, the Company closed a Securities Purchase Agreement (“September 2022 Agreement”) with GS Capital, pursuant to which a Promissory Note (“September 2022 Note”) was made to GS Capital in the aggregate principal amount of \$195,000. The September 2022 Note was purchased for \$176,000, reflecting an original issuance discount of \$19,000, and was funded on September 6, 2022 (less legal and other administrative fees). The Company received net proceeds of \$158,920. In 2022, the Company issued GS Capital a total of 3,300,000 commitment shares (“September 2022 Commitment Shares”) as additional consideration for the purchase of the September 2022 Note. In addition, in 2022, the Company issued 773,626 of its common stock to the placement agent as fee for the capital raise, respectively. The September Commitment Shares and the placement agent shares were recorded as a debt discount of \$30,326 based on the relative fair value method to be amortized over the life of the Note. Principal and interest payments were payable in 9 installments of \$23,400 each beginning on the 120th-day anniversary following the issue date and continuing thereafter each 30 days for eight months. The September 2022 Note was to mature 12 months after issuance and bore interest at a rate of 8% per annum. In the event that following the Issue Date the closing trading price of the Company’s common stock was then being traded below \$0.009 per share for more than ten consecutive trading days, then the conversion price shall be equal to \$0.0032 per share. On December 15, 2022, the Company and GS Capital entered into a letter agreement to extend the due date of the GS Capital September 2022 note by 60 days. Specifically, the maturity date of the GS Capital September 2022 note was extended to November 6, 2023 and the next payment due date was extended to March 6, 2023. In May 2023, the GS Capital September 2022 Note and all accrued interest due was paid in full (See Note 16). On March 31, 2024 and December 31, 2023, the principal balance due on the GS Capital September 2022 Note and accrued interest payable amounted to \$0.

In May 2023, the GS Capital June 2022 Note, the GS Capital July 2022 Note, and the September 2022 Note were paid in full without any default penalty and the Company recorded a gain on debt extinguishment of approximately \$25,400 (see Note 16).

1800 Diagonal Lending Note Payable

On March 1, 2024, the Company executed a Promissory Note (the “Note”) in favor of 1800 Diagonal Lending LLC (the “Investor”) in the aggregate principal amount of \$157,000 (the “Principal”), and an accompanying Securities Purchase Agreement (“SPA”). Only in the event of a default, as discussed below, is the Note convertible into shares of the Company’s common stock. The Note was funded on March 4, 2024, in the amount of \$125,000, which is net of an original issue discount of \$13,000 and a one-time interest charge at 12% (the “Interest Rate”) of approximately \$19,000 was applied on the issuance date to the Principal. Under the terms of the Note, the Company is required to make monthly payments as outlined in the Note, beginning on August 30, 2024 and the Note matures on December 30, 2024. Any amount of principal or interest on this Note which is not paid when due shall bear interest at the rate of 22% per annum from the due date thereof until the same is paid (“Default Interest”). Monthly payments of principal and interest shall be as follows:

Payment Date:

August 30, 2024	\$	87,920
September 30, 2024		21,980
October 30, 2024		21,980
November 30, 2024		21,980
December 30, 2024		21,980
Total	\$	<u>175,840</u>

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Among other things, an event of default (“Event of Default”) shall occur if the Company fails to pay the principal or interest when due on the Note, whether at maturity, upon acceleration or otherwise. Upon the occurrence of any Event of Default, the Note shall become immediately due and payable and the Company shall pay to the Investor, in full satisfaction of its obligations hereunder, an amount equal to 220% times the sum of the then outstanding principal amount of this Note plus accrued and unpaid interest on the unpaid principal amount of this Note to the date of payment plus Default Interest, if any. At any time following an Event of Default, the Holder shall have the right to convert all or any part of the outstanding and unpaid amount of this Note into fully paid and non-assessable shares of the Company’s Common Stock. The conversion price (the “Conversion Price”) shall be the greater of \$0.0025 per share (the “Fixed Conversion Price”) or 65% multiplied by the lowest closing bid price during the 10 trading days prior to the conversion date (representing a discount rate of 35%) (the “Variable Conversion Price”). At no time may the Note be converted into shares of our common stock if such conversion would result in the Investor and its affiliates owning an aggregate of in excess of 4.99% of the then outstanding shares of our common stock.

On March 31, 2024 and December 31, 2023, the principal balance due on this note amounted to \$157,000 and \$0, respectively.

Other Notes Payable

On May 10, 2021, the Company entered into a Loan and Security Agreement (the “Loan Agreement”) and a Secured Promissory Note (the “Promissory Note”) in the amount of \$500,000 with a lender. The Promissory Note accrued interest at 8% per annum, compounded annually, and all outstanding principal and accrued interest was due and payable on May 10, 2023. In May 2023, this Promissory Note and all accrued interest was paid in full (See Note 16).

On July 22, 2021, in connection with the acquisition of Patriot Glass, the Company assumed vehicle and equipment loans in the amount of \$95,013. These loans bear interest at rates ranging from 6.79% to 8.24% and are payable monthly through April 2025. On March 31, 2024 and December 31, 2023, notes payable related to these vehicle and equipment loans amounted to \$7,719 and \$8,250, respectively.

On November 8, 2022, the Company entered into a Promissory Note (the “November 2022 Note”) with a lender investor (the “Private Investor”) in the principal amount of \$200,000 and received net proceeds of \$200,000. The November 2022 Note bore interest at a rate of 8% per annum and all outstanding principal and accrued and unpaid interest was due on November 8, 2024. In May 2023, the November 2022 Note and all unpaid interest was paid in full (See Note 16).

During the year ended December 31, 2023, in connection with the acquisition of a vehicle and an air conditioner unit, the Company entered into three vehicle and equipment loans in the amount of \$117,721. These loans bear interest at rates ranging from 10.0% to 35.1% and are payable monthly through September 2028. On March 31, 2024 and December 31, 2023, notes payable related to the vehicle and equipment loans amounted to \$85,486 and \$97,708, respectively. The net book value on March 31, 2024 relating to the collateralized assets was \$103,139.

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On February 21, 2024, the Company entered into a Promissory Note (the “February 2024 Note”) with a lender in the principal amount of \$50,000 and received net proceeds of \$49,00, net of original issue discount of \$1,000, which was reflected as a debt discount to be amortized into interest expense over the term of the note. The February 2024 Note bears interest at an effective rate of 33.4% per annum and all outstanding principal and accrued and unpaid interest is due on August 21, 2025. On March 31, 2024, the principal amount due on the February 2024 Note is \$47,823.

For the three months ended March 31, 2024 and 2023, amortization of debt discounts related to all the above notes payable amounted to \$3,789 and \$62,323, respectively, which has been included in interest expense on the accompanying unaudited consolidated statements of operations.

**PPP Loan**

On April 28, 2020, the Company entered into a Paycheck Protection Program Promissory Note (the “PPP Note”) with respect to a loan of \$156,200 (the “PPP Loan”) from Comerica Bank. The PPP Loan was obtained pursuant to the Paycheck Protection Program (the “PPP”) of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES act”) administered by the U.S. Small Business Administration (“SBA”). The PPP Loan matured on April 28, 2022 and bears interest at a rate of 1.00% per annum. The PPP Loan was payable in 18 equal monthly payments of approximately \$8,900 commencing November 1, 2020. The PPP Loan may be prepaid at any time prior to maturity with no prepayment penalties. The Company applied for forgiveness of its PPP Loan, and on November 4, 2021, the Company was notified that the Small Business Administration forgave \$95,000 of the principal loan amount and \$1,442 of interest. On February 29, 2029, the Company entered into a payment plan arrangement with the SBA and agreed to pay the remaining balance of \$17,824 by making 17 monthly payments of \$990 and a final payment of \$994. On March 31, 2024 and December 31, 2023, the principal amount due under the PPP Loan amounted to \$16,834 and \$18,823, respectively. As of March 31, 2024 and December 31, 2023, accrued interest payable amounted to \$0 and \$358, respectively.

On March 31, 2024, future annual maturities of notes payable are as follows:

<b>March 31,</b>	<b>Amount</b>
2025	\$ 262,415
2026	33,979
2027	6,840
2028	7,558
2029	4,070
Total notes payable on March 31, 2024	<u>\$ 314,862</u>

**NOTE 9 – SHAREHOLDERS’ DEFICIT**

**Preferred Stock**

***Series B Preferred Stock***

On December 12, 2019, the Company filed an Amendment to its Articles of Incorporation to designate a series of preferred stock, the Series B Convertible Preferred Stock (the “Series B”), with the Secretary of State of the State of Colorado. The Certificate of Designations established 100,000 shares of the Series B, par value \$0.10, having such designations, preferences, and rights as determined by the Company’s Board of Directors in its sole discretion, in accordance with the Company’s Articles of Incorporation and Amended and Restated Bylaws. The Certificate of Designations became effective with the State of Colorado upon filing.

The Series B ranks senior with respect to dividends and right of liquidation with the Company’s common stock and junior to all existing and future indebtedness of the Company. The Series B has a stated value per share of \$1,000, subject to adjustment as provided in the Certificate of Designations (the “Stated Value”), and a dividend rate of 2% per annum of the Stated Value.

The Series B is subject to redemption (at Stated Value, plus any accrued, but unpaid dividends (the “Liquidation Value”) by the Company no later than three years after a Deemed Liquidation Event and at the Company’s option after one year from the issuance date of the Series B, subject to a ten-day notice (to allow holder conversion). A “Deemed Liquidation Event” will mean: (a) a merger or consolidation in which the Company is a constituent party or a subsidiary of the Company is a constituent party and the Company issues shares of its capital stock pursuant to such merger or consolidation, except any such merger or consolidation involving the Company or a subsidiary in which the shares of capital stock of the Company outstanding immediately prior to such merger or consolidation continue to represent, or are converted into or exchanged for shares of capital stock that represent, immediately following such merger or consolidation, at least a majority, by voting power, of the capital stock of the surviving or resulting corporation or, if the surviving or resulting corporation is a wholly-owned subsidiary of another corporation immediately following such merger or consolidation, the parent corporation of such surviving or resulting corporation; or (b) the sale, lease, transfer, exclusive license or other disposition, in a single transaction or series of related transactions, by the Company or any subsidiary of the Company of all or substantially all the assets of the Company and its subsidiaries taken as a whole, or the sale or disposition (whether by merger or otherwise) of one or more subsidiaries of the Company if substantially all of the assets of the Company and its subsidiaries taken as a whole are held by such subsidiary or subsidiaries, except where such sale, lease, transfer, exclusive license or other disposition is to a wholly owned subsidiary of the Company.

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The Series B is convertible into common stock at the option of a holder or if the closing price of the common stock exceeds 400% of the Conversion Price for a period of twenty consecutive trading days, at the option of the Company. Conversion Price means a price per share of the common stock equal to 100% of the lowest daily volume weighted average price of the common stock during the two years preceding or subsequent two years following the Issuance Date, subject to adjustment as otherwise provided in the Certificate of Designations (the "Conversion Price").

In the event of a conversion of any Series B, the Company shall issue to the holder a number of shares of common stock equal to the sum of the Stated Value plus accrued but unpaid dividends multiplied by the number of shares of Series B Preferred Stock being converted divided by the Conversion Price.

Upon liquidation of the Company after payment or provision for payment of liabilities of the Company and after payment or provision for any liquidation preference payable to the holders of any preferred stock ranking senior to the Series B but prior to any distribution to the holders of Common Stock or preferred stock ranking junior upon liquidation to the Series B, the holders of Series B will be entitled to be paid out of the assets of the Company available for distribution to its stockholders an amount with respect to each share of Series B equal to the Liquidation Value.

The Series B has voting rights per Series B Share equal to the Liquidation Value per share, divided by the Conversion Price, multiplied by fifty (50). Subject to applicable Colorado law, the holders of Series B will have functional voting control in situations requiring shareholder vote.

These Series B preferred share issuances with redemption provisions that permit the issuer to settle in either cash or common stock, at the option of the issuer, were evaluated to determine whether temporary or permanent equity classification on the consolidated balance sheet was appropriate. As per the terms of the Series B preferred stock agreements, Series B preferred stock is redeemable for cash and other assets on the occurrence of a deemed liquidation event. A deemed liquidation event includes a change of control which is not in the Company's control. As such, since Series B preferred stock is redeemable upon the occurrence of an event that is not within the Company's control, the Series B preferred stock is classified as temporary equity.

The Company concluded that the Series B Preferred Stock represented an equity host and, therefore, the redemption feature of the Series B Preferred Stock was not considered to be clearly and closely related to the associated equity host instrument. However, the redemption features did not meet the net settlement criteria of a derivative and, therefore, were not considered embedded derivatives that required bifurcation. The Company also concluded that the conversion rights under the Series B Preferred Stock were clearly and closely related to the equity host instrument. Accordingly, the conversion rights feature on the Series B Preferred Stock were not considered an embedded derivative that required bifurcation. The conversion feature of the Series B Preferred Stock at the time of issuance was determined to be beneficial on the commitment date.

On January 17, 2023, the Board of Directors of the Company agreed to satisfy \$144,000 of accrued compensation owed to its executive officers (collectively, the "Management") which, as of December 31, 2022 was included in accrued compensation on the accompanying consolidated balance sheet. Management agreed to accept 144 shares of the Company's Series B convertible preferred stock in settlement of this accrued compensation. The beneficial conversion feature of the Series B Preferred Stock at the time of issuance was determined to be de minimis on the commitment date.

