2024 Quarterly Report

TREP

Trucept, Inc.

For the Period Ending September 30, 2024

THESE UNAUDITED FINANCIAL STATEMENTS ARE INCORPORATED BY REFERENCE INTO THE DISCLOSURE STATEMENT PURSUANT TO THE PINK BASIC DISCLOSURE GUIDELINES

See accompanying notes to the consolidated financial statements.

Trucept, Inc.

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See accompanying notes to the consolidated financial statements.

Trucept, Inc.
Consolidated Balance Sheets
As of September 30, 2024, and December 31, 2023

	September 30, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash & cash equivalents	$ 195,955	$ 2,294,078
Accounts receivable	4,989,420	1,630,099
Note receivable	1,125,262	1,169,992
Due from related parties	566,200	17,348,759
Prepaid expenses	159,554	156,181
Total current assets	7,036,391	22,599,109
Prepaid workers compensation	19,157,316	19,157,316
Property, plant and equipment, net	18,416	35,707
Right to Use Asset - Lease	164,409	-
Investments	634,884	634,884
Deposits	215,000	215,000
Goodwill	556,606	556,606
Total assets	$ 27,783,022	$ 43,198,622
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts Payable & Accrued Liabilites	3,589,274	3,367,087
Accrued Payroll taxes	512,382	617,357
Accrued compensation expense	409,418	450,723
Disputed -3rd Party	678,140	732,182
Trust -3rd Party	357,543	17,322,274
Operating Lease- Short term	37,756	-
Total current liabilities	5,584,513	22,489,623
Non Current liabilities:		
Operating Lease- Long term	129,654	-
Total liabilities	$ 5,714,167	$ 22,489,623
Commitments and contingencies		
Stockholders' equity (deficit):		
Common stock, $0.001 par value, 500,000,000 shares authorized, 56,098,460 shares issued and outstanding as of both September 30, 2024 and December 31,2023	56,098	56,098
Additional paid-in capital	7,704,641	7,704,541
Accumulated deficit	14,308,116	12,948,360
Total stockholders' equity (deficit)	22,068,855	20,708,999
Total liabilities and stockholders' equity (deficit)	$ 27,783,022	$ 43,198,622

See accompanying notes to the consolidated financial statements.

Trucept, Inc.
Consolidated Statements of Operations and Comprehensive Income
For the Three and Nine Months Ended September 30, 2024 and 2023

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Net revenues	$ 6,155,046	$ 4,630,505	$ 17,238,607	$ 13,579,695
Cost of net revenues	2,134,985	1,617,104	5,521,402	4,540,984
Gross profit	4,020,061	3,013,401	11,717,205	9,038,711
Operating expenses:				
Selling, general, and administrative	3,408,351	2,459,348	10,117,449	7,630,919
Total operating expenses	3,408,351	2,459,348	10,117,449	7,630,919
Income (loss) from operations	611,710	554,053	1,599,756	1,407,792
Other income (expense):				
Other income (expense)	-	-	-	-
Tax penalities	(60,000)	(74,000)	(240,000)	(126,500)
Total other income (expense), net	(60,000)	(74,000)	(240,000)	(126,500)
Provision for income taxes	-	-	-	-
	551,710	480,053	1,359,756	1,281,292
Other comprehensive income				
Net income (loss) and comprehensive income (loss)	$ 551,710	$ 480,053	$ 1,359,756	$ 1,281,292
Weighted average common shares outstanding - basic and diluted	56,098,460	56,098,460	56,098,460	56,098,460
Net loss per common share - basic and diluted	$ 0.010	$ 0.009	$ 0.024	$ 0.023

See accompanying notes to the consolidated financial statements.

Trucept, Inc.
Consolidated Statements of Changes in Stockholders' Deficit
For the Three and Nine Months Ended September 30, 2024

	Common Stock		Additional Paid in Capital	Accumulated Deficit	Total
	Shares	Amount			
Balance - December 31, 2022	56,098,460	$ 56,098	$ 7,704,541	$ 11,243,421	$ 19,004,060
Restatement charge				144,565	144,565
Net income	-	-	-	1,560,374	1,560,374
Balance -December 31, 2023	56,098,460	$ 56,098	$ 7,704,541	$ 12,948,360	$ 20,708,999
Net income				235,826	235,826
Opening equity			100		100
Balance - March 31, 2024	56,098,460	$ 56,098	$ 7,704,641	$ 13,184,186	$ 20,944,925
Net income	-	-	-	572,220	572,220
Balance - June 30, 2024	56,098,460	$ 56,098	$ 7,704,641	$ 13,756,406	$ 21,517,145
Net Income				551,710	551,710
Balance - September 30, 2024	56,098,460	$ 56,098	$ 7,704,641	$ 14,308,116	$ 22,068,855

See accompanying notes to the consolidated financial statements.

