ARTHUR CAPITAL INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

(Unaudited)

ARTHUR CAPITAL INC.
BALANCE SHEET
DECEMBER 31, 2021
(Unaudited/Amounts expressed in United States Dollars)

	2021	**2020**
ASSETS		
Cash and cash equivalents	3,907	152
Accounts receivable, net	0	0
Inventories	0	0
Pre-paid expense	2,121	0
Investments in fixed maturity securities	226,350	0
Investments in equity securities	802,895	545,087
Investments in derivative securities	35,446	0
Property, plant and equipment	0	0
Equity method investments	0	0
Goodwill and other intangible assets	0	0
Deferred tax asset	157,841	0
Total assets	**1,228,558**	**545,240**
LIABILITIES		
Accounts payable and accrued expenses, net	9,549	52
Interest payable	554	0
Loans payable and other borrowings	498,049	0
Deferred revenue	0	0
Income tax payable	34,792	13,094
Deferred tax liability	0	3,518
Total liabilities	**542,944**	**16,665**
SHAREHOLDERS' EQUITY		
Common stock; par value $0.00001; 10,000,000 shares authorized; 8,109,334 shares issued and outstanding	81	61
Capital in excess of par value	1,034,096	466,021
Accumulated other comprehensive income	19,778	0
Retained earnings	(368,340)	62,494
Treasury stock, at cost	0	0
Total shareholders' equity	**685,614**	**528,575**
Total liabilities and shareholders' equity	**1,228,558**	**545,240**

See accompanying notes to the financial statements.

ARTHUR CAPITAL INC.
STATEMENT OF EARNINGS AND COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2021
(Unaudited/Amounts expressed in United States Dollars)

	2021	2020
REVENUES AND GAINS		
Sales, net	0	0
Interest and dividend income	300	0
Realized gain (loss) from investments in securities, net	378,224	62,404
Unrealized gain (loss) from investments in securities, net	(793,411)	16,754
Other revenues	0	0
Total revenues and gains	**(414,886)**	**79,158**
EXPENSES		
Cost of goods sold	0	0
Depreciation	0	0
Amortization	0	0
Research and development	0	0
Selling, general and administrative expenses	126,673	52
Interest expense	5,222	0
Total expenses	**131,895**	**52**
EARNINGS		
Earnings (loss) before tax	(546,781)	79,106
Equity method earnings	0	0
Income tax (expense)	(50,669)	(13,094)
Deferred tax (expense)	166,616	(3,518)
Net earnings attributable to shareholders	**(430,834)**	**62,494**
Net earnings per common share, basic and diluted	**(0.05)**	**0.01**
Average common shares outstanding, basic and diluted	8,109,334	6,100,000
OTHER COMPREHENSIVE INCOME		
Unrealized gain (loss) from investments in securities, net	25,035	0
Deferred tax (expense)	(5,257)	0
Comprehensive income attributable to shareholders	**(411,056)**	**62,494**

See accompanying notes to the financial statements.

ARTHUR CAPITAL INC.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
YEAR ENDED DECEMBER 31, 2021
(Unaudited/Amounts expressed in United States Dollars)

	Common Stock, Par Value $0.00001						
	Share Count	Amount	Capital in excess of par value	Retained earnings	Treasury stock	Accumulated other comprehensive income	Total shareholders' equity
Inception Date, March 24, 2020	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Issuance of common stock	6,100,000	61	466,021	-	-	-	466,082
Retained earnings	-	-	-	62,494	-	-	62,494
Dividend distribution	-	-	-	0	-	-	0
Treasury stock acquisition	-	-	-	-	0	-	0
Other comprehensive income, net	-	-	-	-	-	0	0
Balance, December 31, 2020	**6,100,000**	**61**	**466,021**	**62,494**	**0**	**0**	**528,575**
Issuance of common stock	2,009,334	20	568,075	-	-	-	568,095
Retained earnings	-	-	-	(430,834)	-	-	(430,834)
Dividend distribution	-	-	-	0	-	-	0
Treasury stock acquisition	-	-	-	-	0	-	0
Other comprehensive income, net	-	-	-	-	-	19,778	19,778
Balance, December 31, 2021	**8,109,334**	**81**	**1,034,096**	**(368,340)**	**0**	**19,778**	**685,614**

See accompanying notes to the financial statements.

