

# **Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines**

## **BioStem Technologies, Inc.**

2836 Center Port Circle, Pompano Beach, FL 33064

---

(954)-380-8342

www.biostemtech.com

info@biostemtech.com

8000

**Annual Report**  
**For the Period Ending: 12/31/19**  
(the "Reporting Period")

As of December 31, 2019, the number of shares outstanding of our Common Stock was:

9,135,391

As of December 31, 2018, the number of shares outstanding of our Common Stock was:

9,134,864

As of Septemebr 30, 2018, the number of shares outstanding of our Common Stock was:

8,548,529

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes: ☐ No: ☒

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☐ No: ☒

Indicate by check mark whether a Change in Control<sup>1</sup> of the company has occurred over this reporting period:

Yes: ☐ No: ☒

---

<sup>1</sup> "Change in Control" shall mean any events resulting in:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;

(ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;

(iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or

(iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

## 1) Name of the issuer and its predecessors (if any)

In answering this item, please also provide any names used by predecessor entities and the dates of the name changes.

- (a) BioStem Technologies, Inc. (Active)
- (b) BioStem Technologies was formerly named Caribbean International Holdings, Inc., until August 28, 2014 when the issuer changed its name to BioStem Technologies, Inc.
- (c) Caribbean International Holdings, Inc. was formerly named Caribbean Casino & Gaming Corporation, until November 29, 2012, when it changed its name to Caribbean International Holdings, Inc.
- (d) Caribbean Casino & Gaming Corporation was formed on February 12, 2009.

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

Yes: ☐ No: ☒

## 2) Security Information

Trading symbol:	<u>BSEM</u>	
Exact title and class of securities outstanding:	<u>Common Stock</u>	
CUSIP:	<u>090684200</u>	
Par or stated value:	<u>\$ .001</u>	
Total shares authorized:	<u>975,000,000</u>	as of date: <u>December 31, 2019</u>
Total shares outstanding:	<u>9,135,391</u>	as of date: <u>December 31, 2019</u>
Number of shares in the Public Float <sup>2</sup> :	<u>4,652,619</u>	as of date: <u>December 31, 2019</u>
Total number of shareholders of record:	<u>402</u>	as of date: <u>December 31, 2019</u>

*All additional class(es) of publicly traded securities (if any):*

Exact title and class of securities outstanding: Preferred  
CUSIP: N/A  
Par or Stated Value: \$ .001  
Preferred Stock Series A-1 Authorized: 500,000 as of December 31, 2019  
Preferred Stock Series A-1 Outstanding: 300 as of December 31, 2019  
Preferred Stock Series B-1 Authorized: 500,000 as of December 31, 2019  
Preferred Stock Series B-1 Outstanding: 0 as of December 31, 2019

### Transfer Agent

Name: V Stock Transfer  
Phone: 212-828-8436  
Email: info@vstocktransfer.com

Is the Transfer Agent registered under the Exchange Act?<sup>3</sup> Yes: ☒ No: ☐

<sup>2</sup> "Public Float" shall mean the total number of unrestricted shares not held directly or indirectly by an officer, director, any person who is the beneficial owner of more than 10 percent of the total shares outstanding (a "control person"), or any affiliates thereof, or any immediate family members of officers, directors and control persons.

<sup>3</sup> To be included in the Pink Current Information tier, the transfer agent must be registered under the Exchange Act.

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

A 1-400 reverse split of the issuer's common stock was effected on January 27, 2015.

### 3) Issuance History

#### A. Changes to the Number of Outstanding Shares

Check this box to indicate there were no changes to the number of outstanding shares within the past two completed fiscal years and any subsequent periods: ☐

Shares Outstanding as of Second Most Recent Fiscal Year End:									
Opening Balance									
Date <u>12/31/17</u>									
Common: <u>7,269,006</u>									
Preferred: <u>300</u>									
Date of Transaction	Transaction type (e.g. new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to (entities must have individual with voting / investment control disclosed).	Reason for share issuance (e.g. for cash or debt conversion) -OR- Nature of Services Provided	Restricted or Unrestricted as of this filing.	Exemption or Registration Type.
1/1/18	New Issuance	2,000	Common	\$5.00	Yes	James Wurm	Services Valued at \$10,000	Restricted	Rule 506c
1/4/18	New Issuance	2,000	Common	\$5.00	Yes	Pasquale J. Galasso	Purchase Agreement	Restricted	Rule 506c
1/4/18	New Issuance	1,500	Common	\$5.00	Yes	Erlich Shlomo	Purchase Agreement	Restricted	Rule 506c
1/18/18	New Issuance	10,000	Common	\$5.00	Yes	John & Jane Ullrich	Purchase Agreement	Restricted	Rule 506c
1/19/18	New Issuance	4,000	Common	\$5.00	Yes	Gary Kolkhorst	Purchase Agreement	Restricted	Rule 506c
1/19/18	New Issuance	1,000	Common	\$5.00	Yes	Bernard Petersen	Purchase Agreement	Restricted	Rule 506c
1/23/18	New Issuance	5,000	Common	\$5.00	Yes	Marc Mucklow	Purchase Agreement	Restricted	Rule 506c
1/30/18	New Issuance	10,760	Common	\$5.00	Yes	NuView IRA Bernard Petersen	Purchase Agreement	Restricted	Rule 506c
1/30/18	New Issuance	2,000	Common	\$5.00	Yes	Allen Rager	Purchase Agreement	Restricted	Rule 506c
1/30/18	New Issuance	2,000	Common	\$5.00	Yes	Jake Ullrich	Purchase Agreement	Restricted	Rule 506c
1/30/18	New Issuance	1,500	Common	\$5.00	Yes	Stephen W. Barnes	Purchase Agreement	Restricted	Rule 506c

2/9/18	New Issuance	1,400	Common	\$5.00	Yes	Joseph Marshall	Purchase Agreement	Restricted	Rule 506c
2/9/18	New Issuance	2,500	Common	\$5.00	Yes	George Hodges	Purchase Agreement	Restricted	Rule 506c
2/9/18	New Issuance	2,000	Common	\$5.00	Yes	Michael P. Connors	Purchase Agreement	Restricted	Rule 506c
2/19/18	New Issuance	2,000	Common	\$5.00	Yes	Diane G. Fisher	Purchase Agreement	Restricted	Rule 506c
2/26/18	New Issuance	345	Common	\$5.00	Yes	Innovative P.T. Inc. / Martin Castillo	Purchase Agreement	Restricted	Rule 506c
2/27/18	New Issuance	10,000	Common	\$5.00	Yes	Colin Gursharn Harvey	Purchase Agreement	Restricted	Rule 506c
3/1/18	New Issuance	2,000	Common	\$5.00	Yes	Richard Steeding Jr	Purchase Agreement	Restricted	Rule 506c
3/5/18	New Issuance	26,600	Common	\$5.00	Yes	NuView Trust Co. Custodian FBO Carl Schoenbauer IRA	Purchase Agreement	Restricted	Rule 506c
3/19/18	New Issuance	1,000	Common	\$5.00	Yes	Robert D. Schultz	Purchase Agreement	Restricted	Rule 506c
3/20/18	New Issuance	50,000	Common	\$5.00	Yes	A3 Cell / Barbara Krutchkoff	Services Valued at \$250,000	Restricted	Rule 506c
3/20/18	New Issuance	50,000	Common	\$5.00	Yes	Akquimed Corp / Felix Amon	Services Valued at \$250,000	Restricted	Rule 506c
3/20/18	New Issuance	120	Common	\$5.00	Yes	Digivision Productions Inc. / Elizabeth Priore	Services Valued at \$600	Restricted	Rule 506c
3/23/18	New Issuance	1,000	Common	\$5.00	Yes	David S. Bistriz	Purchase Agreement	Restricted	Rule 506c
3/27/18	New Issuance	2,000	Common	\$5.00	Yes	Paul Gaeta and Mary Jean Gaeta	Purchase Agreement	Restricted	Rule 506c
4/2/18	New Issuance	20,000	Common	\$5.00	Yes	Allen Decker	Purchase Agreement	Restricted	Rule 506c
4/2/18	New Issuance	110	Common	\$5.00	Yes	Digivision Productions Inc. / Elizabeth Priore	Services Valued at \$550	Restricted	Rule 506c
4/4/18	New Issuance	50,000	Common	\$5.00	Yes	Akquimed Corp / Felix Amon	Services Valued at \$250,000	Restricted	Rule 506c
4/18/18	New Issuance	7,045	Common	\$5.00	Yes	NuView Trust Co. Custodian FBO Richard Ritts IRA	Purchase Agreement	Restricted	Rule 506c
5/10/18	New Issuance	7,000	Common	\$5.00	Yes	Curtis Ross	Purchase Agreement	Restricted	Rule 506c

5/16/18	New Issuance	5,000	Common	\$5.00	Yes	Dean Britting	Purchase Agreement	Restricted	Rule 506c
5/17/18	New Issuance	160	Common	\$5.00	Yes	Innovative P.T. Inc. / Martin Castillo	Services Valued at \$800	Restricted	Rule 506c
5/21/18	New Issuance	5,000	Common	\$5.00	Yes	Rick Soliday	Purchase Agreement	Restricted	Rule 506c
5/22/18	New Issuance	2,947	Common	\$5.00	Yes	NuView Trust Co. Custodian FBO Richard Ritts IRA	Purchase Agreement	Restricted	Rule 506c
5/25/18	New Issuance	3,000	Common	\$5.00	Yes	The Wollmer Family Trust	Purchase Agreement	Restricted	Rule 506c
5/30/18	New Issuance	5,000	Common	\$5.00	Yes	Joshua Gooden	Purchase Agreement	Restricted	Rule 506c
6/12/18	New Issuance	60	Common	\$5.00	Yes	Innovative P.T. Inc. / Martin Castillo	Services Valued at \$300	Restricted	Rule 506c
6/12/18	New Issuance	10,000	Common	\$5.00	Yes	American Capital Ventures / Howard Gostfrand	Services Valued at \$50,000	Restricted	Rule 506c
6/12/18	New Issuance	2,000	Common	\$5.00	Yes	Duane Ignasiak	Purchase Agreement	Restricted	Rule 506c
6/28/18	New Issuance	26,000	Common	\$5.00	Yes	Bernard Peterson	Purchase Agreement	Restricted	Rule 506c
7/02/18	New Issuance	112,904	Common	\$.62	Yes	Andrew VanVurst	Warrant Executed	Restricted	Rule 506c
7/12/18	New Issuance	5,000	Common	\$5.00	Yes	Charles Morse	Purchase Agreement	Restricted	Rule 506c
7/19/18	New Issuance	40,000	Common	\$5.00	Yes	Bernard Peterson	Purchase Agreement	Restricted	Rule 506c
7/30/18	New Issuance	250,000	Common	\$5.00	Yes	GMA Bridge Holdings LLC / Fred Schaner	Services Valued \$1,000,000	Restricted	Rule 506c
7/31/18	New Issuance	100	Common	\$5.00	Yes	Micayka Hook	Services Valued at \$500	Restricted	Rule 506c
8/02/18	New Issuance	4,000	Common	\$5.00	Yes	Douglas Bennett	Purchase Agreement	Restricted	Rule 506c
8/08/18	New Issuance	90	Common	\$5.00	Yes	Innovative P.T. Inc. / Martin Castillo	Services Valued \$400	Restricted	Rule 506c
8/13/18	New Issuance	10,000	Common	\$5.00	Yes	Douglas Bennett	Purchase Agreement	Restricted	Rule 506c
8/14/18	New Issuance	44,734	Common	\$11.75	No	Laura Klein	Services Valued at \$525,624	Restricted	Rule 506c