Trucept, Inc.
Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2024 and 2023

	For the Nine Months Ended September 30,	
	2024	2023
Cash flows from operating activities:		
Net income (loss)	1,359,756	801,239
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	3,534	2,260
Bad debt	668,925	-
Change in operating assets and liabilities:		
Accounts receivable	(4,028,244)	581,559
Due from related parties	16,782,559	(227,270)
Prepaid expenses	(3,373)	(57,052)
Operating lease liabiity, net	3,001	-
Note receivable	44,730	-
Accrued compensation expense	(41,305)	-
Disputed Third Party liabilities	(54,042)	(60,000)
Accounts payable & Accrued expenses	222,187	(679,655)
Net cash used in operating activities	14,957,726	361,082
Cash flows from investing activities:		
Purchase/disposal of property, plant and investment	13,757	(2,367)
Net cash provided by (used in) investing activities	13,757	(2,367)
Cash flows from financing activities:		
Accrued payroll tax payable	(104,875)	-
Restatement charge	-	144,565
Increase (decrease) in accrued payroll taxes payable	-	(48,284)
Proceeds from Trust	(16,964,731)	(537,449)
Net cash used in financing activities	(17,069,606)	(441,168)
Net change in cash and cash equivalents	(2,098,123)	(82,453)
Cash and cash equivalents at beginning of period	2,294,078	122,995
Cash and cash equivalents at end of period	$ 195,955	$ 40,541
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	-	-
Cash paid for interest	-	-

See accompanying notes to the consolidated financial statements.

1. Summary of significant accounting policies

Nature of operations, basis of financial statement presentation

The Company was incorporated in the State of Nevada on March 23, 1995 as Royce Biomedical Inc.

On September 8, 2005, the Company changed its name from Royce Biomedical Inc. to Smart-tek Solutions Inc.
It changed names to "TRUCEPT INC." on January 3, 2013 to better reflect new business activities

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include the following significant accounting policies:

Liquidity

At September 30, 2024, the Company had cash and cash equivalents of $195,955 and a working capital deficit of approximately $1,451,878.

The Company earned a net income of $551,710 and $480,052 for the three months ended September 30, 2024 and 2023

Basis of Presentation

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Unaudited Financial Information

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in The United States of America and the rules and regulations of the Securities and Exchange Commission for interim financial information. Accordingly, they do not include all the information necessary for a comprehensive presentation of financial position and results of operations.

It is management's opinion, however, that all material adjustments (consisting of normal and recurring adjustments) have been made which are necessary for a fair financial statement presentation.

Principles of consolidation

The consolidated financial statements include the accounts of Trucept Inc. and its subsidiaries Afinida Inc. and Afinida Insurances Services, Inc. (formerly UWS Insurance Services, Inc.). (see Note 2). Significant inter-company transactions have been eliminated in consolidation.

Use of estimates

The preparation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts and related disclosures. Specific areas, among others, requiring the application of management's estimates and judgment includes assumptions pertaining to credit worthiness of customers, interest rates, useful lives of assets, future cost trends, tax strategies, and other external market and economic conditions. Actual results could differ from estimates and assumptions made.

1. Summary of significant accounting policies - continued

Cash and equivalents

Cash and cash equivalents consist of cash on hand and bank deposits. For financial reporting purposes, the Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. The Company maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The Company has not experienced any losses related to this concentration of risk. At September 30, 2024 and December 31, 2023, the Company did not have any deposits in excess of federally insured limits.

Accounts Receivable

Accounts receivables are recorded at net realizable value consisting of the carrying amount less an allowance for uncollectible accounts, as needed. The Company uses the allowance method to account for uncollectible accounts receivable balances. Under the allowance method, if needed, an estimate of uncollectible customer balances is made based upon specific account balances that are considered uncollectible. Factors used to establish an allowance include the credit quality and payment history of the customer. The allowance for doubtful accounts was $0 and $0 as of September 30, 2024 and December 31, 2023, respectively.

Workers compensation insurance

The Company maintains reserves in the form of prepaid cash deposits for known workers' compensation claims which are made up of estimated collateral required to pay claims and estimated expenses to settle the claims. The collateral amounts are determined by the insurance carrier and are not recoverable by the Company until all claims related to a policy period are settled. The cash deposits will not be recoverable in the near term and accordingly, they are classified as a long-term asset with a balance of $19,157,316 and $19,157,316 as September 30, 2024 and December 31, 2023.

Concentration of credit risk

Credit risk arises from the potential that a counterpart will fail to perform its obligations. The Company minimized credit risk by requiring clients to wire in advance of services being provided. The Company’s receivables are comprised of a number of debtors which minimizes the concentration of credit risk. It is management’s opinion that the Company is not exposed to significant credit risk associated with its accounts receivable.

Equipment

Equipment is recorded at cost and depreciated on a straight-line basis using accelerated methods over the estimated useful lives of the related assets ranging from 3 to 5 years. The Company reviews the carrying value of long-term assets to be held and used when events and circumstances warrant such a review. If the carrying value of a long-lived asset is considered impaired, a loss is recognized based on the amount by which the carrying value exceeds the fair market value. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. The cost of normal maintenance and repairs is charged to operations as incurred. Major overhaul that extends the useful life of existing assets is capitalized. When equipment is retired or disposed, the costs and related accumulated depreciation are eliminated and the resulting profit or loss is recognized in income.

