

LITXCHANGE LLC

FINANCIAL STATEMENTS

September 1, 2021 to April 30, 2024

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Independent Auditor's Report

LitXChange LLC

Introduction

We have audited the accompanying financial statements of LitXChange LLC, which comprise the balance sheet as of December 31, 2021, 2022, 2023 and April 30, 2024 and the related income statement, statement of stockholders' equity, cash flows for the period then ended, and the related notes to the financial statements

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted the audit engagement in accordance with auditing standards Statements on Standards for Accounting and Review Services (SSARS) promulgated by the Accounting and Review Services Committee (ARSC) of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Auditor's Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LitXChange LLC as of December 31, 2021, 2022, 2023 and April 30, 2024 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Dareld Meta, CPA
Meta Accounting Services LLC
License No. 135984
6/18/24

LITXCHANGE LLC
BALANCE SHEET
(presented in US Dollars)

	<u>Note</u>	<u>As of April 30,</u>	<u>As of December 31,</u>		
		<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
		<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
ASSETS					
Current assets:					
Cash and cash equivalents		1,392	3,253	5,005	–
Total current assets		<u>1,392</u>	<u>3,253</u>	<u>5,005</u>	<u>–</u>
Non-current assets:					
Deferred offering costs	4	17,500	17,500	–	–
Total non-current assets		<u>17,500</u>	<u>17,500</u>	<u>–</u>	<u>–</u>
Total assets		<u><u>18,892</u></u>	<u><u>20,753</u></u>	<u><u>5,005</u></u>	<u><u>–</u></u>
LIABILITIES AND MEMBERS' CAPITAL					
Current liabilities:					
Accounts payable		160	140	–	–
Total current liabilities		<u>160</u>	<u>140</u>	<u>–</u>	<u>–</u>
Members' capital:					
Members' contribution	4	30,005	30,005	5,005	–
Accumulated deficit		(11,273)	(9,392)	–	–
Total members' capital		<u>18,732</u>	<u>20,613</u>	<u>5,005</u>	<u>–</u>
Total liabilities and members' capital		<u><u>18,892</u></u>	<u><u>20,753</u></u>	<u><u>5,005</u></u>	<u><u>–</u></u>

See accompanying notes to financial statements

LITXCHANGE LLC
STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS
(presented in US Dollars)

	<u>Note</u>	Period from January 1, 2024 to April 30, 2024	January 1, 2023 to December 31, 2023	January 1, 2022 to December 31, 2022	Period from September 1, 2021 (inception) to December 31, 2021
		\$	\$	\$	\$
Expenses:					
Website development costs	2 (f)	1,079	7,969	–	–
General and administrative		802	1,423	–	–
Loss from operations		1,881	9,392	–	–
Net loss and comprehensive loss		1,881	9,392	–	–

See accompanying notes to financial statements

LITXCHANGE LLC
STATEMENT OF CHANGES IN MEMBERS' CAPITAL
(presented in US Dollars)

	Members' contribution	Accumulated deficit	Total
	\$	\$	\$
Balance at September 1, 2021 (inception) and December 31, 2021	–	–	–
Capital contribution received	5,005	–	5,005
Loss for the year attributable to members	–	–	–
Balance at December 31, 2022	5,005	–	5,005
Capital contribution received	25,000	–	25,000
Loss for the year attributable to members	–	(9,392)	(9,392)
Balance at December 31, 2023	30,005	(9,392)	20,613
Loss for the period attributable to members	–	(1,881)	(1,881)
Balance at April 30, 2024	<u>30,005</u>	<u>(11,273)</u>	<u>18,732</u>

See accompanying notes to financial statement

LITXCHANGE LLC
STATEMENT OF CASH FLOWS
(presented in US Dollars)