On January 2, 2024, the Board of Directors of the Company agreed to satisfy \$312,000 of accrued compensation owed to its executive officers (collectively, the "Management") as of December 31, 2023, which was included in accrued compensation on the accompanying consolidated balance sheet. Management agreed to accept 312 shares of the Company's Series B convertible preferred stock in settlement of this accrued compensation. The conversion feature of the Series B Preferred Stock at the time of issuance was determined to be beneficial on the commitment date. Because the Series B Preferred Stock was perpetual with no stated maturity date, and the conversions could occur any time from the date of issuance, the Company immediately recorded non-cash stock-based compensation of \$281,807 related to the beneficial conversion feature arising from the issuance of Series B Preferred Stock. The beneficial conversion feature amount of \$281,807 was determined by calculating the number of excess common shares to be received upon conversion of the accrued compensation of \$312,000 on the grant date based on i) the quoted closing price of the Company's common stock on the grant date of \$0.059 and ii) the initial conversion of the Series B Preferred Stock of \$.0031, multiplied by the quoted closing price of the Company's common stock on the grant date of \$0.059.

On January 2, 2024, the Board of Directors of the Company agreed to issue 50 shares of the Company's Series B convertible preferred stock to a director for services rendered. The conversion feature of the Series B Preferred Stock at the time of issuance was determined to be beneficial on the commitment date. Because the Series B Preferred Stock was perpetual with no stated maturity date, and the conversions could occur any time from the date of issuance, the Company immediately recorded non-cash stock-based compensation of \$95,161, which consisted of (i) \$50,000 of Series B stated value and (ii) \$45,161 related to the beneficial conversion feature arising from the issuance of Series B Preferred Stock. The beneficial conversion feature amount of \$45,161 was determined by calculating the number of excess common shares to be received upon conversion of the \$50,000 of Series B stated value on the grant date based on i) the quoted closing price of the Company's common stock on the grant date of \$0.059 and ii) the initial conversion of the Series B Preferred Stock of \$.0031, multiplied by the quoted closing price of the Company's common stock on the grant date of \$0.059.

On February 8, 2024, 120 shares of Series B Preferred Stock were forfeited. In connection with this forfeiture, the Company reclassified an aggregate amount of \$127,640 from Series B convertible preferred stock to additional paid-in capital, which consisted of (i) stated value of \$120,000, and (ii) \$7,640 of accrued dividends.

During the three months ended March 31, 2024 and 2023, the Company accrued dividends of \$6,894 and \$5,518, respectively, which was included in Series B convertible preferred stock on the accompanying unaudited consolidated balance sheets.

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As of March 31, 2024, the net Series B Preferred Stock balance was \$1,445,221, which includes stated value of \$1,386,623 and accrued dividends payable of \$58,598. As of December 31, 2023, the net Series B Preferred Stock balance was \$1,203,967, which includes stated value of \$1,144,624 and accrued dividends payable of \$59,343. The net Series B Preferred Stock balance is included on the accompanying unaudited consolidated balance sheets.

During the three months ended March 31, 2024 and 2023, Series B preferred stock activity is as follows:

	<b>For the Three Months Ended March 31, 2024</b>		<b>For the Three Months Ended March 31, 2023</b>	
	<b>Number of Shares</b>	<b>Amount</b>	<b>Number of Shares</b>	<b>Amount</b>
Balance at beginning of period	1,144	\$ 1,203,967	1,000	\$ 1,037,201
Shares issued for accrued compensation	312	312,000	144	144,000
Shares issued for compensation	50	50,000	-	-
Shares and accrued dividends forfeited	(120)	(127,640)	-	-
Dividends accrued	-	6,894	-	5,518
<b>Balance at end of period</b>	<b>1,386</b>	<b>\$ 1,445,221</b>	<b>1,144</b>	<b>\$ 1,186,719</b>

***Series C Preferred Stock***

On August 20, 2020, the Company filed an Amendment to its Articles of Incorporation to designate a series of preferred stock, the Series C Convertible Preferred Stock (the "Series C"), with the Secretary of State of the State of Colorado. The Certificate of Designations established 100,000 shares of the Series C, par value \$0.10, having such designations, preferences, and rights as determined by the Company's Board of Directors in its sole discretion, in accordance with the Company's Articles of Incorporation and Amended and Restated Bylaws. The Certificate of Designations became effective with the State of Colorado upon filing.

The Series C ranks senior with respect to dividends and right of liquidation with the Company's common stock and junior to all existing and future indebtedness of the Company. The Series C has a stated value per share of \$100, subject to adjustment as provided in the Certificate of Designations (the "Stated Value"), and a dividend rate of 2% per annum of the Stated Value.

The Company has no option to redeem the Series C Preferred Stock. If the Company determines to liquidate, dissolve or wind-up its business and affairs, or effect any Deemed Liquidation Event as defined below, each of which has been approved by the holders of a majority of the shares of Series C Preferred Stock then outstanding, the Company will redeem all of the shares of Series C Preferred Stock outstanding immediately prior to such mandatory redemption event at a price per share of Series C Preferred Stock equal to the aggregate Series C Liquidation Value, which is 150% of the sum of the Stated Value plus accrued and unpaid dividends, for the shares of Series C Preferred Stock being redeemed.

The Company will deliver ten-day advance written notice prior to the consummation of any mandatory redemption event via email or overnight courier ("Notice of Mandatory Redemption") to each Holder whose shares are to be redeemed. The Series C is subject to redemption at liquidation Value noted above by the Company. Upon receipt by any Holder of a Notice of Mandatory Redemption, if Holder does not choose to convert, such Holder will promptly submit to the Company such Holder's Series C Preferred Stock certificates on the Redemption Payment Date. Upon receipt of such Holder's Series C Preferred Stock certificates, the Company will pay the applicable redemption price to such Holder in cash. A "Deemed Liquidation Event" will mean: (a) a merger or consolidation in which the Company is a constituent party or a subsidiary of the Company is a constituent party and the Company issues shares of its capital stock pursuant to such merger or consolidation, except any such merger or consolidation involving the Company or a subsidiary in which the shares of capital stock of the Company outstanding immediately prior to such merger or consolidation continue to represent, or are converted into or exchanged for shares of capital stock that represent, immediately following such merger or consolidation, at least a majority, by voting power, of the capital stock of the surviving or resulting corporation or, if the surviving or resulting corporation is a wholly-owned subsidiary of another corporation immediately following such merger or consolidation, the parent corporation of such surviving or resulting corporation; or (b) the sale, lease, transfer, exclusive license or other disposition, in a single transaction or series of related transactions, by the Company or any subsidiary of the Company of all or substantially all the assets of the Company and its subsidiaries taken as a whole, or the sale or disposition (whether by merger or otherwise) of one or more subsidiaries of the Company if substantially all of the assets of the Company and its subsidiaries taken as a whole are held by such subsidiary or subsidiaries, except where such sale, lease, transfer, exclusive license or other disposition is to a wholly owned subsidiary of the Company. Since the Company has determined that a deemed liquidation event is not probable, the Series C is stated at the Stated Value plus accrued and unpaid dividends rather than redemption value, which is liquidation value.

The Series C is convertible at the option of a holder at any time following the issuance date. In the event of a conversion of any Series C Preferred Stock, the Company shall issue to such Holder a number of Conversion Shares equal to (x) the sum of (1) the Stated Value per share of Series C Preferred Stock plus (2) any accrued but unpaid dividends thereon multiplied by (y) the number of shares of Series C Preferred Stock held by such Holder and subject to the Holder Conversion Notice, divided by (z) the Conversion Price with respect to such Series C Preferred Stock. Conversion Price means a price per share of the common stock equal to the lowest daily volume weighted average price of the common stock for any trading day during the two years preceding the date of delivery of the conversion notice, subject to adjustment as otherwise provided in the Series C Certificate of Designation.

Upon liquidation of the Company after payment or provision for payment of liabilities of the Company and after payment or provision for any liquidation preference payable to the holders of any preferred stock ranking senior to the Series C but prior to any distribution to the holders of Common Stock or preferred stock ranking junior upon liquidation to the Series C, the holders of Series C will be entitled to be paid out of the assets of the Company available for distribution to its stockholders an amount with respect to each share of Series C equal to the Liquidation Value.



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On April 28, 2021, the Company filed an Amended and Restated Certificate of Designations of Preferences, Rights, and Limitations of Series C Convertible Preferred Stock (the "Amended Certificate"). The Amended Certificate changed the voting rights of the Series C Preferred Stock on any matters requiring shareholder approval or any matters on which the common shareholders are permitted to vote. Series C Preferred Stock shall have no right to vote on any matters requiring shareholder approval or any matters on which the common shareholders (or other preferred stock of the Company which may vote with the common shareholders) are permitted to vote. With respect to any voting rights of the Series C Preferred Stock set forth herein, the Series C Preferred Stock shall vote as a class, each share of Series C Preferred Stock shall have one vote on any such matter, and any such approval may be given via a written consent in lieu of a meeting of the Holders of the Series C Preferred Stock. Any reference herein to a determination, decision or election being made by the "Majority Holders" shall mean the determination, decision or election as made by Holders holding a majority of the issued and outstanding shares of Series C Preferred Stock at such time. It also adjusts the conversion feature of the Series C Preferred Stock so that any Holder of Series C Preferred Stock cannot convert any portion of the Series C in excess of that number of Series C Preferred Stock that upon conversion would result in beneficial ownership by the Holder of more than 4.99% of the outstanding shares of common stock of the Company.

These Series C preferred stock issuances with redemption provisions that permit the issuer to settle in either cash or common stock, at the option of the holder, were evaluated to determine whether temporary or permanent equity classification on the consolidated balance sheet was appropriate. As per the terms of the Series C preferred stock agreements, Series C preferred stock is redeemable for cash and other assets on the occurrence of a deemed liquidation event. A deemed liquidation event includes a change of control which is not in the Company's control. As such, since Series C preferred stock is redeemable upon the occurrence of an event that is not within the Company's control, the Series C preferred stock is classified as temporary equity.

The Company concluded that the Series C Preferred Stock represented an equity host and, therefore, the redemption feature of the Series C Preferred Stock was not considered to be clearly and closely related to the associated equity host instrument. However, the redemption features did not meet the net settlement criteria of a derivative and, therefore, were not considered embedded derivatives that required bifurcation. The Company also concluded that the conversion rights under the Series C Preferred Stock were clearly and closely related to the equity host instrument. Accordingly, the conversion rights feature on the Series C Preferred Stock were not considered an embedded derivative that required bifurcation. The conversion feature of the Series C Preferred Stock at the time of issuance was determined to be beneficial on the commitment date.

During the three months ended March 31, 2023, the Company issued 26,585,614 shares of its common stock upon the conversion of 1,014 shares of Series C preferred with a stated redemption value of \$101,400. The conversion price was based on contractual terms of the related Series C preferred shares.

During the three months ended June 30, 2023, the Company issued 23,157,922 shares of its common stock upon the conversion of 826 shares of Series C preferred with a stated redemption value of \$82,600. The conversion price was based on contractual terms of the related Series C preferred shares.

During the three months ended September 30, 2023, the Company issued 8,584,376 shares of its common stock upon the conversion of 300 shares of Series C preferred with a stated redemption value of \$30,000. The conversion price was based on contractual terms of the related Series C preferred shares.

On February 1, 2024, the Company issued 5,772,973 shares of its common stock upon the conversion of 200 shares of Series C preferred with a stated redemption value of \$20,000. The conversion price was based on contractual terms of the related Series C preferred shares.

On March 1, 2024, the Company issued 5,781,562 shares of its common stock upon the conversion of 200 shares of Series C preferred with a stated redemption value of \$20,000. The conversion price was based on contractual terms of the related Series C preferred shares.

During the three months ended March 31, 2024 and 2023, the Company accrued dividends of \$7,455 and \$8,169, respectively, which was included in Series C convertible preferred stock on the accompanying unaudited consolidated balance sheets.

As of March 31, 2024, the net Series C Preferred Stock balance was \$1,588,615, which includes stated liquidation value of \$1,475,000 and accrued dividends payable of \$113,615. As of December 31, 2023, the net Series C Preferred Stock balance was \$1,621,160, which includes stated liquidation value of \$1,515,000 and accrued dividends payable of \$106,160. The net Series C Preferred Stock balance is included on the accompanying unaudited consolidated balance sheets.

During the three months ended March 31, 2024 and 2023, Series C preferred stock activity is as follows:

	<b>For the Three Months Ended March 31, 2024</b>		<b>For the Three Months Ended March 31, 2023</b>	
	<b>Number of Shares</b>	<b>Amount</b>	<b>Number of Shares</b>	<b>Amount</b>
Balance at beginning of period	15,150	\$ 1,621,160	17,290	\$ 1,803,731
Conversion of Series C shares to common shares	(400)	(40,000)	(1,014)	(101,400)
Dividends accrued	-	7,455	-	8,169
Balance at end of period	<b>14,750</b>	<b>\$ 1,588,615</b>	<b>16,276</b>	<b>\$ 1,710,500</b>

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**Common Stock**

***Common Stock Issued for Cash and Accrued Compensation***

On January 17, 2023, the Company entered into a Subscription Agreement with its Chairman and Chief Executive Officer, Scott R. Silverman (the “Subscription Agreement”), whereby Mr. Silverman purchased 54,545,455 shares (the “Subscription Shares”) of the Company’s common stock for \$300,000, or \$0.0055 per share, based on the quoted closing price of the Company’s common stock on the measurement date (the “Consideration”). The Consideration consisted of a cash payment of \$275,000 the conversion of \$25,000 of accrued compensation owed to Mr. Silverman.