Income taxes

The Company recognizes consolidated 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 tax assets and liabilities are determined based on the difference between the tax basis of assets and liabilities and their financial reporting amounts based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income.

1. Summary of significant accounting policies – continued

Deferred tax assets are recognized for deductible temporary differences and for carry forwards. Deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company regularly assesses uncertain tax positions in each of the tax jurisdictions in which it has operations and accounts for the related financial statement implications. Unrecognized tax benefits are reported using the two-step approach under which tax effects of a position are recognized only if it is "more-likely-than-not" to be sustained and the amount of the tax benefit recognized is equal to the largest tax benefit that is greater than fifty percent likely of being realized upon ultimate settlement of the tax position. Determining the appropriate level of unrecognized tax benefits requires the Company to exercise judgment regarding the uncertain application of tax law. The amount of unrecognized tax benefits is adjusted when information becomes available or when an event occurs indicating a change is appropriate. Future changes in unrecognized tax benefits requirements could have a material impact on the results of operations. The Company files U.S. federal and U.S. state tax returns.

Revenue recognition

In determining the pricing of the markup component of its billings, the Company takes into consideration its estimates of the costs directly associated with its worksite employees, including payroll taxes, benefits and workers' compensation costs, plus an acceptable gross profit margin. As a result, the Company's operating results are significantly impacted by the Company's ability to accurately estimate, control and manage its direct costs relative to the revenues derived from the markup component of the Company's gross billings.

Trucept provides marketing, accounting, payroll and human resources support to companies in a variety of industries.

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)". This ASU creates a single comprehensive new revenue recognition standard. Under the new standard and its related amendments (collectively known as Accounting Standards Codification ("ASC 606"), an entity recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. Enhanced disclosures will be required regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017. The Company adopted the standard as of January 1, 2018, using the modified retrospective method applied to contracts which were not completed as of that date, which represent contracts for which all (or substantially all) of the revenues have not been recognized under existing standard as of the date of adoption.

The Company has assessed the impact that the new standard had on its operations, financial statements and related disclosures. This includes a review of current accounting policies and practices to identify potential differences that would result from applying ASC 606.

The Company has no incomplete contracts as of the date of adoption and therefore did not have any cumulative effect adjustment to its opening balance of retained earnings. Prior periods were not retrospectively adjusted. The impact to the Company's future results from operations are not expected to differ based on the analysis of revenue streams and contracts under ASC 606, which supports revenue recognition over time.

The Company recognizes revenue pursuant to ASC 606. The Company's revenue is derived from the sales of its products, which represents net sales recorded in the Company's condensed consolidated statements of income. Product sales are recognized when performance obligations under the terms of the contract with the customer are satisfied. Typically, this would occur upon transfer of control, including passage of title to the customer and transfer of risk of loss related to those goods. Transfer of title and risk of loss takes place at the point of sale at the Company's retail stores. The Company measures revenue as the amount of consideration to which it expects to be entitled in exchange for transferring goods (transaction price). The Company records reductions to revenue for estimated customer returns, allowances, markdowns and discounts.

1. Summary of significant accounting policies - continued

Revenue recognition - continued

The Company bases its estimates on historical rates of customer returns and allowances as well as the specific identification of outstanding returns, markdowns and allowances that have not yet been received by the Company. The actual amount of customer returns and allowances is inherently uncertain and may differ from the Company's estimates. If the Company determines that actual or expected returns or allowances are significantly higher or lower than the reserves it established, it would record a reduction or increase, as appropriate, to net sales in the period in which it makes such a determination. Reserves for returns, and markdowns are included within accrued expenses and other liabilities. Allowance and discounts are recorded in accounts receivable, net and the value of inventory associated with reserves for sales returns are included within prepaid expenses and other current assets on the consolidated balance sheet.

Revenues from multi-month training contracts are recognized over the length of the contract term rather than when the contract begins. Because a significant amount of the Company's contract sales are greater than three months in length, the Company apportions that revenue over the duration of the contract term even though either the full amount or a significant portion is collected when the contract begins. The difference between the gross cash receipts collected and the recognized revenue from those sales during the respective reporting period will appear as deferred revenue.

Business combinations

The Company accounts for acquisitions in which it obtains control of one or more businesses as a business combination. The purchase price of the acquired businesses is allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. The excess of the purchase price over those fair values is recognized as goodwill. During the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments, in the period in which they are determined, to the assets acquired and liabilities assumed with the corresponding offset to goodwill. If the assets acquired are not a business, the Company accounts for the transaction or other event as an asset acquisition. Under both methods, the Company recognizes the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquired entity. In addition, for transactions that are business combinations, the Company evaluates the existence of goodwill or a gain from a bargain purchase.

Impairment of long-lived assets

Goodwill is tested annually at December 31 for impairment and upon the occurrence of certain events or substantive changes in circumstances.

The annual goodwill impairment test allows for the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. An entity may choose to perform the qualitative assessment on none, some or all of its reporting units or an entity may bypass the qualitative assessment for any reporting unit and proceed directly to step one of the quantitative impairment test. If it is determined, on the basis of qualitative factors, that the fair value of a reporting unit is, more likely than not, less than its carrying value, the quantitative impairment test is required. The quantitative impairment test calculates any goodwill impairment as the difference between the carrying amount of a reporting unit and its fair value, but not to exceed the carrying amount of goodwill. As of December 31, 2023, no impairment was deemed necessary.

