# Form 5500

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

## Annual Return/Report of Employee Benefit Plan

This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6057(b) and 6058(a) of the Internal Revenue Code (the Code).

▶ **Complete all entries in accordance with the instructions to the Form 5500.**

OMB Nos. 1210-0110
1210-0089

**2022**

**This Form is Open to Public Inspection**

## Part I Annual Report Identification Information

For calendar plan year 2022 or fiscal plan year beginning 01/01/2022 and ending 12/31/2022

**A** This return/report is for:
- [ ] a multiemployer plan
- [ ] a multiple-employer plan (Filers checking this box must attach a list of participating employer information in accordance with the form instructions.)
- [X] a single-employer plan
- [ ] a DFE (specify) ____

**B** This return/report is:
- [ ] the first return/report
- [ ] the final return/report
- [ ] an amended return/report
- [ ] a short plan year return/report (less than 12 months)

**C** If the plan is a collectively-bargained plan, check here. . . . . ▶ [ ]

**D** Check box if filing under:
- [X] Form 5558
- [ ] automatic extension
- [X] the DFVC program
- [ ] special extension (enter description)

**E** If this is a retroactively adopted plan permitted by SECURE Act section 201, check here. . . . . ▶ [X]

## Part II Basic Plan Information—enter all requested information

**1a** Name of plan
MINDWORKS INNOVATIONS, INC. EMPLOYEE STOCK OWNERSHIP PLAN

**1b** Three-digit plan number (PN) ▶ 001

**1c** Effective date of plan 01/01/2020

**2a** Plan sponsor's name (employer, if for a single-employer plan)
Mailing address (include room, apt., suite no. and street, or P.O. Box)
City or town, state or province, country, and ZIP or foreign postal code (if foreign, see instructions)
MINDWORKS INNOVATIONS, INC.

3150 BRISTOL STREET
SUITE 400
COSTA MESA, CA 92626

**2b** Employer Identification Number (EIN)
46-5067195

**2c** Plan Sponsor's telephone number
888-850-5287

**2d** Business code (see instructions)
446190

**Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.**

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

| | | | |
|---|---|---|---|
| **SIGN HERE** | Filed with authorized/valid electronic signature. | 12/14/2023 | CHRISTINE O'NEILL |
| | **Signature of plan administrator** | Date | Enter name of individual signing as plan administrator |
| **SIGN HERE** | | | |
| | **Signature of employer/plan sponsor** | Date | Enter name of individual signing as employer or plan sponsor |
| **SIGN HERE** | | | |
| | **Signature of DFE** | Date | Enter name of individual signing as DFE |

| | | | |
|---|---|---|---|
| **3a** | Plan administrator's name and address [X] Same as Plan Sponsor | **3b** | Administrator's EIN |
| | | **3c** | Administrator's telephone number |
| **4** | If the name and/or EIN of the plan sponsor or the plan name has changed since the last return/report filed for this plan, enter the plan sponsor's name, EIN, the plan name and the plan number from the last return/report: | **4b** | EIN |
| **a** | Sponsor's name | **4d** | PN |
| **c** | Plan Name | | |
| **5** | Total number of participants at the beginning of the plan year | **5** | 194 |
| **6** | Number of participants as of the end of the plan year unless otherwise stated (welfare plans complete only lines **6a(1), 6a(2), 6b, 6c,** and **6d**). | | |
| **a(1)** | Total number of active participants at the beginning of the plan year | **6a(1)** | 180 |
| **a(2)** | Total number of active participants at the end of the plan year | **6a(2)** | 154 |
| **b** | Retired or separated participants receiving benefits | **6b** | 0 |
| **c** | Other retired or separated participants entitled to future benefits | **6c** | 31 |
| **d** | Subtotal. Add lines **6a(2)**, **6b**, and **6c** | **6d** | 185 |
| **e** | Deceased participants whose beneficiaries are receiving or are entitled to receive benefits. | **6e** | 2 |
| **f** | Total. Add lines **6d** and **6e**. | **6f** | 187 |
| **g** | Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item) | **6g** | 183 |
| **h** | Number of participants who terminated employment during the plan year with accrued benefits that were less than 100% vested | **6h** | 30 |
| **7** | Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item) | **7** | |

**8a** If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions:

2P 3I 2I

**b** If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:

**9a** Plan funding arrangement (check all that apply)

- **(1)** [ ] Insurance
- **(2)** [ ] Code section 412(e)(3) insurance contracts
- **(3)** [X] Trust
- **(4)** [ ] General assets of the sponsor

**9b** Plan benefit arrangement (check all that apply)

- **(1)** [ ] Insurance
- **(2)** [ ] Code section 412(e)(3) insurance contracts
- **(3)** [X] Trust
- **(4)** [ ] General assets of the sponsor

**10** Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

**a Pension Schedules**

- **(1)** [X] **R** (Retirement Plan Information)
- **(2)** [ ] **MB** (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary
- **(3)** [ ] **SB** (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary

**b General Schedules**

- **(1)** [X] **H** (Financial Information)
- **(2)** [ ] **I** (Financial Information – Small Plan)
- **(3)** [ ] 0 **A** (Insurance Information)
- **(4)** [ ] **C** (Service Provider Information)
- **(5)** [ ] **D** (DFE/Participating Plan Information)
- **(6)** [ ] **G** (Financial Transaction Schedules)

## Part III Form M-1 Compliance Information (to be completed by welfare benefit plans)

**11a** If the plan provides welfare benefits, was the plan subject to the Form M-1 filing requirements during the plan year? (See instructions and 29 CFR 2520.101-2.) ..... ☐ Yes ☐ No

If "Yes" is checked, complete lines 11b and 11c.

