# EXHIBIT 1-13

## 2023 FINANCIAL STATEMENTS

**UNITED STATES**
**SECURITIES EXCHANGE COMMISSION**
**Washington, D.C. 20549**

**FORM 10-K**

**☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2023

**☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from

Commission File No. 001-10171

# KonaTel, Inc.

*(Name of Small Business Issuer in its Charter)*

| Delaware | 80-0973608 |
|---|---|
| *(State or other Jurisdiction of Incorporation or organization)* | *(I.R.S. Employer Identification No.)* |

500 N. Central Expressway, Ste. 202
Plano, Texas 75074

*(Address of Principal Executive Offices)*

214-323-8410

*(Registrant's Telephone Number, including area code)*

Securities Registered Pursuant to Section 12(b) of the Act: None

Securities Registered Pursuant to Section 12(g) of the Act: Common Stock, par value $0.001

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ Yes ☒ No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | |
|---|---|
| Large accelerated filer ☐ | Accelerated filer ☐ |
| Non-accelerated filer ☒ | (Do not check if a smaller reporting company) |
| Smaller reporting company ☒ | Emerging Growth company ☐ |

Our website is KonaTel.com.

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Exchange Act, indicate by check mark whether the financial statements of the Registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the Registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

On June 30, 2023, the last business day of the Registrant's most recently completed second quarter, the aggregate market value of the Registrant's common stock held by non-affiliates of the Registrant was $22,153,037, based upon 26,690,406 shares of the Registrant's common stock being currently owned by such persons, and based upon the closing price of the common stock of the Registrant on the OTC Markets Group, LLC (the "OTC Markets") "OTCQB Tier" ("KTEL") of $0.83 per share on June 30, 2023.

As of March 15, 2024, the Registrant had 43,333,220 shares of its common stock, $0.001 par value, issued and outstanding.

## REFERENCES

In this Annual Report, references to "KonaTel, Inc.," "KonaTel," the "Company," "we," "our," "us" and words of similar import, refer to KonaTel, Inc., a Delaware corporation, formerly named Dala Petroleum Corp., which is the Registrant, and our wholly owned subsidiaries at December 31, 2023, KonaTel, Inc., a Nevada corporation ("KonaTel Nevada"), Apeiron Systems, Inc., a Nevada corporation ("Apeiron Systems" or "Apeiron"), IM Telecom, LLC, an Oklahoma limited liability company doing business as "Infiniti Mobile" (sometimes called "IM Telecom" or "Infiniti Mobile").

## FORWARD LOOKING STATEMENTS

This Annual Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In some cases, you can identify forward-looking statements by the following words: "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "ongoing," "plan," "potential," "predict," "project," "should," "will," "would," or the negative of these terms or other comparable terminology, although not all forward-looking statements contain these words. Forward-looking statements are not a guarantee of future performance or results and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time the statements are made and involve known and unknown risks, uncertainties and other factors that may cause our results, levels of activity, performance or achievements to be materially different from the information expressed or implied by the forward-looking statements in this Annual Report. We cannot assure you that the forward-looking statements in this Annual Report will prove to be accurate, and therefore, prospective investors are encouraged not to place undue reliance on forward-looking statements. You should carefully read this Annual Report completely, and it should be read and considered with all other reports filed by us with the United States Securities and Exchange Commission (the "SEC"). Other than as required by law, we undertake no obligation to update or revise these forward-looking statements, even though our situation may change in the future.

## CAUTIONARY STATEMENT

Summaries of all agreements or other documents referenced herein or attached hereto by Hyperlink in Part IV, Item 15, and incorporated herein by reference or otherwise, do not purport to be all inclusive of the terms, conditions and other provisions of such agreements or documents, and accordingly, all such summaries are modified in their entirety to the referenced and Hyperlinked respective agreements or documents in Part IV, Item 15 hereof.

## DOCUMENTS INCORPORATED HEREIN BY REFERENCE

See Part IV, Item 15, hereof.

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# PART I

## ITEM 1. BUSINESS

### Corporate History and Business Development

We were incorporated as “Light Tech, Inc.” under the laws of the State of Nevada on May 24, 1984. A subsidiary in the name “Westcott Products Corporation” was organized by us under the laws of the State of Delaware on June 24, 1986, for the purpose of changing our name and domicile to the State of Delaware. On June 27, 1986, we merged with the Delaware subsidiary, with the survivor being Westcott Products Corporation, a Delaware corporation. At that time, all of our prior operations were conducted through Lee Building Products and T. A. Kilgore & Company, which owned and operated a home center in League City, Texas, about 30 miles southeast of downtown Houston, Texas. During 1990, we ceased these operations, and the secured lenders took possession of our assets.

We changed our name to “Dala Petroleum Corp.” on August 29, 2014, after re-entering the development stage and the completion of a merger with our newly formed and wholly owned subsidiary, Dala Acquisition Corp., a Nevada corporation (respectively, “Dala Acquisition” and the “Dala Merger”), on June 2, 2014. Dala Nevada was wholly owned by Chisholm Partners II, LLC, a Louisiana limited liability company (“Chisholm II”). We operated as an early-stage oil exploration company focused on our leased acreage acquired in the Dala Merger until 2016, when Chisholm II returned a total of 8,567,800 shares of the 10,000,000 shares of our common stock exchanged under the Dala Merger to us for cancellation in exchange for our assignment of approximately 55,000 acres, more or less, of our leased acreage or approximately 68.75% of our total leased acreage, to Chisholm II. All of our remaining oil and gas leasehold interests, comprising leases covering approximately 7,489 and 403 acres, more or less, expired in 2017 and 2018, respectively.

On July 20, 2017, pursuant to a Common Stock Purchase Agreement dated July 19, 2017, M2 Equity Partners, LLC, a privately held Minnesota limited liability company (“M2”), acquired 12,100,000 shares of our common stock in consideration of the sum of $367,500, which resulted in a change in control of our Company.

On November 13, 2017, we filed an Amended and Restated Certificate of Incorporation with the State of Delaware, which removed all of the designations of our preferred stock from our Certificate of Incorporation, while reserving our 50,000,000 authorized and unissued one cent ($0.01) par value shares of preferred stock for future issuance as the Board of Directors may designate and approve.

Effective December 18, 2017, we completed an Agreement and Plan of Merger (the “KonaTel Merger Agreement”) with our newly formed wholly owned subsidiary, Dala Subsidiary Corp., a Nevada corporation (“Dala Nevada”), under which KonaTel, Inc., a Nevada corporation (“KonaTel Nevada”), became our wholly owned subsidiary on the closing of the merger (the “KonaTel Nevada Merger”); and we succeeded to the business operations of KonaTel Nevada comprised of a full service cellular provider that delivered cellular products and services to individual and business customers in various retail and wholesale markets nationwide through its sales network, and we changed our name to “KonaTel, Inc.” on February 5, 2018.

Effective February 7, 2018, and dated as of February 5, 2018, we entered into an Agreement for the Purchase and Sale of Membership Interest (the “PSMI”), with the transaction documents being deposited in escrow on February 7, 2018, respecting the acquisition of 100% of the membership interest in IM Telecom, doing business as “Infiniti Mobile,” from its sole owner, Trevan Morrow (“Mr. Morrow”). The principal asset of IM Telecom, at that time, was a “Lifeline Program” license of the Federal Communications Commission (“FCC”), which was an FCC approved wireless Compliance Plan.

On August 9, 2018, we entered into an Asset Purchase Agreement (the “Telecon Wireless Agreement”) with Telecon Wireless Resources, Inc., a New York corporation (“Telecon Wireless”), whereby we sold various assets, including furniture, fixtures, equipment, account receivable and a customer list, among other assets and liabilities, to Telecon Wireless.

Effective December 31, 2018, we completed an Agreement and Plan of Merger with Apeiron Systems (the “Apeiron Systems Merger Agreement”) and under which we exchanged 7,000,000 shares of our common stock for all of the outstanding shares of Apeiron Systems. Apeiron Systems became our wholly owned subsidiary on the closing of the merger (the “Apeiron Systems Merger”). Apeiron Systems was organized in 2013 as a provider of a suite of real-time business communications services that included voice, messaging, network connectivity and platform services.

On December 14, 2020, the shares of our common stock were approved for up listing to the OTC Markets Group LLC (the “OTC Markets”) OTCQB® Venture Market (“OTCQB Tier”). OTCQB is a venture market operated by OTC Markets. To be eligible for quotation on the OTCQB, companies must be current in their reporting obligations under Section 13 or 15(d) of the Exchange Act and

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undergo an annual verification and management certification process. Companies must also meet a minimum bid price test and other financial conditions. The OTC Markets is recognized by the SEC as a "Qualified Interdealer Quotation System" ("IDQS") under SEC Rule 15c2-11(e)(6); and the OTCQB is an established public market that provides current public information to investors.

On August 25, 2021, we filed a registration statement with the SEC on Form S-8 to register 5,901,884 shares of our common stock reserved for grants underlying our 2018 Incentive Stock Option Plan (year designation reflects a change to a calendar year end in 2017).

On June 14, 2022, we and our wholly owned subsidiaries, Apeiron Systems and IM Telecom, entered into a Note Purchase Agreement (the "NPA") with CCUR Holdings, Inc., a Delaware corporation ("CCUR"), as "Collateral Agent"; and CCUR and Symbolic Logic, Inc., a Delaware corporation ("Symbolic"), as "Purchasers," along with a related Guarantee and Security Agreement (the "GSA"), whereby the Company and its subsidiary companies pledged their assets (including the Company's equity ownership of its subsidiaries) to secure $3,150,000 (the "Principal Amount") in debt financing payable in one (1) year (to be repaid prior to nine (9) months), together with interest at the rate of 15% per annum (the "Interest Rate"), with two (2) successive six (6) month optional extensions (the "CCUR Loan"). On June 1, 2023, we entered into a "First Amendment to the NPA" with CCUR and Symbolic. The purpose of the amendment was to add further growth capital to the Company in the form of "Delayed Draw Notes" in an aggregate principal amount of up to $2,000,000; and in consideration therefor, we provided additional collateral for the NPA. See our 8-K Current Report dated June 14, 2022, filed with the SEC on June 21, 2022, and our 8-KA Current Report dated June 14, 2022, filed with the SEC on June 7, 2023, for additional information on the CCUR Loan. These Current Reports are available by Hyperlink in Part IV, Item 15 hereof, and are incorporated herein by reference.

On July 7, 2022, we filed a registration statement with the SEC on Form S-8 to register an additional 2,000,000 shares of our common stock reserved for grants underlying our 2018 Incentive Stock Option Plan.

On August 22, 2022, we filed an amendment to our registration statement with the SEC on Form S-8 to decrease our shares registered on Form S-8 by 1,500,000 shares; and on March 20, 2023, we filed a similar amendment on Form S-8 to decrease our shares registered on Form S-8 by 253,764 shares, then leaving 6,148,120 remaining registered shares, with 1,648,120 shares having been issued and 4,500,000 shares being reserved for future issuance under outstanding grants or to be granted incentive stock options.

On January 24, 2023, we entered into a non-material Membership Interest Purchase Agreement to acquire 100% of Tempo Telecom, LLC, a Georgia limited liability company, an Eligible Telecommunications Carrier ("ETC"), authorized to provide Lifeline services in twenty-one (21) states (respectively, the "Tempo Purchase Agreement" and "Tempo"), the closing of which is subject to the approval of the FCC and applicable state and other governmental agencies, among other conditions.

On April 6, 2023, pursuant to a Purchase of Contract Rights Agreement between the Company and Insight Mobile, Inc., a Delaware corporation (respectively, the "Insight Mobile Agreement" and "Insight Mobile"), we and Insight Mobile executed and delivered an Assumption of Membership Interest Purchase Agreement (the "Assignment Agreement"), which is being held in escrow by counsel for Insight Mobile (the "Escrow Agent") pending satisfaction of all conditions to the Closing of the Tempo Purchase Agreement, and whereby Insight Mobile has agreed to pay us the "Purchase Price" of $4,500,000 for our "Contract Rights" under the Tempo Purchase Agreement. For additional information on the Insight Mobile Agreement and the Assignment Agreement, see our 8-K Current Report dated April 6, 2023, filed with the SEC on April 17, 2023, which is Hyperlinked in Part IV, Item 15, below, and is incorporated herein by reference.

On December 8, 2023, we filed an additional registration statement on Form S-8 to increase the number of shares of our common stock available for issuance under our 2018 Incentive Stock Option Plan by 1,700,000 shares. This amendment resulted in 7,848,120 registered shares equaling 1,748,120 shares issued and 6,100,000 reserved shares remaining for future issuance.

Effective December 18, 2023, we and IM Telecom, as the "Purchasers," entered into an Installment Sale Agreement (the "Installment Sale Agreement") with ACP Financing VII Limited Liability Company, a Texas limited liability company ("ACP Financing"), as the "Seller," pursuant to which the Seller agreed to purchase new and refurbished cellular devices for distribution through the Purchasers' distribution network to Affordable Connectivity Program Federal Lifeline and California Lifeline eligible consumers, such devices operating on 4G or better technology platforms or any such other consumer technology equipment upon the mutual agreement of the Seller and the Purchasers (the "Devices"), and to sell the Devices to the Purchasers. It is intended that this Installment Sale Agreement will be utilized by KonaTel following the payment of all outstanding amounts owed to ACP Financing. For additional information on the Installment Sale Agreement, see our 8-K Current Report dated December 18, 2023, filed with the SEC on December 22, 2023, which is Hyperlinked in Part IV, Item 15, below, and is incorporated herein by reference.

On November 10, 2023, Apeiron Systems entered into a five (5) year agreement with Viva-US Telecommunications, Inc. ("Viva-US"), as the exclusive supplier of wholesale cellular voice & data, messaging, international call termination, smart SIM ("Subscriber Identity Module"), and other telecommunications services. Apeiron Systems will provide these services through its CPaaS ("Communication Platform as a Service") cloud platform. Viva-US is a US MVNO ("Mobile Virtual Network Operator") and part of the Balesia Technologies, Inc. group of companies operating MNOs ("Mobile Network Operator") and MVNOs throughout North and South America, supporting over three million customers in Bolivia, Mexico and Argentina.

**Events Subsequent to December 31, 2023**

**Tempo Purchase Agreement Notice of Extension**

On January 23, 2024, we exercised our rights under Section 1.07 of the referenced Tempo Purchase Agreement regarding a "Notice of Extension" of Closing Condition-Governmental Approvals, seeking an extension of 180 days for closing or such longer period as may be required to satisfy the required Governmental Approvals to Closing.

**Excess Purchase Agreement and Related Agreements**

On January 22, 2024 (the "Effective Date"), KonaTel and IM Telecom entered into a Membership Interest Purchase Agreement (the "Excess Purchase Agreement") with Excess Telecom, Inc., a Nevada corporation ("Excess"), pursuant to which KonaTel conveyed 49% of its Membership Interest in IM Telecom to Excess on the "Initial Closing Date" in consideration of the sum of $10,000,000, and will convey the remaining 51% of the Membership Interest in IM Telecom to Excess for the sum of $100.00 on the Final Closing. The Final Closing is conditioned upon obtaining the necessary federal and state governmental approvals for a change in control of IM Telecom (the "Approvals"), among other customary closing conditions. In the event that Excess is unable to procure the Approvals, Excess may, in its sole discretion, wait for the Approvals without any deadline or outside date; or assign its rights and interests under the Excess Purchase Agreement and related transaction documents to any third party. If on or before December 31, 2024, the ACP Connectivity Program is renewed by the United States Congress for a duration of greater than four (4) months (the "ACP Renewal Condition"), Excess will pay KonaTel an additional sum of $5,000,000 (the "ACP Renewal Earnout). The ACP Connectivity Program is an FCC benefit program that helps ensure that low income households can afford broadband for various uses (respectively, the "ACP Connectivity Program" or "ACP"). The parties also entered into a Management Services Agreement governing the management of the business of IM Telecom to be effective until the earlier of the Final Closing or ninety-nine (99) years and whereby IM Telecom and Excess will be managing IM Telecom until final regulatory approval; and a Master Distribution Agreement whereby KonaTel, doing business as "Infiniti Mobile," a tradename of IM Telecom that was excluded from the Excess Purchase Agreement, will be a master distributor of IM Telecom's wireless services, products, Lifeline services, ACP services to potential customers and such other ancillary services relating to Lifeline and ACP services offered to KonaTel's customers under the Licenses held by IM Telecom (the "Services"), the term of which will commence upon the Final Closing and continue for a period of not less than ten (10) years. The current employees of IM Telecom will novate to employees of KonaTel's under these agreements.

The CCUR Loan and the total liability of KonaTel under the ACP Financing Installment Sale Agreement, which are referenced above, were paid in full on the Initial Closing Date of the Excess Purchase Agreement. The total payoff amount for the CCUR Loan was $3,681,660, inclusive of unpaid interest and legal fees. The total payoff amount under the ACP Finance Installment Sale Agreement was $1,462,345.

For additional information on the Excess Purchase Agreement and related agreements, see our 8-K Current Report dated January 22, 2024, filed with the SEC on January 30, 2024, which is Hyperlinked in Part IV, Item 15, below, and is incorporated herein by reference.

The referenced Current Report and related agreements that are attached to this Current Report should be fully considered in reviewing the foregoing summary.

## BUSINESS

KonaTel Nevada was organized under the laws of the State of Nevada on October 14, 2014, by its founder and then sole shareholder, D. Sean McEwen, our current Chairman and CEO, to conduct the business of a full-service cellular provider that delivered cellular products and services to individual and business customers in various retail and wholesale markets. Through its sales network, it provided these services nationwide. In furtherance of its proposed business, on November 1, 2014, it acquired most of the assets of Coast to Coast Cellular, Inc. ("Coast to Coast"), including inventories, property, plant and equipment and its customer list, all valued at approximately $950,000 net of liabilities in the approximate amount of $415,000; and on November 1, 2016, it acquired the assets of CS Agency LLC ("CS Agency"), consisting of contract rights

related to the cellular industry, in consideration of assuming liabilities of CS Agency in the approximate amount of $300,000. With the completion of the KonaTel Nevada Merger, we succeeded to the current and intended business operations of KonaTel Nevada.