On January 17, 2023, Barry Edelstein, a member of the Company’s Board of Directors, elected to convert \$53,000 of accrued compensation into 9,636,364 shares of unregistered common stock of the Company. The shares were valued at \$53,000, or \$0.0055, based on the quoted closing price of the Company’s common stock on the measurement date.

***Issuance of Common Stock for Services***

Issuance of Common Stock for Professional Fees

2023

On February 6, 2023, the Company issued 6,666,667 shares of its common stock for public relations services to be rendered. These shares were valued at \$40,000, or \$0.006 per common share, based on the quoted closing price of the Company’s common stock on the measurement date. In connection with these shares, during the three months ended March 31, 2023, the Company recorded stock-based professional fees of \$11,667 and prepaid expense of \$28,333, which was amortized into professional fees over the remaining term of the agreement.

During the three months ended March 31, 2024 and 2023, the Company recorded stock-based professional fees of \$0 and \$29,000 in connection with the amortization to prepaid expenses related to common shares previously issued, respectively.

Issuance of Common Stock for Stock-Based Compensation

During the three months ended March 31, 2024 and 2023, aggregate accretion of stock-based compensation expense on granted common shares amounted to \$0 and \$12,137, respectively. Total unrecognized compensation expense related to these unvested common shares on March 31, 2024 and December 31, 2023 amounted to \$0. By mutual agreement between the parties, the vesting date of previously granted shares was extended through May 2024.

The following table summarizes activity related to non-vested shares:

	<b>Number of Non-Vested Shares</b>	<b>Weighted Average Grant Date Fair Value</b>
Non-vested, December 31, 2023	14,970,120	\$ 0.132
Shares vested	-	-
Non-vested, March 31, 2024	<u>14,970,120</u>	<u>\$ 0.132</u>

***Common Stock Forfeited***

On February 8, 2024, 5,250,000 shares of the Company’s common stock were forfeited. In connection with this forfeiture, the Company reclassified an amount of \$5,250 from common stock, par value to additional paid-in capital.

***Common Stock Issued for Conversion of Series C Preferred Stock***

2023

During the three months ended March 31, 2023, the Company issued 26,585,614 shares of its common stock upon the conversion of 1,014 shares of Series C preferred with a stated redemption value of \$101,400. The conversion price was based on contractual terms of the related Series C preferred shares.

2024

On February 1, 2024, the Company issued 5,772,973 shares of its common stock upon the conversion of 200 shares of Series C preferred with a stated redemption value of \$20,000. The conversion price was based on contractual terms of the related Series C preferred shares.

On March 1, 2024, the Company issued 5,781,562 shares of its common stock upon the conversion of 200 shares of Series C preferred with a stated redemption value of \$20,000. The conversion price was based on contractual terms of the related Series C preferred shares.

**Stock Options**

For the three months ended March 31, 2024 and 2023, the Company recorded no compensation expense related to stock options. Total unrecognized compensation expense related to unvested stock options on March 31, 2024 and December 31, 2023 amounted to \$0.

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Stock option activities for the three months ended March 31, 2024 are summarized as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Balance Outstanding, December 31, 2023	8,445,698	\$ 0.40	2.43	-
Expired	(1,100,000)	-	-	-
Balance Outstanding, March 31, 2024	<u>7,345,698</u>	<u>\$ 0.44</u>	<u>2.53</u>	<u>\$ -</u>
Exercisable, March 31, 2024	<u>7,345,698</u>	<u>\$ 0.44</u>	<u>2.53</u>	<u>\$ -</u>

**Warrants**

Warrant activities for the three months ended March 31, 2024 are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Balance Outstanding December 31, 2023	34,000,000	\$ 0.011	2.73	\$ -
Expired	(200,000)	-	-	-
Balance Outstanding March 31, 2024	<u>33,800,000</u>	<u>\$ 0.01</u>	<u>2.50</u>	<u>\$ -</u>
Exercisable, March 31, 2024	<u>33,800,000</u>	<u>\$ 0.01</u>	<u>2.50</u>	<u>\$ -</u>

**2018 Long-Term Incentive Plan**

On June 7, 2018, a majority of the Company's shareholders and its board approved the adoption of a 2018 Long-Term Incentive Plan (the "2018 Plan"). The purpose of the 2018 Plan is to advance the interests of the Company, its affiliates and its stockholders and promote the long-term growth of the Company by providing employees, non-employee directors and third-party service providers with incentives to maximize stockholder value and to otherwise contribute to the success of the Company and its affiliates, thereby aligning the interests of such individuals with the interests of the Company's stockholders and providing them additional incentives to continue in their employment or affiliation with the Company. The Plan was adopted on June 7, 2018 and effective on August 2, 2018. Under the 2018 Plan, the Plan Administrator may grant:

- options to acquire the Company's common stock, both incentive stock options that are intended to satisfy the requirements of Section 422 of the Internal Revenue Code and nonqualified stock options which are not intended to satisfy such requirements. The exercise price of options granted under our 2018 Plan must at least be equal to the fair market value of the Company's common stock on the date of grant and the term of an option may not exceed ten years, except that with respect to an incentive stock option granted to any employee who owns more than 10% of the voting power of all classes of the Company's outstanding stock as of the grant date the term must not exceed five years and the exercise price must equal at least 110% of the fair market value on the grant date.
- stock appreciation rights, or SARs, which allow the recipient to receive the appreciation in the fair market value of the Company's common stock between the date of grant and the exercise date. The amount payable under the stock appreciation right may be paid in cash or with shares of the Company's common stock, or a combination thereof, as determined by the Administrator.
- restricted stock awards, which are awards of the Company's shares of common stock that vest in accordance with terms and conditions established by the Administrator.
- restricted stock units, which are awards that are based on the value of the Company's common stock and may be paid in cash or in shares of the Company's common stock.
- other types of stock-based or stock-related awards not otherwise described by the terms and provision of the 2018 Plan, including the grant or offer for sale of unrestricted shares of the Company's common stock, and which may involve the transfer of actual shares of the Company's common stock or payment in cash or otherwise of amounts based on the value of shares of the Company's common stock and may be designed to comply with or take advantage of the applicable local laws of jurisdictions other than the United States.
- other cash-based awards to eligible persons in such amounts and upon such terms as the Administrator shall determine.

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An award granted under the 2018 Plan must include a minimum vesting period of at least one year, provided, however, that an award may provide that the award will vest before the completion of such one-year period upon the death or qualifying disability of the grantee of the award or a change of control of the Company and awards covering, in the aggregate, 25,000,000 shares of our Common Stock may be issued without any minimum vesting period.

The aggregate number of shares of common stock and number of shares of the Company's common stock that may be subject to incentive stock options granted under the 2018 Plan is 50,000,000 shares, of which 11,445,698 shares have been issued or granted under incentive stock options and 29,451,070 shares of restricted stock have been issued as of March 31, 2024. All shares underlying grants are expected to be issued from the Company's unissued authorized shares available.

**NOTE 10 – COMMITMENTS AND CONTINGENCIES**

**Legal Matters**

From time to time, the Company may be involved in litigation related to claims arising out of its operations in the normal course of business. As of March 31, 2024, other than discussed below, the Company is not involved in any other pending or threatened legal proceedings that it believes could reasonably be expected to have a material adverse effect on its financial condition, results of operations, or cash flows.

On January 20, 2022, we received an Order Directing Examination and Designating Officers to Take Testimony (a "Formal Order") from the SEC. The Formal Order authorizes that an examination be made to determine whether a stop order should be issued under Section 8(d) of the Securities Act of 1933 with respect to the Company's Registration Statement on Form S-1, and any supplements and amendments thereto. The Formal Order indicates that the Form S-1 may be deficient in that it may contain untrue statements of material fact or omit to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading concerning, among other things, the Company's revenue and financial condition. On April 15, 2022, the Company filed an amendment to its Annual Report on Form 10-K for the fiscal year ended December 31, 2020. The restatement had the cumulative effect of decreasing the Company's reported revenue for fiscal year 2020 by \$102,569 and decreasing the Company's bad debt expense for the same period by \$102,569. There was no effect on the Company's reported net loss for fiscal year 2020 or on the financial condition of the Company on December 31, 2020. The Company received a subpoena from the SEC on April 25, 2022, requesting all documents and communications concerning the review of C-Bond's revenue recognition practices for fiscal year 2020. In response, the Company provided the requested information and its Chief Executive Officer provided his testimony regarding this Formal Order in October 2022. The Company also filed a request to withdraw its Registration Statement on Form S-1 ("S-1") (File No. 333-261472) (the "Registration Statement"), filed by the Company with the Securities and Exchange Commission on December 3, 2021. The S-1 related to shares of common stock underlying certain convertible promissory notes held by selling securityholders. The S-1 was not declared effective and no securities were sold in reliance thereon. The Company and its Chief Executive Officer submitted offers to settle and close the pending SEC investigation, and on May 8, 2024, the SEC filed an administrative proceeding, File No. 3-21932, and agreed to accept the settlement offers and institute an Order. Without admitting or denying the SEC's findings, C-Bond and its Chief Executive Officer consented to a cease-and-desist order and agreed to pay penalties of \$175,000 and \$50,000, respectively. The Chief Executive Officer also agreed, pursuant to Section 304 of the Sarbanes-Oxley Act, to reimburse C-Bond for a bonus of \$21,961 in cash and 197 preferred shares of stock, which he had received during the time C-Bond's financial statements were misstated. As of March 31, 2024 and December 31, 2023, based on the settlement offers, the Company has accrued \$175,000 of settlement expense association with this matter which is included in accrued expenses on the accompanying unaudited consolidated balance sheets. In connection with the settlement offer, in March 2024, the Company deposited \$225,000 into escrow, which is reflected in prepaid expenses and other current assets on the accompanying unaudited balance sheet as of March 31, 2024.

On March 8, 2021, a former officer of the Company resigned. Both parties alleged certain claims against the other, including with respect to certain compensation claims. Neither party has filed litigation. The Company intends to vigorously defend itself against any possible claims and assert any relevant claims against the former executive and believes it will prevail. The Board of Directors of the Company have resolved and taken action in February 2024 to cause the forfeiture of equity and deferred compensation owed/outstanding by said officer. Accordingly, on February 8, 2024, the Board of Directors of the Company determined that 120 shares of Series B convertible preferred stock and 5,250,000 shares of the Company's common stock shall be forfeited (See Note 9). Additionally, on February 8, 2024, the Company reversed accrued compensation that was outstanding to this former officer as of December 31, 2023 of \$347,097 and accordingly, during the three months ended March 31, 2024, the Company recorded a gain on debt extinguishment of \$347,097.

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**Employment Agreements**

On October 18, 2017, the Company entered into an employment agreement with Mr. Scott Silverman, pursuant to which he serves as the Chief Executive Officer of the Company for an initial term of three years that extends for successive one-year renewal terms unless either party gives 30-days' advance notice of non-renewal. As consideration for these services, the employment agreement provides Mr. Silverman with the following compensation and benefits:

- An annual base salary of \$300,000, with a 10% increase on each anniversary date contingent upon achieving certain performance objectives as set by the Board. Until the Company raises \$1,000,000 in debt or equity financing after entering into this agreement, Mr. Silverman will receive ½ of the base salary on a monthly basis with the other ½ being deferred. Upon the financing being raised, Mr. Silverman will receive the deferred portion of his compensation and his base salary will be paid in full moving forward.
- After the first \$500,000 of equity investments is raised by the Company, after entering into this employment agreement, Mr. Silverman will receive a capital raise success bonus of 5% of all equity capital raised from investors/lenders introduced by him to the Company.
- Annual cash performance bonus opportunity as determined by the Board.
- An option to acquire 3,000,000 common shares of the Company, with a strike price of \$0.31 per unit. These options vested pro rata on a monthly basis for the term of the employment agreement. On each anniversary, Mr. Silverman will be eligible to be granted a minimum of 500,000 stock options of the Company at a strike price of \$0.85 per common unit contingent upon the achievement of certain performance objectives.
- Certain other employee benefits and perquisites, including reimbursement of necessary and reasonable travel and participation in retirement and welfare benefits.

The receipt of \$1,240,000 in connection with the April 25, 2018 financing triggered the right of the employee to receive the deferred salary and the 5% bonus provision disclosed above.

Mr. Silverman's employment agreement provides that, in the event that his employment is terminated by the Company without "cause" (as defined in his employment agreement), or if Mr. Silverman resigned for "good reasons" (as defined in his new employment agreement), subject to a complete release of claims, he will be entitled to (i) retain all stock options previously granted; and (ii) receive any benefits then owed or accrued along with one year of base salary and any unreimbursed expenses incurred by him. All amounts shall be paid on the termination date. In the event that Mr. Silverman's employment is terminated by the Company for "cause" (as defined in his employment agreement), or if Mr. Silverman resigned without "good reasons" (as defined in his employment agreement), subject to a complete release of claims, he will be entitled to receive any unpaid base salary and benefits then owed or accrued and any unreimbursed expenses incurred by him. Additionally, if a change of control (as defined in his employment agreement) occurs during the term of this agreement, all unvested stock options will vest in full and if the valuation of the Company in the change of control transaction is greater than \$0.85 per common share, then Mr. Silverman shall be paid a bonus equal to two times his minimum base salary and minimum target bonus. Pursuant to the employment agreement, Mr. Silverman will be subject to a confidentiality covenant, a two-year post-termination non-competition covenant and a two-year post-termination non-solicitation covenant. On June 30, 2020, the Company amended the employment agreement of Mr. Silverman to provide for successive one-year extensions until either the executive or the Board of Directors of the Company gives notice to terminate the employment agreement per its terms. This employment agreement amendment also includes an allowance of up to \$10,000 per year to cover uncovered medical/dental expenses for Mr. Silverman and his family.