**11b** Is the plan currently in compliance with the Form M-1 filing requirements? (See instructions and 29 CFR 2520.101-2.) ..... ☐ Yes ☐ No

**11c** Enter the Receipt Confirmation Code for the 2022 Form M-1 annual report. If the plan was not required to file the 2022 Form M-1 annual report, enter the Receipt Confirmation Code for the most recent Form M-1 that was required to be filed under the Form M-1 filing requirements. (Failure to enter a valid Receipt Confirmation Code will subject the Form 5500 filing to rejection as incomplete.)

Receipt Confirmation Code_____

# SCHEDULE H (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

## Financial Information

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code).

▶ **File as an attachment to Form 5500.**

OMB No. 1210-0110

**2022**

**This Form is Open to Public Inspection**

For calendar plan year 2022 or fiscal plan year beginning 01/01/2022 and ending 12/31/2022

**A** Name of plan
MINDWORKS INNOVATIONS, INC. EMPLOYEE STOCK OWNERSHIP PLAN

**B** Three-digit plan number (PN) ▶ 001

**C** Plan sponsor's name as shown on line 2a of Form 5500
MINDWORKS INNOVATIONS, INC.

**D** Employer Identification Number (EIN)
46-5067195

## Part I Asset and Liability Statement

**1** Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

| Assets | | (a) Beginning of Year | (b) End of Year |
|---|---|---|---|
| **a** Total noninterest-bearing cash | 1a | | |
| **b** Receivables (less allowance for doubtful accounts): | | | |
| **(1)** Employer contributions | 1b(1) | 3708871 | 3500000 |
| **(2)** Participant contributions | 1b(2) | | |
| **(3)** Other | 1b(3) | | |
| **c** General investments: | | | |
| **(1)** Interest-bearing cash (include money market accounts & certificates of deposit) | 1c(1) | | |
| **(2)** U.S. Government securities | 1c(2) | | |
| **(3)** Corporate debt instruments (other than employer securities): | | | |
| **(A)** Preferred | 1c(3)(A) | | |
| **(B)** All other | 1c(3)(B) | | |
| **(4)** Corporate stocks (other than employer securities): | | | |
| **(A)** Preferred | 1c(4)(A) | | |
| **(B)** Common | 1c(4)(B) | | |
| **(5)** Partnership/joint venture interests | 1c(5) | | |
| **(6)** Real estate (other than employer real property) | 1c(6) | | |
| **(7)** Loans (other than to participants) | 1c(7) | | |
| **(8)** Participant loans | 1c(8) | | |
| **(9)** Value of interest in common/collective trusts | 1c(9) | | |
| **(10)** Value of interest in pooled separate accounts | 1c(10) | | |
| **(11)** Value of interest in master trust investment accounts | 1c(11) | | |
| **(12)** Value of interest in 103-12 investment entities | 1c(12) | | |
| **(13)** Value of interest in registered investment companies (e.g., mutual funds) | 1c(13) | | |
| **(14)** Value of funds held in insurance company general account (unallocated contracts) | 1c(14) | | |
| **(15)** Other | 1c(15) | | |

| | | (a) Beginning of Year | (b) End of Year |
|---|---|---|---|
| **1d** Employer-related investments: | | | |
| **(1)** Employer securities | 1d(1) | 22539000 | 31350000 |
| **(2)** Employer real property | 1d(2) | | |
| **e** Buildings and other property used in plan operation | 1e | | |
| **f** Total assets (add all amounts in lines 1a through 1e) | 1f | 26247871 | 34850000 |
| **Liabilities** | | | |
| **g** Benefit claims payable | 1g | | |
| **h** Operating payables | 1h | | |
| **i** Acquisition indebtedness | 1i | 25380942 | 20292413 |
| **j** Other liabilities | 1j | 34942 | 493550 |
| **k** Total liabilities (add all amounts in lines 1g through1j) | 1k | 25415884 | 20785963 |
| **Net Assets** | | | |
| **l** Net assets (subtract line 1k from line 1f) | 1l | 831987 | 14064037 |

## Part II Income and Expense Statement

**2** Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

| Income | | (a) Amount | (b) Total |
|---|---|---|---|
| **a Contributions:** | | | |
| **(1)** Received or receivable in cash from: **(A)** Employers | 2a(1)(A) | 3512673 | |
| **(B)** Participants | 2a(1)(B) | | |
| **(C)** Others (including rollovers) | 2a(1)(C) | | |
| **(2)** Noncash contributions | 2a(2) | | |
| **(3)** Total contributions. Add lines **2a(1)(A), (B), (C),** and line **2a(2)** | 2a(3) | | 3512673 |
| **b Earnings on investments:** | | | |
| **(1)** Interest: | | | |
| **(A)** Interest-bearing cash (including money market accounts and certificates of deposit) | 2b(1)(A) | | |
| **(B)** U.S. Government securities | 2b(1)(B) | | |
| **(C)** Corporate debt instruments | 2b(1)(C) | | |
| **(D)** Loans (other than to participants) | 2b(1)(D) | | |
| **(E)** Participant loans | 2b(1)(E) | | |
| **(F)** Other | 2b(1)(F) | | |
| **(G)** Total interest. Add lines **2b(1)(A)** through **(F)** | 2b(1)(G) | | 0 |
| **(2)** Dividends: **(A)** Preferred stock | 2b(2)(A) | | |
| **(B)** Common stock | 2b(2)(B) | 2200000 | |
| **(C)** Registered investment company shares (e.g. mutual funds) | 2b(2)(C) | | |
| **(D)** Total dividends. Add lines **2b(2)(A)**, **(B)**, and **(C)** | 2b(2)(D) | | 2200000 |
| **(3)** Rents | 2b(3) | | |
| **(4)** Net gain (loss) on sale of assets: **(A)** Aggregate proceeds | 2b(4)(A) | | |
| **(B)** Aggregate carrying amount (see instructions) | 2b(4)(B) | | |
| **(C)** Subtract line **2b(4)(B)** from line **2b(4)(A)** and enter result | 2b(4)(C) | | 0 |
| **(5)** Unrealized appreciation (depreciation) of assets: **(A)** Real estate | 2b(5)(A) | | |
| **(B)** Other | 2b(5)(B) | 8811000 | |
| **(C)** Total unrealized appreciation of assets. Add lines **2b(5)(A)** and **(B)** | 2b(5)(C) | | 8811000 |