On December 31, 2018, we acquired Apeiron Systems (www.apeiron.io). Apeiron was organized in 2013 and is an international hosted services Communications Platform as a Service ("CPaaS") provider that designed, built, owns and operates its national private core network, supporting a suite of business communications services, all accessible via proprietary Applications Programming Interfaces ("APIs"). As an FCC licensed Internet Telephony Service Provider ("ITSP"), Apeiron also holds an FCC numbering authority license. Some of Apeiron's hosted services include Voice over IP ("VoIP"), cellular and Over-The-Top ("OTT") telephony, SMS/MMS messaging and broadcast services, numbering features, including Cloud IVRs, Voicemail, Fax, Call Recording and other services through local, toll-free and international phone numbers. Supported by its national redundant network, Apeiron also provides public and private IP network services, including Multiprotocol Label Switching ("MPLS"), Dedicated Internet and LTE Wireless WAN solutions. Apeiron's cloud services include Information Data Dips, Software-Defined Wide Area Networking ("SD-WAN") and Internet of Things ("IoT") data and device management. Apeiron primarily distributes its services nationally through its website, its sales staff, independent sales agents and Independent Sales Organizations ("ISOs").

Apeiron Systems is headquartered in Johnstown, Pennsylvania, where it has customer service and software engineering resources staffed. Additional development resources are staffed out of Los Angeles, CA, as well as in Europe and Asia.

On February 5, 2018, we entered into a purchase agreement to acquire IM Telecom (www.infinitimobile.com). On October 23, 2018, the FCC approved our acquisition of IM Telecom, and on January 31, 2019, we completed the purchase of IM Telecom. IM Telecom operates as a wholly owned subsidiary of KonaTel. It is an FCC licensed Eligible Telecommunications Carrier ("ETC") and is one of twenty-two (22) original FCC licensed wireless cellular resellers to hold an FCC approved Lifeline Compliance Plan since 2012, of which approximately twelve (12) license holders remain active today. The FCC has not approved (granted) a new wireless reseller Lifeline Compliance Plan since 2012. As a licensed ETC, IM Telecom is also an FCC licensed Affordable Connectivity Program ("ACP") provider, authorized to distribute ACP subsidized high-speed Lifeline subsidized mobile voice/data service in eleven (11) states, which are Vermont, South Carolina, Georgia, Maryland, Kentucky, Wisconsin, Oklahoma, California, New York, Pennsylvania and Nevada. In addition to Lifeline, IM Telecom is also an FCC approved ACP provider authorized to distribute ACP subsidized high-speed mobile data service in the fifty (50) states, Washington D.C. and Puerto Rico. Lifeline is an FCC program that provides subsidized, fixed or mobile telecommunications services to low-income Americans. ACP is an FCC program that provides subsidized high-speed wireless data services to low-income Americans. IM Telecom distributes Lifeline and ACP services under its Infiniti Mobile brand name through its website, sales staff, retail locations and ISOs. IM Telecom also offers non-Lifeline and non-ACP services throughout the United States. IM Telecom has a US-based customer support center located in Atmore, Alabama.

IM Telecom is headquartered in Plano, Texas, and has a warehouse operation in Tulsa, Oklahoma, and a customer service center in Atmore, Alabama. We are headquartered in Plano, Texas.

Apeiron Systems has eight (8) full-time employees; IM Telecom has (22) full-time employees and one (1) part-time employee; and we have four (4) full-time employees.

**Principal Products or Services and their Markets**

Our principal products and services, across two of our wholly owned subsidiaries, Apeiron Systems and IM Telecom, include our CPaaS suite of services (SIP/VoIP, SMS/MMS), wholesale and retail mobile voice and mobile data IoT services, wholesale voice termination services, and our ETC and ACP subsidized services for low-income Americans. Except for our ETC Lifeline services distributed in up to eleven (11) states and our ACP services distributed in the fifty (50) states, as well as Washington D.C. and Puerto Rico, our Apeiron Systems' products and services are available worldwide and subject to U.S., international and local/national regulations.

We generate revenue from two (2) primary sources, Hosted Services and Mobile Services:

- Our Hosted Services include a suite of hosted CPaaS services within Apeiron Systems' cloud platform, including Cloud IVRs, Voicemail, Fax, Call Recording and other services provided with local, toll-free and international phone numbers. Apeiron also delivers public and private IP network services from its national redundant network backbone, including MPLS, Dedicated Internet and LTE Wireless WAN solutions. Additionally, Apeiron's Cloud Services include Information Data Dips, SD-WAN and IoT data and device management, of which IoT provides device connectivity via wireless 4G/5G. These Hosted Services are marketed nationally and internationally through the Apeiron website, its sales staff, independent sales agents and ISOs.

- Our Mobile Services include retail and wholesale cellular voice/text/data services and IoT mobile data services through our subsidiaries Apeiron Systems and IM Telecom. Mobile voice/text/data and IoT mobile data services are supported by a blend of reseller agreements with select national wireless carriers and national wireless wholesalers. A wireless communications service reseller typically does not own the wireless network infrastructure over which services are provided to its customers. Mobile voice/text/data and mobile data solutions are generally sold as traditional post-paid service plans that may include voice/text/data or wireless data only plans. Sometimes equipment is provided, which can include, but is not limited to, phones, tablets, modems, routers and accessories. Also included in our Mobile Services segment is the distribution of government subsidized mobile voice service and mobile data service by IM Telecom under its Infiniti Mobile brand and FCC license to low-income American households that qualify for the FCC's Lifeline mobile voice service program and/or the FCC's ACP mobile data program. Even though government programs like Lifeline have existed since 1985, these programs, along with newer programs like the ACP program, are subject to change and any change, reduction or elimination may have a material impact on our Mobile Services business.

**Distribution Methods of the Products or Services**

We primarily distribute our Hosted Services through our website, sales staff, master distribution agreements and ISOs. We primarily distribute our Mobile Services through our website, sales staff, retail locations and ISOs. Since 2021, we have continued to increase our Mobile Service online marketing efforts to supplement alternative distribution channel growth.

**Sources and Availability of Raw Materials and the Names of Principal Suppliers**

Wholesale wireless services are sourced either directly from the wireless carrier or from wholesalers that sit between us (Apeiron Systems and IM Telecom) and the wireless carrier. Carriers can include Verizon, T-Mobile and AT&T. Wholesalers can include Prepaid Wireless Group ("PWG") and Telispire.

Wireless resellers, like us, traditionally do not own the wireless infrastructure over which services are provided. We purchase services from the following sources:

- Verizon: Verizon voice, text and data services are provided through master distribution partners of Verizon. The contract we hold with distribution partners has set per unit pricing for voice, text and data wireless services. Pricing per unit is in the form of a monthly recurring charge ("MRC") that may or may not include minutes of use, text units or data units. Additional data units are available for purchase;

- AT&T: AT&T voice, text or data service and AT&T IoT service under a contract with us, has set "unit based" pricing for voice, text, data and IoT wireless services. Pricing per unit is in the form of an MRC that may or may not include minutes of use, text units or data units. Additional data units are available for purchase;

- Verizon Wireless VPP, a Verizon IoT product: Verizon VPP, also through a contract with us, has set per unit pricing for IoT wireless services. Pricing per unit is in the form of an MRC that includes data units with defined over plan use pricing; and

- T-Mobile voice, text or data Lifeline services are provided through master distribution partners of T-Mobile. The contract we hold has set pricing for bundled voice, text and data wireless services. Pricing bundles are in the form of an MRC that include minutes of use, text units or data units. Larger data plans are available for purchase for consumer requiring larger voice and data packages.

**Patents, Trademarks, Licenses, Franchises, Concessions, Royalty Agreements or Labor Contracts**

Our wholly owned subsidiary, IM Telecom, is an FCC licensed ETC and is one of the original twenty-two (22) FCC licensed wireless cellular resellers to hold an FCC approved wireless Lifeline Compliance Plan in the United States (as of 2012), of which approximately twelve (12) license holders remain active today. As a licensed ETC, IM Telecom is currently authorized to distribute Lifeline subsidized mobile voice/data service in eleven (11) states. IM Telecom is also an FCC licensed ACP carrier, authorized to distribute ACP subsidized mobile data services in the fifty (50) states, as well as Washington D.C. and Puerto Rico. Infiniti Mobile also offers non-Lifeline and non-ACP services.

We hold a United States Patent and Trademark Office registered trademark "Lifeline+®" and use this Trademark in our marketing materials.

**Competition**

The telecommunications industry is highly competitive. Our primary cellular competitors include other resellers and national carriers, such as AT&T, Verizon and T-Mobile. These national cellular carriers are facility-based, are significantly larger than us and enjoy trade name and trademark public recognition, as well as greater resources, scale and competitive advantages, among other substantial factors, as compared to us. In addition, our cellular competitors also include numerous smaller regional carriers, existing MVNOs and ETCs, such as Metro PCS, Cricket Wireless, TracFone Wireless, QLink Wireless, TruConnect and Assurance Wireless, many of which offer or may offer cellular, mobile data, Lifeline and ACP services, along with no-contract postpaid and prepaid service plans. Our CPaaS competitors include, but are not limited to, Twilio, Plivo, Bandwidth, Thinq, VoIP Innovations, Telnyx, Coredial, Vonage/Nexmo, CLX Comm, Genband Kandy, Tropo, Telestax, 2600Hz and Signal Wire. Competitive factors within the telecommunications industry include pricing, market saturation, service and product offerings, customer experience, network investment and quality, development and deployment of technologies and regulatory changes. Some competitors have shown a willingness to use aggressive pricing as a source of differentiation. Other competitors have sought to add ancillary services, like mobile video, to enhance their offerings. Taken together, the competitive factors we face continue to put pressure on margins as companies compete to retain their current customer base and continue to add new developments, many proprietary or patented, and customers.

**Need for any Governmental Approval of Principal Products or Services**

On October 23, 2018, the FCC approved our acquisition of IM Telecom, an FCC licensed wireless Lifeline carrier. In 1985, during the Reagan administration, the FCC established the Lifeline Assistance program through generic powers afforded the FCC under the Communications Act of 1934. Cellular service was added to the Lifeline program in 2009. Approximately nineteen (19) of the original twenty-two (22) ETCs still hold an FCC approved wireless reseller Lifeline Compliance Plan, but only about twelve (12) are active today. The FCC has not approved any new wireless reseller Lifeline Compliance Plans since 2012.

**Existing and Probable Government Regulation to Our Current and Intended Business**

The FCC has several complex requirements and proceedings that affect our operations and that could increase our costs or diminish our revenues. For example, the FCC has rules regarding provision of 911 and E-911 services, porting telephone numbers, roaming, disabilities access, privacy and cybersecurity, consumer protection, and the universal service and Lifeline programs, including eligibility, reimbursement and program requirements. Many of these and other issues are being considered in ongoing proceedings, and we cannot predict whether or how such actions will affect our business, financial condition or results of operations. Our ability to provide services and generate revenues could be harmed by adverse regulatory action or changes to existing laws and regulations. In addition, regulation of companies that offer competing services can impact our business indirectly.

**Smaller Reporting Company**

We are subject to the reporting requirements of Section 13 of the Exchange Act, and we are subject to the disclosure requirements of Regulation S-K of the SEC, as a “smaller reporting company.” That designation relieves us of some of the informational requirements of Regulation S-K and Article 8 of Regulation S-X of the SEC.

**Emerging Growth Company**

In 2020, our “emerging growth company” designation as defined in the “Jumpstart Our Business Startups Act of 2012,” or the “JOBS Act,” expired as of the fifth anniversary of our initial registered public offering. During our emerging growth company designation, we did not utilize any financial statement waivers available to us as a result of that designation.

**Sarbanes/Oxley Act**

We are also subject to the Sarbanes-Oxley Act of 2002. The Sarbanes/Oxley Act created a strong and independent accounting oversight board to oversee the conduct of auditors of public companies and strengthens auditor independence. It also requires steps to enhance the direct responsibility of senior members of management for financial reporting and for the quality of financial disclosures made by public companies; establishes clear statutory rules to limit, and to expose to public view, possible conflicts of interest affecting securities analysts; creates guidelines for audit committee members’ appointments, compensation and oversight of the work of public companies’ auditors; management assessment of our internal controls; auditor attestation to management’s conclusions about internal controls; prohibits certain insider trading during pension fund blackout periods; requires companies and auditors to evaluate internal controls and procedures; and establishes a federal crime of securities fraud, among other provisions. Compliance with the requirements of the Sarbanes/Oxley Act could substantially increase our legal and accounting costs.

**Exchange Act Reporting Requirements**

Section 14(a) of the Exchange Act requires all companies with securities registered pursuant to Section 12(g) of the Exchange Act to comply with the rules and regulations of the SEC regarding proxy solicitations, as outlined in Regulation 14A. Matters submitted to our shareholders at a special or annual meeting thereof or pursuant to a written consent will require us to provide our shareholders with the information outlined in Schedules 14A or 14C of Regulation 14; preliminary copies of this information must be submitted to the SEC at least ten (10) days prior to the date that definitive copies of this information is forwarded to our shareholders.

We are required to file annual reports on Form 10-K and quarterly reports on Form 10-Q with the SEC on a regular basis, and are required to timely disclose certain material events (e.g., entry into a definitive material agreement, changes in corporate control, acquisitions or dispositions of a significant amount of assets other than in the ordinary course of business, bankruptcy and receivership filings and the sale of in excess of five percent (5%) of our outstanding securities, among various other material matters) in a Current Report on Form 8-K. See SEC Form 8-K for a more complete description of the type of material events required to be disclosed.

**Number of Total Employees and Number of Full-Time Employees**

Across our companies, we have a total of thirty-five (35) employees; thirty-four (34) full-time employees and one (1) part-time employee.

**Subsidiaries**

We have three (3) wholly owned subsidiaries: KonaTel Nevada; IM Telecom; and Apeiron Systems. Our subsidiary KonaTel Nevada, has remained inactive since early 2021.

**Additional Information**

You may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may also find all of the reports or registration statements that we have previously filed electronically with the SEC at its Internet site at www.sec.gov in the Edgar Archives of the SEC or in our website at konatel.com.

## ITEM 1A. RISK FACTORS

## RISK FACTORS

As we are a smaller reporting company as defined by Section 12b-2 of the Exchange Act, we are not required to provide the information under this Item or in our annual or quarterly reports filed with the SEC; however, we believe this information may be of value to our shareholders or potential investors in our Company. These risk factors should be considered in light of the caption "Forward-Looking Statements" at the forepart of this Annual Report. We reserve the right not to provide risk factors in our future filings. Our primary risk factors and other considerations include:

**Risks Related to the Company**

**We have a limited operating history and cannot ensure the long-term successful operation of our business or the execution of our business plan.**

We commenced our current business operations in November of 2014, and our wireless marketing technology and solutions are an evolving business offering. Our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by growing companies in new and rapidly evolving markets. We may be unable to successfully accomplish and fund our current endeavors, which would materially impact our ability to implement our business plan, including:

- establishing and maintaining broad market acceptance of our technology, solutions, services and platforms, and converting that acceptance into direct and indirect sources of revenue;

- establishing and maintaining adoption of our technology, solutions, services and platforms in and on a variety of environments, experiences and types of devices;

- timely and successfully developing new technologies, solutions, services and platform features, and increasing the functionality and features of our existing technologies, solutions, services and platform offerings;
- developing technologies, solutions, services and platforms that result in a high degree of customer satisfaction and a high level of end-customer usage;
- successfully responding to competition, including competition from emerging technologies and solutions;
- developing and maintaining strategic relationships to enhance the distribution, features, content and utility of our technologies, solutions, services and platforms;
- identifying, attracting and retaining talented engineering, network operations, program management, technical services, creative services and other personnel at reasonable market compensation rates in the markets in which we employ such personnel; and
- integration of potential evolving offerings of products and acquisitions.

**Our business strategy may be unsuccessful, and we may be unable to address the risks we face in a cost-effective manner, if at all. If we are unable to successfully accomplish these tasks, our business will be harmed, and we may fail.**

For the year end December 31, 2023, we reported gross revenues of $18,223,745, cost of revenues of $14,850,105, operating expenses of $6,494,243, other income and expenses of ($820,224) and a net loss of ($3,940,827).

For the prior year ended December 31, 2022, we reported gross revenues of $20,023,340, cost of revenues of $15,033,733, operating expenses of $7,544,292, other income and expenses of ($397,675) and net loss of ($2,952,360).

For the year ended December 31, 2023, we had $12,352, in non-cash depreciation expense. As of December 31, 2023, our accumulated deficit was ($12,238,691).

**The United States Government's dissolution or reduction of the Lifeline Program or the elimination of "resellers" of these services would have a substantial adverse effect on our current and planned business operations.**

- Considering there are approximately 7,300,000 current Lifeline users and approximately 38,000,000 eligible Lifeline customers (according to Universal Service Administrative Company, a governmental body that administers the "Universal Service Fund" of the FCC ["USAC"]), this would be a draconian move; however, it is a possibility. Federal or state governmental agencies could also significantly reduce or delay Lifeline reimbursement payments to Lifeline carriers, forcing Lifeline carriers to continue to provide minimum Lifeline services and at a reduced reimbursement rate. Depending on any reimbursement reduction, a reduction would diminish earnings and could make Lifeline unprofitable. The FCC established the Lifeline program in 1985 to ensure that qualifying low-income consumers could afford phone service and the opportunities and security it provides. Congress supported and strengthened Lifeline in the Telecommunications Act of 1996, requiring that affordable service and advanced communications be available to low-income consumers across the country.
- Lifeline and ACP require several factors to be successful. The impact of negative governmental changes and negative national carrier pricing have been outlined above. In addition to those two risks, an interruption to the supply of low-cost phones and/or a reduction of Lifeline and ACP agents (no access to or not enough access to agents) would have a negative impact on Lifeline and/or ACP services.
- Adequate equipment financing and available cash resources to pay up-front compensation payments (sometimes required) is critical to facilitate Lifeline, ACP, B2B and retail sales, and the lack of these resources would have a negative impact on our business.