Share-based compensation

The Company measures the cost of employee services received in exchange for equity awards based on the grant date fair-value of the awards. Fair value is typically the market price of the shares on the date of issuance. Costs are measured at the grant date and recognized as compensation expense over the employer's requisite service period (generally the vesting period of the equity award).

Net earing per share

The basic income per common share is computed by dividing the net income by the weighted average shares of common stock outstanding during the periods. Net income per share on a diluted basis is computed by dividing the net income for the periods by the weighted average number of common and dilutive common stock equivalent shares outstanding during the periods.

1. Summary of significant accounting policies - continued

Fair Value of Financial Instruments

Fair value is determined to be the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The Company follows a fair value hierarchy that prioritizes the inputs used in measuring fair value into three broad levels as follows:

Level 1—Quoted prices in active markets for identical assets or liabilities.

Level 2—Inputs, other than the quoted prices in active markets, are observable either directly or indirectly.

Level 3—Unobservable inputs based on the Company's assumptions.

The Company is required to use observable market data if such data is available without undue cost and effort.

At September 30, 2024 and December 31, 2023, the carrying amounts of financial instruments, including cash, accounts and other receivables, accounts payable and accrued liabilities, and notes payable approximate fair value because of their short maturity.

Subsequent Events

The Company follows the guidance in Section 855-10-50 of the FASB Accounting Standards Codification for the disclosure of subsequent events. The Company will evaluate subsequent events through the date when the financial statements were issued.

Recent Accounting Pronouncements

The Company has reviewed accounting pronouncements and interpretations thereof that have effective dates during the periods reported and in future periods. The Company believes that the following impending standards may have an impact on its future filings. The applicability of any standard will be evaluated by the Company and is still subject to review by the Company.

The Company has adopted FASB ASC 220 "Comprehensive Income", which establishes standards for reporting and display of comprehensive income (loss), its components and accumulated balances. The Company had no components of comprehensive income (loss) for the periods presented.

In August 2018, the FASB issued guidance to improve the effectiveness of fair value measurement disclosures by removing or modifying certain disclosure requirements and adding other requirements. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. Certain amendments should be applied prospectively, while all other amendments should be applied retrospectively to all periods presented. The Company is currently evaluating the impact of the new guidance.

In February 2018, the FASB issued guidance that permits the Company to reclassify disproportionate tax effects in accumulated other comprehensive income caused by the Tax Cuts and Jobs Act of 2017 to retained earnings. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the impact of the new guidance.

In July 2017, the FASB issued ASU 2017-11 which simplifies the accounting for certain financial instruments with down round features. The new standard will reduce income statement volatility for companies that issue warrants and convertible instruments containing such features. The guidance is effective for fiscal years beginning after December 15, 2018 with early adoption permitted. The Company is currently evaluating the impact of the new guidance.

In June 2016, the FASB issued a new credit loss standard that replaces the incurred loss impairment methodology in current GAAP. The new impairment model requires immediate recognition of estimated credit losses expected to occur for most financial assets and certain other instruments. It is effective for annual reporting periods beginning after December 15, 2019 and interim periods within those annual periods.

1. Summary of significant accounting policies - continued

Recent Accounting Pronouncements – continued

Early adoption for fiscal years beginning after December 15, 2018 is permitted. Entities will apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first effective reporting period.

The Company is currently evaluating the impact of the new guidance.

In February 2016, the FASB issued new lease accounting guidance in ASU No. 2016-02, "*Leases*". This new guidance was initiated as a joint project with the International Accounting Standards Board to simplify lease accounting and improve the quality of and comparability of financial information for users. This new guidance would eliminate the concept of off-balance sheet treatment for "operating leases" for lessees for the vast majority of lease contracts. Under ASU No. 2016-02, at inception, a lessee must classify all leases with a term of over one year as either finance or operating, with both classifications resulting in the recognition of a defined "right-of-use" asset and a lease liability on the balance sheet. However, recognition in the income statement will differ depending on the lease classification, with finance leases recognizing the amortization of the right-of-use asset separate from the interest on the lease liability and operating leases recognizing a single total lease expense. Lessor accounting under ASU No. 2016-02 would be substantially unchanged from the previous lease requirements under GAAP. ASU No. 2016-02 will take effect for public companies in fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted and for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, lessees and lessors must apply a modified retrospective transition approach. The Company is currently evaluating the new guidance and has not determined the impact this standard may have on the consolidated financial statements.

In May 2014, the FASB issued their converged standard on revenue recognition, Accounting Standards Update No. 2014-09, "*Revenue from Contracts with Customers (Topic 606)"*, updated in December 2016 with the release of ASU 2016-20. This standard outlines a single comprehensive model for companies to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods and services in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods and services. In addition, the new standard requires that reporting companies disclose the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. In August 2015, the FASB issued ASU No 2015-14 "*Revenue from Contracts with Customers (Topic 606*): *Deferral of the Effective Date,*" which deferred the effective date of ASU 2014-09 to annual reporting periods beginning after December 15, 2017, with earlier application permitted but not before the original effective date.