8/15/18	New Issuance	317,359	Common	\$5.00	Yes	Maxim Partners / Clifford Teller	Services	Restricted	Rule 506c
8/15/18	New Issuance	30,000	Common	\$5.00	Yes	Mark Jens	Services	Restricted	Rule 506c
8/10/18	New Issuance	100,000	Common	\$5.00	Yes	Jonathan Braniff	Services	Restricted	Rule 506c
8/31/18	New Issuance	10,000	Common	\$5.00	Yes	Brandt Watson	Services	Restricted	Rule 506c
9/4/18	New Issuance	340	Common	\$5.00	Yes	Innovative P.T. Inc. / Martin Castillo	Services	Restricted	Rule 506c
9/21/18	New Issuance	30,000	Common	\$5.00	Yes	Alex Bolanos	Services	Restricted	Rule 506c
10/4/18	New Issuance	12,000	Common	\$5.00	Yes	Proactive Capital Resources Group / Jeff Ramson	Services	Restricted	Rule 506c
10/5/18	New Issuance	450,000	Common	\$5.00	Yes	GMA Bridge Holdings LLC / Fred Schaner	Services	Restricted	Rule 506c
10/23/18	New Issuance	200,000	Common	\$5.00	Yes	Advanced Alternative Consulting / Tom Pierson	Services	Restricted	Rule 506c
10/30/18	New Issuance	121	Common	\$5.00	Yes	Innovative P.T. Inc. / Martin Castillo	Services	Restricted	Rule 506c
10/30/18	New Issuance	110	Common	\$5.00	Yes	Digivision Productions Inc. / Elizabeth Priore	Services	Restricted	Rule 506c
11/30/18	New Issuance	57	Common	\$5.00	Yes	Innovative P.T. Inc. / Martin Castillo	Services	Restricted	Rule 506c
12/30/18	New Issuance	47	Common	\$5.00	Yes	Innovative P.T. Inc. / Martin Castillo	Services	Restricted	Rule 506c
Shares Outstanding on Date of This Report:									
Ending Balance:									
Date 12/31/19			Common: 9,135,391						
			Preferred: 300						

## B. Debt Securities, Including Promissory and Convertible Notes

Use the chart and additional space below to list and describe all outstanding promissory notes, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities..

Check this box if there are no outstanding promissory, convertible notes or debt arrangements: ☐

Date of Note Issuance	Outstanding Balance (\$)	Principal Amount at Issuance (\$)	Interest Accrued (\$)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder (entities must have individual with voting / investment control disclosed).	Reason for Issuance (e.g. Loan, Services, etc.)
<u>12/23/19</u>	<u>\$150,258.00</u>	<u>\$150,000</u>	<u>\$258.00</u>	<u>12/23/20</u>	<u>Converts at \$2.00 a share</u>	<u>Brent Young</u>	<u>Loan</u>

#### 4) Financial Statements

A. The following financial statements were prepared in accordance with:

- ☒ U.S. GAAP  
☐ IFRS

B. The financial statements for this reporting period were prepared by (name of individual)<sup>4</sup>:

Name: Susan Weisman  
Title: Controller  
Relationship to Issuer: Outside Controller

#### 5) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations. In answering this item, please include the following:

A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

Since our founding in 2014, we've pursued a singular goal: growing into an innovative life sciences company with the power to change lives for the better. BioStem Technologies is a leading manufacturer and distributor of superior perinatal tissue products for use in regenerative therapies. Our team has extensive scientific, medical and technical expertise in birth tissue processing for biologic products.

Over 5,000 procedures have been conducted using BioStem products, with zero reported adverse events. Through our rigorous quality and proprietary production processes, we demonstrate our commitment to excellence and our focus on patient safety.

B. Describe any subsidiaries, parents, or affiliated companies, if applicable, and a description of such entity's business, contact information for the business, officers, directors, managers or control persons. Subsidiary information may be included by reference

Blue Tech Industries Inc. dba BioStem Life Science, a Delaware corporation, ("Life Sciences") is focused on the development and manufacturing of high quality placental-based amniotic tissue products. With a broad range of experience in product development and clinical production, BioStem Life Sciences has the insight and expertise to identify and address key issues as we work with you to produce your material. BioStem Life Sciences also offers full support for your IND filing by providing QA audited batch records for your Investigational New Drug (IND) filing including Chemistry, Manufacturing, and Control (CMC) support. In 2018, the Company sold 10 percent ownership in this subsidiary. The Company owns 90.0% interest of the subsidiary as of December 31, 2019 and 2018.

<sup>4</sup> The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS by persons with sufficient financial skills.

BioStem Wellness, Inc., a Florida corporation (“Wellness”), develops and markets nutraceutical products through its own brands, Dr. Dave’s Best and Nesvik Organics as well as other non-proprietary products throughout the U.S. and internationally. The Company is currently selling Wellness products via two ecommerce platforms, Shopify and Amazon.

Nesvik Pharmaceuticals, Inc., a Delaware corporation (Nesvik”), focused on the development of novel reformulated pharmaceutical products that address unmet needs in large, established and underserved markets. This subsidiary is considered inactive.

Quality Pharma Ingredients Inc., a Delaware corporation (“QPI”) is engaged in repackaging and distribution of active pharmaceutical ingredients at the Company’s facility in Oakland Park, Florida. The Company owned 70.0% interest of the subsidiary as of December 31, 2018. The Company purchased the 30 percent ownership from the minority interest in 2019. QPI was sold on April 18, 2019.

C. Describe the issuers’ principal products or services, and their markets

The products offered by BioStem Technologies™ include RHEO™, OROPRO™, AEON™, VENDAJE™, and VENDAJE™ OPTIC are perinatal tissue-derived allografts. They are designated as Human Cell, Tissue, and Cellular and Tissue-Based Products (HCT/P) by the U.S. Food and Drug Administration (FDA), are minimally manipulated, and are produced in accordance with the FDA regulations for Good Tissue Practices (21 CFR 1270, 1271).

6) **Issuer’s Facilities**

The issuer has established its Manufacturing and Development Lab at 2836 Center Port Circle, Pompano Beach, FL 33064. The property has an 18-month balloon note with current interest payments of \$2,083.33 per month and a condominium association fee of \$952.36 per month, with a buy-out of \$500,000 on October 10, 2017. On February 2, 2018, the Issuer entered into a refinance loan for the property located in Pompano Beach, Florida for \$500,000. The loan is payable monthly, interest only for the term of the loan at 12%. The loan maturity is on February 28, 2019.

7) **Officers, Directors, and Control Persons**

Name of Officer/Director or Control Person	Affiliation with Company (e.g. Officer/Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Note
<u>Jason Matuszewski</u>	<u>Officer &amp; Director</u>	<u>Fort Lauderdale, FL</u>	<u>835,799</u> <u>300</u>	<u>Common</u> Preferred A	<u>9.15%</u> <u>.02%</u>	<u>See Note 1 and 2</u>
<u>Andrew VanVurst</u>	<u>Officer &amp; Director</u>	<u>Fort Lauderdale, FL</u>	<u>1,146,791</u> <u>300</u>	<u>Common</u> Preferred A	<u>12.56%</u> <u>.02%</u>	<u>_____</u>
<u>Henry VanVurst</u>	<u>Owner of more than 5%</u>	<u>Fort Lauderdale, FL</u>	<u>1,186,727</u> <u>300</u>	<u>Common</u> Preferred A	<u>12.99%</u> <u>.02%</u>	<u>See Note 1 and 2</u>
<u>GMA Bridge Holdings, LLC / Fred Schaner</u>	<u>Owner of more than 5%</u>	<u>Miami Lakes, FL</u>	<u>700,000</u>	<u>Common</u>	<u>7.66%</u>	<u>See Note 3</u>



- (1) Effective March 24, 2016, Jason Matuszewski resigned as the issuer's Chief Executive Officer, and was named the issuer's Chief Financial Officer. Henry W. VanVurst IV was named the Issuer's Chief Executive Officer as of that date. Also as of that date, Andrew VanVurst was named the issuer's Chief Operating Officer.
- (2) Effective September 20, 2019, Henry W. VanVurst IV resigned as the issuer's Chief Executive Officer, and chairman of the board. Jason Matuszewski was named the Issuer's Chief Executive Officer and chairman of the board as of that date.
- (3) On July 27, 2018 and October 5, 2018, the Company entered into consulting agreements with GMA Bridge Holdings, LLC. According to the consulting agreement, the consultant is focused on facilitating meetings with Stem cell medical practices, regenerative medicine companies and early stage with regenerative medicine companies for acquisition or strategic partnerships. The services performed by the consultant would be compensated with a grant of 250,000 and 450,000 restricted shares upon commencement of the these agreements which shall vest over twelve month period valued at \$1,062,500 and \$1,822,500 at July 27, 2018 and October 5, 2018, respectively, based on the most recent issuance of common shares, included in deferred compensation at December 31, 2018, fully amortized to consulting expense as of December 31, 2019.