| | | (a) Amount | (b) Total |
|---|---|---|---|
| (6) Net investment gain (loss) from common/collective trusts | 2b(6) | | |
| (7) Net investment gain (loss) from pooled separate accounts | 2b(7) | | |
| (8) Net investment gain (loss) from master trust investment accounts | 2b(8) | | |
| (9) Net investment gain (loss) from 103-12 investment entities | 2b(9) | | |
| (10) Net investment gain (loss) from registered investment companies (e.g., mutual funds) | 2b(10) | | |
| c Other income | 2c | | |
| d Total income. Add all **income** amounts in column (b) and enter total | 2d | | 14523673 |
| **Expenses** | | | |
| e Benefit payment and payments to provide benefits: | | | |
| (1) Directly to participants or beneficiaries, including direct rollovers | 2e(1) | 12673 | |
| (2) To insurance carriers for the provision of benefits | 2e(2) | | |
| (3) Other | 2e(3) | | |
| (4) Total benefit payments. Add lines **2e(1)** through **(3)** | 2e(4) | | 12673 |
| f Corrective distributions (see instructions) | 2f | | |
| g Certain deemed distributions of participant loans (see instructions) | 2g | | |
| h Interest expense | 2h | | 1278950 |
| i Administrative expenses: (1) Professional fees | 2i(1) | | |
| (2) Contract administrator fees | 2i(2) | | |
| (3) Investment advisory and management fees | 2i(3) | | |
| (4) Other | 2i(4) | | |
| (5) Total administrative expenses. Add lines **2i(1)** through **(4)** | 2i(5) | | 0 |
| j Total expenses. Add all **expense** amounts in column (b) and enter total | 2j | | 1291623 |
| **Net Income and Reconciliation** | | | |
| k Net income (loss). Subtract line **2j** from line **2d** | 2k | | 13232050 |
| l Transfers of assets: | | | |
| (1) To this plan | 2l(1) | | |
| (2) From this plan | 2l(2) | | |

## Part III Accountant's Opinion

**3** Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

**a** The attached opinion of an independent qualified public accountant for this plan is (see instructions):

**(1)** [X] Unmodified **(2)** [ ] Qualified **(3)** [ ] Disclaimer **(4)** [ ] Adverse

**b** Check the appropriate box(es) to indicate whether the IQPA performed an ERISA section 103(a)(3)(C) audit. Check both boxes (1) and (2) if the audit was performed pursuant to both 29 CFR 2520.103-8 and 29 CFR 2520.103-12(d). Check box (3) if pursuant to neither.

**(1)** [ ] DOL Regulation 2520.103-8 **(2)** [ ] DOL Regulation 2520.103-12(d) **(3)** [X] neither DOL Regulation 2520.103-8 nor DOL Regulation 2520.103-12(d).

**c** Enter the name and EIN of the accountant (or accounting firm) below:

**(1)** Name: WINDES, INC. **(2)** EIN: 95-3001179

**d** The opinion of an independent qualified public accountant is **not attached** because:

**(1)** [ ] This form is filed for a CCT, PSA, or MTIA. **(2)** [ ] It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

## Part IV Compliance Questions

**4** CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l.

During the plan year:

| | | Yes | No | Amount |
|---|---|---|---|---|
| **a** Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.) | 4a | | X | |

| | | Yes | No | Amount |
|---|---|---|---|---|
| **b** Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.) | 4b | | X | |
| **c** Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.) | 4c | | X | |
| **d** Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.) | 4d | | X | |
| **e** Was this plan covered by a fidelity bond? | 4e | X | | 1000000 |
| **f** Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty? | 4f | | X | |
| **g** Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser? | 4g | | X | |
| **h** Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser? | 4h | | X | |
| **i** Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.) | 4i | X | | |
| **j** Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked and see instructions for format requirements.) | 4j | | X | |
| **k** Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC? | 4k | | X | |
| **l** Has the plan failed to provide any benefit when due under the plan? | 4l | | X | |
| **m** If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.) | 4m | | X | |
| **n** If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3. | 4n | | | |

**5a** Has a resolution to terminate the plan been adopted during the plan year or any prior plan year? ☐ Yes ☒ No
If "Yes," enter the amount of any plan assets that reverted to the employer this year _____.

**5b** If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

| **5b(1)** Name of plan(s) | **5b(2)** EIN(s) | **5b(3)** PN(s) |
|---|---|---|
| | | |
| | | |
| | | |
| | | |

**5c** Was the plan a defined benefit plan covered under the PBGC insurance program at any time during this plan year? (See ERISA section 4021 and instructions.) ☐ Yes ☐ No ☐ Not determined
If "Yes" is checked, enter the My PAA confirmation number from the PBGC premium filing for this plan year _____.