**The increase in the number of resellers of services and products that we provide by any national carrier could saturate the markets and market segments of our targeted customers, which could affect our business adversely.**

Market saturation could occur when a national carrier allows too many resellers into the market and margins drop so low where the reseller business model is no longer profitable, and our business may suffer and fail.

**A decrease in the amount of wholesale voice and mobile data available to purchase from wholesale aggregators could cause a substantial reduction in our business and customers.**

We purchase a portion of our mobile data service ("IoT") directly from national carriers and purchase the remainder of our wholesale voice and mobile data from wholesale aggregators or MVNEs like PWG and Telispire. If one of these aggregators vacated the market, such action could force the transition of services to other providers, and could substantially reduce our current and anticipated revenues from our IoT or cellular service.

**A wireless reseller could gain a significant price advantage over other wireless resellers by entering into a special national carrier pricing agreement not available to other resellers.**

Any special national carrier pricing agreement that was not available to us would allow that particular reseller to "undercut" all other resellers. This scenario could also apply to a national wireless carrier acquiring a reseller then allowing that reseller to operate with special wholesale pricing not available to other resellers. Any such event could have a substantial adverse impact on our business and revenues.

**Adequate funds for our current and intended operations may not be available, requiring us to raise additional financing or curtail our current and planned operations significantly.**

We might be required to raise additional funding through public or private debt or equity financings. Any additional equity financings may be dilutive to our current shareholders and may be completed at a discount to the then-current market price of our common stock. Debt financing, if available, would likely involve restrictive covenants on our operations or pertaining to future debt or equity financing arrangements. Nevertheless, we may not successfully complete any future equity or debt financing. Adequate funds for our operations, whether from financial markets, collaborative or other arrangements, may not be available when needed or on terms attractive to us. If adequate funds are not available, our plans to operate our business may be adversely affected, and we could be required to curtail our activities significantly and/or cease operations.

We will be unable to implement our business plan if we cannot raise sufficient capital and may be required to pay higher prices for capital based on the current illiquid market for our common stock, among other factors.

**We may need to raise additional capital to implement our business plan and meet financial obligations as they come due. If we do need to raise additional capital, and cannot attract sufficient capital from customary sources, we may be required to pay a higher price for capital.**

Factors affecting the availability and price of capital may include the following:

- the availability and cost of capital generally;
- our financial results;
- the experience and reputation of our management team;
- market interest, or lack of interest, in our industry, industry segments and our business plan;
- the trading volume of, and volatility in, the market for our common stock, assuming there is a reasonable trading market for our common stock;
- our ongoing success, or failure, in executing our business plan;
- the amount of our capital needs; and

- the amount of debt, options, warrants and convertible securities that may be outstanding in our Company at any time.

**A national carrier (Verizon, AT&T, T-Mobile) could dissolve, reduce or restrict any wholesale program, agent program or reseller program. This includes both voice and data IoT, which would adversely affect our business.**

We, like all voice and data resellers, are dependent on the FCC licensed national carriers to provide services that can be resold for profit. The wireless carriers own/control their respective network (towers) and provide the wireless service. Resellers do not own network and are dependent on the national carriers to provide a reseller program. These carriers could eliminate a reseller program or implement new policies that could reduce profit margins, making any applicable program unprofitable. They could also implement market restorations reducing markets we could sell into, which would have a direct adverse effect on our current and future prospects.

Similarly, one of these national carriers could reduce their own retail pricing, with no corresponding reduction in their wholesale pricing, which could create a situation where a reseller is unable to make enough profit to sustain operations.

We may be unable to meet our current or future obligations or to adequately develop existing or future opportunities if we cannot raise sufficient capital. If we are unable to obtain any required capital for an extended period of time, we may be forced to discontinue or curtail our business operations and we may fail.

**We expect that there will be significant consolidation in our industry. Our failure or inability to lead that consolidation would have a severe adverse impact on our access to financing, customers, technologies and human resources.**

Our industry is currently composed of a small number of substantial entities, and a relatively large number of small businesses, no single one of which is dominant, or which provides integrated solutions and product offerings incorporating much of the available technology. Accordingly, we believe that substantial consolidation of the smaller companies may occur in our industry in the near future as has occurred with many larger participants. If we do not play a positive role in that consolidation, either as a leader or as a participant whose capabilities and offerings are merged into a larger entity, we may be left out of this process, with product and service offerings of limited value compared with those of our competitors. Moreover, even if we lead the consolidation process, the market may not validate the decisions we make in that process and our business will suffer and may fail.

**Our success depends on our product and service technologies achieving and maintaining widespread acceptance in our targeted markets.**

Our success will depend to a large extent on broad market acceptance of our telecommunications solutions among our current and prospective customers. Our prospective customers may be unwilling to use our solutions for a number of other reasons, including preference for static advertising, lack of familiarity with our technologies, preference for competing technologies or perceived lack of reliability. We believe that the acceptance of our technologies by prospective customers will depend primarily on the following factors:

- our ability to demonstrate the economic and other benefits attendant to our products and services;
- our customers becoming comfortable with using our telecommunications technologies; and
- the reliability of these services and technologies.

**Because we do not have long-term purchase commitments from our customers, the failure to obtain anticipated orders or the deferral or cancellation of commitments could have an adverse effect on our business and future prospects.**

Our business is characterized by short-term purchase orders and contracts that do not require that purchases be made. This makes forecasting our sales difficult. The failure to obtain anticipated orders and deferrals or cancellations of purchase commitments because of changes in customer requirements, or otherwise, could have a material adverse effect on our business, financial condition and results of operations. We have experienced such challenges in the past and may experience such challenges in the future.

**Most of our contracts are terminable by our customers with limited notice and without penalty payments, and early terminations could have a material adverse effect on our business, operating results and financial condition.**

Most of our contracts are terminable by our customers following limited notice and without early termination payments or liquidated damages due from them. In addition, each stage of a project often represents a separate contractual commitment, at the end of which the customer may elect to delay or not to proceed to the next stage of the project. We cannot assure you that one or more of our customers will not terminate a material contract or materially reduce the scope of any large project. The delay, cancellation or significant reduction in the scope of a large project or a number of projects could have a material adverse effect on our business, operating results and financial condition.

**Our industry is characterized by frequent technological change. If we are unable to adapt our products and services and develop new products and services to keep up with these rapid changes, we will not be able to obtain or maintain market share and our business may fail.**

We must respond to changing technology and industry standards in a timely and cost-effective manner. We may not be successful in using new technologies, developing new products and services or enhancing existing products and services in a timely and cost-effective manner.

Furthermore, even if we successfully adapt our products and services, these new technologies or enhancements may not achieve market acceptance. The market for our products and services is characterized by rapidly changing technology, evolving industry standards, changes in customer needs, heavy competition and frequent new product and service introductions. If we fail to develop new products and services or modify or improve our existing products and services in response to these changes in technology, customer demands or industry standards, our products and services could become less competitive or obsolete.

**A portion of our business involves the use of software technologies that we have developed or licensed. Industries involving the ownership and licensing of software-based intellectual property are characterized by frequent intellectual property litigation, and we could face claims of infringement by others in the industry. Such claims are costly and add uncertainty to our operational results.**

A portion of our business involves our ownership and/or licensing of software. This market space is characterized by frequent intellectual property claims and litigation. We could be subject to claims of infringement of third-party intellectual property rights resulting in significant expense and the potential loss of our own intellectual property rights. From time to time, third parties may assert copyright, trademark, patent or other intellectual property rights to technologies that are important to our business.

Any litigation to determine the validity of these claims, including claims arising through our contractual indemnification of our business partners, regardless of their merit or resolution, would likely be costly and time consuming and divert the efforts and attention of our management and technical personnel. If any such litigation resulted in an adverse ruling, we could be required to:

- pay substantial damages;
- cease the development, use, licensing or sale of infringing products;
- discontinue the use of certain technologies; or
- obtain a license under the intellectual property rights of the third-party claiming infringement, which license may not be available on reasonable terms or at all.

**Our business may be adversely affected by malicious applications that interfere with, or exploit security flaws in, our products and services.**

Our business may be adversely affected by malicious applications that make changes to our customers' computer systems and interfere with the operation and use of our products or products that impact our business. These applications may attempt to interfere with our ability to communicate with our customers' devices. The interference may occur without disclosure to or consent from our customers, resulting in a negative experience that our customers may associate with our products and services. These applications may be difficult or impossible to uninstall or disable, may reinstall themselves and may circumvent other applications' efforts to block or remove them. If our efforts to combat these malicious applications fail, or if our products and services have actual or perceived vulnerabilities, there may be claims based on such failures and our reputation may be harmed, which would damage our business and financial condition and our ability to continue our business.

**We face risks relating to Cyberattacks.**

Our business operations are dependent upon secure information technology systems and telecommunications networks. Breaches of these systems and networks through cyberattack or other unauthorized access may have numerous negative effects on our business, including lost sales and damage to customer relationships; disruptions on our operations; reputational harm and negative publicity; lost trust from our customers, partners and employees; lawsuits resulting from the compromise of sensitive customer or employee information; costs of mitigation; and remediation and security enhancement expenses. See Part I, Item 1C, below.

**We compete with other companies that have substantially greater resources, and we are at a distinct competitive disadvantage in our chosen industry.**

The market for our products and service solution technologies is generally highly competitive, and we expect competition to increase in the future. Some of our competitors or potential competitors have significantly greater financial, technical and marketing resources than we have. These competitors may be able to respond more rapidly than we can to new or emerging technologies or changes in customer requirements. They may also devote greater resources to the development, promotion and sale of their products than we do.

We expect competitors to continue to improve the performance of their current products and to introduce new products, services and technologies. Successful new product and service introductions or enhancements by our competitors could reduce sales and the market acceptance of our products and services, cause intense price competition or make our products and services obsolete. To be competitive, we must continue to invest significant resources in research and development, sales and marketing and customer support. If we do not have sufficient resources to make these investments or are unable to make the technological advances necessary to be competitive, our competitive position will suffer, and we may fail. Increased competition could result in price reductions, fewer customer orders, reduced margins and loss of market share. Our failure to compete successfully against current or future competitors could also adversely affect our business and financial condition.

**Our future success depends on key personnel and our ability to attract and retain additional personnel.**

Our success is dependent upon attracting and maintaining key personnel, including our founder, Chairman and CEO, D. Sean McEwen, and various key executive employees, including Joshua Ploude from whom we acquired Apeiron Systems and who serves as CEO of Apeiron Systems, and Charles D. Griffin, our President and COO, among others, who are listed in Part III, Item 10 of this Annual Report.

Further, if we fail to retain our key personnel or to attract, retain and motivate other qualified employees, our ability to maintain and develop our business may be adversely affected. Our future success depends significantly on the continued service of our key technical, sales and senior management personnel and their ability to execute our growth strategy. The loss of the services of our key employees could harm our business. We may be unable to retain our employees or to attract, assimilate and retain other highly qualified employees who could migrate to other employers who may offer competitive or superior compensation packages.

**Unpredictability in financing markets could impair our ability to grow our business through acquisitions.**

We anticipate that opportunities to acquire similar businesses will materially depend on the availability of financing alternatives with acceptable terms. As a result, poor credit and other market conditions or uncertainty in financial markets could materially limit our ability to grow through acquisitions since such conditions and uncertainty make obtaining financing more difficult.

**Our reliance on information management and transaction systems to operate our business exposes us to cyber incidents and hacking of our sensitive information if our outsourced service providers experiences a security breach.**

Effective information security internal controls are necessary for us to protect our sensitive information from illegal activities and unauthorized disclosure, in addition to preventing service attacks and corruption of our data. Further, we rely on the information security internal controls maintained by our outsourced service providers. Breaches of our information management system could also adversely affect our business reputation. Finally, significant information system disruptions could adversely affect our ability to effectively manage operations or reliably report results. Cyberattacks against companies have occurred and will continue to occur and have increased in frequency, scope and potential harm in recent years. While, to date, we have not been subject to cyberattacks, that, individually or in the aggregate, have been material to our operations, the preventative actions we take to reduce the risks associated with cyberattacks may be insufficient to stop or mitigate the effects of a cyberattack in the future. See Part I, Item 1C, Cybersecurity.

**Because our technology, products, platforms and services are complex and are deployed in and across complex environments, they may have errors or defects that could seriously harm our business.**

Our technology, proprietary platforms, products and services are highly complex and are designed to operate in and across data centers, large and complex networks and other elements of the digital media workflow that we do not own or control. On an ongoing basis, we need to perform proactive maintenance services on our platform and related software services to correct errors and defects. In the future, there may be additional errors and defects in our software that may adversely affect our

services. We may not have in place adequate reporting, tracking, monitoring and quality assurance procedures to ensure that we can detect errors in our software in a timely manner. If we are unable to efficiently and cost-effectively correct errors or other problems that may be identified, or if there are unidentified errors that allow persons to improperly access our services, we could experience loss of revenues and market share, damage to our reputation, increased expenses and legal actions by our customers and our business may fail.

**We may have insufficient network or server capacity for our current and planned business, which could result in interruptions in our services and the loss of revenues resulting in a negative impact on our business.**

Our operations are dependent, in part, upon network capacity provided by our telecommunications network and third-party telecommunications networks; data center services provider owned and leased infrastructure and capacity; server capacity located at the data center services provider partner or partners; and our own infrastructure and equipment. Collectively, this infrastructure, equipment and capacity must be sufficiently robust to handle all of our customers' wireless requirements, particularly in the event of unexpected surges in high-definition video traffic and network services incidents. We may not be adequately prepared for unexpected increases in bandwidth and related infrastructure demands from our customers. In addition, the bandwidth we have contracted to purchase may become unavailable for a variety of reasons, including payment disputes, outages or such service providers going out of business. Any failure of these service providers or our own infrastructure to provide the capacity we require due to financial or other reasons may result in a reduction in or the interruption of service to our customers, leading to an immediate decline in revenue and possible additional decline in revenue, as a result of subsequent customer losses, which could result in the cessation of all or part of our business operations.

**We do not have sufficient capital to engage in substantial research and development, which may harm our long-term growth.**

In light of our limited resources in general, we have made no substantial investments in research and development. This conserves capital in the short term. In the long term, as a result of our limited investment in research and development, our technologies and product offerings may not keep pace with the market, and we may lose any existing competitive advantage. Over the long term, this may harm our revenue growth and our ability to be profitable.

**Our business operations are susceptible to interruptions caused by events beyond our control.**

Our business operations are susceptible to interruptions caused by events beyond our control. We are vulnerable to the following potential problems, among others:

- our platform, technologies, products, services and underlying infrastructure, or that of our key suppliers, may be damaged or destroyed by events beyond our control, such as fires, earthquakes, pandemics, war, floods, power outages or telecommunications failures;

- we and our customers and/or partners may experience interruptions in service as a result of the accidental or malicious actions of Internet users, hackers, hostile nation states or current /former employees;

- we may face liability for transmitting viruses to third parties that damage or impair their access to computer networks, programs, data or information. Eliminating computer viruses and alleviating other security problems may require interruptions, delays or cessation of service to our customers; and

- the failure of our systems or those of our suppliers may disrupt service to our customers (and from our customers to their customers), which could materially impact our operations (and the operations of our customers), adversely affecting our relationships with our customers and lead to lawsuits and contingent liabilities.

The occurrence of any of the foregoing could result in claims for consequential and other damages, significant repair and recovery expenses and extensive customer losses and otherwise have a material adverse effect on our business, financial condition and results of operations. See Part I, Item 1C, Cybersecurity.

**Our business operations could be impacted by public health crises.**

We are subject to risks related to public health crises, such as the 2020 COVID-19 pandemic, which impacted our operations. Actions taken around the world to help mitigate the spread of the coronavirus included restrictions on travel and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical

areas in which we operate. While it is unknown how long these conditions will last and what the complete financial affect will be on us, to date, and as a result of actions taken by management to mitigate a material impact to our financial statements or our operational results, we are not currently experiencing a material impact to our financial statements or our results of operations; however, a pandemic typically results in social distancing, travel bans and quarantines, which may result in limited access to our facilities, customers, management, support staff and professional advisors. These, in turn, may not only impact our operations, financial condition and demand for our services, but our overall ability to react timely to mitigate the impact of this event. Given our small staff, if a key member of our team were disabled by COVID-19 or some other similar crisis, it could have a material negative impact on our business. Also, it may substantially hamper our efforts to provide our investors with timely information and to comply with our filing obligations under the Exchange Act with the SEC. If any pandemic were to last a prolonged period of time, we could see a decline in revenue due to the closure of customer businesses, which could then impact our ability to pay our short-term debts. Our concentration of revenue from a small group of Apeiron Systems' customers makes it reasonably possible that we are vulnerable to the risk of a long-term severe impact. Our dependence on certain suppliers to provide equipment to be distributed or sold to our customers could also be impacted if inventory shortages occur due to import or export restrictions resulting from any pandemic.

**General global market and economic conditions may have an adverse impact on our operating performance and results of operations.**

Our business has been and could continue to be affected by general economic and market conditions. Weakness in the United States and worldwide economy could have a negative effect on our operating results. Additionally, in a down-cycle economic environment, we may experience the negative effects of increased competitive pricing pressure, customer loss, slowdown in commerce over the Internet and corresponding decrease in traffic delivered over our network and failures by our customers to pay amounts owed to us on a timely basis or at all. Suppliers on which we rely for equipment, field services, servers, bandwidth, co-location and other services could also be negatively impacted by economic conditions that, in turn, could have a negative impact on our business operations or revenues. Flat or worsening economic conditions may harm our operating results and financial condition.