## 8) Legal/Disciplinary History

A. Please identify whether any of the persons listed above have, in the past 10 years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

None

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

None

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

None

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

None

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

None

## 9) Third Party Providers

Please provide the name, address, telephone number and email address of each of the following outside providers:

Securities Counsel

Name: Laura Anthony, Esq  
Firm: Anthony L.G., PLLC  
Address 1: 625 N Flagler Dr #600  
Address 2: West Palm Beach, FL 33401  
Phone: (800) 341-2684  
Email: \_\_\_\_\_

Accountant or Auditor

Name: David Brooks  
Firm: D. Brooks & Associates CPA  
Address 1: 4440 PGA Boulevard, Suite 104  
Address 2: Palm Beach Gardens, FL 33410  
Phone: (561) 426-6225  
Email: \_\_\_\_\_

**10) Issuer Certification**

*Principal Executive Officer:*

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities).

The certifications shall follow the format below:

I, Jason Matsuzewski certify that:

1. I have reviewed this annual statement of BioStem Technologies, Inc.;
2. Based on my knowledge, this disclosure statement 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 disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: February 1, 2021  
Signature: /s/ Jason Matuszewski  
Name: Jason Matuszewski  
Title: CEO and Chairman

*Principal Financial Officer:*

I, Jason Matuszewski certify that:

1. I have reviewed this annual statement of BioStem Technologies, Inc.;
2. Based on my knowledge, this disclosure statement 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 disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date:	February 1, 2021
Signature:	/s/ Jason Matuszewski
Name:	Jason Matuszewski
Title:	CEO and Chairman

**Biostem Technologies, Inc. and Subsidiaries**  
Consolidated Balance Sheets (Unaudited)  
At December 31,

	2019	2018
<b>Current Assets</b>		
Cash	\$ 140,741	\$ 1,176,154
Accounts receivable	79,288	185,124
Inventory, net of valuation allowance of \$29,737 and \$21,844, at December 31, 2019 and 2018, resp	565,001	415,031
Prepaid expense	281,771	181,335
<b>Total current assets</b>	<b>1,066,801</b>	<b>1,957,643</b>
<b>Property, Plant, and Equipment - Net</b>	<b>1,581,287</b>	<b>1,836,463</b>
<b>Other Assets</b>		
Goodwill	465,168	465,168
Other Assets	40,865	40,865
<b>Total Other Assets</b>	<b>506,033</b>	<b>506,033</b>
<b>Total Assets</b>	<b>\$ 3,154,121</b>	<b>\$ 4,300,139</b>
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 688,455	\$ 345,526
Accrued Interest	445,363	72,895
Salaries Payable	688,275	353,563
Convertible debt	150,000	428,504
Notes payable	3,635,631	3,964,787
Capital lease liabilities	129,147	57,477
Other current liability	154,117	-
<b>Total current liabilities</b>	<b>5,890,988</b>	<b>5,222,753</b>
<b>Loan term liabilities:</b>		
Notes payable less current portion	446,488	-
Notes payable - related parties less current portion	467,861	467,861
Capital lease liabilities less current portion	285,289	281,786
<b>Total long term liabilities</b>	<b>1,199,638</b>	<b>749,647</b>
<b>Total Liabilities</b>	<b>7,090,626</b>	<b>5,972,400</b>
<b>Stockholders' Deficit</b>		
Series A convertible preferred stock		
Authorized: 300 shares with a par value of \$0.001 per share; issued and outstanding: 300 shares at December 31, 2019 and 2018, respectively	-	-
Series B convertible preferred stock		
Authorized: 500,000 shares with a par value of \$0.001 per share		
Issued and outstanding: 5 shares at December 31, 2019 and 2018, respectively	-	-
Common stock		
Authorized: 975,000,000 common stock with a par value of \$0.40 per share, issued and outstanding: 9,135,391 and 9,134,864 shares at December 31, 2019 and 2018, respectively	3,656,035	3,654,624
Common stock to be issued (6,000 and 3,000 shares at December 31, 2019 and 2018, respectively)	18,750	10,800
Additional paid-in capital	19,392,894	18,917,622
Deferred stock-based compensation	(1,309,068)	(4,860,244)
Treasury stock	(33,335)	(33,335)
Accumulated deficit	(25,811,237)	(19,300,110)
<b>Total Stockholders' Deficit</b>	<b>(4,085,961)</b>	<b>(1,610,643)</b>
Noncontrolling interest	149,456	(61,617)
<b>Total Deficit</b>	<b>(3,936,505)</b>	<b>(1,672,260)</b>
<b>Total Liabilities &amp; Stockholders' Deficit</b>	<b>\$ 3,154,121</b>	<b>\$ 4,300,139</b>

See notes to unaudited condensed consolidated financial statements

**Biostem Technologies, Inc. and Subsidiaries**  
Consolidated Statements of Operations - (Unaudited)  
For the Years Ended December 31,

	2019	2018
Sales	\$ 2,630,318	\$ 1,017,192
Cost of Sales	1,319,517	602,011
Gross Profit	<u>1,310,801</u>	<u>415,181</u>
General and administrative expense		
Compensation	2,583,496	2,908,126
Professional fees	3,228,301	3,763,801
Other general and administrative expenses	1,179,857	1,510,773
Total general and administrative expenses	<u>6,991,654</u>	<u>8,182,700</u>
Loss from operations	<u>(5,680,853)</u>	<u>(7,767,519)</u>
Other income (expense)		
Interest income	9,246	4,274
Interest expense	(633,018)	(255,951)
Change in fair value of embedded derivative liability	-	(7,034)
Derivative income	-	31,806
Penalty on payroll liability	-	(142,991)
Gain on sale of 10 percent ownership in Biostem Life Sciences	-	393,000
Gain on sale of QPI	4,570	-
Abandonment of subsidiaries	-	6,343
Total Other Expenses	<u>(619,201)</u>	<u>29,447</u>
Net loss before noncontrolling interest	<u>(6,300,054)</u>	<u>(7,738,072)</u>
Net gain (loss) attributable to noncontrolling interest	34,968	(143,099)
Net loss	<u>\$ (6,335,022)</u>	<u>\$ (7,594,973)</u>
	-	-
Loss per share before noncontrolling interest	(0.68)	(0.95)
Loss per share attributable to noncontrolling interest	0.01	(0.02)
Net loss per share	<u>\$ (0.67)</u>	<u>\$ (0.97)</u>
Weighted average shares outstanding	<u>9,252,405</u>	<u>8,106,496</u>

See notes to unaudited condensed consolidated financial statements

**Biostem Technologies, Inc. and Subsidiaries**  
Consolidated Statements of Cash Flows (Unaudited)  
For the Years Ended December 31,

	2019	2018
Cash flow from operating activities:		
Net loss attributable to Biostem Technologies, Inc	\$ (6,335,022)	\$ (7,594,973)
Noncontrolling Interest	34,968	(143,099)
Depreciation expense	240,130	150,993
Amortization expense	93,988	52,099
Valuation allowance for inventory	(7,893)	(21,844)
Goodwill and other intangible impairment expense	-	448,177
Impairment on long-lived assets	49,702	-
Gain on disposition of subsidiaries	(4,570)	(6,343)
Gain on sale of 10 percent ownership in Biostem Life Sciences	-	(393,000)
Derivative liabilities	-	(32,457)
Change in fair value of derivative liabilities	-	7,034
Severance agreement settled in stock	-	274,775
Recognition of option expense	474,637	898,909
Deferred compensation	3,551,176	2,649,940
Stock issued for services	846	132,279
Changes in operating assets and liabilities:		
Accounts receivable	100,336	(169,524)
Inventory	(211,018)	84,770
Prepaid expenses	(103,141)	(155,155)
Accrued interest	427,240	90,382
Salaries payable	334,712	129,321
Accounts payable and accrued expenses	508,115	(62,702)
Net cash used in operating activities	<u>(845,795)</u>	<u>(3,660,417)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(133,588)	(198,824)
Cash paid offset by cash acquired purchase of assets	-	(570,000)
Cash received for sale of QPI	179,000	-
Cash received from sale of 10 percent ownership for Biostem Life Sciences	-	500,000
Net cash provided by (used in) investing activities	<u>45,412</u>	<u>(268,824)</u>
Cash flows from financing activities:		
Proceeds from notes payable	150,000	3,750,000
Repayment of notes payable	(419,984)	(500,000)
Proceeds of notes payable - related parties	-	505,530
Repayment of notes payable - related parties	-	(67,669)
Net proceeds from capital lease liabilities	34,954	329,924
Loan fees	-	(80,794)
Purchase of treasury stock	-	(33,335)
Proceeds from issuance of stock	-	1,150,160
Net cash provided by (used in) financing activities	<u>(235,030)</u>	<u>5,053,816</u>
Net increase (decrease) in cash	<u>(1,035,413)</u>	<u>1,124,575</u>
Cash at beginning of year	1,176,154	51,579
Cash at end of year	<u>\$ 140,741</u>	<u>\$ 1,176,154</u>

See notes to unaudited condensed consolidated financial statements

Biostem Technologies, Inc.  
Consolidated Statements of Stockholders' Equity (Deficit)  
Years Ended December 31, 2019 and 2018 (Unaudited)