ARTHUR CAPITAL INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021
(Unaudited/Amounts expressed in United States Dollars)

	2021	**2020**
CASH FLOW FROM OPERATING ACTIVITIES		
Comprehensive income	(411,056)	62,494
Adjustments to reconcile income to net cash used in operating activities:		
Realized (gain) loss from investments in securities, net	(378,224)	(62,404)
Unrealized (gain) loss from investments in securities, net	768,375	(16,754)
Share-based compensation expense	0	0
Depreciation	0	0
Amortization	0	0
Changes in operating assets and liabilities:		
Pre-paid expense	(2,121)	0
Deferred tax asset	(157,841)	0
Accounts payable and accrued expenses, net	9,497	52
Interest payable	554	0
Deferred revenue	0	0
Income tax payable	21,698	13,094
Deferred tax liability, net	(3,518)	3,518
Net cash used in operating activities	**(152,636)**	**0**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment:		
Run and maintain capital expenditure	0	0
Current opportunities capital expenditure	0	0
Purchase of investments in securities	(1,622,466)	(921,230)
Sale of investments in securities	712,712	455,301
Acquisition of businesses, net of cash acquired	0	0
Proceeds from divestiture of businesses	0	0
Net cash used in investing activities	**(909,754)**	**(465,930)**
CASH FLOW FROM FINANCING ACTIVITIES		
Purchase of additional interests in equity method investments	0	0
Dividend distribution to common stock	0	0
Proceeds from issuance of common stock	568,095	466,082
Acquisition of treasury stock	0	0
Proceeds from issuance of debt	1,292,305	0
Repayments of debt	(794,256)	0
Net cash used in financing activities	**1,066,144**	**466,082**
NET CHANGE IN CASH	**3,754**	**152**
Cash at beginning of period	**152**	**0**
Cash at end of period	**3,907**	**152**
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for interest	4,669	0
Cash received during the period for interest and dividends	300	0
Cash paid during the period for income taxes, net	28,971	0

See accompanying notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS

All amounts in these Notes are expressed in United States Dollars, unless otherwise indicated.

Note 1 – Nature of Operations

Legal entity background

ARTHUR CAPITAL INC. was founded on March 24, 2020, as ARTHUR CAPITAL, LLC under the laws of the State of Texas. On October 15, 2020, the company completed a statutory conversion and incorporated as ARTHUR CAPITAL INC. under the laws of the State of Texas.

Subsequently, ARTHUR CAPITAL INC. completed a conversion from a Texas corporation to a Delaware corporation. The company received approvals for the conversion on May 20, 2021, from the State of Delaware and on September 20, 2021, from the State of Texas.

The financial statements of ARTHUR CAPITAL INC. (referred to herein as "Arthur Capital", "ACX", "we", "us", "our", the "company", or similar expressions) are prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The company's headquarters are located in Wilmington, Delaware.

Business description

We build, buy, and run businesses. We want each of those businesses to outperform the general economy. And a third of that performance benefits our community.

Or in other words, the company chooses to deploy capital in majority owned operated assets, either existing or greenfield, minority interests in private enterprises or public equity stakes across most industries. ARTHUR CAPITAL INC.'s main operational activity is twofold: to govern current business endeavors for long term value creation and to scan the environment for suitable business opportunities.

The company defines success as delivering an after-tax earnings return, conservatively determined, which outperforms the general economy.

Slightly over a third of the firm is owned by THE ARTHUR FOUNDATION (a non-stock taxable Delaware corporation, which has not yet applied for 501(c)(3) tax exempt status) which seeks to serve the community of Pittsburgh by providing long term financial stability to social good initiatives.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation

The accounting and reporting policies of the company conform to accounting principles generally accepted in the United States of America ("US GAAP"). The company has adopted the calendar year as its basis of reporting.

Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

The company considers all short-term investments with a maturity of three months or less at the time of purchase to be cash equivalents. Cash and cash equivalents include all cash in banks. The company's cash is deposited in demand accounts at financial institutions that management believes are creditworthy. The company's cash and cash equivalents in bank deposit accounts, at times, may exceed federally insured limits. As of December 31, 2021, the company's cash and cash equivalents did not exceed FDIC insured limits.

Pre-paid expense

A prepaid expense is an expenditure paid for in one accounting period, but for which the underlying asset will not be consumed until a future period. When the asset is eventually consumed, it is charged to expense. If consumed over multiple periods, there may be a series of corresponding charges to expense.

Fair value of financial instruments

The company measures the fair value of financial assets and liabilities in accordance with ASC Topic 820 – Fair Value Measurements and Disclosures, which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value and requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 - Quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2 - Observable prices that are based on inputs not quoted on active markets but corroborated by market data.
- Level 3 - Unobservable inputs reflecting the company's assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

The company believes that the carrying amount of its cash and cash equivalents and financial securities are measured using market approaches consisting of the Level 1 fair value measurement.

Revenue and gain recognition

The company is pre-revenue and will follow the provisions and the disclosure requirements in accordance with ASC Topic 606 – Revenue from Contracts with Customers. Revenue recognition, according to Topic 606, is determined using the following steps:

- Identification of the contract, or contracts, with the customer: the company determines the existence of a contract with a customer when the contract is mutually approved; the rights of each party in relation to the services to be transferred can be identified, the payment terms for the services can be identified, the customer has the capacity and intention to pay, and the contract has commercial substance.
- Identification of performance obligations in the contract: Performance obligations consist of a promised in a contract (written or oral) with a customer to transfer to the customer either a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.
- Recognition of revenue when, or how, a performance obligation is met: Revenues are recognized when or as control of the promised goods or services is transferred to customers.

The company will earn revenues from the sale of goods or services from its future business endeavors.

All recognized gains or losses are derived from realized or unrealized gain (loss) from investments in financial securities or from interest and dividend income.

Cost of goods sold

The company does not yet sell physical products, nor does it yet provide services to customers. Therefore, no cost of goods sold expenses are recognized. All cost of research for capital allocation options are recorded under selling, general and administrative expenses.

Selling, general and administrative expenses

Selling, general and administrative expenses relate to information technology, legal, accounting, regulatory, office lease, cost of research for capital allocation options, and executive pay.

Stock-based compensation

The company does not utilize stock-based compensation as a method of pay. Officers are encouraged to purchase stock using cash compensation.

Accrued expenses

Under accrual accounting, the company requires expenses to be recorded when they are incurred, meaning when the goods are received or when the services are provided.

Income taxes

ARTHUR CAPITAL INC. is a C corporation for income tax purposes. The company accounts for income taxes under the liability method, and deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying values of existing assets and liabilities and their respective tax bases.

Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. A valuation allowance is provided on deferred tax assets if it is determined that it is more likely than not that the deferred tax asset will not be realized. The company records interest, net of any applicable related income tax benefit, on potential income tax contingencies as a component of income tax expense.

The company records tax positions taken or expected to be taken in a tax return based upon the amount that is more likely than not to be realized or paid, including in connection with the resolution of any related appeals or other legal processes. Accordingly, the company recognizes liabilities for certain unrecognized tax benefits based on the amounts that are more likely than not to be settled with the relevant taxing authority.

The company is subject to tax in the United States and files tax returns in the U.S. federal jurisdiction and Delaware state jurisdiction. The company is subject to U.S. federal, state and local income tax examinations by tax authorities for all periods since inception. The company is not currently under examination by any tax authority.