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On July 21, 2021, the Company entered into the Employment Agreement with Mr. Wanke, the President of Patriot Glass, to serve as the President of C-Bond's Safety Solutions Group. Under the three-year Employment Agreement, Mr. Wanke will receive a base salary of \$240,000 per year, which may be increased from time to time with the approval of the board of directors. In addition, Mr. Wanke may receive an annual bonus as determined by the board of directors. It is understood that although Mr. Wanke's base salary will be paid by Patriot Glass, 50% of the base salary will be allocated to the expenses of Patriot Glass, and the other 50% of the base salary will be allocated to the expenses of the Company. The term of this Agreement (the "Initial Term") shall begin as of July 21, 2021 (the "Effective Date") and shall end on the earlier of (i) the third anniversary of the Effective Date and (ii) the time of the termination of the Executive's employment in accordance with the Employment Agreement. This Initial Term and any Renewal Term (as defined below) shall automatically be extended for one or more additional terms of one (1) year each (each a "Renewal Term" and together with the Initial Term, the "Term"), unless either the Company or Executive provide notice to the other Party of their desire to not so renew the Initial Term or Renewal Term (as applicable) at least thirty (30) days prior to the expiration of the then-current Initial Term or Renewal Term, as applicable. All unvested shares of stock and stock options shall expire upon such termination, if any. The Executive shall be eligible for an annual bonus payment in an amount to be determined by the Board of Directors of the Company (the "Bonus"). The Bonus shall be determined and payable based on the achievement of certain performance objectives of the Company as established by the Board and communicated to and agreed to by the Executive in writing as soon as practicable after commencement of the year in respect of which the Bonus is paid. The Bonus, if earned, is payable in cash and/or restricted stock at the discretion of the Board. It is understood between the Parties that the target bonus for each year shall be up to 50% of the Base Salary.

On December 7, 2023, the Company's board of directors approved a bonus to two officers in the aggregate amount of \$480,000. For the bonus approved for Mr. Silverman, which amounted to \$300,000, this bonus was paid 50%, or \$150,000, in cash, which was paid in December 2023, and 50% in equity amounting to \$150,000 which as of December 31, 2023 has been accrued and as of December 31, 2023, is included in accrued compensation on the accompanying consolidated balance sheet. For the bonus approved for Ms. Tomek, which amounted to \$180,000, this bonus is to be paid 10% in cash of \$18,000 and 90% in equity amounting to \$162,000, which as of December 31, 2023 has been accrued and as of December 31, 2023, is included in accrued compensation on the accompanying consolidated balance sheet. On January 2, 2024, the Board of Directors of the Company agreed to satisfy the aggregate of \$312,000 of the bonus owed to these executive officers (collectively, the "Management"). Management agreed to accept an aggregate of 312 shares of the Company's Series B convertible preferred stock in settlement of this accrued compensation (See Note 9).

**Anti-dilution rights related to C-Bond Systems, LLC**

Prior to the Merger, C-Bond Systems, LLC entered into certain contracts, described below, which provided certain anti-dilution protection to the counterparties to those contracts. The Company believes that these contracts do not apply to any future issuances of equity by C-Bond Systems, Inc.

In 2013, pursuant to a subscription agreement, the Company's subsidiary, C-Bond Systems, LLC issued 2,425,300 common shares. To the extent that during the term of the agreement C-Bond Systems, LLC issues any "down-round" or subsequent investments based upon an enterprise value of less than \$2,000,000 ("Dilutive Transaction") (other than an issuance pursuant to an option agreement with an employee or otherwise to compensate an employee, or incident to an acquisition of assets by C-Bond Systems, LLC in which common units were issued to the seller of such assets) contemporaneously with the Dilutive Transaction, the contract obligated C-Bond Systems, LLC to issue the investor additional common units in C-Bond Systems, LLC in an amount which would provide them with the ownership percentage interest which they would have held in C-Bond Systems, LLC represented by the common units purchased by them on this date.

In 2015, pursuant to a subscription agreement, C-Bond Systems, LLC issued 3,880,480 common shares to an entity at \$0.77 per common share. This agreement entitled the subscriber to anti-dilution protection to the extent that C-Bond Systems, LLC issued any equity in a "down-round" based upon a value of less than \$0.77 per common unit of C-Bond Systems, LLC (other than an issuance pursuant to an option agreement with an employee or consultant or otherwise to compensate an employee or consultant, or incident to an acquisition of assets by C-Bond Systems, LLC in which common units are issued to the seller of such assets ("Dilutive Transaction")). Contemporaneously with the Dilutive Transaction, the contract obligated C-Bond Systems, LLC to issue the Subscriber additional common units in C-Bond Systems, LLC in an amount which would provide the investor with the ownership percentage interest in C-Bond Systems, LLC on a fully diluted basis which Subscriber held immediately prior to the Dilutive Transaction.

In 2016, pursuant to a subscription agreement, C-Bond Systems, LLC issued 1,175,902 common shares to an entity at \$0.85 per common share. This agreement entitled this investor to customary broad-based weighted average anti-dilution protection to the extent that after the date of this subscription agreement C-Bond Systems, LLC issued any equity in a "down round" based upon a value of less than \$0.85 per common share, including the issuance of options with an exercise price per share of less than \$0.85 to compensate employees or consultants ("Dilutive Transaction"), subject to exclusions for issuances of common shares or options in connection with strategic partnerships, equity kickers to lenders or vendors, mergers or acquisitions. The agreement obligated C-Bond Systems, LLC to give to this investor written notice (an "Issuance Notice") of any proposed issuance by C-Bond Systems, LLC of any C-Bond Systems, LLC common units, or other form of equity interest (excluding issuances of C-Bond Systems, LLC options or other equity to compensate employees or consultants and the issuance of shares in connection with strategic partnerships, equity kickers to lenders or vendors, mergers or acquisitions) at least ten business days prior to the proposed issuance date. This contract entitled the investor to purchase their pro rata portion of such shares or other equity interest of C-Bond Systems, LLC at the price and on the other terms and conditions specified in the issuance notice.

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**Option to purchase 20% of Patriot Glass**

In connection with the Exchange Agreement with Patriot Glass and the Patriot Glass Shareholder (See Note 1), the Company had the option to acquire the remaining 20% of Patriot Glass's issued and outstanding membership interests in exchange for a number of shares of the Company's common stock equal to 300% of Patriot Glass's average EBIT value, divided by the price of the Company's common stock as defined in the Exchange Agreement. On September 20, 2023, the Company and the Patriot Glass Shareholder entered into an amendment to the Exchange Agreement (the "Amended Exchange Agreement"). Pursuant to the Amended Exchange Agreement, the Company shall have the option (the "Option"), beginning on July 1, 2025 (the "Option Start Date") and ending on 5:00 P.M. EST on the date that is thirty calendar days after the Option Start Date (the "Option Period"), to acquire the remaining 20% of Patriot Glass Units (the "Additional Units"), representing 20% of Patriot Glass's issued and outstanding membership interests, collectively (the "Additional Closing").

If the Company exercises the Option, the Company shall acquire the Additional Units in exchange for (i) a number of shares of Company Common Stock equal to (a) the Share Value (as defined below) divided by (b) the Additional Closing Share Price (as defined below) (the "Additional Closing Exchange Shares"), and (ii) a cash payment equal to the Net Income (as below). "Total EBIT Value" shall mean the sum of (i) Patriot Glass's net income, before income tax expense and interest expense have been deducted, for the period beginning on July 1, 2023 and ending on June 30, 2025 plus (ii) \$240,000. "EBIT Value" shall mean the Total EBIT Value divided by two (2). "Share Value" shall mean (i) 300% of the EBIT Value (the "Triple EBIT Value"), minus (ii) the Net Income. "Net Income" shall mean Patriot Glass's net income, after income tax expense and interest expense have been deducted, for the period beginning on July 1, 2023 and ending on June 30, 2025. Any salary paid by Patriot Glass, including but not limited to any salary paid to the Patriot Glass Shareholder, shall not be included in Net Income. If the Company Common Stock is quoted or listed for trading on a Trading Market on July 1, 2025, then "Additional Closing Share Price" shall mean the average of all of the closing prices of Company Common Stock on such Trading Market during the calendar month of June 2024.

**M&A advisory agreement**

On October 18, 2023, the Company and Maxim Group LLC ("Maxim") entered into an engagement letter, whereby Maxim was engaged as the Company's exclusive financial advisor to perform merger and acquisition advisory services. Either Maxim or the Company may terminate this Agreement at any time upon thirty (30) days' prior written notice to the other party after the six (6) month anniversary of this Agreement. The Company paid Maxim a one-time non-refundable cash fee of \$25,000 due promptly upon execution of the Agreement (the "Retainer"). The Retainer shall be creditable against the Success Fee. If during the term of this Agreement a Transaction is consummated or the Company enters into an agreement regarding a Transaction (which is consummated subsequent to the completion of the Term), a fee (the "Success Fee") will be payable in U.S. dollars upon the closing of the Transaction to Maxim equal to six and a half percent (6.5%) of the Consideration (as defined hereinafter), *provided however*, that if a Transaction is consummated or the company enters into an agreement regarding a Transaction with Curtis Stout Inc., such Success Fee shall be reduced to four percent (4.0%) of Consideration from Curtis Stout Inc. In the event that the Company enters into an agreement with respect to a Transaction during the term of this Agreement that is subsequently terminated, and the Company becomes entitled to a break-up, termination, topping, expense reimbursement or similar fee or payment (including any judgment for damages or amount in settlement of any dispute as a result of such termination, or any profit on any stock acquired from, or stock option granted by, any party to such transaction), a fee (the "Break-up Fee") equal to 10.0% of all such amounts, payable promptly upon receipt of such amounts by the Company. Upon the closing of a Transaction, for a period of twelve (12) months from such closing, the Company grants Maxim the right of first refusal to act as sole managing underwriter and sole book runner, sole placement agent, or sole sales agent, for any and all future public or private equity, equity-linked or debt (excluding commercial bank debt) offerings for which the Company retains the service of an underwriter, agent, advisor, finder or other person or entity in connection with such offering period of the Company, or any successor to or any subsidiary of the Company. The Company shall not offer to retain any entity or person in connection with any such offering on terms more favorable than terms on which it offers to retain Maxim. Such offer shall be made in writing in order to be effective. Maxim shall notify the Company within ten (10) business days of its receipt of the written offer contemplated above as to whether or not it agrees to accept such retention. If Maxim should decline such retention, the Company shall have no further obligations to Maxim with respect to the offering for which it has offered to retain Maxim, except as otherwise provided for herein. As of the date of this report, no funds have been raised.

**NOTE 11 – CONCENTRATIONS**

**Concentrations Of Credit Risk**

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of trade accounts receivable and cash deposits. The Company places its cash in banks at levels that, at times, may exceed federally insured limits. On March 31, 2024, the Company had no cash in bank in excess of FDIC insured levels. To reduce its risk associated with the failure of such a financial institution, the Company evaluates at least annually the rating of the financial institution in which it holds deposits. Any material loss that the Company may experience in the future could have an adverse effect on its ability to pay its operational expenses or make other payments and may require the Company to move its cash to other high quality financial institutions. The Company reviews its bank relationships in order to mitigate its risk to ensure that its exposure is limited or reduced to the FDIC protection limits. The Company has not experienced any losses in such accounts through March 31, 2024.

**Geographic Concentrations of Sales**

During the three months ended March 31, 2024 and 2023, all sales were in the United States.

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**Customer Concentrations**

For the three months ended March 31, 2024, two customers accounted for approximately 50.0% of total sales (27.9% and 22.1%, respectively). For the three months ended March 31, 2023, two customers accounted for approximately 36.0% of total sales (25.8% and 10.2%, respectively). On March 31, 2024, two customers accounted for 44.0% (33.9% and 10.1%, respectively) of the total accounts receivable balance. On December 31, 2023, two customers accounted for 41.8% (29.5% and 12.3%, respectively) of the total accounts receivable balance.

**Vendor concentrations**

Generally, the Company purchases substantially all of its inventory from four suppliers. The loss of these suppliers may have a material adverse effect on the Company's consolidated results of operations and financial condition. However, the Company believes that, if necessary, alternate vendors could supply similar products in adequate quantities to avoid material disruptions to operations.

**NOTE 12 – SEGMENT REPORTING**

Through May 8, 2023, the date that the Company entered into an Asset Purchase Agreement with Apex Protect GPS, LLC agreed to sell its C-Bond nanoShield™ product line (See Note 16), the Company operated in two reportable business segments - (1) the manufacture and sale of a windshield strengthening water repellent solution as well as a disinfection product, and the sale of multi-purpose glass strengthening primer and window film mounting solutions, including ballistic-resistant film systems and a forced entry system (the "C-Bond Segment"), and (2) the distribution and installation of window film solutions (the "Patriot Glass Segment"). The Company's reportable segments were strategic business units that offered different products. They were managed separately based on the fundamental differences in their operations and locations. Upon the sale of the C-Bond nanoShield™ business, the legacy C-Bond business is being conducted through Patriot Glass in order to combine administrative functions and they are now being managed together.