	Series A		Series B		Common Stock		Common stock to be issued		Common Stock	Additional Paid-in	Treasury	Deferred	Accumulated	Accumulated	Noncontrolling	Total Stockholders'
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Subscription	Capital	Stock	Compensation	Deficit	Comprehensive	Interest	Equity
<b>Balance, December 31, 2017</b>	<b>300</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>7,269,006</b>	<b>\$ 2,907,604</b>	<b>32,020</b>	<b>\$ 12,808</b>	<b>\$ (25,500)</b>	<b>\$ 10,471,683</b>	<b>\$ -</b>	<b>\$ (818,456)</b>	<b>\$ (11,705,137)</b>	<b>\$ (25,423)</b>	<b>\$ (25,518)</b>	<b>\$ 792,061</b>
Common stock issued for services	-	-	-	-	1,531,929	612,249	(28,520)	(11,408)	25,500	5,876,888	-	(6,503,228)	-	-	-	-
Amortization of deferred compensation - non-employees	-	-	-	-	-	-	-	-	-	-	-	2,258,845	-	-	-	2,258,845
Adjust shares to transfer agent	-	-	-	-	(135,273)	(54,109)	-	-	-	54,109	-	-	-	-	-	-
Adjust shares not issued	-	-	-	-	-	-	(3,500)	(1,400)	-	-	-	-	-	-	-	(1,400)
Common stock issued for cash	-	-	-	-	233,252	93,301	-	-	-	1,056,859	-	-	-	-	-	1,150,160
Common stock issued upon conversion of warrants for related party notes and advances	-	-	-	-	112,904	45,162	-	-	-	24,838	-	-	-	-	-	70,000
Common stock issued per employment agreements	-	-	-	-	10,312	5,325	3,000	10,800	-	116,154	-	-	-	-	-	132,279
Common stock issued to employees - deferred	-	-	-	-	50,000	20,000	-	-	-	168,500	-	(188,500)	-	-	-	-
Amortization of deferred compensation - employees	-	-	-	-	-	-	-	-	-	-	-	391,095	-	-	-	391,095
Common stock warrants and options amortization	-	-	-	-	-	-	-	-	-	898,909	-	-	-	-	-	898,909
Non-Controlling interest in Biostem Life Sciences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	107,000	107,000
Treasury stock purchases	-	-	-	-	-	-	-	-	-	-	(33,335)	-	-	-	-	(33,335)
Common Stock issued upon settlement to severance agreements	-	-	-	-	62,734	25,094	-	-	-	249,682	-	-	-	-	-	274,775
Other comprehensive loss	-	-	-	-	-	-	-	-	-	-	-	-	-	25,423	-	25,423
Net loss	-	-	-	-	-	-	-	-	-	-	-	-	(7,594,973)	-	(143,099)	(7,738,072)
<b>Balance, December 31, 2018</b>	<b>300</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>9,134,864</b>	<b>\$ 3,654,625</b>	<b>3,000</b>	<b>\$ 10,800</b>	<b>\$ -</b>	<b>\$ 18,917,622</b>	<b>\$ (33,335)</b>	<b>\$ (4,860,244)</b>	<b>\$ (19,300,110)</b>	<b>\$ -</b>	<b>\$ (61,617)</b>	<b>\$ (1,672,260)</b>
Amortization of deferred compensation - non-employees	-	-	-	-	-	-	-	-	-	-	-	3,456,896	-	-	-	3,456,896
Amortization of Options and Warrants	-	-	-	-	-	-	-	-	-	474,637	-	-	-	-	-	474,637
Amortization of deferred compensation - employees	-	-	-	-	-	-	-	-	-	-	-	94,280	-	-	-	94,280
Common stock issued for services	-	-	-	-	527	1,410	3,000	7,950	-	636	-	-	-	-	-	9,996
Recognition of noncontrolling interest	-	-	-	-	-	-	-	-	-	-	-	-	(176,105)	-	176,105	-
Recognition of stock option expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net loss	-	-	-	-	-	-	-	-	-	-	-	-	(6,335,022)	-	34,968	(6,300,054)
<b>Balance, December 31, 2019</b>	<b>300</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>9,135,391</b>	<b>\$ 3,656,036</b>	<b>6,000</b>	<b>\$ 18,750</b>	<b>\$ -</b>	<b>\$ 19,392,894</b>	<b>\$ (33,335)</b>	<b>\$ (1,309,068)</b>	<b>\$ (25,811,237)</b>	<b>\$ -</b>	<b>\$ 149,456</b>	<b>\$ (3,936,505)</b>

**BioStem Technologies, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2019 and 2018 (Unaudited)**

**Note 1 Organization and Nature of Operations**

BioStem Technologies, Inc. (hereinafter “the Company”), was incorporated as Aladdin & Company Trading in Utah on July 7, 2006. Aladdin & Company Trading later changed its name to Caribbean Casino & Gaming Corporation and re-domiciled to Florida on March 2, 2009. Caribbean Casino & Gaming Corporation further changed its name to Caribbean International Holdings, Inc. on January 7, 2013. On August 28, 2014, the Company changed its name to BioStem Technologies, Inc.

BioStem Technologies is a leading manufacturer and distributor of superior perinatal tissue products for use in regenerative therapies. The Company's mission is to discover, develop and produce the most effective Regenerative Medicine products in the world.

The Company offers a comprehensive portfolio of high-quality brands that are trademarked and include RHEO™, AEON™, OROPRO™, VENDAJE™, VENDAJE™ AC and VENDAJE™ OPTIC. The Company is comprised of a diverse group of scientists, physicians, and entrepreneurs who collaborate to create innovative products. These technologies improve the quality of life for our patients and, as a result, drive shareholder value.

Currently, the Company operates its business through the following subsidiaries:

- Blue Tech Industries, Inc. dba BioStem Life Science, a Delaware corporation, (“Life Sciences”) is focused on the development of high quality placental-based amniotic tissue products for the ophthalmology, orthopedic and wound care markets. An emphasis on advancing ethical, pharmaceutical grade regenerative medical treatments that benefit our society. The Company’s mission is to create a new paradigm of healthcare, using breakthrough therapies that treat patients who otherwise are without effective treatment options. In 2018, the Company sold 10 percent ownership in this subsidiary. The Company owns 90.0% interest of the subsidiary as of December 31, 2019 and 2018.
- BioStem Wellness, Inc., a Florida corporation (“Wellness”), develops and markets nutraceutical products through its own brands, Dr. Dave’s Best and Nesvik Organics as well as other non-proprietary products throughout the U.S. and internationally. The Company is currently selling Wellness products via two ecommerce platforms, Shopify and Amazon.
- Nesvik Pharmaceuticals, Inc., a Delaware corporation (Nesvik”), focused on the development of novel reformulated pharmaceutical products that address unmet needs in large, established and underserved markets. This subsidiary is considered inactive.
- Quality Pharma Ingredients Inc., a Delaware corporation (“QPI”) is engaged in repackaging and distribution of active pharmaceutical ingredients at the Company’s facility in Oakland Park, Florida. The Company owned 70.0% interest of the subsidiary as of December 31, 2018. The Company purchased the 30 percent ownership from the minority interest in 2019. QPI was sold on April 18, 2019.

The Company’s fiscal year end is December 31.

**Note 2 Summary of Significant Accounting Policies**

**Going Concern**

As reflected in the accompanying consolidated financial statements, the Company had a net loss of \$6,335,022 and \$7,594,973 for the years ended December 31, 2019 and 2018, respectively; and a working capital deficit of \$4,824,189 as of December 31, 2019. These factors raise substantial doubt about the Company’s ability to continue as a going concern.



**BioStem Technologies, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2019 and 2018 (Continued)**

The Company has been impacted by the COVID 19 virus (“Pandemic”) and the closure of all municipalities throughout the United States and the world beginning in March 2020. The Company’s customers are typically medical outlets providing non-essential medical treatments. From the beginning of March 2020 through June 2020, these treatments have been significantly restrained. The Company continued manufacturing its products during the period and maintained the staff associated with these operations. The ability of the Company to continue its operation is outside of the Company’s control however management has developed a plan, which include securing the Payroll Protection Program (“PPP”) loans from the Small Business Administration (“SBA”), reducing overhead expenses, implementing a plan of securing the necessary personal protective equipment (“PPE”) for our manufacturing personnel. Beginning in May 2020, certain facilities began to open in certain localities, some including our customers.

In May 2020, the Company received loans of approximately \$405,852 under the PPP of the SBA. The Company anticipates subject to approval by the SBA, if certain requirements are met the loan proceeds may be forgiven. Any amounts not forgiven will be required to be repaid.

The Company also received another loan from the Economic Injury Disaster Loans (“EIDL”) from the SBA of \$150,000 to assist in funding the Company’s operations related to the pandemic.

The ability of the Company to continue its operation is dependent on management’s plans, which include the raising of capital through debt and/or equity markets, restructuring outstanding debt and with some additional funding from other traditional financing sources, including convertible debt and/or other term notes, until such time that funds provided by operations are sufficient to fund working capital requirements. The Company may need to incur liabilities with certain related parties to sustain the Company’s existence.

The Company will require additional funding to finance the growth of its current and expected future operations as well as to achieve its strategic objectives. The Company’s currently available cash along with anticipated revenues may not be sufficient to meet its cash needs for the near future. There can be no assurance that financing will be available in amounts or terms acceptable to the Company, if at all.

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. These financial statements do not include any adjustments relating to the recovery of the recorded assets or the classification of the liabilities that might be necessary should the Company be unable to continue as a going concern.

**Basis of Presentation and Consolidation**

The accompanying consolidated financial statements include the accounts of BioStem Technologies, Inc. and all wholly and majority-owned entities. All significant intercompany balances have been eliminated.

The Company consolidates entities that are wholly-owned or entities that are owned less than 100% but where the Company has control. The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America under the accrual basis of accounting.

**Use of Estimates**

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes.

Such estimates and assumptions impact both assets and liabilities, including but not limited to: net realizable value of accounts receivable and inventory, estimated useful lives and potential impairment of property and equipment, the

**BioStem Technologies, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2019 and 2018 (Continued)**

valuation of intangible assets, estimate of fair value of share based payments and derivative liabilities, and valuation of deferred tax assets.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the financial statements, which management considered in formulating its estimate could change in the near term due to one or more future non-conforming events. Accordingly, actual results could differ significantly from estimates.

**Risks and Uncertainties**

The Company's operations are subject to risk and uncertainties including financial, operational, regulatory and other risks including the potential risk of business failure.

The Company has experienced, and in the future expects to continue to experience, variability in its sales and earnings. The factors expected to contribute to this variability include, among others: (i) the uncertainty associated with the commercialization and ultimate success of the Company's products; (ii) competition inherent in the markets where products are expected to be sold; (iii) general economic conditions; and (iv) the related volatility of prices pertaining to the cost of sales.

**Cash and Cash Equivalents**

Cash and cash equivalents are carried at cost and represent cash on hand, demand deposits placed with banks or other financial institutions, and all highly liquid investments with an original maturity of three months or less.

**Accounts Receivable and Allowance for Doubtful Accounts**

Accounts receivable are carried at the original invoice amount and recognizes an allowance for doubtful receivables in an amount equal to the estimated probable losses net of recoveries. The allowance is based on an assessment of specific identifiable troubled customer accounts considered at risk or uncollectible, an analysis of historical bad debt experience, and expected future write-offs.

The Company typically gets paid upon shipment or in advance of order completion and has not recorded an allowance for doubtful accounts at or for the years ended December 31, 2019 and 2018, respectively.

**Inventory**

Inventories consist primarily of proprietary perinatal-based tissue membrane and flowable allografts produced by BioStem Life Science. And bulk and repackaged active pharmaceutical ingredients.

The Company determines the cost of inventory using the standard-cost method, which approximates actual cost based on a first-in, first-out method or market value. Life Science costs includes consumables. All other costs, including labor and administrative expensed are expensed as incurred.