**Economic, political and market conditions may adversely affect our business, financial condition and operating results.**

Our business, financial condition and operating results are sensitive to changes in general economic conditions, including interest rates, consumer credit conditions, consumer debt levels, consumer confidence, unemployment rates, economic growth, energy costs, rates of inflation (or concerns about deflation), supply chain disruptions, impacts of current geopolitical conflict or instability, such as the Ukraine-Russia and Israel-Hamas wars, and further escalations thereof, and other macroeconomic factors.

These unfavorable economic conditions may lead to decreased demand for our products or services in the future, especially by our lower-income customers, which would have a negative effect on our business and results of operations. In particular, inflation could affect the price of equipment for the services provided in our Lifeline Program. Ongoing global conflicts and sanctions could lead to higher prices for commodities used in the production of telephones and other technologies used in the global telecommunications industry, which may result in decreased demand for our products and services. To the extent that we are unable to increase the prices of our goods and services in response to increased costs, our operating margins will be compressed.

**Supply chain disruptions could adversely affect our business.**

Supply chain dislocations resulting from global geopolitical and public health issues such as the Ukraine-Russia and Israel-Hamas wars, any resurgence in the COVID-19 health crises and other causes may have a material adverse impact on our business and results of operations. Such disruptions may increase our costs of doing business, including significant increases in the price of our products and their components and materials and the related costs of shipment, including equipment used in the Lifeline Program. Supply chain disruptions may also adversely affect our access to suppliers, manufacturers, customers and vendors and may impair our ability to perform contracted services. Delays in our ability to meet our obligations as a result of supply chain issues may negatively affect our reputation, our relationships with customers and our ability to deliver products and services.

**The markets in which we operate are rapidly emerging, and we may be unable to compete successfully against existing or future competitors to our business.**

The markets in which we operate are becoming increasingly competitive. Our current competitors generally include those that offer similar products and services. These competitors, including future new competitors who may emerge, may be able to develop comparable or superior solution capabilities, platforms, services, products and/or a series of services that provide a similar or more robust set of features and functionality than the technologies, products and services we offer. If this occurs, we may be unable to grow as necessary to make our business profitable.

Regardless of whether we have superior products, many of these current and potential future competitors have a longer operating history in their current respective business areas and greater market presence, brand recognition, engineering and marketing capabilities, and financial, technological and personnel resources than we do. Existing and potential competitors with an extended operating history, even if not directly related to our business, have an inherent marketing advantage because of the reluctance of many potential customers to entrust key operations to a company that may be perceived as unproven or in the early stage of its development. In addition, our existing and potential future competitors may be able to use their extensive resources:

- to develop and deploy new products and services more quickly and effectively than we can;
- to develop, improve and expand their platforms and related infrastructures more quickly than we can;
- to reduce costs, particularly hardware costs, because of discounts associated with large volume purchases and longer-term relationships and commitments;
- to offer less expensive products, technologies, platforms and services as a result of a lower cost structure, greater capital reserves or otherwise;
- to adapt more swiftly and completely to new or emerging technologies and changes in customer requirements;
- to take advantage of acquisition and other opportunities more readily; and
- to devote greater resources to the marketing and sales of their products, technology, platform and services.

If we are unable to compete effectively in our various markets, or if competitive pressures place downward pressure on the prices at which we offer our products and services, our business, financial condition and results of operations may suffer, and our business may fail.

**Compliance with the reporting requirements of federal securities laws can be expensive.**

We are a public “reporting company” in the United States, and accordingly, subject to the information and reporting requirements of the Exchange Act and other federal securities laws, rules and regulations, including compliance obligations under the Sarbanes-Oxley Act of 2002. The costs of preparing and filing annual and quarterly reports and other information with the SEC and furnishing audited and reviewed financial statements in reports filed with the SEC, along with required communications with our shareholders, are substantial. We have incurred and expect to continue to incur costs associated with continuing as a public company, including, but not limited to, legal, accounting, filing and other related costs and expenses. Failure to comply with the applicable securities laws could result in private or governmental legal action against us or our officers and directors, which could have a detrimental impact on our business and financial condition, the value of our common stock and the ability of our shareholders to resell their common stock.

**We do not intend to pay dividends on our common stock for the foreseeable future.**

All future revenues are anticipated to be utilized for research, development and the furtherance of our business plan and our technologies, products, services and platform, and accordingly, it is highly unlikely that shareholders will receive any dividends from us in the near future, if ever.

**We do not intend to provide guidance about future events in the foreseeable future.**

Our Board of Directors anticipates adopting a policy that will preclude us from providing guidance about matters that may happen in the foreseeable future, though any such policy will not prohibit our responsibilities to provide forward-looking information to our shareholders and to the public in our Exchange Act filings with the SEC, including our “Management’s Discussion and Analysis of Financial Condition and Results of Operations” required in a number of SEC reports and registration statements.

## Risks Related to Our Common Stock

**There is a limited active trading market for our shares of common stock.**

In general, there has been a limited trading volume in our common stock. The small trading volume will likely make it difficult for shareholders to sell their shares as and when they choose. Furthermore, small trading volumes are generally understood to depress market prices. As a result, you may not always be able to resell shares of our common stock publicly at the time and prices that you feel are fair or appropriate.

Additionally, if we do not timely file our reports required to be filed with the SEC under the Exchange Act, broker-dealers may not be able or willing to trade our common stock, and the OTC Markets will post adverse warnings on its website about such failures, which, unless such failures are corrected by us, could have an additional adverse impact on the viability of any "established trading market" that may develop for our common stock. Other adverse warnings of the OTC Markets under their current and future policies could similarly have an adverse effect on any market for our common stock, and there is no assurance that we will be able to satisfy comments or concerns of the OTC Markets, if any are expressed.

**If an active market for our common stock develops, there is a significant risk that the Company's common stock price may fluctuate dramatically in the future in response to any of the following factors, some of which are beyond our control, including, but not limited to:**

- variations in our quarterly operating results;
- announcements that our revenue or income are below analysts' expectations;
- general economic slowdowns;
- sales of large blocks of our common stock by insiders and others; and
- announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures or capital raises.

**Our investors' ownership in the Company may be diluted in the future.**

In the future, we may issue additional authorized but previously unissued equity securities, resulting in the dilution of ownership interests of our present shareholders. We expect to need to issue a substantial number of shares of our common stock or other securities convertible into or exercisable for our common stock in connection with hiring or retaining employees, future acquisitions, raising additional capital in the future to fund our operations and other business purposes. We currently offer incentive stock options for our officers, directors and certain significant employees and may extend this policy to others. Additional shares of common stock issued by us in the future will dilute an investor's investment in the Company.

**Directors, executive officers, principal shareholders and affiliated entities own a significant percentage of our capital stock, and they may make decisions that our shareholders do not consider to be in their best interests.**

As of the date of this Annual Report, D. Sean McEwen, our Chairman and Chief Executive Officer, beneficially owns approximately 38% of our issued and outstanding shares of common voting stock by reason of his personal holdings. This percentage includes certain vested non-compensatory stock options which he owns and that can be exercised within sixty (60) days of the date of this Annual Report, all of which options are described under the caption "Security Ownership of Certain Beneficial Owners and Management" in Part III, Item 12 hereof. As a result, Mr. McEwen may have the ability to substantially control the election of our board of directors, the outcome of issues requiring approval by our shareholders and other corporate actions. This concentration of ownership may also have the effect of delaying or preventing a change in control of our Company that may be favored by other shareholders; and could prevent transactions in which shareholders might otherwise recover a premium for their shares over current market prices. This concentration of ownership and influence in management and board decision making could also harm the price of our capital stock by, among other things, discouraging a potential acquirer from seeking to acquire shares of our capital stock, whether by making a tender offer or attempting to obtain control of our Company. Also see the caption "Executive Compensation" of Part III, Item 11 hereof.

**If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results in a timely manner or detect fraud. Consequently, investors could lose confidence in our financial reporting, and this may adversely affect any trading price for our common stock that may then exist.**

We must maintain effective internal controls to provide reliable financial reports and to detect and prevent fraud. If we cannot provide reliable financial reports or prevent fraud, we may not be able to manage our business as effectively as would be possible with an

effective control system in place. We have not performed an in-depth analysis to determine if historical undiscovered failures of internal controls exist and may in the future discover areas of our internal controls that need improvement.

We are continually in the process of evaluating our internal controls for effectiveness as well as evaluating the need for additional internal controls. Failure to implement changes to our internal controls that we may deem to be ineffective or any others that we may identify as necessary to maintain an effective system of internal controls could harm our operating results and cause investors to lose confidence in our reported financial information. Any such loss of confidence could have a substantial negative affect on the trading price of our common stock.

## ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

## ITEM 1C. CYBERSECURITY

We face significant and persistent cybersecurity risks due primarily to: the substantial level of harm that could occur to us and our customers were we to suffer impacts of a material cybersecurity incident; and our use of third-party products, services and components. We are committed to maintaining strong governance and oversight of these risks and to implementing mechanisms, controls, technologies and processes designed to help us assess, identify and manage these risks. While we have not, as of the date of this Annual Report, experienced a cybersecurity threat or incident that resulted in a material adverse impact to our business or operations, there can be no guarantee that we will not experience such an incident in the future. In addition, these threats are constantly evolving, thereby increasing the difficulty of successfully defending against them or implementing adequate preventative measures. We seek to detect and investigate unauthorized attempts and attacks against our network, products and services, and to prevent their occurrence and recurrence where practicable through changes or updates to our internal processes and tools and changes or updates to our products and services; however, we remain potentially vulnerable to known or unknown threats.

We aim to incorporate industry best practices throughout our cybersecurity program. Our cybersecurity strategy focuses on implementing effective and efficient controls, technologies and other processes to assess, identify and manage material cybersecurity risks. Our cybersecurity program is designed to be aligned with applicable industry standards and is assessed periodically by independent third parties. We have processes in place to assess, identify, manage and address material cybersecurity threats and incidents. These include, among other things: annual and ongoing security awareness training for employees; mechanisms to detect and monitor unusual network activity; and containment and incident response tools. We monitor issues that are internally discovered or externally reported that may affect our business, and have processes to assess those issues for potential cybersecurity impact or risk. We also have a process in place to manage cybersecurity risks associated with third-party service providers. We impose security requirements upon our suppliers, including maintaining an effective security management program and abiding by information handling and asset management requirements. We have an escalation process in place to inform senior management and the Board of Directors of these material issues.

## ITEM 2. PROPERTIES

We do not own any property.

We have leases on the following properties:

On December 18, 2020, we entered into a lease of an office suite in Plano, TX, which commenced on January 25, 2021. Lease payments were deferred until May 1, 2021. Beginning on May 1, 2021, lease payments are $3,650 per month for the twelve (12) month period ended April 30, 2022; $3,735 per month for the twelve (12) month period ended April 30, 2023; and $3,819 per month for the twelve (12) month period ending April 30, 2024. The lease term is for five (5) years.

Through our wholly owned subsidiary, IM Telecom, we have leases on the following properties:

Our Tulsa, Oklahoma distribution center, consisting of approximately 2,466 square feet, is under a three (3) year lease that commenced on August 1, 2022. Monthly lease payments for this property are $2,356 per month for the twelve (12) month period ended July 31, 2023; and $2,415 per month for the twelve (12) month period ending July 31, 2024.

Our customer service center is in Atmore, Alabama, and consists of approximately 1,766 square feet. This lease commenced on June 1, 2022, and terminates on June 1, 2025. Monthly lease payments for this property are $2,121 per month.

Through our wholly owned subsidiary, Apeiron Systems, we have a lease at the following property:

Our Johnstown, Pennsylvania office, consisting of approximately 6,900 square feet, is under a lease that commenced on September 1, 2022, and expires on August 31, 2030. Monthly lease payments for this property are $4,500 per month.

## ITEM 3: LEGAL PROCEEDINGS

We are not party to any material legal proceedings.

## ITEM 4: MINE SAFETY DISCLOSURES

None; not applicable.

# PART II

## ITEM 5: MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

### Market Information

Until December 14, 2020, our common stock was quoted on the "OTC Pink Tier" of the OTC Markets under the symbol "KTEL." On December 14, 2020, our common was approved for up-listing on the OTC Markets' OTCQB® Venture Market or the OTCQB Tier. No assurance can be given that any established trading market for our common stock will develop or be maintained.

For any market that develops for our common stock, the sale of shares of our common stock comprised of restricted securities pursuant to Rule 144 of the SEC, any other available exemption from registration under the Securities Act or by registration under the Securities Act by members of management or others, including any person to whom any such securities may be issued in the future, may have a substantial adverse impact on any such public market. For information regarding the requirements of resales under Rule 144, see the heading "Rule 144" of this Item below.

Our common stock that can be acquired under vested and exercised incentive stock options that we have granted may also have an impact on any public trading market in our common stock. The shares underlying our 2018 Incentive Stock Option Plan have been registered with the SEC on Form S-8. See the heading "Outstanding Equity Awards" of the caption "Executive Compensation" in Part III, Item 11 hereof, for a description of all of our outstanding incentive stock options.

Also, see the heading "Risks Related to Our Common Stock" of the caption "Risk Factors" in Part I, Item 1A hereof.

The following table sets forth, for the periods indicated over the last two (2) years, the high and low closing prices during each period, as reported by the OTC Markets and OTCQB Markets, and represents prices between dealers that do not include retail markups, markdowns or commissions and may not represent actual transactions:

| | For the Years Ended December 31, | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | High | Low | High | Low |
| First Quarter | $ 1.14 | $ 0.58 | $ 1.59 | $ 0.75 |
| Second Quarter | $ 0.84 | $ 0.44 | $ 1.64 | $ 0.77 |
| Third Quarter | $ 1.18 | $ 0.55 | $ 1.75 | $ 1.10 |
| Fourth Quarter | $ 1.01 | $ 0.58 | $ 1.31 | $ 1.03 |

These prices were obtained from OTC Markets and do not necessarily reflect actual transactions, retail markups, mark downs or commissions.

**Rule 144**

The following is a summary of the current requirements of Rule 144, including issues related to companies that are or have ever been a "shell company," which includes the Company:

| Securities | Affiliate or Person Selling on Behalf of an Affiliate | Non-Affiliate (and has not been an Affiliate During the Prior Three Months) |
|---|---|---|
| Restricted Securities of Reporting Issuers | During six-month holding period – no resales under Rule 144 Permitted.<br><br>After six-month holding period – may resell in accordance with all Rule 144 requirements including:<br>*Current public information,<br>Volume limitations,<br>Manner of sale requirements for equity securities, and<br>Filing of Form 144.<br>*Current public information is continually required for resales under Rule 144 because the Company was a former shell company. | During six-month holding period – no resales under Rule 144 permitted.<br><br>After six-month holding period but before one year – unlimited public resales under Rule 144 except that the current public information requirement still applies.<br><br>After one-year holding period – unlimited public resales under Rule 144; need not comply with any other Rule 144 requirements. |
| Restricted Securities of Non-Reporting Issuers | During one-year holding period – no resales under Rule 144 permitted.<br><br>After one-year holding period – may resell in accordance with all Rule 144 requirements including:<br>Current public information,<br>Volume limitations,<br>Manner of sale requirements for equity securities, and<br>Filing of Form 144. | During one-year holding period – no resales under Rule 144 permitted.<br><br>After one-year holding period – unlimited public resales under Rule 144; need not comply with any other Rule 144 requirements. |

**Holders**

We currently have 555 active shareholders of record as of December 31, 2023, not including an indeterminate number of shareholders who may hold their shares in "street name."

**Dividends**

We have not declared any cash dividends with respect to our common stock, and do not intend to declare dividends in the foreseeable future. All future earnings are anticipated to be utilized for research, development and the furtherance of our business plan and our technologies, products, services, and platform, and accordingly, it is highly unlikely that you will receive any dividends from us in the near future, if ever.

There are no material restrictions limiting, or that are likely to limit, our ability to pay dividends on our securities.

**Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities**

With the exception of the purchase of 750,000 shares of our common stock in the year ended December 31, 2023, pursuant to the exercise of certain non-compensatory stock options acquired by our Chairman and CEO, D. Sean McEwen, in 2017, at an exercise price of $0.22 per share, there have been no sales by us of any unregistered securities during the past two (2) years ended December 31, 2023, and 2022. The exercise price of these stock options was paid from accrued salary owed to Mr. McEwen.

**Use of Proceeds of Registered Securities**

None; not applicable.

**Purchases of Equity Securities by Us and Affiliated Purchasers**

None; not applicable.

**ITEM 6: [RESERVED]**

**ITEM 7: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

When used in this Annual Report, the words "may," "will," "expect," "anticipate," "continue," "estimate," "project," "intend," and similar expressions are intended to identify forward-looking statements within the meaning of Section 27a of the Securities Act and Section 21e of the Exchange Act regarding events, conditions and financial trends that may affect our future plans of operations, business strategy, operating results and financial position. Persons reviewing this Annual Report are cautioned that any forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties and actual results may differ materially from those included within the forward-looking statements as a result of various factors. Such factors are discussed at the forepart of this Annual Report under the heading "Forward-Looking Statements" on page 2 hereof, and further, below, under "Trends and Uncertainties."

**Overview of Current and Planned Business Operations**

We continue to pursue market opportunities for the distribution of our current products and services described in our "Principal Products or Services and their Markets" summary contained on page 7 of this Annual Report. In addition, we continue to pursue expanded market distribution opportunities, development of new products and services, the addition of new lines of business and accretive acquisition opportunities that may enhance or expand our current product and service offerings.

**Comparison of the Year Ended December 31, 2023, to the Year ended December 31, 2022**

**Results of Operations**

In comparing our Statements of Operations between the years ended December 31, 2023, and 2022, we had declines in revenue, costs of revenue, operating expenses and lower net income.