# SCHEDULE R (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

## Retirement Plan Information

This schedule is required to be filed under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code).

▶ **File as an attachment to Form 5500.**

OMB No. 1210-0110

**2022**

**This Form is Open to Public Inspection.**

For calendar plan year 2022 or fiscal plan year beginning 01/01/2022 and ending 12/31/2022

**A** Name of plan
MINDWORKS INNOVATIONS, INC. EMPLOYEE STOCK OWNERSHIP PLAN

**B** Three-digit plan number (PN) ▶ 001

**C** Plan sponsor's name as shown on line 2a of Form 5500
MINDWORKS INNOVATIONS, INC.

**D** Employer Identification Number (EIN)
46-5067195

## Part I Distributions

**All references to distributions relate only to payments of benefits during the plan year.**

**1** Total value of distributions paid in property other than in cash or the forms of property specified in the instructions ..... **1** 0

**2** Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits):

EIN(s): _____ _____

**Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.**

**3** Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year ..... **3**

## Part II Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part.)

**4** Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)? ..... ☐ **Yes** ☐ **No** ☐ **N/A**

**If the plan is a defined benefit plan, go to line 8.**

**5** If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. **Date:** Month _____ Day _____ Year _____

**If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.**

**6 a** Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived) ..... **6a**

**b** Enter the amount contributed by the employer to the plan for this plan year ..... **6b**

**c** Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount) ..... **6c**

**If you completed line 6c, skip lines 8 and 9.**

**7** Will the minimum funding amount reported on line 6c be met by the funding deadline? ..... ☐ **Yes** ☐ **No** ☐ **N/A**

**8** If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change? ..... ☐ **Yes** ☐ **No** ☐ **N/A**

## Part III Amendments

**9** If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box. ..... ☐ **Increase** ☐ **Decrease** ☐ **Both** ☐ **No**

## Part IV ESOPs (see instructions). If this is not a plan described under section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.

**10** Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan? ..... ☐ **Yes** ☒ **No**

**11 a** Does the ESOP hold any preferred stock? ..... ☐ **Yes** ☒ **No**

**b** If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.) ..... ☐ **Yes** ☒ **No**

**12** Does the ESOP hold any stock that is not readily tradable on an established securities market? ..... ☒ **Yes** ☐ **No**

## Part V Additional Information for Multiemployer Defined Benefit Pension Plans

**13** Enter the following information for each employer that (1) contributed more than 5% of total contributions to the plan during the plan year or (2) was one of the top-ten highest contributors (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

**a** Name of contributing employer

**b** EIN **c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box* ☐ *and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

**e** Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

---

**a** Name of contributing employer

**b** EIN **c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box* ☐ *and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

**e** Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

---

**a** Name of contributing employer

**b** EIN **c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box* ☐ *and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

**e** Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

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**a** Name of contributing employer

**b** EIN **c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box* ☐ *and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

**e** Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

---

**a** Name of contributing employer

**b** EIN **c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box* ☐ *and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

**e** Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

---

**a** Name of contributing employer

**b** EIN **c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box* ☐ *and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

**e** Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

**14** Enter the number of deferred vested and retired participants (inactive participants), as of the beginning of the plan year, whose contributing employer is no longer making contributions to the plan for:

| | | |
|---|---|---|
| **a** The current plan year. Check the box to indicate the counting method used to determine the number of inactive participants: ☐ last contributing employer ☐ alternative ☐ reasonable approximation (see instructions for required attachment) | **14a** | |
| **b** The plan year immediately preceding the current plan year. ☐ Check the box if the number reported is a change from what was previously reported (see instructions for required attachment) | **14b** | |
| **c** The second preceding plan year. ☐ Check the box if the number reported is a change from what was previously reported (see instructions for required attachment) | **14c** | |

**15** Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

| | | |
|---|---|---|
| **a** The corresponding number for the plan year immediately preceding the current plan year | **15a** | |
| **b** The corresponding number for the second preceding plan year | **15b** | |

**16** Information with respect to any employers who withdrew from the plan during the preceding plan year:

| | | |
|---|---|---|
| **a** Enter the number of employers who withdrew during the preceding plan year | **16a** | |
| **b** If line 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers | **16b** | |

**17** If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment ☐

## Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

**18** If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment ☐

**19** If the total number of participants is 1,000 or more, complete lines (a) through (c)

**a** Enter the percentage of plan assets held as:
Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%

**b** Provide the average duration of the combined investment-grade and high-yield debt:
☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more

**c** What duration measure was used to calculate line 19(b)?
☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify):

**20** **PBGC missed contribution reporting requirements.** If this is a multiemployer plan or a single-employer plan that is not covered by PBGC, skip line 20.

**a** Is the amount of unpaid minimum required contributions for all years from Schedule SB (Form 5500) line 40 greater than zero? ☐ Yes ☐ No

**b** If line 20a is "Yes," has PBGC been notified as required by ERISA sections 4043(c)(5) and/or 303(k)(4)? Check the applicable box:

☐ Yes.

☐ No. Reporting was waived under 29 CFR 4043.25(c)(2) because contributions equal to or exceeding the unpaid minimum required contribution were made by the 30th day after the due date.

☐ No. The 30-day period referenced in 29 CFR 4043.25(c)(2) has not yet ended, and the sponsor intends to make a contribution equal to or exceeding the unpaid minimum required contribution by the 30th day after the due date.