COVID-19

In March 2020, the outbreak and spread of the COVID-19 virus was classified as a global pandemic by the World Health Organization. This widespread disease impacted the company's business operations, including its employees, customers, vendors, and communities. The COVID-19 pandemic may continue to impact the company's business operations and financial operating results, and there is substantial uncertainty in the nature and degree of its continued effects over time. The extent to which the pandemic impacts the business going forward will depend on numerous evolving factors management cannot reliably predict, including the duration and scope of the pandemic; governmental, business, and individuals' actions in response to the pandemic; and the impact on economic activity including the possibility of recession or financial market instability. These factors may adversely impact consumer and business spending on products as well as customers' ability to pay for products and services on an ongoing basis. This uncertainty also affects management's accounting estimates and assumptions, which could result in greater variability in a variety of areas that depend on these estimates and assumptions, including investments, receivables, and forward-looking guidance.

Recently issued and adopted accounting pronouncements

FASB issued ASU 2019-02 Leases, that requires organizations that lease assets, referred to as "lessees", to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases with lease terms of more than 12 months. ASU 2019-02 will also require disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases and will include qualitative and quantitative requirements. The new standard for nonpublic entities will be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022, and early application is permitted. We are currently evaluating the effect that the updated standard will have on the financial statements and related disclosures.

As of December 31, 2021, deployed capital is at present unusually concentrated in financial securities. As the company grows and executes its business plan, the company's assets will diversify. As such the company does not believe that its fundamental business characteristics meet the ASC Topic 946 – Financial Services–Investment Companies applicability test.

The FASB issues ASUs to amend the authoritative literature in ASC. There have been a number of ASUs to date that amend the original text of ASC. Management believes that those issued to date either (i) provide supplemental guidance, (ii) are technical corrections, (iii) are not applicable to us, or (iv) are not expected to have a significant impact on our financial statements.

Note 3 – Accounts Receivable and Allowance for Doubtful Accounts

None.

Note 4 – Investments in Financial Securities

As of December 31, 2021, no investments are held in foreign currency securities. All investments are held with a major brokerage institution located in the United States of America which the company believes to be creditworthy.

Investments in fixed maturity securities

Investments in fixed maturity securities are classified as "available for sale" measured at fair value with changes in fair value recognized in other comprehensive income with any interest received recognized in revenues and gains.

These investments in fixed maturity securities are initially recorded at cost and include commissions and fees paid to brokers. We recognize realized investment gains and losses in earnings when we sell the securities based on the difference between the sale proceeds and its cost basis.

Investments in equity securities

To date, no investments in equity securities exceeds 20% ownership of the underlying company and no significant influence or control exists. Investments in securities are considered to have an undetermined holding period and are not for the purpose of realizing a short-term profit. These equity investments are therefore considered "available for sale".

Investments in equity securities are initially recorded at cost and include commissions and fees paid to brokers.

In line with ASU 2016-01 Financial Instruments–Overall, investments in equity securities (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) are to be measured at fair value with changes in fair value recognized in net income at the end of each reporting period.

We recognize realized investment gains and losses in earnings when we sell the securities based on the difference between the sale proceeds and its cost basis.

Investments in derivative securities

Derivative positions are options-based exchange traded derivative securities which provide the option but not the requirement to buy or sell underlying security positions. These contracts are not held for the purpose of hedging any underlying investment. These options have the potential to expire worthless. However, these contracts do not represent an overly aggressive portion of our capital deployment.

Therefore, for a derivative not designated as a hedging instrument, the gain or loss (realized or unrealized) is recognized in earnings in the period of change and not in other comprehensive income.

These investments are initially recorded at cost and include commissions and fees paid to brokers. We recognize realized investment gains and losses in earnings when we sell the securities based on the difference between the sale proceeds and its cost basis.

Note 5 – Property, Plant and Equipment

None.

Note 6 – Equity Method Investments

None.

Note 7 – Goodwill and Intangibles

None.

Note 8 – Debt

The company entered into a Margin Loan Agreement. The loan is secured by financial securities and can be used for future business opportunities or short-term working capital needs.

Debt Type	Debt Level $	Annual Interest %	Terms & Restrictions
Margin	498,049	1.2%	Variable Interest, Secured

Interest rate risk

As macro-economic factors change, a change in interest rate on the described debt may occur.