Inventory at December 31, 2019 and 2018 was \$594,738 and \$436,875, respectively. The Company reviews inventory levels periodically and historical sales activity to determine potentially obsolete items and also evaluates the impact of any anticipated changes in future demand as determined by management. The Company tracks inventory as it is disposed or scrapped to determine whether additional items on hand should be reduced in value through an allowance method. The Company established a valuation allowance for the inventory with a balance of \$29,737 and \$21,844, at December 31, 2019 and 2018, respectively.

**BioStem Technologies, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2019 and 2018 (Continued)**

**Valuation of Long-lived Assets and Identifiable Intangible Assets**

The Company reviews for impairment of long-lived assets and Identifiable Intangible Assets whenever events or changes in circumstances indicate that the carrying amount of any asset may not be recoverable. In the event of impairment, the asset is written down to its fair market value. The Company determined an impairment adjustment of \$49,702 were necessary for the year ended December 31, 2019 related to the long-lived assets regarding equipment acquired for Nesvik Pharmaceuticals and the Company determined the long-lived assets associated with the acquisition of BioStem Wellness, Inc. were considered impaired at December 31, 2018 with a loss on impairment of \$448,187 for the period.

**Property, Plant and Equipment**

Property, plant and equipment is stated at cost, less accumulated depreciation, and is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation and amortization are computed using the straight-line method based on the lesser of estimated useful lives of the related assets ranging from 3-39 years or lease terms. Lab equipment items have depreciable lives of five years, furniture items have depreciable lives of 5 to 7 years, and computer equipment items have depreciable lives of 3 years. Repairs and maintenance costs are charged to expense as incurred.

Upon sale or retirement of property and equipment, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in the financial statements.

**Intangible Assets (Other than Goodwill)**

Intangible assets with finite useful lives are amortized over their estimated useful lives primarily on a straight-line basis. Intangible assets with finite useful lives are reviewed for impairment when facts or circumstances suggest that the carrying value of these assets may not be recoverable.

**Fair Value of Financial Instruments**

The carrying amounts of the Company's financial assets and liabilities, such as cash, prepaid expenses, other current assets, accounts payable and accrued expenses, notes payable, convertible debt, and advance from related parties approximate their fair values because of the short maturity of these instruments.

**Derivative Financial Instruments**

The Company does not use derivative instruments to hedge exposures to cash flow, market, or foreign currency risks. The Company evaluates all of its financial instruments, including stock issued in exchange for services, to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. The Company's derivative liability as of December 31, 2017 and was recognized during the year ended December 31, 2018, relates to the Company's obligation to issue a variable number of shares pursuant to an employment agreement. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then revalued at each reporting date, with changes in the fair value reported as charges or credits to income. No additional shares were issued in 2018.

**BioStem Technologies, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2019 and 2018 (Continued)**

**Leases**

In February 2016, the FASB issued an accounting standard update which modifies the accounting for leasing arrangements, particularly those arrangements classified as operating leases. This update will require entities to recognize the assets and liabilities arising from operating leases on the balance sheet.

**Debt Issuance Costs**

In July 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory (“ASU 2015-11”), which applies guidance on the subsequent measurement of inventory. ASU 2015-11 states that an entity should measure inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonable predictable costs of completion, disposal and transportation. The guidance excludes inventory measured using last-in, first-out or the retail inventory method.

**Stock Based Compensation – Employees**

In March 2016, the FASB issued ASU 2016-09, *Stock Compensation*, which is intended to simplify the accounting for share-based payment award transactions. The new standard will modify several aspects of the accounting and reporting for employee share-based payments and related tax accounting impacts, including the presentation in the statements of operations and cash flows of certain tax benefits or deficiencies and employee tax withholdings, as well as the accounting for award forfeitures over the vesting period.

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

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

If the Company is a newly formed corporation or shares of the Company are thinly traded, the use of share prices established in the Company’s most recent private placement memorandum (based on sales to third parties), or weekly or monthly price observations would generally be more appropriate than the use of daily price observations as such shares could be artificially inflated due to a larger spread between the bid and asked quotes and lack of consistent trading in the market.

**Stock Based Compensation – Non-Employees**

The Company accounts for equity instruments issued to parties other than employees for acquiring goods or services under guidance of Subtopic 505-50 of the FASB Accounting Standards Codification (“Subtopic 505-50”).

Pursuant to ASC Section 505-50-30, all transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. The measurement date used to determine the fair value of the equity instrument issued is the earlier of the date on which the performance is complete or the date on which it is probable that performance will occur. If the Company is a newly formed corporation or shares of the Company are thinly traded the use of share prices established in the Company’s most recent private placement memorandum, or weekly or monthly price observations would generally be more appropriate than the use of daily

**BioStem Technologies, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2019 and 2018 (Continued)**

price observations as such shares could be artificially inflated due to a larger spread between the bid and asked quotes and lack of consistent trading in the market.

**Revenue from Contracts with Customers**

The Company derives revenues from various sources, including but not limited to, the sale of nutraceutical products to customers through online sales, the sales of branded and private label placental-based amniotic tissue membrane and flowable products through direct sales and distributors, contract manufacturing and sale of repackaged active pharmaceutical ingredients through direct sales.

Revenue is recorded when the following have occurred. depending on the service or product sold: (1) persuasive evidence of an arrangement exists, (2) asset is transferred to the customer without further obligation, (3) the sales price to the customer is fixed or determinable, (4) upon shipment of the products, (5) risk of loss has transferred and/or (6) treatment is performed.

**Cost of Sales**

Cost of sales represents costs directly related to the purchase and production of the Company's products.

**Loss Per Share**

Basic loss per share is computed by dividing net loss for the period by the weighted average number of common stock outstanding during each period. Diluted loss per share is computed by dividing net loss for the period by the weighted average number of common stock, common stock equivalents and potentially dilutive securities outstanding during each period.

The following common stock equivalents have been excluded from the computation of diluted loss per share for the years ended at December 31, because their impact was antidilutive:

	December 31, 2019	December 31, 2018
Stock Warrants	383,456	1,027,327
Convertible Debt	75,000	42,850
Preferred Stock	300	300
Total	<u>458,756</u>	<u>1,070,477</u>

**Income Tax Provision**

The Company accounts for income taxes under Section 740-10-30 of the FASB Accounting Standards Codification, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred assets and liabilities are based on the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance to the extent management concludes it is more likely than not that the assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the Consolidated Statements of Operations in the period that includes the enactment date.

**BioStem Technologies, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2019 and 2018 (Continued)**

The Company adopted section 740-10-25 of the FASB Accounting Standards Codification (“Section 740-10-25”). Section 740-10-25 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under Section 740-10-25, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty (50) percent likelihood of being realized upon ultimate settlement. Section 740-10-25 also provides guidance on de-recognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures.

Management makes judgments as to the interpretation of the tax laws that might be challenged upon an audit and cause changes to previous estimates of tax liability. In addition, the Company operates within multiple taxing jurisdictions and is subject to audit in these jurisdictions. In management’s opinion, adequate provisions for income taxes have been made for all years. If actual taxable income by tax jurisdiction varies from estimates, additional allowances or reversals of reserves may be necessary.

The Company’s tax returns may be subject to examination by the federal and state authorities for the years ended 2019 to 2014.

**Recently Issued and Adopted Accounting Pronouncements**

In June 2016, the FASB issued ASU 2016-13 “*Financial Instruments – Credit Losses*” which replaces the incurred loss model with a current expected credit loss (“CECL”) model. The CECL model applies to financial assets subject to credit losses and measured at amortized cost and certain off-balance sheet exposures. Under current U.S. GAAP, an entity reflects credit losses on financial assets measured on an amortized cost basis only when losses are probable and have been incurred, generally considering only past events and current conditions in making these determinations. ASU 2016-13 prospectively replaces this approach with a forward-looking methodology that reflects the expected credit losses over the lives of financial assets, starting when such assets are first acquired. Under the revised methodology, credit losses will be measured based on past events, current conditions and reasonable and supportable forecasts that affect the collectability of financial assets.

ASU 2016-13 also revises the approach to recognizing credit losses for available-for-sale securities by replacing the direct write-down approach with the allowance approach and limiting the allowance to the amount at which the security’s fair value is less than the amortized cost. In addition, ASU 2016-13 provides that the initial allowance for credit losses on purchased credit impaired financial assets will be recorded as an increase to the purchase price, with subsequent changes to the allowance recorded as a credit loss expense. ASU 2016-13 also expands disclosure requirements regarding an entity’s assumptions, models and methods for estimating the allowance for credit losses. The amendments of this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Although early adoption was permitted as of January 1, 2020, the Company has not yet adopted the guidance. The Company is currently evaluating the impact the adoption of this new standard will have on its consolidated financial statements.

In January 2017, the FASB issued 2017-04, *Intangibles - Goodwill and Other* (Topic 350): Simplifying the Test for Goodwill Impairment. The amendments in this ASU simplify the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test and eliminating the requirement for a reporting unit with a zero or negative carrying amount to perform a qualitative assessment. Instead, under this pronouncement, an entity would perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and would recognize an impairment change for the amount by which the carrying amount exceeds the reporting unit’s fair value; however, the loss recognized is not to exceed the total amount of goodwill allocated to that reporting unit. In addition, income tax effects will be considered, if applicable. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Although early adoption was permitted as of

**BioStem Technologies, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2019 and 2018 (Continued)**

January 1, 2020, the Company has not yet adopted the guidance. The Company is currently evaluating the impact of this ASU on its consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU 2018-13, “Fair Value Measurement (Topic 820), - Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement,” which makes a number of changes meant to add, modify or remove certain disclosure requirements associated with the movement amongst or hierarchy associated with Level 1, Level 2 and Level 3 fair value measurements. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Although early adoption was permitted upon the issuance of the update, the Company has not yet adopted the guidance. We do not expect the adoption of this guidance to have a material impact on our consolidated Financial Statements.

Other pronouncements issued by the FASB or other authoritative accounting standards groups with future effective dates are either not applicable or are not expected to be significant to the Company’s financial position, results of operations or cash flows.

**Note 3 Property, Plant and Equipment**

Property, plant and equipment consisted of the following at December 31.:

	2019	2018
Building	\$ 433,448	433,448
Building Improvements	669,586	712,994
Land	75,000	75,000
Machinery and Equipment	769,709	755,252
Computer and Office Expenses	65,248	67,428
Furniture and Fixtures	68,066	73,742
HVAC	124,974	124,974
Total	2,206,031	2,242,838
Less: Accumulated Depreciation	\$ (624,744)	(406,375)
<b>Property, Plant and Equipment - Net</b>	<b>1,581,287</b>	<b>1,836,463</b>

Depreciation expense amounted to \$240,130 and \$150,993 for the years ended December 31, 2019 and 2018, respectively.