☐ No. Other. Provide explanation_____

# MindWorks Innovations, Inc.
# Employee Stock Ownership Plan

## Financial Statements

December 31, 2022

WINDES
AUDIT | TAX | ADVISORY

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# INDEPENDENT AUDITORS' REPORT

To the Trustee and ESOP Committee of
Mindworks Innovations, Inc.
Employee Stock Ownership Plan:

## Opinion

We have audited the financial statements of Mindworks Innovations, Inc. Employee Stock Ownership Plan (the Plan), an employee benefit plan subject to the Employee Retirement Income Security Act of 1974 (ERISA), which comprise the statements of net assets (deficit) available for benefits as of December 31, 2022 and 2021, the related statement of changes in net assets (deficit) available for benefits for the year ended December 31, 2022, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the net assets (deficit) available for benefits of the Plan as of December 31, 2022 and 2021, and the changes in its net assets (deficit) available for benefits for the year ended December 31, 2022, in accordance with accounting principles generally accepted in the United States of America.

## Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events considered in aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for one year after the date of the financial statements available to be issued.

Management is also responsible for maintaining a current plan instrument, including all plan amendments, administering the plan, and determining that the plan's transactions that are presented and disclosed in the financial statements are in conformity with the plan's provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

**Auditors' Responsibilities for the Audits of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and asses the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures including examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Plan's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Supplemental Schedule Required by ERISA**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of assets held at end of year is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with generally accepted auditing standards.

In forming our opinion on the supplemental schedule, we evaluated whether the supplemental schedule, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.

In our opinion, the information in the accompanying schedule is fairly stated, in all material respects, in relation to the financial statements as a whole, and the form and content are presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.

Windes, Inc.

Long Beach, California
December 11, 2023

# MINDWORKS INNOVATIONS, INC.
# EMPLOYEE STOCK OWNERSHIP PLAN

## STATEMENTS OF NET ASSETS (DECIMAL) AVAILABLE FOR BENEFITS

| | December 31, 2022 | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| | Allocated | Unallocated | Total | Allocated | Unallocated | Total |
| **ASSETS** | | | | | | |
| Contribution receivable | $ 3,006,450 | $ 493,550 | $ 3,500,000 | $ 3,673,929 | $ 34,942 | $ 3,708,871 |
| Investments, at fair value | | | | | | |
| Common stock, Mindworks Innovation, Inc. | 7,060,629 | 24,289,371 | 31,350,000 | 1,417,321 | 21,121,679 | 22,539,000 |
| Total assets | 10,067,079 | 24,782,921 | 34,850,000 | 5,091,250 | 21,156,621 | 26,247,871 |
| **LIABILITIES** | | | | | | |
| Interest expense payable | - | 493,550 | 493,550 | - | 34,942 | 34,942 |
| Loan payable | - | 20,292,413 | 20,292,413 | - | 25,380,942 | 25,380,942 |
| Total liabilities | - | 20,785,963 | 20,785,963 | - | 25,415,884 | 25,415,884 |
| **NET ASSETS (DECIMAL) AVAILABLE FOR BENEFITS** | $ 10,067,079 | $ 3,996,958 | $ 14,064,037 | $ 5,091,250 | $ (4,259,263) | $ 831,987 |

The accompanying notes are an integral part of these financial statements.

**MINDWORKS INNOVATIONS, INC.**
**EMPLOYEE STOCK OWNERSHIP PLAN**

## STATEMENT OF CHANGES IN NET ASSETS (DEFICIT) AVAILABLE FOR BENEFITS FOR THE YEAR ENDED DECEMBER 31, 2022

| | Allocated | Unallocated | Total |
|---|---|---|---|
| **ADDITIONS:** | | | |
| Employer contributions | $ 12,673 | $ 3,500,000 | $ 3,512,673 |
| Dividends | - | 2,200,000 | 2,200,000 |
| Net unrealized appreciation in fair value of investments | 1,434,926 | 7,376,074 | 8,811,000 |
| Allocation of 48,701 shares of Mindworks Innovations, Inc. Class B preferred stock, at fair value | 3,540,903 | - | 3,540,903 |
| Total Additions | 4,988,502 | 13,076,074 | 18,064,576 |
| **DEDUCTIONS:** | | | |
| Distributions to participants | 12,673 | - | 12,673 |
| Interest expense | - | 1,278,950 | 1,278,950 |
| Allocation of 48,701 shares of Mindworks Innovations, Inc. Class B preferred stock, at fair value | - | 3,540,903 | 3,540,903 |
| Total Deductions | 12,673 | 4,819,853 | 4,832,526 |
| **NET INCREASE** | 4,975,829 | 8,256,221 | 13,232,050 |
| **NET ASSETS (DEFICIT) AVAILABLE FOR BENEFITS: BEGINNING OF YEAR** | 5,091,250 | (4,259,263) | 831,987 |
| **END OF YEAR** | $ 10,067,079 | $ 3,996,958 | $ 14,064,037 |

The accompanying notes are an integral part of these financial statements.

**MINDWORKS INNOVATIONS, INC.**
**EMPLOYEE STOCK OWNERSHIP PLAN**

**NOTES TO THE FINANCIAL STATEMENTS**
**DECEMBER 31, 2022**

## NOTE 1 – Plan Description and Basis of Presentation

The following brief description of Mindworks Innovations, Inc. Employee Stock Ownership Plan (the Plan) is provided for general information purposes only. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

In July 2021, Mindworks Innovations, Inc. (the Company) established the Plan retroactively under provisions permitted by the SECURE Act Section 201 effective as of January 1, 2020. The Plan operates as a leveraged employee stock ownership plan (ESOP) and is designed to comply with the requirements of Section 4975(e)(7) and the regulations thereunder of the Internal Revenue Code of 1986 (IRC), and is subject to the applicable provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The Plan is designed to invest primarily in company stock. The Plan also provides for the Company to make fixed and/or discretionary contributions in the form of cash or company stock. The Plan is administered by the ESOP Committee of the Plan. An independent trustee appointed by the ESOP Committee serves as the Plan Trustee (Trustee).