Information with respect to these reportable business segments for the three months ended March 31, 2024 and 2023 was as follows:

	<b>For the Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
Revenues:		
C-Bond	\$ -	\$ 93,206
Patriot Glass	936,804	422,014
	<u>936,804</u>	<u>515,220</u>
Depreciation and amortization:		
C-Bond	-	437
Patriot Glass	11,882	20,413
	<u>11,882</u>	<u>20,850</u>
Interest expense:		
C-Bond	-	-
Patriot Glass	8,941	5,143
Other (a)	5,178	194,342
	<u>14,119</u>	<u>199,485</u>
Net income (loss):		
C-Bond	99,805	(275,376)
Patriot Glass	47,551	(83,612)
Other (a)	(455,004)	(364,099)
	<u>\$ (307,648)</u>	<u>\$ (723,087)</u>
	<b>March 31,</b>	<b>December 31,</b>
	<b>2024</b>	<b>2023</b>
Identifiable long-lived tangible assets on March 31, 2024 and December 31, 2023 by segment:		
C-Bond	\$ -	\$ -
Patriot Glass	159,724	171,606
	<u>\$ 159,724</u>	<u>\$ 171,606</u>

(a) The Company does not allocate any general and administrative or financing expenses of its holding company activities to its reportable segments, because these activities are managed at the corporate level.



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**NOTE 13 – REVENUE RECOGNITION**

Prior to the sale of the Company’s C-Bond segment in May 2023, the revenue that the Company recognized arose from purchase requests the Company received from its customers. The Company’s performance obligations under purchase orders or by a verbal order correspond to each shipment of product that the Company makes to its customer under the purchase order or verbal order. As a result, each purchase order or verbal order generally contains more than one performance obligation based on the number of products ordered, the quantity of product to be shipped and the mode of shipment requested by the customer. Control of the Company’s products transfers to its customers when the customer is able to direct the use of, and obtain substantially all of the benefits from, the Company’s products, which generally occurs at the later of when the customer obtains title to the product or when the customer assumes risk of loss of the product. The transfer of control generally occurs at the time of shipment from the Company’s warehouse. Once this occurs, the Company has satisfied its performance obligation and the Company recognizes revenue. In connection with the Company’s C-Bond segment, when the Company receives a purchase order or verbal order from a customer, the Company is obligated to provide the product during a mutually agreed upon time period. Depending on the terms of the purchase order or verbal order, either the Company or the customer arranges delivery of the product to the customer’s intended destination. In situations where the Company has agreed to arrange delivery of the product to the customer’s intended destination and control of the product transfers upon loading of the Company’s product onto transportation equipment, the Company has elected to account for any freight income associated with the delivery of these products as freight revenue, since this activity fulfills the Company’s obligation to transfer the product to the customer.

In connection with the Company’s Patriot Glass segment, the revenue that the Company recognizes arises from purchase requests the Company receives from its customers. The Company’s performance obligations under purchase order or a signed proposal correspond to each job for the distribution and installation of window film solutions. As a result, each purchase order or signed proposal generally may contain more than one performance obligation based on the specific job. Control of the Company’s products transfers to its customers when the customer is able to direct the use of, and obtain substantially all of the benefits from, the Company’s products, which generally occurs when the job or a specific portion of the job is completed. Once this occurs, the Company has satisfied its performance obligation and the Company recognizes revenue. Revenues from contracts for the distribution and installation of window film solutions are recognized over time on the basis of the Company’s estimates of the progress towards completion of contracts using various output of input methods including (1) the ratio of number of labor hours spent compared to the number of estimated labor hours to complete a job, (2) using the milestone method, or (3) using a units completed method. These methods are used because management considers these methods to be the best available measure of progress on these contracts.

**Transaction Price**

The Company agrees with its customers on the selling price of each transaction. This transaction price is generally based on the product, market conditions, including supply and demand balances, labor costs, and freight. In the Company’s C-Bond contracts with customers, the Company allocates the entire transaction price to the sale of product to the customer, which is the basis for the determination of the relative standalone selling price allocated to each performance obligation. Returns of the Company’s product by its customers are permitted only when the product is not to specification and were not material for the three months ended March 31, 2024 and 2023. Any sales tax, value added tax, and other tax the Company collects concurrently with its revenue-producing activities are excluded from revenue.

**Revenue Disaggregation**

The Company tracks its revenue by product. The following table summarizes our revenue by product for the three months ended March 31, 2024 and 2023:

	<b>For the Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2024</b>	<b>2023</b>
C-Bond Secure multi-purpose and BRS ballistic resistant glass protection systems	\$ 24,976	\$ 5,795
C-Bond Nanoshield solution sales	-	85,588
Window tint installation and sales recognized over time	911,828	422,014
Freight and delivery	-	1,823
<b>Total</b>	<b>\$ 936,804</b>	<b>\$ 515,220</b>

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**NOTE 14 – OPERATING LEASE RIGHT-OF-USE (“ROU”) ASSETS AND OPERATING LEASE LIABILITIES**

In October 2019, the Company entered into an 18-month lease agreement for the lease of office and warehouse space under a non-cancelable operating lease through May 31, 2021. From the lease commencement date of December 1, 2019 until November 30, 2020, monthly rent shall be \$4,444 and from December 1, 2020 to May 31, 2021, monthly rent shall be \$4,577 per month. On May 12, 2021 and effective June 1, 2021, the Company entered into an amendment to the lease which extended the lease for one year until May 31, 2022 at a monthly base rent of \$5,283. On May 4, 2022 and effective June 1, 2022, the Company entered into an amendment to the lease which extended the lease for three years until May 31, 2025. On June 15, 2023, in connection with the sale of the Company’s nanoShield product line, the purchaser assumed the operating lease and the Company vacated the premises.

In connection with the 2021 Exchange Agreement between in the Company and Patriot Glass, the Company was named as guarantor (“Guarantor”) of a Commercial Lease Agreement dated July 21, 2021, by and between landlord MDW Management, LLC, a company owned by Mr. Wanke and his wife and tenant Patriot Glass d/b/a A-1 Glass (the “Lease”). The term of the Lease is 60 months, at a minimum monthly rent of \$5,600 (not including tax), with two five-year options for the tenant to renew. The Company’s obligation as Guarantor of the Lease will terminate upon the occurrence of earlier of the following: (i) the date of Guarantor’s acquisition of 100% of the ownership interests of Patriot Glass; (ii) the date that Guarantor beneficially owns less than an eighty percent (80%) ownership interest in Patriot Glass; or (iii) two (2) years from and after the effective date of the guaranty. During the year ended December 31, 2023, the Company’s obligation as Guarantor expired.

In September 2021, the Company entered into a 48-month lease agreement for the lease of office equipment under a non-cancelable operating lease through September 2025. The monthly base rent is \$365 per month. This lease has been assumed by CB NANOSHIELD LLC as part of its purchase of the nanoShield Assets (see Note 16).

In February 2022, the Company entered into a 36-month lease agreement for the lease of a vehicle under a non-cancelable operating lease through January 2025. The monthly base rent is \$788 per month.

In adopting ASC Topic 842, Leases (Topic 842) on January 1, 2019, the Company had elected the ‘package of practical expedients’, which permitted it not to reassess under the new standard its prior conclusions about lease identification, lease classification and initial direct costs (see Note 2). In addition, the Company elected not to apply ASC Topic 842 to arrangements with lease terms of 12 months or less. Upon signing of new leases for property and equipment, the Company analyzed the new leases and determined it is required to record a lease liability and a right of use asset on its consolidated balance sheets, at fair value.

During the three months ended March 31, 2024 and 2023, in connection with its property operating leases, the Company recorded rent expense of \$16,800 and \$40,845, respectively, which is expensed during the year and included in general and administrative expenses on the accompanying unaudited consolidated statements of operations.

On March 31, 2024 and December 31, 2023, right-of-use asset (“ROU”) is summarized as follows:

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Office leases and office equipment right of use assets	\$ 279,162	\$ 279,162
Less: accumulated amortization	(135,352)	(120,678)
Balance of ROU assets	<u>\$ 143,810</u>	<u>\$ 158,484</u>

On March 31, 2024 and December 31, 2023, operating lease liabilities related to the ROU assets are summarized as follows:

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Lease liabilities related to office leases right of use assets	\$ 143,810	\$ 157,752
Less: current portion of lease liabilities	(61,390)	(60,503)
Lease liabilities – long-term	<u>\$ 82,420</u>	<u>\$ 97,249</u>

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On March 31, 2024, future minimum base lease payments due under non-cancelable operating leases are as follows:

<b>Twelve months ended March 31,</b>	<b>Amount</b>
2025	\$ 75,078
2026	67,200
2027	22,400
Total minimum non-cancelable operating lease payments	164,678
Less: discount to fair value	(20,868)
Total lease liability on March 31, 2024	<u>\$ 143,810</u>

**NOTE 15 – RELATED PARTY TRANSACTIONS**

**Note Payable - Related Party**

On May 2, 2022, the Company entered into a Promissory Note (the “May 2022 Note”) in the principal amount of \$250,000 with the Company’s chief executive officer. The May 2022 Note was funded in May 2022 and the Company received net proceeds of \$250,000. The May 2022 Note bore interest at a rate of 6% per annum and all outstanding principal and accrued and unpaid interest was due on May 2, 2024. At any time, the Company may prepay all or any portion of the principal amount of the May 2022 Note and any accrued and unpaid interest without penalty. For the three months ended March 31, 2023, interest expense – related party amounted to \$3,699. In May 2023, the Company repaid \$200,000 of the May 2022 Note. In August 2023, the Company repaid the remaining \$50,000 of the May 2022 Note and repaid accrued interest of \$15,690. On March 31, 2024 and December 31, 2023, the principal amount due and accrued interest payable - related party amounted to \$0.

**NOTE 16 – SALE OF NANOSHIELD PRODUCT LINE**

On May 8, 2023, the Company entered into an Asset Purchase Agreement (the “APA”) with Apex Protect GPS, LLC (the “Buyer”), a Texas limited liability company, whereby the Company agreed to sell its C-Bond nanoShield™ product line, including intangible assets, intellectual property, work in process, furniture, fixtures, equipment, inventory and other physical assets of the Company’s C-Bond nanoShield division (the “Assets”) to the Buyer for a purchase price of \$4,000,000 in cash (the “Transaction”). The Transaction closed on May 8, 2023. Following the Closing, the parties entered into an Assignment and Agreement to Re-Execute (“Assignment”) on June 15, 2023, by and among the Company; Apex Protect GPS, LLC, (“Assignor”) and CB Nanoshield, LLC, (“Assignee”), whereby the Assignor assigned all its right to the (i) APA; (ii) Bill of Sale (iii) IP Agreements; and (iv) and any memorandums, schedules and exhibits related to the foregoing to Assignee.

The Assets were sold and transferred to buyer by means of (i) with respect to the physical assets, a Bill of Sale; and (ii) with respect to intangible assets or intellectual property, a Patent and Trademark Assignment Agreement, a Patent and Know-How License Agreement, and a Patent License-Back Agreement.

The APA contains customary representations, warranties, and covenants by each party including, among other things, that no bankruptcy or similar insolvency proceeding under state or federal law has been filed, or is currently being contemplated, with respect to the Company; that the Company has provided the Seller a true and accurate list of each of the following items of Intellectual Property which comprises a part of the Assets, including, among other things, patents and trademarks (the “Sold Intellectual Property”); and that the Company has good, valid, and legal title to, and is the sole and exclusive owner of all rights, title and interest in and to, the Sold Intellectual Property, free and clear of all liens.

Under the terms of the APA, the Parties entered into a Patent and Trademark Assignment Agreement, whereby the Company conveyed, transferred, and assigned to Buyer, among other assets, the C-Bond nanoShield trademark (the “Trademark”) and U.S. Patent No. 11,155,491 B2 (the “C-Bond nanoShield Patent”), and the Company agreed to execute and deliver an assignment of the Trademark and C-Bond nanoShield Patent, for recording with governmental authorities including, but not limited to, the U.S. Patent and Trademark Office.

The Parties also entered into a Patent and Know-How License Agreement whereby the Company granted to the Buyer a non-transferable, non-sub-licensable, exclusive right and license to four patents owned by the Company and licensed know-how to make, have made, use, offer to sell, sell and import glass and other products and components used in or in relation to the manufacture and operation of civilian, agricultural or military vehicles and equipment (the “Licensed Product”) in the United States and its legal territories.

Lastly, the Parties entered into a Patent License-Back Agreement whereby the Buyer agreed to grant to the Company a perpetual, non-exclusive, worldwide, royalty-free, non-transferable, non-sublicensable license to the C-Bond nanoShield Patent, for all uses and applications except for any that involve, market to, sell to, do business with, provide related goods or services to, or are consumed by any uses and applications of the patented technology within the civilian or military automotive, vehicle and/or transportation industry. The Patent License-Back Agreement also stipulates that all improvements made by either Party to the technology covered by the C-Bond nanoShield Patent shall be owned by the Buyer. In the event that the Company desires to utilize such improvements to the C-Bond nanoShield Patent made by either Party, the Parties hereby agree that they will negotiate in good faith a separate license agreement having pricing and other terms and conditions that are mutually acceptable to both Parties.

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Following the Closing, the Parties completed a transaction wherein the Company assigned to Buyer, and Buyer took assignment from the Company, the lease for the premises located at 6035 South Loop East, Houston, Texas 77033 (the "Lease") pursuant to a lease assignment and assumption agreement as agreed to by the Parties and the lessor pursuant to the Lease.