During 2019, the Company wrote down \$49,702 for an asset related to one of its subsidiaries to its net realizable value of \$50,000. This asset is considered held for sale.

**BioStem Technologies, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2019 and 2018 (Continued)**

**Note 4 Intangible Assets, Net (Other than Goodwill)**

The following is a summary of intangible assets as of December 31, 2019 and 2018:

	Acquired Application	Acquired Trademark	
Useful Lives	15 Years	15 Years	Total
Carrying Value at December 31, 2017	\$ 250,000	\$ 27,400	\$ 277,400
Amortization	(19,138)	(2,271)	(21,409)
Write off of assets	(230,862)	(25,128)	(255,991)
Carrying Value at December 31, 2019 and 2018	\$ (0)	\$ 0	\$ 0

Goodwill related to the subsidiary BioStem Wellness was considered impaired, as the Company focused on its acquisition of BioStem Life Sciences and determined that the acquired applications and trademarks would not be supported in the future during the year ended December 31, 2018 and recorded an impairment amounting to \$192,196.



**BioStem Technologies, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2019 and 2018 (Continued)**

**Note 5 Notes Payable**

The notes payable for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
On July 27, 2018 GMA Bridge Fund, LLC issued a Bridge Loan Agreement and Promissory Note , with a rate of 50 basis points, per month for the first six months and 75 basis points a month through the Maturity Date of July 27, 2019. This agreement has not been repaid on the maturity date. <b>(1)</b>	\$ 1,000,000	\$ 1,000,000
On October 5, 2018 GMA Bridge Fund, LLC issued a Bridge Loan Agreement and Promissory Note , with a rate of 50 basis points, per month for the first six months and 75 basis points a month through the Maturity Date of October 5, 2019. This agreement has not been repaid on the maturity date.	2,000,000	2,000,000
On October 29, 2015, the Company financed the purchase of its headquarters for \$500,000 with a 5 percent interest rate. The loan is payable monthly, interest only for the term of the loan. The loan matured on April 29, 2017. On February 2, 2018 the Company entered into a Promissory Note and Mortgage to refinance the original mortgage, with an annual interest rate of 12 percent and a maturity date of February 28, 2019. This loan was extended through February 28, 2020 for a fee of \$10,000. The loan requires monthly payments of interest and real estate taxes beginning on April 1, 2018. The lender extended the term through November 30, 2020. See Subsequent Events.	500,000	500,000
On December 27, 2018, the Company entered into a Amended and Restated Promissory Note, whereby the original \$400,000 convertible debt agreement dated August 17, 2016 and the Company capitalized interest of \$28,504 . Effective May 17, 2019 the Company entered an Amended and Restate Promissory note, whereby the original convertible debt agreement was considered void. pursuant to the agreement, the Company capitalized interest of \$17,984. The interest accrues at 12 percent effective January 1, 2019. Prior to that date, the interest rate was 3 percent. The loan matures on June 1, 2022. The Company was to make interest only payments through December 31, 2019, and principal and interest payments of \$17,178.46 beginning on January 1, 2020. On April 8, 2020, the terms of the agreement was modified to capitalize accrued and unpaid interest and to require interest only payments through December 31, 2020.	446,488	0
On December 5, 2018 the Company entered into a \$250,000 Promissory Note, which bears interest at a rate 18 percent per annum, with interest commencing on August 30, 2018, which was the date the purchase price was delivered to the Company. The loan matured on August 30, 2019. The Company is in the process of refinancing this promissory note.	135,631	228,525

**BioStem Technologies, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2019 and 2018 (Continued)**

Notes Payable - Acquisition of VeraScience	0	320,000
Total Notes Payable Outstanding	\$ 4,082,119	\$ 4,048,525
Discount	0	(8,750)
Loan Costs	0	(74,988)
Total Notes Payable, net	\$ 4,082,119	\$ 3,964,787
Less short-term	3,635,631	3,964,787
Notes payable - long-term	\$ 446,488	\$ 0

- (1) In August 2019, the Company received notice from GMA Bridge Fund, LLC that the Company is in default for the loan that matured on July 27, 2019, for non-payment and gave the Company notice that the note which matured on October 5, 2019 was also in default. The Company continues to accrue interest on these loans totaling \$3.0 million and is in discussion with the lender to renegotiate the terms of these notes.

The convertible notes at December 31, 2019 and 2018 are discussed below:

**Convertible Notes**

	2019	2018
On August 17, 2016, the Company issued a 3% Convertible Promissory Note (the "Note") in the principal amount of \$400,000. The Note began accruing interest at a rate of 3% , with the interest thereon becoming due and payable on the one year anniversary of said date. The principal and interest under the Note are convertible into shares of the Company's common stock at \$10.00 per share. On December 27, 2018, the Company entered into a Amended and Restated Promissory Note, whereby the original \$400,000 convertible debt agreement dated August 17, 2016 was extended and the interest was capitalized for the accrued and unpaid interest of \$28,504. On May 17, 2019, Company entered into an Amended and Restated Promissory Note whereby, the original note was considered void.	\$ 0	\$ 428,504
On December 23, 2019, the Company entered into a Convertible Promissory Note with an interest rate of 8 percent, with a maturity date of December 23, 2020. The Promissory Note is convertible at \$2.00 at the Company's sole discretion.	150,000	0
	\$ 150,000	\$ 428,504

**BioStem Technologies, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2019 and 2018 (Continued)**

The interest expense related to the notes payable for the years ended December 31, 2019 and 2018 was \$529,600 and \$255,433, respectively. Amortized loan fees were \$93,988 and \$30,729 for the year ended December 31, 2019 and 2018, respectively.

<b>Related Party Loans</b>	<b>2018</b>	<b>2019</b>	
On October 4, 2018, the Company entered into a Promissory, with a shareholder and father of the CEO, with a rate of 8 percent, with a maturity date of December 31, 2021. Interest only payments paid monthly.	250,000	250,000	LT
On February 5, 2018, the Company entered into a Promissory, with a shareholder and father of CEO with a rate of 8 percent, with a maturity date of December 31, 2021 with monthly Interest only payments.	50,000	50,000	LT
Between September 2017 and July 2018, the Company issued various Promissory Notes with Henry Van Vurst, the Company's former CEO, with a rate of 8 percent per annum all with maturity date of December 31, 2021	\$ 151,000	\$ 151,000	LT
On July 12, 2018, the Company entered into a Promissory Note with its CEO for \$20,030, accruing interest of 8 percent with maturity date of December 31, 2021.	16,861	16,861	LT
Total Related Party Loans	<u>\$ 467,861</u>	<u>\$ 467,861</u>	
Capital Leases	<u>372,670</u>	<u>338,723</u>	
Subtotal Capital Leases	<u>4,922,649</u>	<u>4,855,109</u>	

Effective October 22, 2019, Henry Van Vurst stepped down as the company's Chief Executive Officer and as Chairman of the Board of Directors and the Board of Directors elected Jason Matuszewski, a co-founder, as the company's Chief Executive Officer and Chairman.

**BioStem Technologies, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2019 and 2018 (Continued)**

**Note 7 Capital Lease Obligations**

The Company leases certain specialized equipment under lease classified as capital lease. The equipment leases were entered into between September and December 2018, primarily for 60 months, maturing between September 2023 and December 23, 2023.

The capital lease annual principal payments due on December 31,

2020	\$	129,147
2021		104,517
2022		87,002
2023		62,230
2024		-
	\$	<u>382,896</u>

**Note 8 Derivative Liability**

The Company has recorded derivative liabilities associated with stock issued in exchange for services with a term of 6 months from November 20, 2017 to May 20, 2018, and the services were compensated in the form of stock valued at \$200,000 with the number of shares issued equal to \$200,000 divided by the lowest traded price in the 30 days prior to the expiration on May 2018.

The fair value as of December 31, 2018 for the Company's derivative liability is \$0.

**Note 9 Stockholders' Equity**

**(A) Preferred Stock**

**Series A-1 Convertible Preferred Shares**

The Company has designated 300 shares of preferred stock as "Series A-1 Convertible Preferred Shares".

The Series A-1 Convertible Preferred Shares entitled their holders to a number of votes equal to the number of shares issuable upon conversion times 2,000,000 granting the holders of Series A Convertible Preferred Shares, as a group, effective control of the Company.

Series A-1 Convertible Preferred Shares are convertible, at the option of the holders, or automatically upon a Qualified Public Offering resulting in gross proceeds to the Company of not less than \$30 million, in whole but not in part, into 300 share of common stock.

Holders of Series A-1 Convertible Preferred Shares are not be entitled to receive dividends, out of assets legally available thereof, prior and in preference to any declaration or payment of any dividend on the common stock or any other capital stock of the Corporation.

**BioStem Technologies, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2019 and 2018 (Continued)**

**Series B-1 Convertible Preferred Shares**

The Company has designated 500 shares of preferred stock as “Series B-1 Convertible Preferred Shares”.

The Series B-1 Convertible Preferred Shares entitled their holders to a number of votes equal to the number of shares issuable upon conversion.

Each Series B-1 Convertible Preferred Share is convertible, at the option of the holders, or automatically upon a Qualified Public Offering resulting in gross proceeds to the Company of not less than \$30 million, in whole but no in part, into 6 shares of common stock.

The Series B-1 Preferred Shares shall be entitled to receive an annual dividend, payable in newly issued common stock, in an amount equal to ten percent of the number of then existing Series B- 1 Preferred Shares issued and outstanding prior and in preference to any declaration or payment of any dividend on the common stock or any other capital stock of the Corporation. This Dividend shall be cumulative.

**(B) Common Stock**

**Common stock issued for cash**

During the year ended December 31, 2018, the Company sold 232,252 shares of common stock for proceeds of \$1,150,160, net of \$17,500 of closing costs. Capital investors also received warrants to acquire 232,252 shares of common stock, with a one-year term, at a strike price of \$5.00 a share of common stock.

**Common stock issued for services**

Deferred compensation recognized for the year ended December 31, 2019 and 2018 was \$3,457,408 and \$2,649,940, respectively. The Company issued 527 shares of common stock directly to consultants for the year ended December 31, 2019 for \$849. The Company was committed to issue 3,000 shares of common stock to a consultant valued at \$12,000 for the year ended December 31, 2018 and 3,000 shares of common stock valued at \$9,150 for the year ended December 31, 2019.