For the year ended December 31, 2023, we had $18,223,745 in revenues from operations compared to $20,023,340 in the prior year ended December 31, 2022, for a total revenue decrease of ($1,799,595) in 2023. The decrease in 2023 revenue was due to fewer activations within our Mobile Services segment. Influencing factors of this decline in revenue were partially the result of the replacement of the EBB program (which had temporarily higher reimbursements) with the ACP program in March, 2022, which reduced government subsidized revenues, as well our change in strategy in late 2022 to focus on the IM Telecom sales in the eleven (11) Lifeline states, which suspended growth in early 2023, resulting in future period revenue decreases.

For the year ended December 31, 2023, our cost of revenue was $14,850,105 compared to $15,033,733 in the prior year ended December 31, 2022, for a cost of revenue decrease of ($183,628) in 2023. Our cost of revenue decrease was the result of delivering fewer devices to subscribers, which reduced the costs of devices, network and compensation.

For the year ended December 31, 2023, we had gross profit of $3,373,640 compared to $4,989,607 in the prior year ended December 31, 2022, for a gross profit decrease of ($1,615,967) in 2023. This decline was partially due to reduced activations within our Mobile Services segment, as well as in early 2022, we received higher per activation claims on government subsidies through the EBB program, which was replaced with the ACP program in March, 2022. In late 2022, we changed strategy towards higher ARPU locations, which required temporary suspensions in activity as selling teams relocated. Additionally, we required an OSS/BSS system change to accommodate growth of new sales activity, which caused a pause in growth during this implementation. During lower or reduced activity periods, we had temporary improvements in profit, as compared with high growth activity periods, where our business is required to recognize up-front costs and show reduced or negative profits. Because of these factors, swings in profit occur depending on the level of activations.

For the year ended December 31, 2023, total operating expenses were $6,494,243 compared to $7,544,292 in the prior year ended December 31, 2022, for a decrease of ($1,050,049) in 2023. This decrease was due primarily to lower payroll and related expenses resulting from a reduction in staff.

For the year ended December 31, 2023, other income (expense) was ($820,224) compared to ($397,675) in the prior year ended December 31, 2022. This increase is due primarily to interest expense related to our CCUR Loan.

For the year ended December 31, 2023, we had a net loss of ($3,940,827) compared to a net loss of ($2,952,360) in the prior year ended December 31, 2022.

**Liquidity and Capital Resources**

As of December 31, 2023, we had $777,103 in cash and cash equivalents on hand.

Our ability to continue as a business is dependent upon our generating profitable operations in the future and/or obtaining the necessary financing to meet our obligations and repay our liabilities arising from normal business operations when they come due. Management intends to finance operating costs over the next twelve (12) months with revenues from operations, cash on hand and the use of financing available to the business.

In comparing liquidity between the years ending December 31, 2023, and 2022, cash decreased by 62%. The decrease was primarily the result of growth in our mobile services sector, which requires up-front expenditures to acquire consumers. Total liabilities increased by 57% in 2023 when compared to 2022, as a result of the CCUR Loan delayed draw received in 2023, and the device financing from ACP Finance, which was also established in 2023. We had a working capital deficit of ($3,859,200) for the year ended December 31, 2023, primarily resulting from the addition of the CCUR Loan delayed draw and the financing of devices through ACP Finance. In January 2024, and as noted under the heading "Events Subsequent to December 31, 2023" in Part I, Item I, Business, the CCUR Loan and the outstanding obligations to ACP Finance, were fully paid off with proceeds from the sale of IM Telecom, which is discussed under that heading.

Our current ratio (current assets divided by current liabilities) was .48 as of December 31, 2023, and .92 as of December 31, 2022.

*Cash Flow from Operations*

During the year ended December 31, 2023, and the year ended December 31, 2022, cash flow used in operating activities was $(1,792,032) and $(1,821,869), respectively. Cash flows used in operating activities were mainly impacted by the Company's net loss and higher inventory due to end of year device purchases.

*Cash Flows from Investing Activities*

During the year ended December 31, 2023, and the year ended December 31, 2022, cash flow provided by investing activities was $0 and $10,000, respectively. The cash provided by investing activities during 2022 was the result of the sale of assets.

*Cash Flows from Financing Activities*

During the year ended December 31, 2023, and the year ended December 31, 2022, cash flow provided by financing activities was $513,501 and $2,934,718, respectively. In 2023, cash flow generated from financing activities consisted of $554,750 cash received from short-term notes payable ($132,000), cash used for payment of loan origination costs and $90,751 cash received from stock option exercises. In 2022, cash flow generated from financing activities consisted of $3,150,000 cash received from short-term notes payable; ($173,532) cash used for payment of loan origination costs; ($150,000) cash used for repayment of notes payable; and $108,250 cash received from the exercise of incentive stock options.

*Going Concern*

We generated a net loss of ($3,940,827) during the year ended December 31, 2023 and we had a net loss of ($2,952,360) in 2022. The Company had a net change in cash of ($1,278,531) and $1,112,849 in 2023, and 2022, respectively. The accumulated deficit as of December 31, 2023, was ($12,238,691).

The Company sourced short-term financing in June, 2022, of $3,150,000. In June, 2023, the Company agreed to additional financing with CCUR, up to an additional $2,000,000 in delayed draw allocations. As of June, 2023, we had received an initial delayed draw in the amount of $500,000 to help facilitate our growing Mobile Services segment and support higher customer acquisition costs (sales). In late 2023, we secured additional device financing through ACP Finance (up to $5M), to further provide for growth and which also afforded repayment of device costs over an extended timeframe. All outstanding liabilities owing under the foregoing arrangements

were paid in full on the Initial Closing Date of the Excess Purchase Agreement. See heading "Events Subsequent to December 31, 2023" in Part I, Item I, Business, hereof. ACP Finance remains available to us as a growth financing partner, under prior terms, and provides continuing growth financing for our mobile services segment.

Our business added distribution partners to higher profit states in 2023, and started to show higher growth in the second half of the year. High growth phases require immediate expense recognition and as a result, management expects net operating losses during these growth periods.

We are one of only a few businesses to hold a national ETC license, which provides us with additive reimbursement rates within the states we operate. At the end of 2023, we held eleven (11) state licenses. This coverage area gives us additional reimbursements on claims, and we believe also increases the value of our ETC license within the marketplace. As a result of the Company's ability to access additional financing and due to the significance of our ETC license, we have ameliorated any substantial going concern doubt.

**Critical Accounting Policies and Estimates**

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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. Significant estimates in the accompanying financial statements could include the amortization period for intangible assets, valuation and impairment valuation of intangible assets, depreciable lives of the property and equipment, valuation of warrant and beneficial conversion feature debt discounts, valuation of share-based payments and the valuation allowance on deferred tax assets.

**Impairment of Long-Lived Assets**

We account for long-lived assets in accordance with the provisions of Statement of Financial Accounting Standards ASC 360-10, "Accounting for the Impairment or Disposal of Long-Lived Assets". This statement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

**Fair Value of Financial Instruments and Fair Value Measurements**

We measure financial assets and liabilities in accordance with generally accepted accounting principles. For certain of our financial instruments, including cash, accounts payable, accrued expenses, escrow liability and short-term loans the carrying amounts approximate fair value due to their short maturities.

We have adopted accounting guidance for financial and non-financial assets and liabilities. The adoption did not have a material impact on our results of operations, financial position or liquidity. This standard defines fair value, provides guidance for measuring fair value and requires certain disclosures. This standard does not require any new fair value measurements, but rather applies to all other accounting pronouncements that require or permit fair value measurements. This guidance does not apply to measurements related to share-based payments. This guidance discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow), and the cost approach (cost to replace the service capacity of an asset or replacement cost). The guidance utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices which are observable, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3: Unobservable inputs in which little or no market data exists, therefore developed using estimates and assumptions developed by us, which reflect those that a market participant would use.

**Leases**

In February, 2016, the FASB updated the accounting guidance related to leases. The most significant change in the updated accounting guidance requires lessees to recognize lease assets and liabilities on the balance sheet for all operating leases with the exception of short-term leases. The standard also expands the disclosures regarding the amount, timing, and uncertainty of cash flows arising from leases. For a lessee, the recognition, measurement, and presentation of expenses and cash flows arising from a lease did not significantly change from previous guidance. We adopted the updated guidance on January 1, 2019, on a prospective basis and as a result, prior period amounts were not adjusted to reflect the impacts of the updated guidance. In addition, as permitted under the transition guidance within the new standard, prior scoping and classification conclusions were carried forward for leases existing as of the adoption date.

**Revenue Recognition**

We earn revenue from contracts with customers, primarily through the provision of telecommunications and other services. We account for these revenues under Accounting Standards Codification (ASC) 606, “Revenue from Contracts with Customers.” This standard update, along with related subsequently issued updates, clarifies the principles for recognizing revenue and develops a common revenue standard U.S. GAAP. The standard update also amends current guidance for the recognition of costs to obtain and fulfill contracts with customers such that incremental costs of obtaining and direct costs of fulfilling contracts with customers will be deferred and amortized consistent with the transfer of the related good or service. Revenue from these services is generally recognized monthly as the services are provided. Such revenue is recognized based on usage, which can vary from month to month or at a contractually committed amount, net of credits or other billing adjustments. Advance billings for future service in the form of monthly recurring charges are not recognized as revenue until the service is provided.

We distribute government subsidized mobile services through Master Agents. As part of the distribution process, we deliver mobile phones and/or tablets (devices) to our Master Agents, who then are responsible to subscribe qualifying consumers under a government sponsored program (ACP and/or Lifeline). In most cases, devices that have been delivered to our Master Agents are subscribed to and activated by qualifying consumers within sixty (60) days, at which point we would receive a subsidy from a governing body (USAC or certain states) and recognize revenue. Once a device is activated, and the intended service provided under the government program is deemed to have occurred, the program revenue is recognized, the expense is recognized, and the device is removed from inventory.

**Stock-Based Compensation**

We record stock-based compensation in accordance with the guidance in ASC 718 which requires the Company to recognize expenses related to the fair value of its employee stock option awards. This requires that such transactions be accounted for using a fair-value-based method. The Company recognizes the cost of all share-based awards on a graded vesting basis over the vesting period of the award.

We account for equity instruments issued in exchange for the receipt of goods or services from other than employees in accordance with ASC 718-10 and the conclusions reached by the ASC 505-50. Costs are measured at the estimated fair market value of the consideration received or the estimated fair value of the equity instruments issued, whichever is more reliably measurable. The value of equity instruments issued for consideration other than employee services is determined on the earliest of a performance commitment or completion of performance by the provider of goods or services.

**Income Taxes**

We account for income taxes in accordance with FASB ASC 740, “Income Taxes.” Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statements carrying amounts of existing assets and liabilities and loss carryforwards and their respective tax bases.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income (loss) in the years in which those temporary differences are expected to be recovered or settled.

The effect of a change in tax rules on deferred tax assets and liabilities is recognized in operations in the year of change. A valuation allowance is recorded when it is “more likely-than-not” that a deferred tax asset will not be realized.

Tax benefits of uncertain tax positions are recognized only if it is more likely than not that the Company will be able to sustain a position taken on an income tax return. We had no liability for uncertain tax positions as of December 31, 2023, and 2022. Interest and penalties, if any, related to unrecognized tax benefits would be recognized as interest expense. We do not have any accrued interest or penalties

associated with unrecognized tax benefits, nor was any significant interest expense recognized during the years ended December 31, 2023, and 2022.

**Earnings Per Share**

We follow ASC Topic 260 to account for the earnings per share. Basic earnings per common share calculations are determined by dividing net income available to common stockholders by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per common share calculations are determined by dividing net income available to common stockholders by the weighted average number of common shares and dilutive common share equivalents outstanding. During periods when common stock equivalents, if any, are anti-dilutive they are not considered in the computation.

## ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Item 305 of SEC Regulation S-K provides that certain registrants are required to categorize market risk sensitive instruments into instruments entered into for trading purposes and instruments entered into for purposes other than trading purposes. Within both the trading and other than trading portfolios, separate quantitative information shall be presented, to the extent material, for each market risk exposure category (*i.e.*, interest rate risk, foreign currency exchange rate risk, commodity price risk, and other relevant market risks, such as equity price risk). These requirements are not applicable to smaller reporting companies under subsection thereof.

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**ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**KONATEL, INC.**
**FINANCIAL STATEMENTS**
**December 31, 2023, and 2022**

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of KonaTel, Inc.

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of KonaTel, Inc. (the Company) as of December 31, 2023 and 2022, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for each of the years in the two-year period ended December 31, 2023, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its consolidated operations and its cash flows for each of the years in the two-year period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

**Critical Audit Matters**

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

*Valuation of Stock Based Compensation*

Description of the Matter:

As discussed in Note 10 to the consolidated financial statements, the Company offers stock option awards that involve complex accounting estimates. Management evaluates the stock option awards in accordance with ASC Topic 718, "Compensation-Stock Compensation" and uses the Black Scholes Model to value the stock option awards. This model requires management to make assumptions, use judgment, and can be complex.

*How We Addressed the Matter in Our Audit*

We gained an understanding of management's processes and methodology to develop the estimates. We reviewed the underlying option agreements. We evaluated management's selection of a valuation method, tested the inputs used in the valuation method (Black-Scholes) calculation by agreeing terms of the underlying agreements and market information to third-party sites, and recalculated the value of the options. We also evaluated the adequacy of the disclosures related to these fair value measurements.

*/s/* Haynie & Company

Haynie & Company

Salt Lake City, Utah
April 1, 2024
PCAOB #457

We have served as the Company's auditor since 2019.

## KONATEL, INC.
## CONSOLIDATED BALANCE SHEETS

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| **Assets** | | |
| Current Assets | | |
| Cash and Cash Equivalents | $ 777,103 | $ 2,055,634 |
| Accounts Receivable, Net | 1,496,799 | 1,510,118 |
| Inventory, Net | 1,229,770 | 526,337 |
| Prepaid Expenses | 129,706 | 61,241 |
| Other Current Assets | — | 164 |
| Total Current Assets | 3,633,378 | 4,153,494 |
| Property and Equipment, Net | 24,184 | 36,536 |
| Other Assets | | |
| Intangible Assets, Net | 634,251 | 634,251 |
| Right of Use Asset | 443,328 | 553,686 |
| Other Assets | 74,543 | 73,883 |
| Total Other Assets | 1,152,122 | 1,261,820 |
| **Total Assets** | **$ 4,809,684** | **$ 5,451,850** |
| **Liabilities and Stockholders' Equity** | | |
| Current Liabilities | | |
| Accounts Payable and Accrued Expenses | $ 3,709,691 | $ 1,348,931 |
| Loans Payable, Net of Loan Fees | 3,655,171 | 3,070,947 |
| Right of Use Operating Lease Obligation - Current | 127,716 | 118,382 |
| Total Current Liabilities | 7,492,578 | 4,538,260 |
| Long Term Liabilities | | |
| Right of Use Operating Lease Obligation - Long Term | 330,511 | 458,227 |
| Total Long Term Liabilities | 330,511 | 458,227 |
| Total Liabilities | 7,823,089 | 4,996,487 |
| Commitments and Contingencies | | |
| Stockholders' Equity | | |
| Common stock, $0.001 par value, 50,000,000 shares authorized, 43,145,720 outstanding and issued at December 31, 2023 and 42,240,406 outstanding and issued at December 31, 2022 | 43,146 | 42,240 |
| Additional Paid In Capital | 9,182,140 | 8,710,987 |
| Accumulated Deficit | (12,238,691) | (8,297,864) |
| Total Stockholders' Equity | (3,013,405) | 455,363 |
| **Total Liabilities and Stockholders' Equity** | **$ 4,809,684** | **$ 5,451,850** |

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

# KONATEL, INC.
## CONSOLIDATED STATEMENTS OF OPERATIONS

| | Years Ended December 31, 2023 | 2022 |
|---|---|---|
| Revenue | $ 18,223,745 | $ 20,023,340 |
| Cost of Revenue | 14,850,105 | 15,033,733 |
| Gross Profit | 3,373,640 | 4,989,607 |
| **Operating Expenses** | | |
| Payroll and Related Expenses | 3,995,698 | 4,974,989 |
| Operating and Maintenance | 5,804 | 8,129 |
| Bad Debt | 215 | 29,133 |
| Professional and Other Expenses | 1,526,947 | 1,509,269 |
| Utilities and Facilities | 191,556 | 206,380 |
| Depreciation and Amortization | 12,352 | 12,352 |
| General and Administrative | 155,734 | 300,042 |
| Marketing and Advertising | 154,533 | 106,402 |
| Application Development Costs | 138,600 | 146,400 |
| Taxes and Insurance | 312,804 | 251,196 |
| Total Operating Expenses | 6,494,243 | 7,544,292 |
| Operating Loss | (3,120,603) | (2,554,685) |
| **Other Income and Expense** | | |
| Interest Expense | (820,254) | (399,031) |
| Other Income/(Expense), net | 30 | 1,356 |
| Total Other Income and Expenses | (820,224) | (397,675) |
| Net Loss | $ (3,940,827) | $ (2,952,360) |
| Loss per Share | | |
| Basic | $ (0.09) | $ (0.07) |
| Diluted | $ (0.09) | $ (0.07) |
| Weighted Average Outstanding Shares | | |
| Basic | 42,773,269 | 41,863,283 |
| Diluted | 42,773,269 | 41,863,283 |

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

**KONATEL, INC.**
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)**

| | Common Shares | | Additional | Accumulated | |
|---|---|---|---|---|---|
| | Shares | Amount | Paid-in Capital | Deficit | Total |
| Balances as of January 1, 2022 | 41,615,406 | $ 41,615 | $ 7,911,224 | $ (5,345,504) | $ 2,607,335 |
| Exercised Stock Options | 625,000 | 625 | 107,625 | — | 108,250 |
| Stock Based Compensation | — | — | 692,138 | — | 692,138 |
| Net Loss | — | — | — | (2,952,360) | (2,952,360) |
| Balances as of December 31, 2022 | 42,240,406 | $ 42,240 | $ 8,710,987 | $ (8,297,864) | $ 455,363 |
| Exercised Stock Options | 905,314 | 906 | 213,596 | — | 214,502 |
| Stock Based Compensation | — | — | 257,557 | — | 257,557 |
| Net Loss | — | — | — | (3,940,827) | (3,940,827) |
| Balances as of December 31, 2023 | 43,145,720 | $ 43,146 | $ 9,182,140 | $ (12,238,691) | $ (3,013,405) |