In connection with the APA, the Company received net proceeds of \$1,989,755, after the repayment and settlement of notes payable and convertible notes payable as follows:

- 1) The Company repaid and settled the BOCO Investments, LLC Note (See Note 8) with a principal balance of \$400,000 and accrued interest payable of \$317,293 for a cash payment of \$200,000 and the issuance of 22,000,000 shares of the Company's common stock (See Note 8 and 9).
- 2) The Company repaid GS Capital Partners, LLC \$419,260 for notes dated June 23, 2022, July 26, 2022, and September 6, 2022 (collectively, the "GS Notes"), and GS Capital Partners, LLC deemed the GS Notes paid in full (See Note 8).
- 3) The Company repaid Mercer Street Global Opportunity Fund, LLC ("Mercer") \$271,825 for notes dated March 14, 2022 and November 22, 2022 (collectively, the "Secured Mercer Notes") (See Note 7).
- 4) The Company repaid Jeff Badders \$875,000 for notes dated May 5, 2021, November 8, 2022, and April 4, 2023 (See Note 8).
- 5) The Company repaid 1800 Diagonal Lending, LLC \$288,035 for notes dated November 4, 2022, December 27, 2022, and March 17, 2023 (collectively, the "1800 Diagonal Notes"), and 1800 Diagonal Lending, LLC deemed the 1800 Diagonal Notes paid in full (See Note 7).
- 6) The Company repaid its CEO \$250,000 for the note dated May 2, 2022, and the CEO deemed the note paid in full.

In accordance with ASC 205-20, the sale of the C-Bond nanoShield product line was not reported in discontinued operations since the disposal did not represent a strategic shift that has (or will have) a major effect on the Company's operations and financial results. The C-Bond nanoShield product line was only a component of the C-Bond segment which comprised of operations and cash flows that were not clearly distinguished, operationally and for financial reporting purposes, from the rest of the C-Bond segment.

In connection with the sale of the C-Bond nanoShield product line, on May 8, 2023, the Company recorded a gain from the sale of the product line of \$4,051,709.

**NOTE 17 – SUBSEQUENT EVENTS**

Common Stock Issued for Conversion of Series C Preferred Stock

On May 1, 2024, the Company issued 6,131,037 shares of its common stock upon the conversion of 200 shares of Series C preferred with a stated redemption value of \$20,000. The conversion price was based on contractual terms of the related Series C preferred shares.

Promissory Note

On April 8, 2024, the Company executed a Promissory Note (the "April 2024 Note") in favor of 1800 Diagonal Lending LLC (the "Investor") in the aggregate principal amount of \$127,963 (the "Principal"), and an accompanying Securities Purchase Agreement ("SPA"). Only in the event of a default, as discussed below, is the April 2024 Note convertible into shares of the Company's common stock. The Note was funded on April 10, 2024, in the amount of \$100,000. A one-time interest charge of 12% (the "Interest Rate") shall be applied on the issuance date to the Principal. Under the terms of the April 2024 Note, the Company is required to make monthly payments as outlined in the Note, beginning on August 15, 2024. Any amount of principal or interest on the April 2024 Note which is not paid when due shall bear interest at the rate of 22% per annum from the due date thereof until the same is paid ("Default Interest").

Among other things, an event of default ("Event of Default") shall occur if the Company fails to pay the principal or interest when due on the Note, whether at maturity, upon acceleration or otherwise. Upon the occurrence of any Event of Default, the April 2024 Note shall become immediately due and payable and the Company shall pay to the Investor, in full satisfaction of its obligations hereunder, an amount equal to 220% times the sum of the then outstanding principal amount of this April 2024 Note plus accrued and unpaid interest on the unpaid principal amount of this April 2024 Note to the date of payment plus Default Interest, if any.

At any time following an Event of Default, the Holder shall have the right, to convert all or any part of the outstanding and unpaid amount of this April 2024 Note into fully paid and non-assessable shares of the Company's common stock. The conversion price (the "Conversion Price") shall be the greater of \$0.0025 (the "Fixed Conversion Price") or 65% multiplied by the lowest closing bid price during the 10 trading days prior to the conversion date (representing a discount rate of 35%) (the "Variable Conversion Price"). At no time may the April 2024 Note be converted into shares of our common stock if such conversion would result in the Investor and its affiliates owning an aggregate of in excess of 4.99% of the then outstanding shares of the Company's common stock.

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

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited consolidated financial statements and the related notes and other financial information included in this Report. Some of the information contained in this discussion and analysis or set forth elsewhere in this Report, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties as described under the heading "Cautionary Note Regarding Our Forward-Looking Statements" elsewhere in this Report. You should review the disclosure under the heading "Risk Factors" in this Report for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.*

### Overview

We are a nanotechnology company and marketer of the patented C-Bond technology. We are engaged in the implementation of proprietary nanotechnology applications and processes to enhance properties of strength, functionality, and sustainability of brittle material systems. Our present primary focus is in the multi-billion-dollar glass and window film industry with target markets in the United States. Our PGS subsidiary sells two main security products: C-Bond BRS, a ballistic-resistant window film solution and C-Bond Secure, a forced entry deterrent solution, to private enterprises, schools, government agencies, and general contractors. PGS also sells offers other types of window film for various applications, including solar, decorative, reflective, and more.

On May 8, 2023, we entered into an APA with Apex Protect GPS, LLC (the "Buyer"), a Texas limited liability company, whereby we agreed to sell its C-Bond nanoShield™ product line, including intangible assets, intellectual property, work in process, furniture, fixtures, equipment, inventory and other physical assets of our C-Bond nanoShield product line (the "Assets") to the Buyer for a purchase price of \$4,000,000 in cash (the "Transaction"). The Transaction closed on May 8, 2023.

The Assets were sold and transferred to buyer by means of (i) with respect to the physical assets, a bill of sale; and (ii) with respect to intangible assets or intellectual property, a Patent and Trademark Assignment Agreement, a Patent and Know-How License Agreement, and a Patent License-Back Agreement.

On June 15, 2023, an Assignment and Agreement to Re-Execute was entered into by and among the Company ("Seller"); Apex Protect GPS, LLC, ("Assignor") and CB Nanoshield, LLC, a Texas limited liability company ("Assignee"), whereby the Assignor assigned to the Assignee all its right to the (i) APA; (ii) Bill of Sale (iii) IP Agreements; and (iv) any memorandums, schedules and exhibits related to the foregoing to Assignee.

The APA contains customary representations, warranties, and covenants by each party including, among other things, that no bankruptcy or similar insolvency proceeding under state or federal law has been filed, or is currently being contemplated, with respect to the Company; that the Company has provided the Seller a true and accurate list of each of the following items of Intellectual Property which comprises a part of the Assets, including, among other things, patents and trademarks (the "Sold Intellectual Property"); and that the Company has good, valid, and legal title to, and is the sole and exclusive owner of all rights, title and interest in and to, the Sold Intellectual Property, free and clear of all liens.

Under the terms of the APA, the Parties entered into a Patent and Trademark Assignment Agreement, whereby the Company conveyed, transferred, and assigned to Buyer, among other assets, the C-Bond nanoShield trademark (the "Trademark") and U.S. Patent No. 11,155,491 B2 (the "C-Bond nanoShield Patent"), and the Company agreed to execute and deliver an assignment of the Trademark and C-Bond nanoShield Patent, for recording with governmental authorities including, but not limited to, the U.S. Patent and Trademark Office.

The Parties also entered into a Patent and Know-How License Agreement whereby the Company granted to the Buyer a non-transferable, non-sub-licensable, exclusive right and license to four patents owned by the Company and licensed know-how to make, have made, use, offer to sell, sell and import glass and other products and components used in or in relation to the manufacture and operation of civilian, agricultural or military vehicles and equipment (the "Licensed Product") in the United States and its legal territories.

Lastly, the Parties entered into a Patent License-Back Agreement whereby the Buyer agreed to grant to the Company a perpetual, non-exclusive, worldwide, royalty-free, non-transferable, non-sublicensable license to the C-Bond nanoShield Patent, for all uses and applications except for any that involve, market to, sell to, do business with, provide related goods or services to, or are consumed by any uses and applications of the patented technology within the civilian or military automotive, vehicle and/or transportation industry. The Patent License-Back Agreement also stipulates that all improvements made by either Party to the technology covered by the C-Bond nanoShield Patent shall be owned by the Buyer. In the event that the Company desires to utilize such improvements to the C-Bond nanoShield Patent made by either Party, the Parties hereby agree that they will negotiate in good faith a separate license agreement having pricing and other terms and conditions that are mutually acceptable to both Parties.

Following the Closing, the Parties completed a transaction wherein the Company assigned to Buyer, and Buyer took assignment from the Company, the lease for the premises located at 6035 South Loop East, Houston, Texas 77033 (the "Lease") pursuant to a lease assignment and assumption agreement as to be reasonably agreed to by the Parties and the lessor pursuant to the Lease.

On May 8, 2023, in connection with the APA, the Company received net proceeds of \$1,989,755, after paying debt and accrued interest of approximately \$2,053,000.

On March 31, 2024, we had cash of \$197,863.

The following discussion highlights our results of operations and the principal factors that have affected our financial condition as well as our liquidity and capital resources for the periods described and provides information that management believes is relevant for an assessment and understanding of the statements of financial condition and results of operations presented herein. The following discussion and analysis are based on our consolidated financial statements contained in this Report, which have been prepared in accordance with United States generally accepted accounting principles (“GAAP”). You should read the discussion and analysis together with such financial statements and the related notes thereto.

### **Going Concern**

These unaudited consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. As reflected in the accompanying unaudited consolidated financial statements, we had a net loss of \$307,648 and \$723,087 for the three months ended March 31, 2024 and 2023, respectively. Net cash used in operations was \$651,236 and \$290,971 for the three months ended March 31, 2024 and 2023, respectively. Additionally, as of March 31, 2024, we had an accumulated deficit, shareholders’ deficit, and working capital deficit of \$61,183,221, \$4,151,924 and \$980,944, respectively. On May 8, 2023, we sold our nanoShield product line and received proceeds of \$4,042,631. The proceeds were used to repay convertible notes payable, notes payable and related accrued interest. On March 31, 2024, we had cash of \$197,863. These factors raise substantial doubt about our ability to continue as a going concern for a period of twelve months from the issuance date of this report. Management cannot provide assurance that we will ultimately achieve profitable operations or become cash flow positive or raise additional debt and/or equity capital. We are seeking to raise capital through additional debt and/or equity financings to fund our operations in the future. Although we have historically raised capital from sales of common shares and preferred shares, and from the issuance of promissory notes and convertible promissory notes, there is no assurance that we will be able to continue to do so. If we are unable to raise additional capital or secure additional lending in the near future, management expects that we will need to curtail our operations. These unaudited consolidated financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should we be unable to continue as a going concern.

### **Critical Accounting Estimates**

The following discussion and analysis of our consolidated financial condition and consolidated results of operations are based upon our unaudited consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these unaudited consolidated financial statements require management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. Management continually evaluates such estimates, including those related to critical estimates for estimates used in the calculation of percentage of completion on uncompleted jobs, assumptions used in assessing impairment of long-term assets, and the fair value of non-cash equity transactions. Management bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Any future changes to these estimates and assumptions could cause a material change to our reported amounts of revenues, expenses, assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions. Management believes the following critical accounting policies affect our more significant judgments and estimates used in the preparation of the unaudited consolidated financial statements.

### **Revenue recognition**

We follow the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* ("ASC 606"). This standard establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most of the existing revenue recognition guidance. ASC 606 requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services and requires certain additional disclosures.

We sell our products, which include standard warranties primarily to distributors and authorized dealers. Product sales are recognized at a point in time when the product is shipped to the customer and title is transferred and are recorded net of any discounts or allowances. The warranty does not represent a separate performance obligation.

Revenues from contracts for the distribution and installation of window film solutions are recognized over time on the basis of the Company's estimates of the progress towards completion of contracts using various output or input methods depending on the type of contract terms including (1) the ratio of number of labor hours spent compared to the number of estimated labor hours to complete a job, (2) using the milestone method, or (3) using a units completed method. These methods are used because management considers these to be the best available measure of progress on these contracts. We use the same method for similar types of contracts. The asset, "contract assets" represents revenues recognized in excess of amounts billed. The liability, "contract liabilities," represents billings in excess of revenues recognized.

### **Stock-based compensation**

Stock-based compensation is accounted for based on the requirements of ASC 718 – "*Compensation –Stock Compensation*", which requires recognition in the financial statements of the cost of employee, director, and non-employee services received in exchange for an award of equity instruments over the period the employee, director, or non-employee is required to perform the services in exchange for the award (presumptively, the vesting period). The ASC also requires measurement of the cost of employee, director, and non-employee services received in exchange for an award based on the grant-date fair value of the award. The Company has elected to recognize forfeitures as they occur as permitted under Accounting Standards Update ("ASU") 2016-09 *Improvements to Employee Share-Based Payment*.

See Note 2 to our consolidated financial statements for a summary of significant accounting policies and recent accounting pronouncements.

### **Results of Operations**

The following comparative analysis on results of operations was based primarily on the comparative consolidated financial statements, footnotes and related information for the periods identified below and should be read in conjunction with the unaudited consolidated financial statements and the notes to those statements for the three months ended March 31, 2024 and 2023, which are included elsewhere in this quarterly report on Form 10-Q. The results discussed below are for the three months ended March 31, 2024 and 2023.