During the year ended December 31, 2018, the Company issued 1,519,359 shares of common stock to non-employees for service for an estimated the fair value of the shares based on the price of the most recent private placements of equity, totaling \$6,503,228. See further discussion in Note 10.

**Common stock issued per employment agreement**

During the year ended December 31, 2018, the Company issued 50,000 shares of common stock pursuant to employment agreements. The Company estimated the fair value of the shares based on the price of most recent private placements of equity, totaling \$188,500, \$94,250 which was recognized as expense during the year ended December 31, 2018 and \$296,845 recognized as expense related to prior period common stock issuances. See further discussion in Note 10.

**Common stock issued for warrant exercised**

During the year ended December 31, 2018, a shareholder and officer exercised warrants to acquire 112,904 shares of common stock at \$0.62 per share for \$70,000, of which \$45,000 was advanced to the Company in a prior period and \$25,000, outstanding note payable.

**BioStem Technologies, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2019 and 2018 (Continued)**

**(D) Unvested Stock and Deferred Compensation**

At December 31, 2019 and 2018, the Company has unrecognized stock compensation expense of \$1,402,836 and \$4,860,244, respectively.

	Non-Employees	Employees	Total
Ending Balance at December 31, 2017	\$ 521,581	\$ 296,875	\$ 818,456
Granted	6,503,228	188,500	6,691,728
Expense recognized	(2,258,845)	(391,095)	(2,649,940)
Ending Balance at December 31, 2018	\$ 4,765,964	\$ 94,280	\$ 4,860,244
Expense recognized	(3,456,896)	(94,280)	(3,551,576)
Ending Balance at December 31, 2019	\$ 1,309,067	\$ 0	\$ 1,309,067

**(E) Warrants**

	Total Number of Shares	Number of Shares - Employees	Number of Shares - Non- employees	Weighted Average Exercise Price	Weighted Average Remaining Life
Outstanding as December 31, 2017	3,183,767	3,000,000	183,767	\$1.23	23 Months
Granted	1,027,327	413,825	613,502	\$4.80	49 Months
Exercised	(112,904)	(112,904)	-	\$1	
Forfeited	(3,070,863)	(2,887,096)	(183,767)	\$1.18	
Outstanding as December 31, 2018	1,027,327	413,825	613,502	\$5	44 Months
Forfeited	(643,871)	(410,369)	(233,502)	\$4.80	32 Months
Outstanding as December 31, 2019	383,456	3,456	380,000	\$4.47	42 Months

	December 31, 2019	December 31, 2018
Stock Warrants	383,456	1,027,327
Convertible Debt	75,000	42,850
Preferred Stock	300	300
Total	458,756	1,070,477

**BioStem Technologies, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2019 and 2018 (Continued)**

During 2018, the Company issued 380,000 warrants to purchase common shares at a price of between \$5.00 and \$2.50 a share, earned upon issuance and with an average maturity of five years. The consultants are to provide services to the Company related to various sales, marketing and technical services.

During 2018 the Company issued common stock options to two executives related to the acquisition of BioStem Life Sciences totaling 400,000 options at an exercise price of \$5.00 with a term of five years with a vesting period of two years. These executives were terminated in September 2019 and October 2019. These options were forfeited. Pursuant to an employment agreement with an executive, the Company issued options to purchase 13,825 shares of common stock at an exercise price of \$4.34 with a term of five years and to be earned quarterly. The executive terminated employment in April 2019 and settled for 3,456 options to purchase common stock.

From January 2018 through August 2018, the Company completed private sales of 233,252 units at \$5.00 per unit for \$1,166,260 in aggregate proceeds. Each unit consisted of one share of common stock and one stock purchase warrant to purchase one (1) share of common stock at an exercise price of \$5.00 per share. The warrants expire one year from the date of issue.

During the year ended December 31, 2018, a shareholder and officer exercised warrants to acquire 112,904 shares of common stock at \$0.62 per share for \$70,000, of which \$45,000 was advanced to the Company in a prior period and \$25,000, outstanding note payable.

The Company recognized warrant expense based on a black-scholes model with an interest free rate of 2.2%, volatility rate of 89% based on an average term of 60 months. Total expense related to common stock warrants issued to employees and consultants were \$496,155 and \$105,523 and \$452,413 and \$446,495 for the years ended December 31, 2019 and 2018, respectively.

**Note 10 Commitments and Contingencies Employment Agreements**

In May 2016, the Company entered into two employment agreements with two officers. According to the employment agreements, in addition to their annual salary, each officer was granted a signing bonus of 50,000 shares of restricted common stock of the Company. In addition, one of the officers received additional 50,000 shares of restricted common stock upon the completion of twelve months of service. The other officer was granted an additional 50,000 shares on January 1, 2017 and an additional 50,000 shares on January 1, 2018.

On March 31, 2018, the Company decided to terminate the employment agreement with its Chief Technology Officer. According to the agreement between the Company and the officer, the Company will return the right to use the platform that was developed by the officer. In addition, the remaining 50,000 shares due to the officer as outlined in its employment agreement will be not be issued. The Company issued a total of 62,734, (44,734 upon settlement and 18,000 shares placed in escrow) shares of common stock valued at \$493,141 for the year ended December 31, 2018 regarding the settlement with this officer. The Company repurchased 7,836 shares of common stock for a total \$30,012, which is included in treasury stock at December 31, 2019 and 2018, respectively.

The Company has employment contracts with its Chief Executive Officer, Chief Operating Officer and Chief Financial Officer whereby they are to receive a salary plus stock compensation and bonuses based on board approval. These executives have not received their full salaries and the unpaid portion is included in Salaries Payable on the consolidated balance sheets at December 31, 2019 for and 2018 of \$655,583 and \$313,194, respectively. Included in Salaries Payable is \$243,995 and \$105,773 owed to Henry Van Vurst at the years ended December 31, 2019 and 2018, respectively. The Company plans to settle the liability with the former executive.

**BioStem Technologies, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2019 and 2018 (Continued)**

**Consulting Agreements**

The Company entered into a consulting agreement on November 20, 2017 for a term of 6 months with Monster Media, LLC and the services provided by the consultant compensated by the issuance of 22,422 shares. Per the agreement, if the total value of the common stock is below \$200,000 upon the expiration of the agreement in May 2018, the Company is required to issue additional shares of common stock, so the value of the aggregate shares issued for the agreement equivalent to \$200,000. No additional shares were issued.

On July 27, 2018 and October 5, 2018, the Company entered into consulting agreements with GMA Bridge Holdings, LLC. According to the consulting agreement, the consultant is focused on facilitating meetings with Stem cell medical practices, regenerative medicine companies and early stage with regenerative medicine companies for acquisition or strategic partnerships. The services performed by the consultant would be compensated with a grant of 250,000 and 450,000 restricted shares upon commencement of the these agreements which shall vest over twelve month period valued at \$1,062,500 and \$1,822,500 at July 27, 2018 and October 5, 2018, respectively, based on the most recent issuance of common shares, included in deferred compensation at December 31, 2018, fully amortized to consulting expense as of December 31, 2019.

On August 9, 2018, the Company entered into a consulting agreement with an outside consultant, Maxim Group as its non-exclusive financial advisor to provide a valuation analysis of the Company and/or targets, assist the company in strategic planning, business plans, organizational structure and potential strategic alliances and capital requirements. The services performed by the Consultant would be compensated with a grant of 4 percent of the Company's outstanding shares of common stock, or 317,359 or \$1,387,328, based on the most recent issuance of common shares, included in deferred compensation at December 31, 2018. The Company has recognized approximately \$544,479 at December 31, 2018 and \$842,849 at December 31, 2019.

On October 23, 2018, the Company entered into a consulting agreement with an outside consultant, Advanced Alternative Consulting, Ltd., an Irish Limited Company, to provide the Company with the establishment of European site for business development, a business plan to increase the sales for the Company's products and services, a strategic plan to launch wound care products for the Veterans Administration markets. The services would be compensated with a grant of 200,000 restricted shares upon commencement of the agreement which vest ratably over a 48 month period, valued at \$906,000, included in deferred compensation at December 31, 2019 and 2018, respectively, based on the most recent issuance of common shares.

In March 2018 the Company entered into an agreement with the Advisor and in August 2018, the Company entered into Amended No 1 to Consulting and Advisory Agreement with A3 Cell, a California limited liability company to provide the Company's Scientific Advisory Board guidance and advisory services for planning, developing and implementing a marketing plan. The services would be compensated with a grant of 50,000 restricted shares upon commencement of the agreement which vest over a 4 year period, valued at \$220,500, included in deferred compensation at December 31, 2019 and 2018, respectively, based on the most recent issuance of common shares. In January 2020, the Company terminated the agreement with consultant and settled for 25,000 warrants and forfeited the remaining 75,000 warrants and agreed to 5,209 shares of common stock. The Company has not received the 50,000 shares relating to this settlement but made the decision to remove from deferred compensation as of December 31, 2019. The balance related to these shares included in deferred compensation was \$0 and \$186,000 at December 31, 2019 and 2018, respectively.

In March 2018 the Company entered into two consulting and advisory agreements with Akquimed Corporation, a Florida corporation, whereby each of the advisors would be compensated with a grant of 50,000 restricted shares, each upon commencement of the agreement which began vesting upon meeting the twelve month of service and vesting over a 4 year period, valued at \$220,500 and \$228,500, included in deferred compensation. Prior to meeting the twelve months of service, the Company terminate the agreement with consultants. The Company has not received the shares of common stock from these consultants however they have stopped the amortization of the deferred compensation.



**BioStem Technologies, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2019 and 2018 (Continued)**

The balance related to these shares included in deferred compensation was \$351,000 and \$388,000 at December 31, 2019 and 2018, respectively.

On January 15, 2018 the Company entered into a consulting and advisory agreement with Jonathan Braniff, the advisor to serve on the Advisory Committee and to advise the Company for marketing and strategy. This agreement was amended on July 26, 2018 the Company issued 100,000 restricted shares of common stock valued at \$433,000, whereby the shares vest 25,000 shares on each anniversary. The balance related to these shares included in deferred compensation was \$401,000 and \$293,000 at December 31, 2019 and 2018, respectively.

On August 15, 2018 the Company entered into a consulting agreement with Mark Jens, the advisor to serve on the Advisory Committee and to advise the Company for marketing and strategy whereby the Company issued 30,000 restricted shares of common stock valued at \$131,400 for services over a twelve month period. The balance related to these shares included in deferred compensation was \$0 and \$93,000 at December 31, 2019 and 2018, respectively.