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

**KONATEL, INC.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | For Years Ended December 31, 2023 | 2022 |
|---|---|---|
| **Cash Flows from Operating Activities:** | | |
| Net Loss | $ (3,940,827) | $ (2,952,360) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and Amortization | 12,352 | 12,352 |
| Loan Origination Cost Amortization | 161,474 | 94,478 |
| Bad Debt | 215 | 29,133 |
| Stock-based Compensation | 257,557 | 692,138 |
| Non-Compensatory Stock Options Exercised | 123,750 | — |
| Change in Right of Use Asset | 110,358 | (83,612) |
| Change in Lease Liability | (118,382) | 92,941 |
| Changes in Operating Assets and Liabilities: | | |
| Accounts Receivable | 13,104 | (264,564) |
| Inventory | (703,433) | 40,502 |
| Prepaid Expenses | (68,465) | 98,640 |
| Accounts Payable and Accrued Expenses | 2,360,760 | 418,483 |
| Other Assets | (495) | — |
| Net cash used in operating activities | (1,792,032) | (1,821,869) |
| **Cash Flows from Investing Activities** | | |
| Sale of Assets | — | 10,000 |
| Net cash provided by investing activities | — | 10,000 |
| **Cash Flows from Financing Activities** | | |
| Proceeds from short-term note payable | 554,750 | 3,150,000 |
| Loan origination cost | (132,000) | (173,532) |
| Repayments of amounts of Notes Payable | — | (150,000) |
| Cash received from Stock Options Exercised | 90,751 | 108,250 |
| Net cash provided by financing activities | 513,501 | 2,934,718 |
| **Net Change in Cash** | **(1,278,531)** | **1,122,849** |
| **Cash - Beginning of Year** | **2,055,634** | **932,785** |
| **Cash - End of Period** | **$ 777,103** | **$ 2,055,634** |
| Supplemental Disclosure of Cash Flow Information | | |
| Cash paid for interest | $ 419,525 | $ 3,099 |
| Cash paid for taxes | $ — | $ — |
| Non-cash investing and financing activities: | | |
| Right of use assets obtained in exchange for new operating lease liabilities | $ — | $ 472,974 |

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

**KONATEL, INC.**
**Notes to Consolidated Financial Statements**

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Overview of Company*

KonaTel Nevada (as defined below) was organized under the laws of the State of Nevada on October 14, 2014, by its founder and then sole shareholder, D. Sean McEwen, to conduct the business of a full-service MVNO (“Mobile Virtual Network Operator”) provider that delivered cellular products and services to individual and business customers in various retail and wholesale markets.

KonaTel Inc., formerly known as Dala Petroleum Corp. (“KonaTel,” the “Company,” “we,” “our,” or “us”), also formerly known as “Westcott Products Corporation,” was incorporated as “Light Tech, Inc.” under the laws of the State of Nevada on May 24, 1984. A subsidiary in the name “Westcott Products Corporation” was organized by us under the laws of the State of Delaware on June 24, 1986, for the purpose of changing our name and domicile to the State of Delaware. On June 27, 1986, we merged with the Delaware subsidiary, with the survivor being Westcott Products Corporation, a Delaware corporation (“Westcott”). On December 18, 2017, we acquired KonaTel, Inc, a Nevada sub S-Corporation (“KonaTel Nevada”), in a merger with our acquisition subsidiary under which KonaTel Nevada became our wholly owned subsidiary.

On December 31, 2018, we acquired Apeiron Systems, Inc., a Nevada corporation d/b/a “Apeiron” (“Apeiron Systems”), which is also our wholly owned subsidiary. Apeiron Systems was organized in 2013 and is an international hosted services CPaaS (“Communications Platform as a Service”) provider that designed, built, owns and operates its private core network, supporting a suite of real-time business communications services and Applications Programming Interfaces (“APIs”). As an Internet Telephony Service Provider (“ITSP”), Apeiron Systems holds a Federal Communications Commission (“FCC”) numbering authority license. Some of Apeiron Systems’ hosted services include SIP/VoIP services, SMS/MMS processing, BOT integration, NLP (“Natural Language Processing”), ML (“Machine Learning”) and number services, including mobile, toll free and DID landline numbers, SMS to Email services, Database Dip services, SD-WAN, voice termination, and numerous API driven services including voice, messaging and network management.

On January 31, 2019, we acquired IM Telecom, an Oklahoma limited liability company, d/b/a Infiniti Mobile, (“IM Telecom” or “Infiniti Mobile”), which became our wholly owned subsidiary. Infiniti Mobile is an FCC licensed ETC (“Eligible Telecommunications Carrier”) and is one of nineteen (19) FCC licensed carriers to hold an FCC approved Lifeline Compliance Plan in the United States. Under the Lifeline program, Infiniti Mobile is currently authorized to provide government subsidized mobile telecommunications services to eligible low-income Americans currently in eleven (11) states.

*Basis of Presentation*

The accompanying financial statements have been prepared using the accrual basis of accounting.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates in these financial statements include the allowance for doubtful receivables, allowance for inventory obsolescence, the estimated useful lives of property and equipment, and intangible assets. Actual results could differ from those estimates. Certain reclassifications have been made to prior year amounts to conform with the current year presentation.

*Basis of Consolidation*

The consolidated financial statements for the year ended December 31, 2023, and 2022, include the Company and its three (3) wholly owned corporate subsidiaries, KonaTel Nevada, Apeiron Systems, and IM Telecom. All significant intercompany transactions are eliminated.

*Cash and Cash Equivalents*

Cash and Cash Equivalents include cash on hand and all short-term investments with maturities of three months or less.

*Trade Accounts Receivable*

The Company accounts for trade receivables based on amounts billed to customers. Past due receivables are determined based on contractual terms. The Company does not accrue interest and does not require collateral on any of its trade receivables. Net receivables from transactions with customers were $1,496,799 and $1,510,118 as of December 31, 2023 and December 31, 2022, respectively.

*Allowance for Doubtful Receivables*

The allowance for doubtful receivables is determined by management based on customer credit history, specific customer circumstances and general economic conditions. Periodically, management reviews our accounts receivable and adjusts the allowance based on current circumstances and charges off uncollectible receivables against the allowance when all attempts to collect the receivable have failed. As of December 31, 2023, and 2022, management has determined that no allowance for doubtful receivables is necessary.

*Inventory*

Inventory consists primarily of the cost of cellular phones and tablets. Inventory is reported at the lower of cost or net realizable value. Cost is determined by the first-in, first-out ("FIFO") method. As of December 31, 2023, total inventory owned by the Company was $1,229,770.

Due to rapidly changing technology within the industry, inventory is evaluated on a regular basis to determine if any obsolescence exists. As of December 31, 2023, and 2022, the allowance for inventory obsolescence was $0.

*Property and Equipment*

Property and equipment are recorded at cost and are depreciated on the straight-line method over their estimated useful lives. Leasehold improvements are amortized over the lesser of the lease term or estimated useful life, furniture and fixtures, equipment, and vehicles are depreciated over periods ranging from five to seven (5-7) years, and billing software is depreciated over three (3) years which represents the estimated useful life of the assets. Maintenance and repairs are charged to expense as incurred while major replacements and improvements are capitalized. When property and equipment are retired or sold, the cost and applicable accumulated depreciation are removed from the respective accounts and the related gain or loss is recognized.

The Company recognizes impairment losses for long-lived assets whenever changes in circumstances result in the carrying amount of the assets exceeding the sum of the expected future cash flows associated with such assets. Management has concluded that no impairment reserves are required as of December 31, 2023, and 2022.

*Intangible Assets*

The Company accounts for intangible assets in accordance with the provisions of Statement of Financial Accounting Standards ASC 360-10, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. As of December 31, 2023, intangible assets include our ETC License.

*Other Assets*

Other Assets represent items classified as long-term assets in accordance with the Statement of Financial Accounting Standards ASC 210-10-45. Other Assets include security deposits held with vendors.

*Customer Deposits*

Before entering into a contract with a sub-reseller customer, the Company requires the customer to either secure a formal letter of credit with a bank or require a certain level of cash collateral deposits from the customer. These collateral requirements are determined by management and may be adjusted upward or downward depending on the volume of business with the sub-reseller customer, or if management's assessment of credit risk for a sub-reseller customer would change.

The Company held $0 in collateral deposits from various sub-reseller customers at December 31, 2023, and 2022, respectively.

*Fair Market Value of Assets*

The Company measures its financial assets and liabilities in accordance with generally accepted accounting principles. For certain of our financial instruments, including cash, accounts payable, accrued expenses, deposits received from customers for receivables and short-term loans the carrying amounts approximate fair value due to their short maturities. Long-term assets purchased through acquisitions are valued at the Fair Market Value of the asset at the time of acquisition. The Fair Market Value is based on observable inputs of assets in active market- places for fixed assets, and estimations and assumptions developed by us for Other Intangibles.

The Company follows accounting guidance for financial and non-financial assets and liabilities. This standard defines fair value, provides guidance for measuring fair value and requires certain disclosures. This standard does not require any new fair value measurements, but rather applies to all other accounting pronouncements that require or permit fair value measurements. This guidance does not apply to measurements related to share-based payments. This guidance discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow), and the cost approach (cost to replace the service capacity of an asset or replacement cost). The guidance utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices, which are observable, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3: Unobservable inputs in which little or no market data exists, therefore developed using estimates and assumptions developed by us, which reflect those that a market participant would use.

*Leases*

In February 2016, the FASB updated the accounting guidance related to leases. The most significant change in the updated accounting guidance requires lessees to recognize lease assets and liabilities on the balance sheet for all operating leases with the exception of short-term leases. The standard also expands the disclosures regarding the amount, timing and uncertainty of cash flows arising from leases. For a lessee, the recognition, measurement and presentation of expenses and cash flows arising from a lease did not significantly change from previous guidance. See NOTE 5.

Upon adoption, we recorded $151,471 for operating lease assets and liabilities, which includes the impact of fair value adjustments, prepaid and deferred rent. As of December 31, 2023, and December 31, 2022, our operating lease liabilities were $458,227 and $576,609, respectively.

*Revenue Recognition*

Services revenues are generated from cellular and telecommunication services. The revenue is derived from wholesale and retail services. Telecommunications and mobile telecommunication services include network platforms, voice, data, and text services. The Company recognizes revenue as telecommunications and mobile services are provided in service revenue. Telecommunications and mobile services are billed and paid on a monthly basis. Services are billed and paid on a monthly basis. These bills include an amount for the monthly recurring charge and a usage charge.

We earn revenue from contracts with customers, primarily through the provision of telecommunications and other services. We account for these revenues under Accounting Standards Codification (ASC) 606, “Revenue from Contracts with Customers.” This standard update, along with related subsequently issued updates, clarifies the principles for recognizing revenue and develops a common revenue standard under U.S. GAAP. The standard update also amends current guidance for the recognition of costs to obtain and fulfill contracts with customers such that incremental costs of obtaining and direct costs of fulfilling contracts with customers will be deferred and amortized consistent with the transfer of the related good or service. The adoption of this guidance did not have a material impact on the consolidated financial statements.

We distribute government subsidized mobile services through Master Agents. As part of the distribution process, we deliver mobile phones and/or tablets (devices) to our Master Agents, who then are responsible to subscribe qualifying consumers under a government sponsored program (ACP and/or Lifeline). In most cases, devices that have been delivered to our Master Agents are subscribed to and activated by qualifying consumers within sixty (60) days, at which point we would receive a subsidy from a governing body (the "Universal Service Administrative Company" or "USAC" or certain states) and recognize revenue. Once a device is activated, and the intended service provided under the government program is deemed to have occurred, the program revenue is recognized, the expense is recognized, and the device is removed from inventory.

*Deferred Revenue*

Services for cellular and telecommunication services have a monthly recurring charge that is billed in advance. This charge covers a thirty (30) or thirty-one (31)-day period. This charge is deferred for the period in which it was received and recorded as revenue at the conclusion of this period. Costs, mainly from outside providers, associated with the deferred revenue are recognized in the same period as revenue is recognized.

*Cost of Revenue*

Cost of Revenue includes the cost of communication services, equipment and accessories, shipping costs, and agent compensation.

*Advertising/Marketing*

Costs for advertising/marketing of products and services, as well as other promotional and sponsorship costs, are charged to selling, general and administrative expense in the periods in which they are incurred. Advertising/marketing expense was $154,533 and $106,402 for 2023, and 2022, respectively. The increase in advertising/marketing costs was a result of the expansion of the marketing for Infiniti Mobile throughout our independent agent footprint.

*Stock-based Compensation*

The Company records stock-based compensation in accordance with the guidance in ASC 718 which requires the Company to recognize expenses related to the fair value of its employee stock option awards. This requires that such transactions be accounted for using a fair-value-based method. The Company recognizes the cost of all share-based awards on a graded vesting basis over the vesting period of the award.

The Company accounts for equity instruments issued in exchange for the receipt of goods or services from nonemployees in accordance with ASC 718-10 and the conclusions reached by the ASC 505-50. Costs are measured at the estimated fair market value of the consideration received or the estimated fair value of the equity instruments issued, whichever is more reliably measurable. The value of equity instruments issued for consideration other than employee services is determined on the earliest of a performance commitment or completion of performance by the provider of goods or services.

*Income Taxes*

Provisions for income taxes are based on taxes payable or refundable for the current year and deferred taxes on temporary differences between the amount of taxable income and pretax financial income and between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are included in the consolidated financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rate are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

The benefits of uncertain tax positions are recorded in the Company's Consolidated Financial Statements only after determining a more-likely-than-not probability that the uncertain tax positions will withstand challenge, if any, from taxing authorities. The Company records interest and penalties related to unrecognized tax benefits in interest expense in the Company's Consolidated Statements of Operations.

*Net Income (Loss) Per Share*

Basic income (loss) per share of common stock attributable to common stockholders is calculated by dividing net income (loss) attributable to common stockholders by the weighted-average shares of common stock outstanding for the period. Potentially dilutive shares, which are based on the weighted-average shares of common stock underlying outstanding stock-based awards using the treasury stock method or the if-converted method, as applicable, are included when calculating diluted net income (loss) per share of common stock attributable to common stockholders when their effect is dilutive. The dilutive common shares for the years ended December 31, 2023, and 2022, are not included in the computation of diluted earnings per share because to do so would be anti-dilutive. As of December 31, 2023, there were potentially 1,981,926 dilutive shares.

The following table reconciles the shares outstanding and net income used in the computations of both basic and diluted earnings per share of common stockholders:

| | Years Ended December 31, 2023 | 2022 |
|---|---|---|
| **Numerator** | | |
| Net Loss | $ (3,940,827) | $ (2,952,360) |
| **Denominator** | | |
| Weighted-average common shares outstanding | 42,773,269 | 41,863,283 |
| Dilutive impact of stock options | — | — |
| Weighted-average common shares outstanding, diluted | 42,773,269 | 41,863,283 |
| **Net income per common share** | | |
| Basic | $ (0.09) | $ (0.07) |
| Diluted | $ (0.09) | $ (0.07) |

*Concentrations of Credit Risk*

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of receivables, cash, and cash equivalents.

All cash and cash equivalents and restricted cash and cash equivalents are held at high credit financial institutions. These deposits are generally insured under the FDIC's deposit insurance coverage; however, from time to time, the deposit levels may exceed FDIC coverage levels.

The Company has a concentration of risk with respect to trade receivables from customers and cellular providers. As of December 31, 2023, the Company had a significant concentration of receivables (defined as customers whose receivable balances are greater than 10% of total receivables) due from two (2) customers in the amounts of $1,024,308 or 68.5% and $283,536 or 19.0%. It should be noted that the largest customer is the federal government, as administered by USAC, under the authority of the FCC). As of December 31, 2022, the Company had a significant concentration of receivables from two (2) customers in the amounts of $859,334 or 57.0% and $255,136 or 16.9%.

*Concentration of Major Customer*

A significant amount of the revenue is derived from contracts with major customers. For the year ended December 31, 2023, the Company had two (2) customers that accounted for $10,492,430 or 57.6% and $3,000,498 or 16.5% of revenue, respectively. For the year ended December 31, 2022, the Company had two (2) customers that accounted for $12,852,384 or 64.2% and $3,431,875 or 17.1% of revenue, respectively. The loss of a major customer would have a negative impact on the Company, and would subsequently require the Company to make significant changes to reduce expenses. It should be noted that the largest customer is the federal government, as administered by USAC under the authority of the FCC, as part of our participation in the federal Lifeline and ACP programs.

*Effect of Recent Accounting Pronouncements*

The Company has evaluated all other recent accounting pronouncements and believes that none will have a significant effect on the Company's financial statement.

**NOTE 2 – INVENTORY**

Inventory primarily consists of sim cards, cell phones and tablets, which are stored at our warehouse, or have been delivered to distributors in the field. Inventories are stated at cost using the first-in, first-out ("FIFO") valuation method. On a monthly basis, inventory is counted at our warehouse facility, and is reviewed for obsolescence and counted for accuracy with distributors. At December 31, 2023, and December 31, 2022, the Company had inventory of $1,229,770 and $526,337, respectively.

**NOTE 3 – SIGNIFICANT TRANSACTIONS**

*CCUR Loan ( and Extension)*

In 2022, the Company and its wholly owned subsidiary companies entered into a Note Purchase Agreement and related Guarantee and Security Agreement with CCUR Holdings, Inc. (as "Collateral Agent"), and Symbolic Logic, Inc., whereby the Company pledged its assets to secure $3,150,000 in debt financing (the "CCUR Loan"). The term was for a period of twelve (12) months, at an initial interest rate of 15%, with two (2) successive six-month optional extensions. As a condition of securing the CCUR Loan, the Company paid a 3% origination fee, and other legal and closing expenses to the lender in the amount of $153,284, resulting in a net loan balance of $2,984,181. The loan costs of $153,284 and the net loan balance of $2,984,181 were amortized over a 12-month period. The Company incurred an additional $20,248 in legal expense related to the closing, which amount was also amortized over a 12-month period. Proceeds of the CCUR Loan were used to retire the $150,000 SBA "EIDL" Loan and were used in an ongoing capacity to support the acceleration of our mobile services growth strategy.