On September 17, 2021, the Plan acquired all outstanding convertible preferred class B stock (Class B preferred stock) representing 30% of the issued and outstanding stock of the Company using secured borrowings from the Company and the shareholder (ESOP Loans). (See Note 6.)

### *Eligibility*

Employees of the Company enter the Plan on January 1st or July 1st in the plan year in which they attain the age of 21 and complete one year of service. An employee will have completed one year of service if they have worked at least 1,000 hours of service in a consecutive 12-month period. Independent contractors, nonresident aliens without any U.S. source of income, employees covered under a collective bargaining agreement, and leased employees are not eligible to participate in the Plan. Participants that are not employed on the last day of the plan year and have not completed 1,000 hours of service during the plan year are not eligible to receive an allocation of the Company's contributions for the plan year.

### *Contributions*

Contributions can be made in cash or company stock. The contributions are allocated according to the pro rata share of each participant's compensation to total eligible compensation. During the year ended December 31, 2022, the Company made a discretionary contribution of $3,500,000.

**NOTE 1 – Plan Description and Basis of Presentation (Continued)**

***Payment of Benefits***

Distributions on account of death, disability, or retirement shall begin in the plan year following the plan year in which the event occurs. The amount to be distributed is based upon the account valuation date immediately preceding the distribution.

Distributions for other separation from service are offered no later than the sixth plan year following the plan year in which the participant terminated. However, if a participant's vested balance includes shares the Company acquired with the proceeds of the ESOP Loans, the Company may elect to defer any portion of the participant's account attributable to unallocated shares until the earlier of (i) the plan year following the close of the tenth plan year following termination of employment, (ii) death, (iii) or the plan year following the plan year in which the loan is repaid in full of the participant turns 65.

Vested account balances less than or equal to $5,000 but greater than $1,000 will be distributed in one lump sum or rolled over at the participants request. If a participant does not provide instructions, the amounts will be directly rolled over to an individual retirement account designated by the Trustee. Vested balances of $1,000 or less will automatically be paid in a cash lump sum.

If the value of a vested account balance of the participant exceeds $5,000 as of the distribution date, no portion of the participant's account may be distributed before the participant attains age 65 without written consent. Distribution of the account balance shall commence no later than 60 days after the allocation date coinciding with or following the latest of the participant's 65$^{th}$ birthday, the 10$^{th}$ anniversary of the date the participant became eligible, or the date the participant terminated service. Payments will generally be made in substantially equal period payments, at least annually, over a period not to exceed five years.

***Administrative Expenses***

As provided in the plan agreement, administrative expenses may be paid either by the Plan or by the Company. The Company has historically paid the operating expenses of the Plan.

**NOTE 1 – Plan Description and Basis of Presentation (Continued)**

***Voting Rights***

The Trustee has the authority to vote on the Plan's shares of Company stock in the manner it determines. However, in the case of certain corporate matters, which involve the voting of shares in a corporate merger, consolidation, recapitalization, reclassification, liquidation, dissolution, or sale of substantially all of the assets of a trade or business, participants are entitled to direct the voting of shares allocated to their accounts, whether or not vested.

***Participant Accounts***

The Plan is a defined contribution plan under which a separate individual account is established for each participant. Each participant's account is credited as of the last day of each plan year with an allocation of shares of the Company's stock released by the Trustee from the unallocated account, forfeitures of terminated participants' non-vested accounts, dividends and plan earnings, and an allocation of the employer's contribution. Only those participants who are eligible employees of the Company as of the last day of the plan year will receive an allocation. Allocations are generally based on a participant's eligible compensation, relative to total eligible compensation. Plan earnings are allocated to each participant's account based on the ratio of account balances.

***Vesting***

If a participant's employment with the Company ends for any reason other than retirement, permanent disability, or death, he or she will vest in the balances in their account based upon total years of service with the Company. Participants are 20% vested after two years of service and 100% vested after six years.

***Put Option***

Under federal income tax regulations, the Company stock that is held by the Plan and its participants and is not readily tradable on an established market, or is subject to trading limitations, includes a put option. The put option is a right to demand that the Company buy any shares of its stock distributed to participants for which there is no market. The put price is representative of the fair market value of the stock. The Company can pay for the purchase with interest over a period of five years. The purpose of the put option is to ensure that the participant has the ability to ultimately obtain cash.

## NOTE 1 – Plan Description and Basis of Presentation (Continued)

### *Diversification*

Diversification is offered to participants close to retirement so that they may have the opportunity to move part of the value of their investment in the Company's stock into investments that are more diversified. Participants who are at least age 55 with at least 10 years of service with 1,000 hours may elect to diversify a portion of their account. Diversification is offered to each eligible participant over a six-year period. In each of the first five years, a participant may diversify up to 25% of the number of shares allocated to his or her account, less any shares previously diversified. In the sixth year, the percentage changes to 50%. Participants who elect to diversify either receive a cash distribution or rollover into an individual retirement account.

### *Forfeitures*

As of December 31, 2022 and 2021, there was no balance in the forfeited non-vested account as all forfeitures are used in the same year they are forfeited. Plan forfeitures are allocated to each participant's account based upon the relation of the participant's eligible compensation to total eligible compensation for the plan year. During the years ended December 31, 2022 and 2021, 747 and 539 forfeited shares were allocated to eligible participants, respectively. Forfeitures may also be used to pay administrative expenses of the Plan.