We have reviewed all the recently issued, but not yet effective, accounting pronouncements and we do not believe any of these pronouncements will have a material impact on the Company.

2. Acquisitions

<u>Afinida Inc.</u>

On February 19, 2020, TREP purchased one hundred percent (100%) of the issued and outstanding common equity shares of Afinida Inc., a California Corporation ("Afinida") from its sole shareholder Synergy.O Inc. The purchase was made by means of a Stock Purchase Agreement ("SPA"). The consideration for the share purchase was one hundred thousand (100,000) common equity shares of TREP at a fair value of $2,050. Afinida offers a full suite of valuable benefits designed to help them grow their businesses and increase their operating efficiency. Services include:

i) Payroll Services, which includes, Payroll processing, Cloud based software, Direct deposits, New hire reporting, and others.

ii) Payroll Tax Services, which includes, Payroll tax payments, filings and compliance services.

<u>Afinida Insurance Services, Inc.</u>

On February 19, 2020, TREP purchased one hundred percent (100%) of the issued and outstanding common equity shares of Afinida Insurance Services, Inc. (formerly UWS Insurance Services, Inc.)., a California Corporation ("AIS") from its sole shareholder Synergy.O Inc. The purchase was made by means of a Stock Purchase Agreement ("SPA"). The consideration for the share purchase was fifty thousand (50,000) common equity shares of TREP at a fair value of $1,025. AIS is an insurance agency currently licensed in more than 25 states with plans to become licensed in all 50. Through AIS-licensed brokers, it is projected approximately $500,000 annually in additional revenue from the acquisition will result. Coverages include:

(i) Employee Benefits - Medical/Dental/Vision Plans, Supplemental Insurance, Life Insurance & Cafeteria Plans.

(ii) Commercial Lines - Workers Compensation, Business Owners Policies, Property Insurance, General Liability Insurance & Employment Practices Liability Insurance.

(iii) Individual Policies - Medical, Dental, & Vision Plans, Supplemental Insurance, Life Insurance & Home Owners/Condo/Renters Insurance.

The Company recognized $556,606 in goodwill for these acquisitions pertaining to the excess of the purchase price consideration over the net assets acquired and liabilities assumed.

3. Equity

At September 30, 2024, the Company is authorized to issue:

1. 5,000,000 shares of preferred stock, par value $0.001 per share.
2. 500,000,000 shares of common stock, par value $0.001 per share.

Common Stock

At September 31, 2024 and December 31, 2023, there are 56,098,460 shares of common stock outstanding.

There are no stock options outstanding at September 31, 2024 and December 31, 2023.

As of January 1, 2022, notes payable held by Brian Bonar and American Marine Corp (AMC) were paid off by Trucept Inc. (the “Company”), with the exception of $30,586 of the Bonar note payable balance on the 6/30/2018 Note held by Mr. Bonar. Mr, Bonar is the CEO, Director and sole shareholder of AMC.

As of January 1, 2022, notes payable held by Brian Bonar had $154,497 of accrued interest and notes payable held by AMC had $245,072.12 of accrued interest due Brian Bonar, for an aggregate of $399,569 of accrued interest due Mr. Bonar. As such, Mr. Bonar converted the note payable balance of $30,586 and the accrued interest payable balance $399,569 into 3,186,337 shares of Trucept Inc. common stock using the closing price of $0.135 as of January 3, 2022 as the conversion rate per share. The amount was included as common stock to be issued as of March 31, 2022 and issued in the second quarter of 2022.

Preferred Shares

There are no preferred shares issued or outstanding.

4. Net earnings per share

		September 30, 2024		September 30, 2023
Net Income	$	551,710	$	480,052
Weighted number of shares outstanding		56,098,460		56,098,460
Net income (loss) per share	$	0.010	$	0.009

5. Related Party Transactions

A related party advanced to the Company $400,000 on March 31, 2016, $287,500 on December 31, 2016, $165,649 on December 31, 2017, 215,595 on June 30, 2018, $876,682 on December 31, 2018 and $1,488,793 on December 31, 2019. On June 30, 2018 three of these advances became a five year Note Payable for $850,516 at 5% annual interest. The remaining notes are three-year notes at 4% annual interest.

See Note 3 for conversion and repayment of related party notes.

6. Loans Payable

A third party advanced to the Company $270,000 on April 1, 2018, and $300,000 on June 30, 2018. On June 30, 2018 these advances became a five year Note Payable for $570,000 at 5% annual interest.

7. Commitments and Contingencies

On November 1, 2016, the Company executed a three year lease of an office building located at 600 La Terraza Blvd., Second Floor, Escondido, CA 92025.

On September 19, 2017 the November 1, 2016 lease was amended to extend the lease to November 3, 2023.

On August 14, 2019, the September 19, 2017 was amended to increase the square feet occupied, and to increase the monthly rent to $10,551 with 3% annual increases.