#### **Comparison of Results of Operations for the Three Months ended March 31, 2024 and 2023**

##### ***Sales***

For the three months ended March 31, 2024, sales amounted to \$936,804 as compared to \$515,220 for the three months ended March 31, 2023, an increase of \$421,584, or 81.8%. This increase was attributable to an increase in sales of window tint installation and services of \$489,814 to school districts in Texas. The Texas Education Agency (TEA) mandated that each school district and open-enrollment charter school install either entry-resistant film or fencing on ground-floor windows that would allow access, glass doors, and windows adjacent to glass doors. Additionally, we had an increase in sales of \$19,181 from the sales of C-Bond Secure multi-purpose and BRS ballistic resistant glass protection systems. These increases were offset by a decrease in sales of our recently sold C-Bond nanoShield solutions product line of approximately \$85,588 due to its sale in May 2023, and a decrease in freight and delivery sales of \$1,823. protection systems

### ***Cost of Goods Sold***

In connection with our C-Bond Solutions segment, cost of goods sold is comprised primarily of the cost of raw materials and finished inventory sold, packaging costs, and warranty costs. In connection with our Patriot Glass segment, cost of goods sold is comprised primarily of cost of raw materials such as film, labor, subcontractor costs, equipment rental, and supplies.

For the three months ended March 31, 2024, cost of sales amounted to \$461,929 as compared to \$245,360 for the three months ended March 31, 2023, an increase of \$216,569, or 88.3%.

### ***Gross Profit***

For the three months ended March 31, 2024, gross profit amounted to \$474,875, or 50.7% of sales, as compared to \$269,860, or 52.4% of sales, for the three months ended March 31, 2023, an increase of \$205,015, or 76.0%. Generally, we recognized a higher gross profit percentage on the sale of C-Bond nanoShield and C-Bond ballistic resistant glass protections systems than we do on the sales from Patriot Glass installations and services.

### ***Operating Expenses***

For the three months ended March 31, 2024, operating expenses amounted to \$1,116,394 as compared to \$793,462 for the three months ended March 31, 2023, an increase of \$322,932, or 40.7%. For the three months ended March 31, 2024 and 2023, operating expenses consisted of the following:

	<b>Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
Compensation and related benefits, including stock-based compensation charges of \$376,968 and \$12,137 for the three months ended March 31, 2024, and 2023, respectively	\$ 779,119	\$ 426,872
Professional fees	141,584	187,690
General and administrative expenses	195,691	178,900
<b>Total</b>	<b>\$ 1,116,394</b>	<b>\$ 793,462</b>

#### *Compensation and related benefits*

For the three months ended March 31, 2024, compensation and related benefits increased by \$352,247, or 82.5%, as compared to the three months ended March 31, 2023. This increase was primarily due to an increase in stock-based compensation of \$364,831, offset by an overall decrease in compensation and related benefits of \$12,584.

On January 2, 2024, the Board of Directors of the Company agreed to satisfy \$312,000 of accrued compensation owed to its executive officers (collectively, the "Management") as of December 31, 2023, which was included in accrued compensation on the accompanying consolidated balance sheet. Management agreed to accept 312 shares of the Company's Series B convertible preferred stock in settlement of this accrued compensation. The conversion feature of the Series B Preferred Stock at the time of issuance was determined to be beneficial on the commitment date. Because the Series B Preferred Stock was perpetual with no stated maturity date, and the conversions could occur any time from the date of issuance, the Company immediately recorded non-cash stock-based compensation of \$281,807 related to the beneficial conversion feature arising from the issuance of Series B Preferred Stock. Additionally, on January 2, 2024, the Board of Directors of the Company agreed to issue 50 shares of the Company's Series B convertible preferred stock to a director for services rendered. The conversion feature of the Series B Preferred Stock at the time of issuance was determined to be beneficial on the commitment date. Because the Series B Preferred Stock was perpetual with no stated maturity date, and the conversions could occur any time from the date of issuance, the Company immediately recorded non-cash stock-based compensation of \$95,161, which consisted of (i) \$50,000 of Series B stated value and (ii) \$45,161 related to the beneficial conversion feature arising from the issuance of Series B Preferred Stock.



### *Professional fees*

For the three months ended March 31, 2024, professional fees decreased by \$46,106, or 24.6%, as compared to the three months ended March 31, 2023. This decrease was primarily related to a decrease in consulting fees of \$61,147, offset by an increase in accounting fees of \$6,657, an increase in legal fees of \$3,724, and a net increase in other professional fees of \$4,660.

### *General and administrative*

For the three months ended March 31, 2024, general and administrative expenses increased by \$16,791, or 9.4%, as compared to the three months ended March 31, 2023. The increase are primarily attributable to an increase in bad debt expense of \$29,983, an increase in advertising expense of \$7,859, and an increase in other selling, general and administrative expenses of \$11,962, offset by a decrease in depreciation and amortization of \$8,968 and a decrease in rent of \$24,045 associated with the sale of the C-Bond Nanoshield product line in May 2023.

### **Loss from Operations**

For the three months ended March 31, 2024 and 2023, loss from operations amounted to \$641,519 and \$523,602, respectively, an increase of \$117,917, or 22.5%.

### **Other Income (Expenses), net**

For the three months ended March 31, 2024, other income (expenses), net amounted to \$333,871 as compared to \$(199,485) for the three months ended March 31, 2023, a positive change of \$533,356, or 267.4%. This change was primarily due to a decrease in interest expense of \$185,366 related to a decrease in the amortization of debt discount and a decrease in interest-bearing debt, and an increase in gain on debt extinguishment of \$347,990 related to the reversal of previously accrued compensation.

### **Net Loss**

Due to factors discussed above, for the three months ended March 31, 2024 and 2023, net loss amounted to \$307,648 and \$723,087, respectively. For the three months ended March 31, 2024, net loss attributable to common shareholders, which included dividends accrued on Series B and C preferred stock of \$14,349 and the deduction of net income attributable to noncontrolling interests of \$9,510, amounted to \$331,507, or \$(0.00) per common share (basic and diluted). For the three months ended March 31, 2023, net loss attributable to common shareholders, which included dividends accrued on Series B and C preferred stock of \$13,687 and the deduction of net loss attributable to noncontrolling interests of \$16,722, amounted to \$720,052, or \$(0.00) per basic and diluted common share.

### **Liquidity and Capital Resources**

Liquidity is the ability of an enterprise to generate adequate amounts of cash to meet its needs for cash requirements. We had cash of \$197,863 and \$736,461 as of March 31, 2024 and December 31, 2023, respectively.

Our primary uses of cash have been for compensation and related benefits, fees paid to third parties for professional services, and general and administrative expenses. Historically, we have received funds from the sales of products, from various financing activities such as from the sale of our common shares, from the sale of preferred shares and from debt financings. Additionally, in May 2023, we received net proceeds from the sale of our nanoShield product line and related technologies of \$1,989,755, after the repayment and settlement of notes payable and convertible notes payable. The following trends are reasonably likely to result in changes in our liquidity over the near to long term:

- An increase in working capital requirements to finance our current business,
- Addition of administrative and sales personnel needed for business growth;
- The cost of being a public company;
- Marketing expense for building brand;
- Capital requirements for production capacity.
- Working capital requirements to support acquired companies.

As discussed elsewhere, on May 8, 2023, we entered into an Asset Purchase Agreement (the “APA”) with Apex Protect GPS, LLC (the “Buyer”), a Texas limited liability company, whereby we sold our C-Bond nanoShield™ product line, including intangible assets, intellectual property, work in process, furniture, fixtures, equipment, inventory and other physical assets of the Company’s C-Bond nanoShield division (the “Assets”) to the Buyer for a purchase price of \$4,000,000 in cash (the “Transaction”). The Transaction closed on May 8, 2023.

In connection with the APA, we received net proceeds of \$1,989,755, after the repayment and settlement of notes payable and convertible notes payable as follows:

- 1) The Company repaid and settled the BOCO Investments, LLC Note with a principal balance of \$400,000 and accrued interest payable of \$317,293 for a cash payment of \$200,000 and the issuance of 22,000,000 shares of the Company's common stock.
- 2) The Company repaid GS Capital Partners, LLC \$419,260 for notes dated June 23, 2022, July 26, 2022, and September 6, 2022 (collectively, the "GS Notes"), and GS Capital Partners, LLC deemed the GS Notes paid in full.
- 3) The Company repaid Mercer Street Global Opportunity Fund, LLC ("Mercer") \$271,825 for notes dated March 14, 2022 and November 22, 2022 (collectively, the "Secured Mercer Notes").
- 4) The Company repaid Jeff Badders \$875,000 plus \$87,868 of interest for notes dated May 5, 2021, November 8, 2022, and April 4, 2023.
- 5) The Company repaid 1800 Diagonal Lending, LLC \$288,035 for notes dated November 4, 2022, December 27, 2022, and March 17, 2023 (collectively, the "1800 Diagonal Notes"), and 1800 Diagonal Lending, LLC deemed the 1800 Diagonal Notes paid in full.
- 6) The Company repaid its CEO \$250,000 for the note dated May 2, 2022, and the CEO deemed the note paid in full.

### **Recent Fundings**

On March 1, 2024, we executed a Promissory Note ("Note") in favor of 1800 Diagonal Lending LLC (the "Investor") in the aggregate principal amount of \$157,000 (the "Principal"), and an accompanying Securities Purchase Agreement ("SPA"). Only in the event of a default, as discussed below, is the Note convertible into shares of the Company's common stock. The Note was funded on March 4, 2023, in the amount of \$125,000, which is net of an original issue discount of \$13,000 and a one-time interest charge of \$19,000. A one-time interest charge of twelve percent (12%) (the "Interest Rate") was applied on the issuance date to the Principal. Under the terms of the Note, the Company is required to make monthly payments as outlined in the Note, beginning on August 30, 2024 and the Note matures on December 30, 2024. Any amount of principal or interest on this Note which is not paid when due shall bear interest at the rate of 22% per annum from the due date thereof until the same is paid ("Default Interest"). Among other things, an event of default ("Event of Default") shall occur if the Company fails to pay the principal or interest when due on the Note, whether at maturity, upon acceleration or otherwise. Upon the occurrence of any Event of Default, the Note shall become immediately due and payable and the Company shall pay to the Investor, in full satisfaction of its obligations hereunder, an amount equal to 220% times the sum of the then outstanding principal amount of this Note plus accrued and unpaid interest on the unpaid principal amount of this Note to the date of payment plus Default Interest, if any. At any time following an Event of Default, the Holder shall have the right to convert all or any part of the outstanding and unpaid amount of this Note into fully paid and non-assessable shares of the Company's Common Stock. The conversion price (the "Conversion Price") shall be the greater of \$0.0025 per share (the "Fixed Conversion Price") or 65% multiplied by the lowest closing bid price during the 10 trading days prior to the conversion date (representing a discount rate of 35%) (the "Variable Conversion Price"). At no time may the Note be converted into shares of our common stock if such conversion would result in the Investor and its affiliates owning an aggregate of in excess of 4.99% of the then outstanding shares of our common stock.

On April 8, 2024, we executed a Promissory Note ("the April 2024 Note") in favor of 1800 Diagonal Lending LLC (the "Investor") in the aggregate principal amount of \$127,963 (the "Principal"), and an accompanying Securities Purchase Agreement ("SPA"). Only in the event of a default, as discussed below, is the April 2024 Note convertible into shares of the Company's common stock. The Note was funded on April 10, 2024, in the amount of \$100,000. A one-time interest charge of 12% (the "Interest Rate") shall be applied on the issuance date to the Principal. Under the terms of the April 2024 Note, the Company is required to make monthly payments as outlined in the Note, beginning on August 15, 2024. Any amount of principal or interest on the April 2024 Note which is not paid when due shall bear interest at the rate of 22% per annum from the due date thereof until the same is paid ("Default Interest"). Among other things, an event of default ("Event of Default") shall occur if the Company fails to pay the principal or interest when due on the Note, whether at maturity, upon acceleration or otherwise. Upon the occurrence of any Event of Default, the April 2024 Note shall become immediately due and payable and the Company shall pay to the Investor, in full satisfaction of its obligations hereunder, an amount equal to 220% times the sum of the then outstanding principal amount of this April 2024 Note plus accrued and unpaid interest on the unpaid principal amount of this April 2024 Note to the date of payment plus Default Interest, if any. At any time following an Event of Default, the Holder shall have the right, to convert all or any part of the outstanding and unpaid amount of this April 2024 Note into fully paid and non-assessable shares of the Company's common stock. The conversion price (the "Conversion Price") shall be the greater of \$0.0025 (the "Fixed Conversion Price") or 65% multiplied by the lowest closing bid price during the 10 trading days prior to the conversion date (representing a discount rate of 35%) (the "Variable Conversion Price"). At no time may the April 2024 Note be converted into shares of our common stock if such conversion would result in the Investor and its affiliates owning an aggregate of in excess of 4.99% of the then outstanding shares of the Company's common stock.

## Summary

As of March 31, 2024, we determined that there was substantial doubt about our ability to maintain operations as a going concern. Our consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. Management cannot provide assurance that we will ultimately achieve profitable operations or become cash flow positive or raise additional debt and/or equity capital. We will seek to raise capital through additional debt and/or equity financings to fund operations in the future. Although we have historically raised capital from sales of common and preferred shares, from the issuance of notes payable, and from the issuance of convertible promissory notes, there is no assurance that it will be able to continue to do so. If we are unable to raise additional capital or secure additional lending in the near future, management expects that the Company will need to curtail its operations. Our consolidated financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the company be unable to continue as a going concern.