	<u>Note</u>	Period from January 1, 2024 to April 30, 2024	January 1, 2023 to December 31, 2023	January 1, 2022 to December 31, 2022	Period from September 1, 2021 (inception) to December 31, 2021
		\$	\$	\$	\$
Operating activities					
Net Loss:		(1,881)	(9,392)	–	–
Increase in accounts payable		20	140	–	–
Net cash used in operating activities		<u>(1,861)</u>	<u>(9,252)</u>	<u>–</u>	<u>–</u>
Financing activities					
Proceeds from contributed capital	(4)	–	25,000	5,005	–
Payment of deferred offering costs	(4)	–	(17,500)	–	–
Net cash generated from financing activities		<u>–</u>	<u>7,500</u>	<u>5,005</u>	<u>–</u>
Net increase (decrease) in cash and cash equivalents		(1,861)	(1,752)	5,005	–
Cash and cash equivalents at beginning of year		3,253	5,005	–	–
Cash and cash equivalents at end of year		<u>1,392</u>	<u>3,253</u>	<u>5,005</u>	<u>–</u>

See accompanying notes to financial statements

LITXCHANGE LLC
NOTES TO FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

LITXCHANGE LLC (“LITXCHANGE” or the “Company”) was incorporated in September 2021 under the laws of State of Delaware and reincorporated in August 2023 under the laws of the State of Texas, with its headquarters situated in Dallas, Texas, United States. LITXCHANGE is developing a broker-dealer software platform designed to empower retail investors by embracing technological innovation and eschewing traditional payment for order flow structures. The platform is rooted in the principle of providing unparalleled transparency in the markets, thereby delivering true value to retail investors.

With a steadfast commitment to its mission statement, LITXCHANGE is dedicated to enhancing market transparency and offering retail investors the tools and information necessary to make informed decisions.

2. SIGNIFICANT ACCOUNTING POLICIES.

(a) BASIS OF ACCOUNTING

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”).

(b) FOREIGN CURRENCY TRANSACTIONS

The Company’s functional and reporting currency is the United States dollar. Foreign denominated monetary assets and liabilities are translated into their U.S. dollar equivalents using foreign exchange rates which prevailed at the balance sheet date. Income and expenses are translated at average rates of exchange during the period.

(c) USE OF ESTIMATE

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying note. Actual results could differ from those estimates.

Significant estimates made by management in the accompanying financial statements include the capitalization of internally developed software and website and associated useful lives.

(d) CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Company to a concentration of credit risk consist principally of cash and cash equivalents. The Company maintains cash in accounts which may, at times, exceed federally insured limits. The Company deposits its cash with financial institutions which it believes have sufficient credit quality to minimize the risk of loss.

(e) CASH AND CASH EQUIVALENTS

All highly liquid investments with maturities of three months or less at the date of purchase are classified as cash and cash equivalents. The carrying amount of these securities approximates fair value because of the short-term maturity of these instruments.

(f) SOFTWARE DEVELOPMENT COSTS

The Company capitalizes certain internal and external development costs, if direct and incremental, in connection with its internal use software and website, once the application has reach development stage and until it is substantially complete and ready for its intended use. Capitalization ceases upon completion of all substantial testing. Costs incurred in the preliminary

stages of development are expensed as incurred.

LITXCHANGE LLC
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) SOFTWARE DEVELOPMENT COSTS (CONT'D)

During the period from January 1, 2024 to April 30, 2024 and the year ended December 31, 2023, the company incurred development costs of \$1,079 and \$7,969, respectively, related to its internal use website and broker-dealer software platform that will be hosted by the Company and accessed by its customers. A majority of the work was done by the owners, thus reducing overhead costs. The Company has not capitalized any development costs as the Company has not historically maintained sufficiently detailed records of its internal development activity to capitalize such cost.

(g) FAIR VALUE MEASUREMENT

The Company has adopted FASB ASC 820, *Fair Value Measurements and Disclosures*, which defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurements. The Company applies fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis.

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization with the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active or inputs other than the quoted prices that are observable either directly or indirectly for the full term of the assets or liabilities.
- Level 3 Inputs that are both significant to the fair value measurement and unobservable.