On May 1, 2020, the August 14, 2019 Amended lease was Amended to increase the square footage used as a result of the acquisition of Afinida and AIS. The new monthly lease payment is $34,567. The Company recorded a right of use asset and liability of $163,598.

8. Note Receivable

Company has note Receivable as of September 30, 2024 was $1,125,262 and December 31,2023 was $1,169,992.

9. Legal Proceedings:

None

10. Subsequent Events:

Management has evaluated all activity and concluded that no subsequent events have occurred that would require recognition in these financial statements or disclosure in the notes to these financial statements.

11. Leases

The Company accounts for its leases under ASC 842, *Leases*. Under this guidance, arrangements meeting the definition of a lease are classified as operating or financing leases, and are recorded on the consolidated balance sheet as both a right of use asset and lease liability, calculated by discounting fixed lease payments over the lease term at the rate implicit in the lease or the Company's incremental borrowing rate. Lease liabilities are increased by interest and reduced by payments each period, and the right of use asset is amortized over the lease term. For operating leases, interest on the lease liability and the amortization of the right of use asset result in straight-line rent expense over the lease term. For finance leases, interest on the lease liability and the amortization of the right of use asset results in front-loaded expense over the lease term. Variable lease expenses are recorded when incurred.

In calculating the right of use asset and lease liability, the Company has elected to combine lease and non-lease components. The Company excludes short-term leases having initial terms of 12 months or less from the new guidance as an accounting policy election, and recognizes rent expense on a straight-line basis over the lease term.

<u>Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines</u>

TRUCEPT Inc.

A Nevada Corporation
600 La Terraza, Second Floor
Escondido, CA 92025
(858) 798-1644

Website: www.truceptservices.com
Email: info@trucept.com
SIC Code: 7363

Quarterly Report
For the Quarter ending September 30, 2024
(the "Reporting Period")

<u>Outstanding Shares</u>
The number of shares outstanding of our Common Stock was:

56,098,460 as of September 30, 2024

56,098,460 as of December 31, 2023.

<u>Shell Status</u>
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: ☒ (Double-click and select "Default Value" to check)

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

Yes: ☐ No: ☒

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

Yes: ☐ No: ☒

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

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[1] "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.

In answering this item, provide the current name of the issuer any names used by predecessor entities, along with the dates of the name changes

Current Name: TRUCEPT, Inc. since January 3, 2013.
Smart-Tek Solutions Inc. - since September 8, 2005
Royce Biomedical Inc. - March 22, 1995

The state of incorporation or registration of the issuer and of each of its predecessors (if any) during the past five years; Please also include the issuer's current standing in its state of incorporation (e.g. active, default, inactive):

TRUCEPT, Inc.
State of Incorporation: Nevada, March 22, 1995. Active
Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors since inception: None
List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months: None

The address of the issuer's principle executive office:
600 La Terraza, Second Floor
Escondido, CA 92025

The address of the issuer's principal place of business:
☒ *Check if principal executive office and principal place of business are the same address:*

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

Yes: ☐ No: ☒ If yes, provide additional details below:

2) Security Information

<u>Transfer Agent</u>

EQ (Formerly Corporate Stock Transfer Inc.)
3200 Cherry Creek Drive South, Suite 4300
Denver, CO 80209
Office: 303-282-4800
issuerservices@equiniti.com

Is the Transfer Agent registered under the Exchange Act?[2] Yes: ☒ No: ☐

<u>Publicly Quoted or Traded Securities:</u>

Trading symbol:	TREP	
Exact title and class of securities outstanding:	Common Stock	
CUSIP:	89778T 109	
Par or stated value:	$.001	
Total shares authorized:	500,000,000	as of date: 09/30/2024
Total shares outstanding:	56,098,460	as of date: 09/30/2024

[2] To be included in the Pink Current Information tier, the transfer agent must be registered under the Exchange Act.

Number of shares in the Public Float:	33,061,060	as of date: 09/30/2024
Total number of shareholders of record:	202	as of date: 09/30/2024

Other Classes of Authorized or Outstanding Equity Securities:

Trading symbol:	N/A
Exact title and class of securities outstanding:	Preferred Stock
CUSIP:	N/A
Par or stated value:	$.001

Total shares authorized:	5,000,000	as of date: 09/30/2024
Total shares outstanding:	0	as of date: 09/30/2024
Number of shares in the Public Float:	0	as of date: 09/30/2024
Total number of shareholders of record:	0	as of date: 09/30/2024

Security Description

1. **Common Stock:**

   The Common Stock of the Company may be issued from time to time without prior approval by the stockholders. The Common and/or Preferred Stock may be issued for such consideration as may be fixed from time to time by the Board of Directors. The Board of Directors may issue such share of Common stock in one or more series, with such voting powers, designations, preferences and rights or qualifications, limitations or restrictions thereof as shall be stated in the resolution or resolutions.

2. **Preferred Stock**:

   The Preferred Stock of the Company may be issued from time to time without prior approval by the stockholders. The Preferred Stock may be issued for such consideration as may be fixed from time to time by the Board of Directors. The Board of Directors may issue such share of Preferred Stock in one or more series, with such voting powers, designations, preferences and rights or qualifications, limitations or restrictions thereof as shall be stated in the resolution or resolutions.