Our forecast of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement that involves risks and uncertainties, and actual results could vary materially because of a number of factors. We have based this estimate on assumptions that may prove to be wrong and could utilize our available capital resources sooner than we currently expect. Our capital requirements are difficult to forecast. Please see the section titled "Risk Factors" in our Annual Report on Form 10-K as filed with the SEC for additional risks associated with our capital requirements.

Until such time as we generate substantial product revenue to offset operational expenses, we expect to finance our cash needs through a combination of public and private equity offerings and debt financings. We may be unable to raise capital or enter into such other arrangements when needed or on favorable terms or at all. Our failure to raise capital or enter into such other arrangements as and when needed would have a negative impact on our financial condition.

Additional cash liquidity is generated from product sales. However, to date, we are not profitable, and we cannot provide any assurances that we will be profitable. We believe that our existing cash and cash equivalents will not be sufficient to fund our current operating plans.

## Cash Flows

For the three months ended March 31, 2024 and 2023

The following table shows a summary of our cash flows for the three months ended March 31, 2024 and 2023.

	Three Months Ended	
	March 31,	
	2024	2023
Net cash used in operating activities	\$ (651,236)	\$ (290,971)
Net cash provided by financing activities	112,638	276,864
Net decrease in cash	(538,598)	(14,107)
Cash - beginning of the period	736,461	97,091
Cash - end of the period	\$ 197,863	\$ 82,984

### Net Cash Used in Operating Activities:

Net cash flow used in operating activities was \$651,236 for the three months ended March 31, 2024 as compared to net cash flow used in operating activities of \$290,971 for the three months ended March 31, 2023, an increase of \$360,265.

Net cash flow used in operating activities for the three months ended March 31, 2024 primarily reflected a net loss of \$307,648, which was then adjusted for the add-back (deduction) of non-cash items primarily consisting of depreciation and amortization of \$24,507, stock-based compensation expense of \$376,968, amortization of debt discount of \$3,789, non-cash gain on debt extinguishment of \$(347,990), and bad debt expense of \$29,984, and changes in operating assets and liabilities consisting primarily of an increase in accounts receivable of \$113,309, a decrease in inventory of \$79,912, an increase in prepaid expenses of \$241,180 primarily resulting from the payment of an escrow deposit of \$225,000, a decrease in accounts payable of \$6,089, a decrease in contract liabilities of \$158,949, a decrease in accrued compensation of \$32,561, and an increase in accrued expenses of \$48,015.

Net cash flow used in operating activities for the three months ended March 31, 2023 primarily reflected a net loss of \$723,087, which was then adjusted for the add-back (deduction) of non-cash items primarily consisting of depreciation and amortization of \$20,850, stock-based compensation expense of \$12,137, stock-based professional fees of \$40,667, amortization of debt discount of \$63,916, and non-cash interest expense for put premiums of \$29,212, and changes in operating assets and liabilities consisting primarily of a decrease in accounts receivable of \$70,754, a decrease in inventory of \$18,100, an increase in prepaid expenses of \$19,639, an increase in accounts payable of \$48,693, an increase in accrued expenses of \$123,124, a decrease in contract liabilities of \$13,255, an increase in accrued compensation of \$34,317, and an increase in accrued interest – related party of \$2,466.

**Net Cash Provided by Financing Activities:**

Net cash provided by financing activities was \$112,638 for the three months ended March 31, 2024 as compared to net cash provided by financing activities of \$276,864 for the three months ended March 31, 2023.

During the three months ended March 31, 2024, we received net proceeds from notes payable of \$174,000. These proceeds were offset by the repayment of notes payable of \$16,362 and the repayment of convertible notes payable of \$45,000.

During the three months ended March 31, 2023, we received net proceeds from the sale of our common stock to our chief executive officer of \$275,000 and we received net proceeds from convertible notes payable of \$50,000. These proceeds were offset by the repayment of notes payable of \$48,136.

**Contractual Obligations and Off-Balance Sheet Arrangements**

*Contractual Obligations*

We have certain fixed contractual obligations and commitments that include future estimated payments. Changes in our business needs, cancellation provisions, changing interest rates, and other factors may result in actual payments differing from the estimates. We cannot provide certainty regarding the timing and amounts of payments. We have presented below a summary of the most significant assumptions used in our determination of amounts presented in the tables, to assist in the review of this information within the context of our consolidated financial position, results of operations, and cash flows.

The following tables summarize our contractual obligations as of March 31, 2024, and the effect these obligations are expected to have on our liquidity and cash flows in future periods.

<b>Contractual obligations:</b>	<b>Payments Due by Period</b>				
	<b>Total</b>	<b>Less than 1 year</b>	<b>1-2 years</b>	<b>3-5 years</b>	<b>5 + years</b>
Notes payable	\$ 314,862	\$ 262,415	\$ 40,819	\$ 11,628	\$ -
Convertible note payable	1,053,091	180,000	873,091	-	-
Interest on notes payable	176,800	176,800	-	-	-
Operating lease gross base rent	164,678	75,078	89,600	-	-
<b>Total</b>	<b>\$ 1,709,431</b>	<b>\$ 694,293</b>	<b>\$ 1,003,510</b>	<b>\$ 11,628</b>	<b>\$ -</b>

*Off-balance Sheet Arrangements*

We do not have any off-balance sheet arrangements during the period presented as defined in the rules and regulations of the SEC.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable to smaller reporting companies.

### ITEM 4. CONTROLS AND PROCEDURES

#### Disclosure Controls and Procedures

We maintain “disclosure controls and procedures,” as that term is defined in Rule 13a-15(e), promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including the principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure. Our management, with the participation of the principal executive officer and principal financial officer, evaluated our disclosure controls and procedures as of the end of the period covered by this quarterly report on Form 10-Q. Based on this evaluation, our principal executive officer and principal financial officer concluded that as of March 31, 2024, our disclosure controls and procedures were not effective.

As reported in Item 9A of our Annual Report on Form 10-K for the year ended December 31, 2023, our management concluded that our internal control over financial reporting was not effective as of that date because of a material weakness in our internal control over financial reporting. The ineffectiveness of our disclosure controls and procedures was due to the following material weaknesses in our internal control over financial reporting: (1) the lack of multiples levels of management review on complex business, accounting and financial reporting issues, and (2) a lack of adequate segregation of duties as a result of our limited financial resources to support hiring of personnel.

Until such time as we expand our staff to include additional accounting and executive personnel, it is likely we will continue to report material weaknesses in our internal control over financial reporting.

A material weakness is a deficiency or a combination of control deficiencies in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

#### Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended March 31, 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 business.

Except as set forth below, the Company is not involved in any pending or threatened legal proceedings that it believes could reasonably be expected to have a material adverse effect on its financial condition, results of operations, or cash flows.

On January 20, 2022, we received an Order Directing Examination and Designating Officers to Take Testimony (a "Formal Order") from the SEC. The Formal Order authorizes that an examination be made to determine whether a stop order should be issued under Section 8(d) of the Securities Act of 1933 with respect to the Company's Registration Statement on Form S-1, and any supplements and amendments thereto. The Formal Order indicates that the Form S-1 may be deficient in that it may contain untrue statements of material fact or omit to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading concerning, among other things, the Company's revenue and financial condition. On April 15, 2022, we filed an amendment to its Annual Report on Form 10-K for the fiscal year ended December 31, 2020. The restatement had the cumulative effect of decreasing the Company's reported revenue for fiscal year 2020 by \$102,569 and decreasing the Company's bad debt expense for the same period by \$102,569. There was no effect on the Company's reported net loss for fiscal year 2020 or on the financial condition of the Company on December 31, 2020. The Company received a subpoena from the SEC on April 25, 2022, requesting all documents and communications concerning the review of C-Bond's revenue recognition practices for fiscal year 2020. In response, the Company provided the requested information and its Chief Executive Officer provided his testimony regarding this Formal Order in October 2022. The Company also filed a request to withdraw its Registration Statement on Form S-1 ("S-1") (File No. 333-261472) (the "Registration Statement"), filed by the Company with the Securities and Exchange Commission on December 3, 2021. The S-1 related to shares of common stock underlying certain convertible promissory notes held by selling securityholders. The S-1 was not declared effective and no securities were sold in reliance thereon. The Company and our Chief Executive Officer submitted offers to settle and close the pending SEC investigation, and on May 8, 2024, the SEC filed an administrative proceeding, File No. 3-21932, and agreed to accept the settlement offers and institute an Order. Without admitting or denying the SEC's findings, C-Bond and its Chief Executive Officer consented to a cease-and-desist order and agreed to pay penalties of \$175,000 and \$50,000, respectively. The Chief Executive Officer also agreed, pursuant to Section 304 of the Sarbanes-Oxley Act, to reimburse C-Bond for a bonus of \$21,961 in cash and 197 preferred shares of stock, which he had received during the time C-Bond's financial statements were misstated. As of March 31, 2024 and December 31, 2023, based on the settlement offers, we have accrued \$175,000 of settlement expense association with this matter which is included in accrued expenses on the accompanying unaudited consolidated balance sheets. In connection with the settlement offer, in March 2024, we deposited \$225,000 into escrow, which is reflected in prepaid expenses and other current assets on the accompanying unaudited balance sheet as of March 31, 2024.

On March 8, 2021, a former officer of the Company resigned. Both parties alleged certain claims against the other, including with respect to certain compensation claims. Neither party has filed litigation. The Company intends to vigorously defend itself against any possible claims and assert any relevant claims against the former executive and believes it will prevail. The Board of Directors of the Company have resolved and taken action in February 2024 to cause the forfeiture of equity and deferred compensation owed/outstanding by said officer. Accordingly, on February 8, 2024, the Board of Directors of the Company determined that 120 shares of Series B convertible preferred stock and 5,250,000 shares of the Company's common stock shall be forfeited (See Note 9). Additionally, on February 8, 2024, the Company reversed accrued compensation that was outstanding to this former officer as of December 31, 2023 of \$347,097 and accordingly, during the three months ended March 31, 2024, the Company recorded a gain on debt extinguishment of \$347,097.

### ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023.

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

1. During the three months ended March 31, 2024, the Company issued 11,554,535 shares of its common stock upon the conversion of 400 shares of Series C preferred with a stated redemption value of \$40,000. The conversion price was based on contractual terms of the related Series C preferred shares.

The above securities were issued in reliance upon the exemptions provided by Section 4(a)(2) under the Securities Act of 1933, as amended.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None,

#### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

#### ITEM 5. OTHER INFORMATION

Earlier this year, we announced that we expected to report revenues for the quarter ended March 31, 2024, of more than \$1 million. However, due to inclement weather, consisting of rain and heavy winds, we were delayed on one particular job with an aggregate contract price of \$717,000. This job requires us to install window tint on the outside of a multi-floor building. We expected to finish approximately 45% of this job during the three months ended March 31, 2024. However, we only completed approximately 29% of the job, a change in expected revenue of approximately \$115,000. We expect to complete this job in the second and third quarter of 2024.

#### ITEM 6. EXHIBITS

<b>Exhibit No.</b>	<b>Description of Exhibit</b>
4.1	<a href="#">Form of Promissory Note, dated March 1, 2024, in favor of Investor (Incorporated by reference to Exhibit 4.1 in Form 8-K as filed on March 7, 2024).</a>
4.2	<a href="#">Form of Promissory Note, dated April 8, 2024, in favor of Investor (Incorporated by reference to Exhibit 4.1 in Form 8-K as filed on April 12, 2024).</a>
10.1	<a href="#">Form of Securities Purchase Agreement, dated March 1, 2024, between C-Bond Systems, Inc. and Investor (Incorporated by reference to Exhibit 10.1 in Form 8-K as filed on March 7, 2024).</a>
10.2	<a href="#">Form of Securities Purchase Agreement, dated April 8, 2024, between C-Bond Systems, Inc. and Investor (Incorporated by reference to Exhibit 10.1 in Form 8-K as filed on April 12, 2024).</a>
31.1*	<a href="#">Certification of Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2*	<a href="#">Certification of Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1**	<a href="#">Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS*	Inline XBRL Instance Document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

\* Filed herewith.

\*\* Furnished herewith.

**SIGNATURES**

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

Dated: May 14, 2024

**C-BOND SYSTEMS, INC.**

By: /s/ Scott R. Silverman  
Scott R. Silverman  
Chief Executive Officer and  
Chief Financial Officer  
(principal executive officer,  
principal financial officer and  
principal accounting officer)



**CERTIFICATIONS**

I, Scott R. Silverman, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended March 31, 2024 of C-Bond Systems, Inc.;
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: May 14, 2024

*/s/ Scott R. Silverman*

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Scott R. Silverman

Chief Executive Officer (principal executive officer)

**CERTIFICATIONS**

I, Scott R. Silverman, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended March 31, 2024 of C-Bond Systems, Inc.;
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: May 14, 2024

*/s/ Scott R. Silverman*

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Scott R. Silverman

Chief Financial Officer (principal financial officer)

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

In connection with the quarterly report of C-Bond Systems, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), and pursuant to 18 U.S.C. Section 1350, as added by Section 906 of the Sarbanes-Oxley Act of 2002, as amended, I, Scott R. Silverman, Chief Executive Officer and Chief Financial Officer, certify to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 14, 2024

*/s/ Scott R. Silverman*

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Scott R. Silverman  
Chief Executive Officer and  
Chief Financial Officer  
(principal executive officer and  
principal financial officer)