At April 30, 2024 and December 31, 2023, 2022 and 2021 the Company does not have any assets and liabilities measured and recognized at fair value on a recurring basis.

(h) INCOME TAX

The Company is treated as a partnership for income tax purposes; accordingly, income taxes have not been provided for in the accompanying financial statements. All of the Company's income or losses are passed through to its members.

(i) RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid. The standard is intended to benefit investors by providing more detailed income tax disclosures that would be useful in making capital allocation decisions. The standard will be effective for fiscal years beginning after December 15, 2025. Early adoption is permitted. The Company does not expect the adoption of this standard to have a material impact on its financial statements.

LITXCHANGE LLC
NOTES TO FINANCIAL STATEMENTS

3. GOING CONCERN

The Company is subject to a number of risks similar to those of other companies of similar size in its industry, including, but not limited to, the need for successful development of products, the need for additional capital to fund operating losses, competition from substitute products and services from larger companies, protection of proprietary technology, and risks associated with changes in information technology.

The Company has incurred net losses, and utilized cash in operations since inception, has an accumulated deficit of \$11,273 as of April 30, 2024, as well as expects to incur future additional losses. The Company has cash available on hand and believes that this cash will be sufficient to fund operations and meet its obligations as they come due within one year from the date these financial statements are issued. In the event that the Company does not achieve revenue anticipated in its current operating plan, management has the ability and commitment to reduce operating expenses as necessary. The Company's long-term success is dependent upon its ability to successfully raise additional capital, market its existing services, increase revenues, and, ultimately, to achieve profitable operations. The Company's 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.

4. MEMBERS' CAPITAL

During the period from January 1, 2024 to April 30, 2024, in conjunction with membership units offering (the "Offering"), the Company authorized the issuance and sale of Series B Voting Interests Units and Class A Non - Voting Interest Units for a maximum of 11,000 units, including 9,900 Series B Voting Interests Units issued to current members during the period, and up to 200 Class A Non - Voting Interest Units to be issued in the Offering. The Company also authorized a Regulation Crowdfunding Offering ("Reg. CF Offering") for an aggregate of an additional 10,000 Class A Non - Voting Interest Units. As of April 30, 2024, there were 9,900 Series B Voting Interests Units outstanding.

During the years ended December 31, 2023 and 2022, the Company received capital contributions of \$25,000 and \$5,005, respectively, from the members. As of December 31, 2023, 2022 and 2021, there were no membership units authorized and outstanding.

During the year ended December 31, 2023, the Company recorded \$17,500 of legal fees related to the Offering and Reg. CF Offering as deferred offering costs. The deferred charges will be charged against members' capital upon future proceeds from the sale of membership units through the Offering and Reg. CF Offering.

5. REVENUE STREAMS

LITXCHANGE plans to earn revenue from a variety of sources including but not limited to;

- Commission from trades: LITXCHANGE will generate revenue through transaction fees for executing stock and options trades on our platform. Our transparent pricing model will ensure that users understand the costs associated with their trades.
- Subscription services: LITXCHANGE will offer premium subscription services for trading data, exclusive software, analytical tools, enhanced features for traders, better access to integrated A.I., and upgraded social-media capabilities.
- Share lending will be made available to customers and profits will be split between customers and our company on an opt-in basis on a per-security basis.
- The LIT Marketplace: Our marketplace is will allow users and 3rd party fintech companies to offer their software services directly to our customers for which we will take a percentage of revenue generated as profit through LITXCHANGE.

- The LIT Marketplace will allow retail investors with tech-skills in coding or engineering to earn substantial & recurring income by creating internalized applications, plug-ins, charts, tools, trackers, and more which will be offered via monthly-subscription basis of which we plan to take a percentage of revenue generated as profit which is in-line with models from other technology firms.

1. SUBSEQUENT EVENTS

The Company evaluated subsequent events from April 30, 2024, the date of these financial statements, through June 18, 2024, 2024, which represents the date the financial statements were available to be issued. The Company concluded that no events have occurred that would require recognition or disclosure in the financial statements.