3. **Other Material Rights of Preferred Stock**

   Voting. Each share of Series A Preferred Stock shall entitle the holder to equal to the greater of (i) One Thousand (1,000) votes for each share of Series A Preferred Stock or (ii) the number of votes equal to the number of all outstanding shares of Common Stock, plus one additional vote such that the holders of Series A Preferred Stock shall always constitute a majority of the voting rights of the Corporation. In any vote or action of the holders of the Series A Preferred Stock voting together as a separate class required by law, each share of issued and outstanding Series A Preferred Stock shall entitle the holder thereof to one vote per share.

3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any changes to the total shares outstanding of any class of the issuer's securities **in the past two completed fiscal years and any subsequent interim period**.

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

A. Changes to the Number of Outstanding Shares

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

No: ☐ Yes: [x] (If yes, you must complete the table below)

Shares outstanding as of Second Most Recent Fiscal Year end	Opening Balance:								
12/31/2022	Common: 56,098,460								
	Preferred: 0								
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**	**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 (if applicable)**	**Restricted or Unrestricted as of this filing?**	**Exemption or Registration Type?**
Common Stock									
Balance 12-31-2022		56,098,460							
Balance 12-31-2023		56,098,460							
Balance 09-30-2024		56,098,460							
Preferred Stock									
Balance 09-30-2024		0							
Share Outstanding on Date of this Report									
		Ending Balance							
Ending Balance									
Date:	September 30, 2024	common:	56,098,460						
		Preferred:	0						

B. Promissory and Convertible Notes

Indicate by check mark whether there are any outstanding promissory, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities：

No: [x] Yes: ☐ (If yes, you must complete the table below)

4) 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")

Trucept Inc. provides marketing, accounting and human resource services to a variety of industries including staffing, professional employment organizations and hospitality. Trucept Inc. has six wholly owned subsidiaries as follows:

Afinida Payroll: On February 19, 2020, TREP purchased one hundred percent (100%) of the issued and outstanding common equity shares of Afinida Inc., a California Corporation ("Afinida") from its sole shareholder Synergy.O Inc. The purchase was made by means of a Stock Purchase Agreement ("SPA"). The consideration for the share purchase was one hundred thousand (100,000) common equity shares of TREP at a fair value of $2,050. Afinida offers a full suite of valuable benefits designed to help them grow their businesses and increase their operating efficiency. Services include:

i) Payroll Services, which includes, Payroll processing, Cloud based software, Direct deposits, new hire reporting, and others.

ii) Payroll Tax Services, which includes, Payroll tax payments, filings and compliance services.

Afinida Insurance Services, Inc. (formerly UWS Insurance Services, Inc.): On February 19, 2020, TREP purchased one hundred percent (100%) of the issued and outstanding common equity shares of Afinida Insurance Services, Inc. (formerly UWS Insurance Services, Inc.), a California Corporation ("AIS") from its sole shareholder Synergy.O Inc. The purchase was made by means of a Stock Purchase Agreement

("SPA"). The consideration for the share purchase was fifty thousand (50,000) common equity shares of TREP at a fair value of $1,025. AIS is an insurance agency currently licensed in 25 states with plans to become licensed in all 50. Through AIS-licensed brokers, it is projected approximately $500,000 in additional revenue from the acquisition will result. Coverages include:

(i) Employee Benefits - Medical/Dental/Vision Plans, Supplemental Insurance, Life Insurance & Cafeteria Plans.

(ii) Commercial Lines - Workers Compensation, Business Owners Policies, Property Insurance, General
Liability Insurance & Employment Practices Liability Insurance.

(iii) Individual Policies - Medical, Dental, & Vision Plans, Supplemental Insurance, Life Insurance & Home Owners/Condo/Renters Insurance.

Afinida Accounting was incorporated in the State of California on May 2, 2023, and provides the following services: Monthly financial statement preparation, Sales Tax compliance, Cash flow management, Budget analysis and assist with SEC audits and quarterly reviews.

Afinida Marketing was incorporated in the State of California on May 2, 2023, and is a full-service agency that uses a holistic, data-driven approach that tackles everything from web design to digital ads, social media, printed ads, direct mail, printed materials, and beyond.

Afinida HR Services was incorporated in the State of California on May 2, 2023, offering various services, including Salary Benchmarking and Pay Equity, RIF/Termination Meetings, Management Training and Coaching designed to empower your employees and foster a thriving work environment. Tailored specifically for the small business owner, Afinida HR offers the tools and support needed to streamline your HR processes, ensuring that your most valuable asset – your people – are positioned to excel.

Afinida Risk Management was incorporated in the State of California on March 8, 2017 and amended on October 17, 2023, and provides risk management solutions to help companies improve their safety programs with measurable results. Our consultants have worked with companies of all sizes and many different industries to make safety a value that improves the bottom line.

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

See Section A above. Contact information would be the same as the company's.

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

See Section A above.

5) Issuer's Facilities

On November 1, 2016, the Company executed a three year lease of an office building located at 600 La Terraza Blvd., Second Floor, Escondido, CA 92025.