In 2023, the Company exercised the first draw under the First Amendment to the NPA of $500,000. As part of the First Amendment to NPA, the Company paid $15,000 to CCUR, which was equal to 1.5% of the initial delayed draw, and the initial interest rate established in the NPA was increased by 3%.

*ACP Finance*

In December 2023, IM Telecom entered into a structured credit, non-dilutive facility with ACP Financing VII, LLC. The facility is used for mobile device purchases in support of our growing mobile services group. Approximately $1,500,000 was immediately available under the terms of the agreement.

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following major classifications as of December 31, 2023, and 2022:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Lease Improvements | $ 46,950 | $ 46,950 |
| Furniture and Fixtures | 102,946 | 102,946 |
| Billing Software | 217,163 | 217,163 |
| Office Equipment | 94,552 | 94,552 |
| | 461,611 | 461,611 |
| Less: Accumulated Depreciation | (437,427) | (425,075) |
| Property and equipment, net | $ 24,184 | $ 36,536 |

Depreciation expense amounted to $12,352 and $12,352 for the years ended December 31, 2023, and 2022, respectively. Depreciation expense is included as a component of operating expenses in the accompanying statements of operations.

**NOTE 5 – RIGHT-OF-USE ASSETS**

Right-of-Use Assets consist of assets accounted for under ASC 842. The assets are recorded at present value using implied interest rates between 4.75% and 7.50%. The Right-of-Use Assets were $443,328 and $553,686 in 2023 and 2022, respectively.

The Company has right-of-use assets through leases of properties under non-cancelable leases. As of December 31, 2023, the Company had four (4) properties with lease terms in excess of one (1) year. Of these four (4) leases, two (2) leases expire in 2025; one (1) lease expires in 2026; and one (1) lease expires in 2030. Lease payables as of December 31, 2023, was $458,227.

Future lease liability payments under the terms of these leases are as follows:

| | | |
|---|---|---|
| 2024 | $ | 155,325 |
| 2025 | $ | 129,543 |
| 2026 | $ | 65,967 |
| 2027 | $ | 54,000 |
| 2028 and Thereafter | $ | 144,000 |
| Total | $ | 548,835 |
| Less Interest | $ | 90,608 |
| Present value of minimum lease payments | $ | 458,227 |
| Less Current Maturities | $ | 127,716 |
| Long Term Maturities | $ | 330,511 |

The weighted average term of the right-to-use leases is 60.4 months recorded with a weighted average discount of 6.87%. For the year ended December 31, 2023, total lease expense was $145,485.

**NOTE 6 – INTANGIBLE ASSETS**

Intangible Assets with definite useful life consist of licenses, customer lists and software that were acquired through acquisitions:

| | December 31, | | | |
|---|---|---|---|---|
| | **2023** | | **2022** | |
| Customer List | $ | 1,135,962 | $ | 1,135,962 |
| Software | | 2,407,001 | | 2,407,001 |
| ETC License | | 634,251 | | 634,251 |
| Less: Amortization | | (3,542,963) | | (3,542,963) |
| Net Amortizable Intangibles | | 634,251 | | 634,251 |
| Right of Use Assets - net | | 443,328 | | 553,686 |
| Intangible Assets net | $ | 1,077,579 | $ | 1,187,937 |

Amortization expense amounted to $0 and $0 for the years ended December 31, 2023, and 2022, respectively. Amortization expense is included as a component of operating expenses in the accompanying statements of operations. With the exception of the license granted by the FCC, all intangible assets are fully amortized as of December 31, 2022.

Intangible Assets with indefinite useful life consist of the Lifeline license granted by the FCC. The license, because of the nature of the asset and the limitation on the number of granted Lifeline licenses by the FCC, will not be amortized. The license was acquired through an acquisition. The fair market value of the license as of December 31, 2023, and December 31, 2022, was $634,251.

**NOTE 7 – LINES OF CREDIT**

The Company has no lines of credit as of December 31, 2023.

**NOTE 8 – CONTINGENCIES AND COMMITMENTS**

*Litigation*

From time to time, the Company may be subject to legal proceedings and claims that arise in the ordinary course of business. As of December 31, 2023, there are no such legal proceedings.

*Contract Contingencies*

The Company has the normal obligation for the completion of its cellular provider contracts in accordance with the appropriate standards of the industry and that may be provided in the contractual agreements.

*Regulatory Determination*

The Company has no outstanding regulatory determinations as of December 31, 2023.

*Tax Audits*

In June of 2021, the Company received an audit determination and assessment from the State of Pennsylvania related to sales and use tax for the audit period of January 1, 2016, through September 30, 2019. The assessment was in the amount of $115,000, including interest and penalties calculated on sales made inside and outside Pennsylvania. The Company recorded the full amount of this assessment in 2022. The Company appealed the assessment in August, 2021, and at the request of the state, provided additional information to support its appeal. The Company's position is that Pennsylvania has no sales tax authority to levy and collect sales tax on sales made outside of Pennsylvania. The State of Pennsylvania rejected an appeal by the Company. On November 6, 2023, the Company agreed to a payment plan with the State of Pennsylvania. The Company will pay $5,500 per month, over a twenty-four (24) month period, which commenced in December, 2023.

*Letters of Credit*

The Company had no outstanding letters of credit as of December 31, 2023.

**NOTE 9 – SEGMENT REPORTING**

The Company operates within two (2) reportable segments. The Company's management evaluates performance and allocates resources based on the profit or loss from operations. Because the Company is a recurring revenue service business with very few physical assets, management does not use total assets by segment to make decisions regarding operations, and therefore, the total assets disclosure by segment has not been included.

The reportable segments consist of Hosted Services and Mobile Services. Mobile Services reporting will now consist of our post-paid and pre-paid cellular business.

**Hosted Services** – Our Hosted Services include a suite of hosted CPaaS services within the Apeiron Systems' cloud platform, including Cloud IVRs, Voicemail, Fax, Call Recording and other services provided with local, toll-free and international phone numbers. Apeiron also delivers public and private IP network services from its national redundant network backbone, including MPLS, Dedicated Internet and LTE Wireless WAN solutions. Additionally, Apeiron's Cloud Services include Information Data Dips, SD-WAN and IoT data and device management. These Hosted Services are marketed nationally and internationally through the Apeiron website, its sales staff, independent sales agents and ISOs.

**Mobile Services** – Our Mobile Services include retail and wholesale cellular voice/text/data services and IoT mobile data services through our subsidiaries Apeiron Systems and IM Telecom. Mobile voice/text/data and IoT mobile data services are supported by a blend of reseller agreements with select national wireless carriers and national wireless wholesalers. A wireless communications service reseller typically does not own the wireless network infrastructure over which services are provided to its customers. Mobile voice/text/data and mobile data solutions are generally sold as traditional post-paid service plans that may include voice/text/data or wireless data only plans. Sometimes equipment is provided, which can include, but is not limited to, phones, tablets, modems, routers and accessories. Also included in our Mobile Services segment is the distribution of government subsidized mobile voice service and mobile data service by IM Telecom under its Infiniti Mobile brand and FCC license to low-income American households that qualify for the FCC's Lifeline mobile voice service program and/or the FCC's ACP mobile data program. Even though government programs like Lifeline have existed since 1985, these programs, along with newer programs like the ACP program, are subject to change and may have a material impact on our Mobile Services business if changed, reduced or eliminated.

The following table reflects the result of operations of the Company's reportable segments:

| | Hosted Services | Mobile Services | Total |
|---|---|---|---|
| **For the year ended December 31, 2023** | | | |
| Revenue | $ 5,054,210 | $ 13,169,535 | $ 18,223,745 |
| Gross Profit | $ 1,397,711 | $ 1,975,929 | $ 3,373,640 |
| Depreciation and amortization | $ 11,944 | $ 408 | $ 12,352 |
| Additions to property and equipment | $ — | $ — | $ — |
| **For the year ended December 31, 2022** | | | |
| Revenue | $ 5,567,308 | $ 14,456,032 | $ 20,023,340 |
| Gross Profit | $ 1,808,393 | $ 3,181,214 | $ 4,989,607 |
| Depreciation and amortization | $ 11,944 | $ 408 | $ 12,352 |
| Additions to property and equipment | $ — | $ — | $ — |

## NOTE 10 – STOCKHOLDERS' EQUITY

*Non-Compensatory Stock Options*

Effective December 18, 2017, the Company completed an Agreement and Plan of Merger whereby a newly formed wholly owned subsidiary merged with and into KonaTel Nevada, and under which KonaTel Nevada was the surviving corporation and became a wholly owned subsidiary of the Company. Mr. McEwen was the sole shareholder of KonaTel Nevada and received merger consideration of 13,500,000 shares of the Company's common stock and 1,500,000 non-compensatory options to acquire shares of the Company's Common Stock under the merger, at an exercise price of $0.22 per share, vesting quarterly, from March 18, 2018, to December 18, 2019. See NOTE 11 below.

In 2023, D. Sean McEwen, the Chairman and CEO of the Company, exercised 750,000 equity stock options for 750,000 shares of common stock at a price of $0.22 per share.

*Stock Compensation*

The Company offers incentive stock option equity awards to directors and key employees. Options vest in tranches and typically expire in five (5) years. During the year ended December 31, 2023, and 2022, the Company recorded options expense of $257,557 and $692,138, respectively. The option expense not taken as of December 31, 2023, is $1,771,133, with a weighted average term of 3.27 years.

In 2023, 3,245,000 share incentive stock options were granted to two (2) independent members of the Board of Directors and twelve (12) employees. Each independent Board member was granted 25,000 shares in the first and second quarter of 2023, for a total of 50,000 shares each. Three (3) key employees were granted a total of 2,050,000 share options. An independent member of the Board of Directors was granted 750,000 share options, and a total of 345,000 share options were granted among nine (9) employees. During the year ended December 31, 2023, 200,000 shares were exercised by two (2) independent members of the Board of Directors. During the year ended 2023, 700,000 partially vested share options were forfeited by two (2) key employees of the Company. The Aggregate Intrinsic Value is based on the market value of the Company's common stock of $0.89 on December 31, 2023.

The estimated grant date fair value of stock option grants was calculated using the Black-Scholes-Merton option-pricing model using the following assumptions:

| | 2023 | 2022 |
|---|---|---|
| Weighted average volatility | 181.29% | 192.71% |
| Weighted average expected term (years) | 5.00 | 5.00 |
| Risk free interest rate | 4.53% | 1.90% |
| Expected dividend yield | — | — |

The following table represents incentive stock option activity as of and for the year ended December 31, 2023:

| | Number of Shares | Weighted Average Exercise Price | Weighted Average Remaining Life | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Options Outstanding – December 31, 2022 | 4,405,000 | $ .59 | 3.22 | $ 2,260,138 |
| Granted | 3,245,000 | .86 | | |
| Exercised | (950,000) | .53 | | |
| Forfeited | (700,000) | | | |
| Options Outstanding – December 31, 2023 | 6,000,000 | $ .75 | 3.69 | $ 872,463 |
| Exercisable and Vested, December 31, 2023 | 641,155 | $ .50 | 1.58 | $ 247,547 |

The following table represents stock option activity as of and for the year ended December 31, 2022:

| | Number of Shares | Weighted Average Exercise Price | Weighted Average Remaining Life | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Options Outstanding: December 31, 2021 | 4,260,000 | $ .37 | 2.25 | $ 5,862,938 |
| Granted | 900,000 | $ 1.16 | | |
| Exercised | (625,000) | .17 | | 920,750 |
| Forfeited | (130,000) | | | |
| Options Outstanding: December 31, 2022 | 4,405,000 | $ .59 | 3.22 | $ 2,260,138 |
| Exercisable and Vested: December 31, 2022 | 1,722,041 | $ .36 | 1.80 | $ 1,271,653 |

In 2022, 900,000 share incentive stock options were granted to two (2) independent members of the Board of Directors and two (2) key employees. Each independent Board member was granted 25,000 shares per quarter of service in 2022, for a total of 100,000 shares each. The key employees were granted 700,000 share options as part of their employment agreements. During the year ended December 31, 2022, 625,000 shares were exercised by three (3) former employees of the Company, who received these options as part of their employment agreements. During 2022, 130,000 share options were forfeited, of which 50,000 options were forfeited by an independent consultant, and 80,000 options were forfeited by two (2) former employees of the Company. The Aggregate Intrinsic Value is based on the market value of the Company's common stock of $1.10 on December 31, 2022.

**NOTE 11 – INCOME TAX**

The Company provides for income taxes using an asset and liability-based approach. Deferred income tax assets and liabilities are recorded to reflect the future tax consequences of temporary differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. The Tax Cuts and Jobs Act was enacted on December 22, 2017, which reduced the U.S. corporate statutory tax rate from 35% to 21%. The Company changed its effective federal rate to 21% as the expected rate for our deferred tax items.

The significant components of net deferred tax assets (liabilities) were as follows at December 31, 2023, and 2022:

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Net operating losses | $ 1,657,095 | $ 850,050 |
| Depreciation and amortization | (14,128) | 3,716 |
| Stock option expense | 304,978 | 324,528 |
| Valuation allowance | (1,947,945) | (1,178,294) |
| Net Deferred Tax Asset | $ — | $ — |

As of December 31, 2023, the Company had no unrecognized tax benefits that, if recognized, would affect the Company's effective income tax rate over the next twelve (12) months. A reconciliation of the expected income tax benefit at the U.S. Federal income tax rate to the income tax benefit actually recognized for the years ended December 31, 2023, and 2022 is set forth below:

| | For the Year Ended December 31, 2023 | For the Year Ended December 31, 2022 |
|---|---|---|
| Tax at statutory federal rate | $ (850,623) | $ (619,996) |
| Non-deductible expenses and other | — | — |
| Change in valuation allowance | 850,623 | 619,996 |
| Benefit from income taxes | $ — | $ — |

As of December 31, 2023, the Company has a net operating loss carry-forward for U.S. federal income tax purposes of approximately ($7,890,930). This carryforward is available to offset future taxable income, if any, and will expire, if not used, from 2037 through 2042. The utilization of the net operating loss carry-forward is dependent upon the tax laws in effect at the time the net operating loss carry-forward can be utilized and may be limited by changes in ownership control of the Company. The Company's U.S. federal tax return, constituting the return of the major taxing jurisdictions, are subject to examination by the taxing authorities for all open years as prescribed by applicable statute. No income tax waivers have been executed that would extend the period subject to examination beyond the period prescribed by statute. The Company is no longer subject to U.S. federal tax examinations for tax years before and including December 31, 2019. During the years ended December 31, 2023, and 2022, the Company did not incur interest and penalties.

| Expiration | NOL Amount |
|---|---|
| 2037 | $ 759,300 |
| 2038 | $ 463,895 |
| 2039 | $ 484,495 |
| 2040 | $ 87,181 |
| 2041 | $ 2,045,473 |
| 2042 | $ 4,050,586 |
| | $ 7,890,930 |

**NOTE 12 – SUBSEQUENT EVENTS**

The Company has evaluated subsequent events through the date of this filing, and except for the following, no material subsequent events have occurred:

*Excess Telecom Sale of IM Telecom*

On January 22, 2024 (the "Effective Date"), the Company and IM Telecom entered into a Membership Interest Purchase Agreement (the "Excess Purchase Agreement") with Excess Telecom, Inc., a Nevada corporation ("Excess"), pursuant to which we conveyed 49% of our Membership Interest in IM Telecom to Excess on the "Initial Closing Date" in consideration of the sum of $10,000,000, and will convey the remaining 51% of the Membership Interest in IM Telecom to Excess for the sum of $100.00 on the Final Closing. The Final Closing is conditioned upon obtaining the necessary federal and state governmental approvals for a change in control of IM Telecom (the "Approvals"), among other customary closing conditions. If on or before December 31, 2024, the ACP Connectivity Program is renewed by the United States Congress for a duration of greater than four (4) months (the "ACP Renewal Condition"), Excess will pay the Company an additional sum of $5,000,000 (the "ACP Renewal Earnout). The parties also entered into a Management Services Agreement governing the management of the business of IM Telecom to be effective until the earlier of the Final Closing or ninety-nine (99) years, and whereby IM Telecom and Excess will be managing IM Telecom until final regulatory approval; and a Master Distribution Agreement whereby the Company, doing business as "Infiniti Mobile," a tradename of IM Telecom that was excluded from the Excess Purchase Agreement, will be a master distributor of IM Telecom's wireless services, products, Lifeline services, ACP services to potential customers and such other ancillary services relating to Lifeline and ACP services offered to the Company's customers under the Licenses held by IM Telecom (the "Services"), the term of which will commence upon the Final Closing and continue for a period of not less than ten (10) years. The current employees of IM Telecom will novate to employees of Company under these agreements.

The CCUR Loan and the total liability of Company under the ACP Financing Installment Sale Agreement, which are referenced above in NOTE 3, were paid in full on the Initial Closing Date of the Excess Purchase Agreement. The total payoff amount for the CCUR Loan was $3,681,660, inclusive of unpaid interest and legal fees. The total payoff amount under the ACP Finance

Installment Sale Agreement was $1,462,345. These respective payments eliminated all of the Company's long-term debt. Additional information about the Excess Purchase Agreement and related agreements is contained in the Company's 8-K Current Report dated April 6, 2023, and filed with the SEC on April 17, 2023.