**Note 12 Subsidiary Acquisition and Sales**

On August 3, 2018, the Company completed an Asset Purchase Agreement pursuant to which Vera Bioscience, LLC (“Vera”) sold or transferred to the Company its right, title and interest in certain tangible and other assets associated with its manufacturing operations, including, raw and finished goods inventory, a long term lease for Vera’s laboratory facility in Sunrise, Florida, furniture and equipment, and certain intellectual property rights. These assets are held in the BioStem Life Science entity. It was later discovered that the assets that were to be purchased changed after the purchase. Vera Bioscience, LLC settled the difference by forgiving \$180,000 of the loan to account for the changes due to assets acquired.

The Company sold 10 percent of the above acquisition for \$500,000 in August 2018. The Company recorded a gain of \$393,000 for the year ended December 31, 2018. The Company owned 90.0% interest of the subsidiary as of December 31, 2018 and 2019.

**Purchase of BioStem Life Sciences**

	Acquisition	Adjustment	12/31/18
Note Payable	\$ 500,000	\$ (180,000)	\$ 320,000
Cash Proceeds	570,000	-	570,000
	\$ 1,070,000	\$ (180,000)	\$ 890,000
Inventory	\$ 331,378	\$	\$ 331,378
Property, Plant and Equipment	120,629		120,629
Prepaid Rent	9,665		9,665
Security Deposit	37,275		37,275
Assumed Payables/Deposits	(74,115)		(74,115)
Net Assets Acquired	424,832		424,832
<b>Net Assets Acquired</b>			
Goodwill	\$ 645,168	\$ (180,000)	\$ 465,168
Intangibles and Goodwill	645,168	(180,000)	465,168
Total Acquired Assets	\$ 1,070,000	\$ (180,000)	\$ 890,000

**BioStem Technologies, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2019 and 2018 (Continued)**

The leased office space related to the acquisition was sublease and a loss was recognized regarding the transaction.

<b>Facility Lease</b>			
	Lease	Sublease	31-Dec
2020	\$ 113,784	\$ (54,000)	\$ 59,784
2021	113,784	(60,000)	53,784
2022	56,892	(30,000)	26,892
	<u>\$ 284,460</u>	<u>\$ (144,000)</u>	<u>\$ 140,460</u>

The Company lease the facility related to the acquisition noted above. Included in the sublease is \$116,000 related to the prepaid inventory related to Wellness. The company recorded a loss attributed to this lease of \$ 140,460

The Company owned 70.0% interest of QPI as of December 31, 2018. In 2019, prior to the sale, the Company acquired the 30% noncontrolling interest for \$1. The Company recognized the loss on recognition of the non-controlling interest of \$176,105. QPI was sold April 18, 2019 for \$179,000. The gain associated upon the sale is reported in the second quarter of 2019 in the consolidated statement of operations.

**Sale of Qualified Pharma Ingredients, Inc**

Proceeds:	\$ 179,000
Accounts Receivable	5,500
Inventory	68,941
Deposits	2,706
Property, Plant and Equipment	98,931
Liabilities Assumed	<u>(1,648)</u>
	<u>174,430</u>
 <b>Gain on Sale</b>	 \$ 4,570

**Note 13 Income Taxes**

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due. Deferred taxes relate to differences between the basis of assets and liabilities for financial and income tax reporting which will be either taxable or deductible when the assets or liabilities are recovered or settled.

At December 31, 2019, the Company has a net operating loss carryforward of approximately \$15,626,477 available to offset future taxable income indefinitely. Utilization of future net operating losses are subject to annual limitations

**BioStem Technologies, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2019 and 2018 (Continued)**

and may be further limited due to potential ownership changes under Section 382 of the Internal Revenue Code.

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based on consideration of these items, management has determined that enough uncertainty exists relative to the realization of the deferred income tax asset balances to warrant the application of a full valuation allowance as of December 31, 2019 and 2018.

The effects of temporary differences that gave rise to significant portions of deferred tax assets at December 31, 2019 and December 31, 2018 are approximately as follows:

	2019	2018
Net operating loss carryforward	\$ (29,781,156)	\$ (23,221,450)
NOL Deferred Tax Assets	7,548,034	5,885,477
Book vs Tax Cost Recovery Asset		
	1,049,997	1,049,997
Less Valuation Allowance	(8,598,031)	(6,935,474)

There was no income tax expense for the years ended December 31, 2019 and 2018 due to the Company's net losses.

The Tax Cuts and Jobs Act of 2017 was signed into law on December 22, 2017. The law includes significant changes to the US Corporate income tax system, including a Federal corporate rate reduction from 35% to 21%, limitations on the deductibility of interest expenses and executive compensation and the transition of US international taxation from a worldwide tax system to a territorial tax system. The Company's tax expense differs from the "expected" tax expense for the years ended December 31, 2019 and December 31, 2018, computed by applying the Federal Corporate rate of 21% and 35% and 5.5% for Florida State Corporate Taxes (same for both years), are approximately as follows:

	2019	2018
Computed "expected" tax expense (benefit) – Federal	(1,340,556)	(1,594,944)
	\$	\$

**BioStem Technologies, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2019 and 2018 (Continued)**

Computed "expected" tax expense (benefit) - State	(277,367)	(330,002)
Change in valuation allowance	<u>1,617,924</u>	<u>1,924,946</u>

**Note 13 Subsequent Events**

The Company has evaluated subsequent events through November 16<sup>th</sup>, 2020, which is the date the consolidated financial statements were available to be issued.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic, which continues to spread throughout the United States. Since March 2020, several states have instituted orders to close non-essential surgeries, out-patient procedures, or other related business as well as guidance in response to the pandemic and the need to contain it. In June 2020, most states have opened for business as it relates to non-essential surgeries, out-patient procedures, and other related businesses.

*Expected Impact of COVID-19 Pandemic*

In response to the overarching implications of the COVID-19 pandemic and the threat that it poses, government and business entities alike have taken action to minimize and mitigate the potential spread of the novel virus, actions such as the restriction of movement and travel, quarantine procedures, and shelter-in-place measures. Many of the actions taken to combat the spread of COVID-19 were and, in some cases, continue to be prohibitive to the function of otherwise regular business practices and as of the first half of 2020, there remains uncertainty surrounding the timing, efficacy and availability of a vaccine. As development of the outbreak continues, there looms the potential for some similar or greater restrictions to be imposed for indefinite periods of time.

*Sourcing and Manufacturing*

We obtain donated perinatal tissue from Cesarean section births from a large and diverse network of qualified donor hospitals and medical facilities. Interruptions in the supply chain of these donated perinatal tissues were experienced in late Q1, particularly in the late portion of March 2020. Through additions to the supply chain in the form of additional donor hospitals, and more recently, qualified third-party providers of donated placental tissue, we were able to effectively mitigate disruption to our raw material supply while increasing collection efforts at hospitals that did not impose access limits.

Our product manufacturing process employs the use of aseptic technique in controlled environment areas. However, the manufacturing space also includes areas that do not require controlled environment and wherein an infected employee may spread the virus, despite the use of personal protective equipment. As a control measure to mitigate potential propagation or spread of the virus, we measure employees' temperatures prior to entry to the facilities. As of the filing of this financial statement no employees of BioStem Technologies have yet tested positive for COVID-19. As an additional precaution, all non-manufacturing employees of BioStem Technologies were required to work from home between the dates of March 24, 2020 and ending on May 4, 2020. Flexibility in employees work arrangements have been allowed beginning May 4, 2020 and ongoing as of the filing of this financial statement if the employees work does not require the presence of the employee directly on premise. We continue to monitor the guidance provided by federal, state and local health authorities, and effect policy based on current industry guidance and recommendation, especially those of the Centers for Disease Control and Prevention ("CDC").

Due to the significant mitigation measures employed by the Company, governmental and societal response to the Pandemic, we have seen minimal impact to the ability to source and manufacture our products.

*Sales and Marketing*

Due to the overarching effects of the pandemic, our ability to sell product was hampered during the first half of 2020. In addition, the CDC recommendations to avoid elective surgery, and the exclusion of our sales force from medical facilities and health care providers that typically would provide the majority of our sales efforts meant that an adverse

**BioStem Technologies, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2019 and 2018 (Continued)**

impact was affected on revenues beginning late Q1 2020 and continuing into middle Q2 2020. This adverse impact lessened as the Company entered into June 2020, as restrictions to our sales force from entering hospitals and medical facilities loosened and patients began to return for elective procedures.

*Selling and General Administrative Expenses*

With regard to the challenges of the Pandemic, executive management initiated efforts to curtail many discretionary expenses, most of which were eliminated or postponed. New hiring was paused in areas not critical to the operation of the business. Executive salaries were reduced effective March 31, 2020 by 50%, with cuts surviving to the filing of this financial statement. These efforts allowed the Company to reduce its expense base, and to maintain margins as sales efforts continue to increase.

*Financial Reporting Systems and Internal Controls*

Prior to the pandemic, steps were already taken to allow the office staff to work remotely. In lieu of this, no material adverse effect is expected on our internal financial reporting systems in total. We have experienced some delays with third party working entities whose procedures require them to review certain physical records. The Company secured personal protective equipment ("PPE") for its manufacturing operations. To further help mitigate risk, the Company has secured loans through the Paycheck Protection Program ("PPP") that originated from the Coronavirus Aid, Relief, and Economic Security ("CARES") Act in the amount of \$405,852 and the Company received \$150,000 from the Small Business Association ("SBA") through the Economic Injury Disaster Loan Program ("EIDL"). The PPP program provides 100 percent federally guaranteed loans with the ability to have a portion of the balance forgiven if the loans are used directly for payroll, rent, and utilities, and is intended to provide American small businesses with cash-flow assistance. The Company believes if certain requirements are met the loan proceeds may be forgiven.

The Company extended the term of the \$500,000 promissory note which matured on February 28, 2020 to May 28, 2020 and then in May 2020, extended the maturity date to November 30, 2020.

On April 8, 2020, the Company received a modification with its Amended Promissory Note, whereby the Company is required to pay interest only payments through December 31, 2020. In April 2020, the Company capitalized \$26,863 to the loan balance of \$473,351.

The Company has evaluated all other transactions and events after the balance sheet date through December 31, 2019, the date on which these financials were available to be issued, and except as already included in the notes to these financial statements, has determined that no additional disclosures are required.