On September 19, 2017 the November 1, 2016 lease was amended to extend the lease to November 3, 2023.

On August 14, 2019, the September 19, 2017 was amended to increase the square feet occupied, and to increase the monthly rent to $10,551 with 3% annual increases.

On May 1, 2020, the August 14, 2019 Amended lease was Amended to increase the square footage used as a result of the acquisition of Afinida and AIS. The new monthly lease payment is $34,567. This lease has been extended through May 1st 2025.

The Company recorded a right of use asset and liability of $174,886.

6) Officers, Directors, and Control Persons

The goal of this section is to provide an investor with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial shareholders.

Using the tabular format below, please provide information regarding any person or entity owning 5% of more of the issuer, as well as any officer, and any director of the company, regardless of the number of shares they own. **If any listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information of an individual representing the corporation or entity in the note section.**

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
Brian Bonar	Director	600 La Terraza Blvd., Escondido, CA 92025	9,084,338	common	16.19%	
Norman Tipton	Director	600 La Terraza Blvd., Escondido, CA 92025	5,000,000	common	8.91%	
Colin Niven Bonar	Director	600 La Terraza Blvd., Escondido, CA 92025	0			
Andrew Jones	Director	600 La Terraza Blvd., Escondido, CA 92025	0			
Julie Neill	Director	600 La Terraza Blvd., Escondido, CA 92025	0			
Fletcher Robbe	Director	600 La Terraza Blvd., Escondido, CA 92025	0			
Owen Naccarato	Consultant	600 La Terraza Blvd., Escondido, CA 92025	3,000,000	common	5.35%	
Sandra DiCicco	over 5% owner	600 La Terraza Blvd., Escondido, CA 92025	5,000,000	common	8.91%	

7) Legal/Disciplinary History

A. Identify and provide a brief explanation as to whether any of the persons or entities listed above in Section 6 have, in the past 10 years:

1. Been the subject of an indictment or conviction in a criminal proceeding or plea agreement or named as a defendant in a pending criminal proceeding (excluding minor traffic violations);

2. Been the subject of 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, financial- or investment-related, insurance or banking activities;

None

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

   O. Naccarato was subject to an 8-31-2017 Judgement whereby the SEC restrained Mr. Naccarato for a five- year period from issuing a Rule 144 opinion letter related to an offering or sale, or an opinion letter on any other exemption from the registration provisions relating to an offering or sale.

   Such restriction expired on 8-31-2022.

4. Named as a defendant or a respondent in a regulatory complaint or proceeding that could result in a "yes" answer to part 3 above; or

None

5. Been the subject 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

6. Been the subject of a U.S Postal Service false representation order, or a temporary restraining order, or preliminary injunction with respect to conduct alleged to have violated the false representation statute that applies to U.S mail.

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

8) Third Party Providers

Provide the name, address, telephone number and email address of each of the following outside providers. You may add additional space as needed.
Confirm that the information in this table matches your public company profile on www.OTCMarkets.com. If any updates are needed to your public company profile, update your company profile.
Securities Counsel (must include Counsel preparing Attorney Letters).

Securities Counsel: Fletcher Robbe
468 Camden Dr., 2nd Floor
Beverly Hills, CA 90210

Accountant or Auditor: Eric Sherb
Eric Sherb Consulting Services
145 West 67th St., Apt 26J, New York, NY 10023

Legal and Accounting Consulting:
Owen Naccarato
Naccarato & Associates
77 Eaglecreek
Irvine, CA 92618

Investor Relations Consultant: none

Other Service Providers:

9) Disclosure & Financial Information

A. This Disclosure Statement was prepared by (name of individual):

Name: Brendan McMenamy
Title: Director of Finance
Relationship to Issuer: Employee

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

☐ IFRS
X U.S. GAAP

C. The following financial statements were prepared by (name of individual):

Name: Eric Sherb
Title: Eric Sherb Consulting Services
Relationship to Issuer: Consultant
Describe the qualifications of the person or persons who prepared the financial statements:[5] CPA

Provide the following qualifying financial statements:

a. Audit letter, if audited;
b. Balance Sheet;
c. Statement of Income;
d. Statement of Cash Flows;
e. Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
f. Financial Notes

Financial Statement Requirements:

- Financial statements must be published together with this disclosure statement as one document.

[5] The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS and by persons with sufficient financial skills.

- Financial statements must be “machine readable”. Do not publish images/scans of financial statements.
- Financial statements must be presented with comparative financials against the prior FYE or period, as applicable.
- Financial statements must be prepared in accordance with U.S. GAAP or International Financial Reporting Standards (IFRS) but are not required to be audited.

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, Norman Tipton certify that:

1. I have reviewed this Quarterly disclosure statement of TRUCEPT, Inc. dated September 30, 2024;

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

November 18, 2024

/s/ Norman Tipton

Principal Financial Officer:

I, Brendan McMenamy certify that:

1. I have reviewed this Quarterly disclosure statement of TRUCEPT, Inc. dated September 30, 2024;

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

November 18, 2024

/s/ Brendan McMenamy