## NOTE 2 – Summary of Significant Accounting Policies

### *Basis of Accounting*

The financial statements of the Plan are prepared using the accrual basis of accounting.

### *Use of Estimates*

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

## NOTE 2 – Summary of Significant Accounting Policies (Continued)

### *Allocations*

The financial statements of the Plan present separately the assets and liabilities and changes therein pertaining to *(a)* the accounts of employees with rights in allocated stock (allocated) and (b) stock not yet allocated to employees (unallocated), including shares that are committed to be released. Shares are released from collateral and become allocated generally in the period in which debt service is actually paid.

### *Investment Valuation and Income Recognition*

The shares of the Company's Class B preferred stock are valued at fair value as determined by an annual independent appraisal. See Note 5 for discussion of fair value measurements. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

### *Payment of Benefits*

Benefits are recorded when paid.

### *Subsequent Events*

The Plan has evaluated subsequent events through December 11, 2023, the date the financial statements were available to be issued.

## NOTE 3 – Administration of Plan Assets

The Plan's assets, which consist principally of the Company's Class B preferred stock, are held by the Trustee of the Plan.

Company contributions are held and managed by the Trustee. The Trustee administers the payment of interest and principal on the loan, which is funded through company contributions as determined by the Company.

Certain administrative functions are performed by officers or employees of the Company. No such officer or employee receives compensation from the Plan.

## NOTE 4 – Class B Preferred Stock

### *Conversion, Distribution, and Liquidation Rights*

The Class B preferred stock is convertible by the Plan Trustee without the payment of additional consideration, into such number of fully paid and non-assessable shares of common stock as determined by the conversation price as outlined in the articles of incorporation. Participants must receive distributions of cash of company stock upon election of a distribution from the Plan.

### *Dividend Rights*

The Class B preferred stock has a cumulative annual compounding dividend computed as 8% of the ESOP purchase price, or $2,200,000, payable annually for a period of the sooner of five years of the date in which Company elects to be taxed as an S corporation. During the year ended December 31, 2022, dividends totaling $2,200,000 were declared and paid.

### *Voting Rights*

Each share of Class B preferred stock is entitled to a number of votes equal to the number of shares of company common stock into which it is convertible.

The Plan's investments at December 31, 2022 and 2021 consisted of Class B preferred stock of Mindworks Innovations, Inc. as follows:

| | As of December 31, 2022 | | |
|---|---|---|---|
| | **Allocated** | **Unallocated** | **Total** |
| Number of shares | 67,566 | 232,434 | 300,000 |
| Cost | $ 6,193,550 | $ 21,306,450 | $ 27,500,000 |
| Fair value | $ 7,060,629 | $ 24,289,371 | $ 31,350,000 |

| | As of December 31, 2021 | | |
|---|---|---|---|
| | **Allocated** | **Unallocated** | **Total** |
| Number of shares | 18,865 | 281,135 | 300,000 |
| Cost | $ 1,729,292 | $ 25,770,708 | $ 27,500,000 |
| Fair value | $ 1,417,321 | $ 21,121,679 | $ 22,539,000 |

## NOTE 4 – Class B Preferred Stock (Continued)

The increase in value of Mindworks Innovations, Inc. Class B preferred stock is reported in net unrealized appreciation in fair value of investments on the statement of changes in net assets (deficit) available for benefits and totaled $8,811,000 for the year ended December 31, 2022.

## NOTE 5 – Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. 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 unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under Topic 820 are described as follows:

**Level 1** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

**Level 2** Inputs to the valuation methodology include

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

**NOTE 5 – Fair Value Measurements (Continued)**

The following tables set forth by level within the fair value hierarchy, the Plan's assets at fair value measurements as of December 31, 2022 and 2021:

| | Fair Value Measurements December 31, 2022 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Investment in company Class B preferred stock | $ - | $ - | $31,350,000 | $ 31,350,000 |
| Total assets at fair value | $ - | $ - | $31,350,000 | $ 31,350,000 |

| | Fair Value Measurements December 31, 2021 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Investment in company Class B preferred stock | $ - | $ - | $22,539,000 | $ 22,539,000 |
| Total assets at fair value | $ - | $ - | $22,539,000 | $ 22,539,000 |

***Changes in Fair Value of Level 3 Assets***

The table below sets forth a summary of changes in the fair value of the Plan's level 3 assets for the years ended December 31, 2022 and 2021.

| | **2022** | **2021** |
|---|---|---|
| Transfer in | $ - | $ - |
| Transfer out | $ - | $ - |
| Purchase of 300,000 shares | $ - | $ 27,500,000 |
| Distributions | $ - | $ - |

**NOTE 5 – Fair Value Measurements (Continued)**

***Quantitative Information about Significant Unobservable Inputs Used in Level 3 Fair Value Measurements***

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during and as of the years ended December 31, 2022 and 2021.

| Instrument | Fair Value December 31, 2022 | Fair Value December 31, 2021 | Principal Valuation Technique | Significant Unobservable Inputs |
|---|---|---|---|---|
| Mindworks Innovations, Inc. Class B preferred stock | $31,350,000 | $22,539,000 | Income and market | -EBITDA, cash flows, and net income<br>-Discount for limited marketability<br>-Discount for lack of control |

The fair value of the Company's Class B preferred stock held by the Plan is valued at fair value based upon an independent appraisal. This appraisal was based upon a combination of the market and income valuation techniques. The appraiser took into account historical and projected cash flow and net income and market comparables. Plan management has concluded that a market participant would also recognize a discount for lack of control and a discount for lack of marketability.