Price volatility risk

The company will only use margin when the secured holdings can withstand very high price volatility. This conservative exposure to margin reflects the likelihood of large adverse market price moves, which are known to occur from time to time. The company tends to stay away from short selling, which can expose the firm to unlimited downside if not managed properly, which is a perturbing scenario.

Liquidity risk

Most of the financial securities held as collateral have a liquid market should capital be needed to pay down debt. However, during some scenarios such as a market collapse, market liquidity may be significantly reduced.

Concentration of credit risk

The company maintains its cash with a major financial institution located in the United States of America which it believes to be creditworthy. Balances are insured by the Federal Deposit Insurance Corporation up to $250,000. At times, the company may maintain balances in excess of the federally insured limits.

Note 9 – Contracts in Progress or Other Contractual Agreements

On June 29, 2021, ARTHUR CAPITAL INC. entered into a 3-year contract with Colonial Stock Transfer Co, Inc. for stock transfer agent services.

Note 10 – Commitments and Contingencies

Contingencies

The company's operations are subject to a variety of local and state regulation. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the company ceasing operations.

Leases

On June 8, 2021, ARTHUR CAPITAL INC. entered into a 1-year Commercial Lease Agreement with Delaware Company House LLC, renewable yearly. Since the term of the lease is not more than 1 year, the operating lease is expensed each month and is not carried on the balance sheet.

Litigation and claims

From time to time, the company may be involved in litigation relating to claims arising out of operations in the normal course of business. As of December 31, 2021, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the company's operations.

Note 11 – Related Party Transactions

In 2021, JOSEPH RATHBUN lent a total of $71,000 at a fixed rate of 5% interest per annum to ARTHUR CAPITAL INC. in related party transactions. These loans, including interest, were subsequently paid off. As of December 31, 2021, the company had no related party transactions outstanding.

Note 12 – Shareholders' Equity

Common stock

The company authorizes the issuance of 10,000,000 shares of common stock, par value $0.00001, and no shares of preferred stock. As of December 31, 2021, the company had 8,109,334 shares outstanding. No share compensation plans exist.

Note 13 – Operating Segments

All of the company's identifiable assets and operations are located in the United States, which is where the company is domiciled.

Note 14 – Other Comprehensive Income

There were no unrealized gains or losses on hedge derivative financial instruments or on foreign currency transactions.

The company recognized an unrealized gain from investments in fixed maturity securities which are classified as "available for sale". These securities are measured at fair value with changes in fair value recognized in other comprehensive income along with the associated deferred tax effect.

Note 15 – Income Taxes

Federal and state income tax

Financial results include the effects of federal income taxes, at a rate of 21% paid on the realized gain from investments in financial securities, offset by any applicable realized loss from investments in financial securities in the current period or carried forward from previous periods. The company is not subject to state income tax. Income taxes are also offset by any applicable tax-deductible expenses.

Unrealized gain (loss) deferred tax expense

Unrealized gain (loss) from investments in financial securities are based on the fair market value of the underlying securities at the end of the reporting period. This fair market value is then used to determine the appropriate tax to be recognized. However, as the fair market value fluctuates over time, the recognized tax liability/asset also fluctuates.

When a security is sold, the gain (loss) becomes realized and a federal income tax liability is recognized. In the interim, unrealized gain (loss) deferred tax expense accounts for the temporary fluctuations in tax liabilities.

Valuation allowance

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. On the basis of this evaluation, the company has determined that it is more likely than not that the company will recognize the benefits of the net deferred tax assets, and, as a result, a valuation allowance has not been set against its net deferred tax assets.

Note 16 – Subsequent Events

The company considers events or transactions that occur after the balance sheet's date, but prior to the issuance of the financial statements, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure.

Subsequent events have been evaluated through January 14, 2022, which is the date the financial statements were issued. There have been no other events or transactions during this time which would have a material effect on these financial statements.

Note 17 – Going Concern

The accompanying 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.

SIGNATURE

The Corporation has duly caused this document to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: 01/15/2022
By: *<u>/s/ Joseph A. Rathbun</u>*
Name: JOSEPH A. RATHBUN
Title: Chairman & CEO