The valuation process involves the Trustee engaging an independent appraiser on an annual basis. Plan management accumulates the data for the appraiser from the Company's audited financial statements and other internally prepared reports requested by the appraiser. The appraiser prepares a preliminary report which plan management, along with the Trustee, reviews in detail, discusses, and approves.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

## NOTE 6 – ESOP Loans

On September 17, 2021, the Plan entered into a $20,500,000 term loan agreement with the Company (Company Loan Payable), to be repaid over 25 years. The loan agreement bore interest at 1.73%. Concurrently, the Plan entered into a $7,000,000 term loan agreement with the selling shareholder (Shareholder Loan Payable), to be repaid over ten years bearing interest at 7.0%. The proceeds of the Company Loan Payable and Shareholder Loan Payable (ESOP Loans), as described above, totaled $27,500,000 and were used to purchase the Company's Class B preferred stock. In August 2022, the Company Loan Payable and the Shareholder Loan Payable were refinanced resulting in a single ESOP Loan Payable (ESOP Loan) to the Company. The ESOP Loan is payable through December 2045 and bears interest at 3.35% and requires annual payments of principal and interest of $1,070,857. Unallocated shares are collateral for the ESOP Loan. Shares are released from collateral and allocated to participants as payments of principal and interest are made. The number of shares released in any year is the number of shares held as collateral, times the ratio of the current year payments divided by the total of this year's payments, plus all future years' principal and interest payments. During the year ended December 31, 2022, 48,701 were released and allocated. The Plan's ESOP Loan balance at December 31, 2022 and 2021 totaled $20,292,413 and $25,380,942, respectively.

The following is a schedule of future minimum principal payments on the loan:

| **Year Ending December 31,** | |
|---|---|
| 2023 | $ 3,900,246 |
| 2024 | 512,982 |
| 2025 | 530,434 |
| 2026 | 548,479 |
| 2027 | 567,137 |
| Thereafter | 14,233,135 |
| | $ 20,292,413 |

## NOTE 7 – Employer Contributions

The Company is obligated to make contributions to the Plan in cash or in shares of Company stock, or a combination of both, as determined by the Company's Board of Directors. Discretionary contributions are allocated to eligible participants' accounts based upon the participants' eligible compensation as a percentage of total compensation, not to exceed Internal Revenue Service (IRS) limitations. The Company's contribution which, when aggregated with the Plan's dividends and interest earnings, shall equal at least the amount necessary to enable the Plan to make its regularly scheduled payments of principal and interest due on the term loan. (See Note 6.)

During 2022, the Company made a contribution of $5,908,874 of which $5,088,529 was applied to principal and $820,418 was applied to interest on the ESOP Loan. At December 31, 2022, Company contribution receivables totaled $3,500,000, of which $3,000,288 will be applied to principal and $499,712 will be applied to interest on the ESOP Loans during the year ended December 31, 2023.

## NOTE 8 – Related-Party and Party-in-Interest Transactions

The Plan invests in the Company's Class B preferred stock and has indebtedness guaranteed by the Company. These are related-party and party-in-interest transactions. The Plan has a number of service providers. Such providers are parties-in-interest under ERISA.

## NOTE 9 – Risks and Uncertainties

The plan investments consist primarily of the Company's Class B preferred stock, which is exposed to various risks, such as interest rate, market, and credit risks, as well as valuation assumptions based on earnings, cash flows and/or other such techniques. Due to the level of risk associated with the investment in the Class B preferred stock and to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in the value of the Class B preferred stock will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets (deficit) available for benefits.

## NOTE 10 – Plan Termination

The Company reserves the right to terminate the Plan at any time, subject to the Plan's provisions. Upon termination of the Plan, the Company's Board of Directors and the ESOP Committee directs the Trustee to pay all liabilities and expenses of the Plan and to sell shares of financed company stock held as collateral to the extent it determines such sale to be necessary in order to repay the loan. Subsequently, the interest of each participant in the trust fund will be distributed to such participant or his or her beneficiary at the time prescribed by the plan terms and the IRC.

## NOTE 11 – Tax Status

The IRS has determined and informed the Company by a letter dated March 10, 2022 that the Plan is qualified and the trust established under the Plan is tax-exempt, under the appropriate sections of the IRC.

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

**MINDWORKS INNOVATIONS, INC.**
**EMPLOYEE STOCK OWNERSHIP PLAN**

**SCHEDULE H, PART IV, ITEM 4i –**
**SCHEDULE OF ASSETS HELD AT END OF YEAR**
**DECEMBER 31, 2022**
**EIN: 46-5067195**
**PLAN 001**

| Identity of Issuer | Description of Investment | Shares | Cost | Current Value |
|---|---|---|---|---|
| * Mindworks Innovations, Inc. | Class B preferred stock | 300,000 | $ 27,500,000 | $ 31,350,000 |

* Indicates party-in-interest

See Independent Auditors' Report

## Schedule H, Line 4i
## Schedule of Assets (Held At End of Year)

Name of Plan:

► Mindworks Innovations, Inc. Employee Stock Ownership Plan

Employer Identification Number:► 46-5067195

For plan year (beginning/ending):► 01/01/2022-12/31/2022 Plan number:► 001

| (a) | (b) Identity of issue, borrower, lessor, or similar party | (c) Description of investment including maturity date, rate of interest, collateral, par or maturity value | (d) Cost | (e) Current value |
|---|---|---|---|---|
| * | Mindworks Innovations, Inc. | 300,000 Shares of preferred stock | 27,500,000 | 31,350,000 |
| | | | | |
| * | Party-in-interest | | | |
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