*Extension of Agreement to Acquire Wireless Carrier*

On January 24, 2023, the Company entered into a non-material purchase agreement to acquire 100% of the membership interest of Tempo Telecom, LLC, a Georgia limited liability company and Eligible Telecommunications Carrier ("ETC"), pending FCC approval. Additionally, the Company has assigned its rights under the purchase agreement to Insight Mobile, Inc., a Delaware corporation, subject to various conditions of closing. If all conditions are timely satisfied, including the required FCC approval, this transaction will be materially beneficial to the Company and will not involve any dilution to the Company's shareholders. Additional information about this assignment of the Company's rights to the referenced purchase agreement is contained in the 8-K Current Report of the Company dated April 6, 2023, and filed with the SEC on April 17, 2023.

On January 23, 2024, the Company exercised its rights under the aforementioned assigned agreement, seeking an extension of 180 days for closing or such longer period as may be required to satisfy the required Governmental Approvals to closing.

*Affordable Connectivity Program (ACP) Wind Down*

On February 7, 2024 the FCC announced that the Affordable Connectivity Program would stop accepting new enrollments and stated the last fully funded month for the program is April, 2024. All consumers in the program as of this enrollment freeze date will receive their benefit until the program ends unless Congress votes to extend the program.

Under IM Telecom's national ETC license, the Company will continue to enroll and provide services to qualifying consumers in the FCC Lifeline program. The Lifeline program is a separate program under the FCC, and remains committed and viable in support of providing affordable communication services for low-income consumers.

*Non-Compensatory Stock Option Grant*

On March 15, 2024, Mr. McEwen exercised his fifth tranche of 187,500 non-compensatory stock options for 187,500 shares of common stock at a price of $0.22 per share or an aggregate price of $41,250, which shares were issued on March 15, 2024.

*Stock Option Grant*

On March 27, 2024, we granted 100,000 incentive stock options to an employee who will serve as the Director of Sales for Apeiron Systems at an exercise price of $0.626. These options vest as follows, and they expire on the earlier of March 27, 2029, or ninety (90) days from resignation or termination of employment: 33,333 on March 27, 2024; 33,333 on March 27, 2025; and 33,334 on March 27, 2026.

*Change of Tax Year*

The Company petitioned the IRS to change our tax period to a calendar tax year to coincide with our financial year.

*Additions to our State ETC Designations*

As of this date, we have filed for multiple state ETC designations, and have received additional ETC designations in Alabama, Colorado, Michigan, Missouri, Rhode Island, Tennessee, West Virginia, and Wyoming.

## ITEM 9: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

During our two (2) most recent fiscal years, no independent accountant who was previously engaged as the principal accountant to audit our financial statements, or an independent accountant who was previously engaged to audit a significant subsidiary and on whom the principal accountant expressed reliance in its report, has resigned (or indicated it has declined to stand for re-election after the completion of the current audit) or was dismissed.

## ITEM 9A: CONTROLS AND PROCEDURES

### Disclosure Controls and Procedures

We maintain disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act that are designed to ensure that material information relating to us is made known to the officers who certify our financial reports and to other members of senior management and the Board of Directors. These disclosure controls and procedures are designed to ensure that information required to be disclosed in our reports that are filed or submitted under the Exchange Act are recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. Management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness, as of December 31, 2023, of our disclosure controls and procedures. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2023.

### Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining effective internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Internal control over financial reporting is a process designed by, or under the supervision of our Chief Executive Officer and our Chief Financial Officer, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal controls over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records, which in reasonable detail, accurately and fairly reflect the transactions and disposition of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made in accordance with authorizations of management and directors of the issuer; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency or a combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

In evaluating the effectiveness of our internal control over financial reporting as of December 31, 2023, management used the criteria established in the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on the criteria established by COSO, management (with the participation of the CEO and the CFO) determined that the internal controls over financial reporting are effective as of December 31, 2023, and that there are no material weaknesses in the Company's internal controls over financial reporting as of such date.

This Annual Report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report is not subject to attestation by our registered public accounting firm pursuant to rules of the SEC that permit us to satisfy these requirements by providing the management's report only.

**Changes in Internal Control Over Financial Reporting**

There have been no changes in internal control over financial reporting during the last fiscal quarter of our fiscal year ended December 31, 2023.

**Limitations on the Effectiveness of Controls**

Our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of the control system must reflect that there are resource constraints and that the benefits must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

**ITEM 9B: OTHER INFORMATION**

None.

**ITEM 9C: DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

None, not applicable.

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## PART III

## ITEM 10: DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

### Identification of Directors and Executive Officers

Our executive officers and directors and their respective ages, positions and biographical information are set forth below.

| Name | Age | Positions Held | Since |
|---|---|---|---|
| D. Sean McEwen | 62 | Chairman and CEO | Dec.-17 |
| Charles D. Griffin | 59 | President and COO | Jan.-22 |
| Brian R. Riffle | 64 | Chief Financial Officer | Dec.-17 |
| B. Todd Murcer | 54 | EVP, Finance and Secretary | Jan.-22 |
| D. Sean McEwen | 62 | Director | Dec.-17 |
| Robert Beaty | 54 | Director | Feb.-18 |
| Jeffrey Pearl | 60 | Director | Oct.-18 |
| Joshua Ploude | 47 | CEO of Apeiron Systems | Dec.-18 |
| Jason N. Welch | 53 | President of IM Telecom | Feb.-22 |

### Background and Business Experience

### D. Sean McEwen

Mr. McEwen is 62 years of age and founded KonaTel Nevada in 2014, a wireless data and voice service reseller, and currently focuses his efforts exclusively on our current and planned business operations. From 2011 to 2013, Mr. McEwen consulted with multiple international Mobile virtual network operators ("MVNOs") in the U.S., Peru, Croatia and China. From 2010 to 2011, he served as a founding board member of One Fund, a NYSE listed (NYSE: ONEF) exchange traded fund. One Fund pioneered the "ETF of ETFs" concept, and in 2011, came to the attention of Russell Investments, known for their stock indices (i.e., the Russell 2000). Russell Investments purchased One Fund in 2011. In 2008, Mr. McEwen became a member of the venture/angel investment group, Sierra Angels (www.sierraangels.com) serving on several high-tech due diligence committees and participating in early-stage funding transactions. In early 1983, he co-founded Online Data Corp. Through a series of acquisitions/mergers, this company was eventually renamed "TriTech Software Systems" (www.tritech.com) "TriTech". From 1983 to 1990, it developed custom strategic software applications for numerous businesses, including E. F. Hutton Life Insurance, Travel Lodge Hotels, Foodmaker (Jack in the Box restaurants), AT&T, UCSD's Scripps Institute of Oceanography and Visa's Plus Systems national ATM network.

In 1991, TriTech transformed from a custom software development firm to an enterprise software development and systems integration company specializing in mission critical public safety (e.g., police, fire, and EMS) software solutions. TriTech's flagship product, VisiCAD, was the world's first 9-1-1 emergency dispatching system based on Microsoft technology with integrated GPS based tracking and predictive routing technology. In 1995, TriTech won the Microsoft Most Innovative Windows Application award competing against all Windows applications worldwide. In 1998, while Mr. McEwen was CEO, TriTech was named to the Inc. 500 as the 344$^{th}$ fastest growing privately held company in the United States. The following year, Bill Gates cited TriTech and VisiCAD in his book *Business at the Speed of Thought* as an example of a mission critical Windows based telecom system utilizing GPS.

Mr. McEwen served as Vice President of TriTech from 1983 to 1988, President from 1988 to 1996, Chairman/CEO from 1996 to 2000, and finally as a member of the Board of Directors, until controlling interest was sold to Westview Capital Partners in 2006.

### Charles D. Griffin

Mr. Griffin is 59 years of age. Prior to joining us, Mr. Griffin served as Chairman and Chief Executive Officer of Lingo Communications, a provider of IP-based Cloud voice and data solutions, following its merger with Impact Telecom, Inc. ("Impact Telecom") in 2018. In this role, he led the successful integration of Impact Telecom into Lingo Communications ("Lingo") under a private equity purchase and facilitated the financing of the transaction in collaboration with a private equity investor.

Impact Telecom and Lingo continue to operate as global providers of voice and data communications services spanning Residential, SMB, Enterprise and Wholesale markets. Prior to the merger of Lingo and Impact Telecom, Mr. Griffin served as Chief Executive Officer of Impact Telecom, where he completed eleven (11) accretive M&A transactions and led the successful restructuring of multiple technology portfolio companies, including PacWest, TNCI and Unipoint Holdings, which resulted in record high net income. As one of

the original founders of Impact Telecom, Mr. Griffin led it from a start-up to a company with annual revenues of over $290 million and more than 300 employees servicing 250,000 customers worldwide.

Mr. Griffin ultimately guided Impact Telecom to a successful exit in 2020. Previously, Mr. Griffin served as Chief Executive Officer of Ipath Communications, where he was responsible for building a Class V Broadsoft VoIP network for SMB direct sales distribution with over 5,000 subscribers nationwide. In this role, he also led the successful merger with Impact Telecom. Prior to his time with Ipath, Mr. Griffin served in a number of business development, operations and sales roles where he was involved in product development, sales strategy and distribution and installations, all within the telecommunications industry.

Mr. Griffin graduated with honors in business communications from Metropolitan State University of Colorado.

**Brian R. Riffle**

Mr. Riffle is 64 years of age and the founder of CFO Strategies LLC of Johnstown, Pennsylvania ("CFO Strategies"), an accounting firm and consulting firm, which he founded in May 2008. CFO Strategies has thirteen (13) employees; approximately 180 small business clients and approximately 650 tax clients. It provides consulting, CFO, accounting, bookkeeping, payroll and tax services, including: CFO for businesses; entire accounting department for businesses; temporary staffing for businesses; complete payroll processing; CFO consulting and small business start-up services; and prepares taxes for corporations, small businesses, non-profits and individuals. Mr. Riffle is the Managing Partner and has extensive experience in various industries, including: Chief Financial Officer, healthcare industry; telecommunications, security, manufacturing and non-profit industries experience; Chief Executive Officer in the financial services industry and healthcare; Assistant Controller in the retail industry; Consultant in non-profit, healthcare and event management arenas; governmental treasurer and board member for over thirty (30) years; and as a masters level college instructor at Mount Aloysius College since 1994. He is also a Certified Public Accountant (May 1987).

**B. Todd Murcer**

Mr. Murcer is 54 years of age. Prior to joining us, Mr. Murcer served as Executive Vice President, FP&A and Treasury of Lingo Communications, a provider of IP-based Cloud voice and data solutions, following its merger with Impact Telecom, Inc. ("Impact") in 2018. In this key leadership position, he directed procedures and policies for the financial operations of the business and had responsibility for planning and implementing financial projections and reporting activities for the U.S. and its Canadian subsidiary, Vancouver Telephone Company, Limited. As owner of treasury operations, Mr. Murcer managed the use and sourcing of the company's cash and banking activities with additional oversight to credit and collections risk management. Mr. Murcer has been in the telecommunication industry for more than 20 years, and got his start with Matrix Telecom, Inc. ("Matrix"), a Platinum Equity portfolio company that ultimately divested to Impact. At Matrix, he helped the company grow annual revenues from $10 million to $400 million, serving in a number of business development and financial roles and leading teams through numerous M&A transactions. Mr. Murcer holds a B.S. in Economics from the University of Oklahoma and an M.S.M. from Boston University's Brussels Graduate Center.

**Robert Beaty**

Mr. Beaty is 54 years of age and currently the President of AGS Construction Inc., a premier reconstruction company in the Denver metropolitan area. Previously, he was the founder and CEO of Impact Telecom, a leader in the telecommunications market, which focused on delivering flexible and effective solutions to carriers, businesses and homes. Impact Telecom is comprised of a family of brands all dedicated to innovation, affordability and execution.

Mr. Beaty brings twenty-five (25) years of experience in telecommunications and managing wholesale and commercial customer bases. Prior to starting Impact Telecom in 2005, he served as the Senior Vice President of Sales for ICG Communications. He helped guide ICG through bankruptcy and was a valued member of the senior executive team tasked with growing and managing the customer base.

He earned a B.A. in Psychology from the University of Kansas and his M.B.A. in Business Administration from Webster University.

Mr. Beaty has been appointed the interim President of Sales and Marketing Apeiron Systems for the oversight and growth of VIVA-US Telecommunications, Inc. ("VIVA"). Viva is expected to have substantial growth, potentially in excess of 100,000 cellular customers to Apeiron under its "Mobile Reseller Agreement" with Apeiron dated November 10, 2023, on or before November 29, 2024. Mr. Beaty will provide his services for purpose of expediting the growth curve for the VIVA agreement and other significant growth initiatives. Also see the "Outstanding Equity Award" Table in Part III, Item 11, below, and specifically, Note (1) thereof.

**Jeffrey Pearl**

Mr. Pearl is 60 years of age and brings more than thirty-two (32) years of Telecommunications/Cloud Service Provider experience to our Board of Directors. Jeffrey has experience in both the startup environment as well as working inside of some of the larger incumbent players, both privately held as well as publicly traded companies. This experience will assist us in building out our go to market strategy, focusing both on direct sales as well as the alternative channels of distribution. His extensive sales and marketing experience, knowledge of the marketplace and personal connections in the industry are valuable to us at this stage and throughout our evolution.

Mr. Pearl currently is involved in running two (2) companies.

Mr. Pearl is currently CEO and Co-founder of OTG Consulting, which was founded in May 2016. OTG Consulting is a sales agency formed by a group of industry leaders in order to fill a gap in the marketplace. The group assists executives of SMB and Enterprise businesses as they make the move to cloud-based services. OTG Consulting works with most carriers and service providers delivering solutions for voice and data communications, internet, hosting, managed services and other cloud offerings.

Mr. Pearl also consults under PearlCom, a consulting practice focusing on telecom companies and service providers which was founded in January 2016. PearlCom offers strategic advice, providing direction on sales management, technology implementation, product pricing and positioning, bringing his thirty (30) plus years of experience to the table, accelerating timelines and creating efficiencies.

Prior to starting and running these two (2) companies, Jeffrey worked at Broadsoft (recently acquired by Cisco) July 2013 to May 2016, where he successfully ran North America Carrier Sales. In this role he cultivated strong relationships with C-Level executives within the major telcos and service providers utilizing BroadSoft in the US. Under his guidance, his organization also pursued new relationships with startups and providers not utilizing BroadSoft. After successfully fulfilling those duties, Jeffrey was next tasked with starting an entirely new division: Channel Acceleration, focusing on some of the largest customers in and outside the US. In this role, Jeffrey and his teams engaged with executives and sales organizations to productively assist in accelerating their efforts around “Go to Market” strategies, sales training and sales assistance in the area of Hosted VoIP and SIP Trunking services. Prior to Broadsoft Jeffrey successfully started, operated and sold two VoIP companies.

**Joshua Ploude**

Mr. Ploude is 47 years old. He is the President and CEO and Co-Founder of Apeiron Systems, and since 2013, he has been responsible for defining the product vision and operational strategy for Apeiron Systems. He has worked directly with software, hardware and carrier network vendors to oversee the development of Apeiron Systems’ product set; and has also had the responsibility to work with internal software development teams to ensure Apeiron Systems’ software provides the requisite function to support product and operational initiatives.

He has also been responsible for planning and building Competitive Local Exchange Carrier (“CLEC”) and Internet Service Provider (“ISP”) facilities-based networks since 2001 and has managed 5+ “Greenfield network” (the installation of a network where there was not previously one in use) builds across all types of wireline and wireless network infrastructures.

Mr. Ploude holds a Bachelor of Science in Political Science from UCLA and a Master of Science in Telecommunications Management from Golden Gate University. He has had the following business experience since 1999: 1999-2005 - CTO of PCS1/Datavo - A facilities-based CLEC serving a California-wide footprint; 2006-2010 - President/CEO of Ethos Communications - A consultancy helping CLECs and ISPs with operational and technology development; 2010-2013 - CTO of TNCI - A facilities-based CLEC & ISP, serving a forty-eight (48)-state footprint; and 2013-Present - Co-Founder, CEO and President of Apeiron Systems.

**Jason N. Welch**

Mr. Welch is 53 years of age, President of IM Telecom. Prior to joining us, Mr. Welch served as Chief Operations Officer of 46 Labs LLC, a provider of SaaS, voice and data solutions servicing large enterprise and communications providers internationally. In this key leadership position, he directed procedures and policies for the operations of the business and had responsibility for service delivery, customer care and vendor management. Prior to joining 46 Labs, Mr. Welch served as Executive Vice President of Impact Telecom, a Lingo Company. In this function, he provided oversight to carrier wholesale sales acquisition, product strategy, account management, agent channel management, vendor management, pricing, routing and business analytics. He successfully managed the growth of the carrier wholesale business unit to $40m+ in annual revenues, processing 18b+ voice minutes annually through hundreds of domestic and international carrier partnerships. Mr. Welch has been in the telecommunication industry for more than 25 years and has successfully served in management roles across companies such as Frontier Communications, Global Crossing, Telco Group Inc., KDDI Global, XO Communication and Impact Telecom.

**Family Relationships**

There are no family relationships between any of our officers and directors.

**Involvement in Other Public Companies**

Except as may be indicated above, none of our officers or directors is an “affiliate” of any other publicly held companies.

**Involvement in Certain Legal Proceedings**

During the past ten (10) years, none of our directors, executive officers or persons nominated to become directors or executive officers (or those in similar positions with us) has been the subject of any of the following:

(1) A petition under the federal bankruptcy laws or any state insolvency law was filed by or against, or a receiver, fiscal agent or similar officer was appointed by a court for the business or property of such person, or any partnership in which he was a general partner at or within two (2) years before the time of such filing, or any corporation or business association of which he was an executive officer at or within two (2) years before the time of such filing

(2) Such person was convicted in a criminal proceeding or is a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses);

(3) Such person was the subject of any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him or her from, or otherwise limiting, the following activities:

(i) Acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, any other person regulated by the Commodity Futures Trading Commission, or an associated person of any of the foregoing, or as an investment adviser, underwriter, broker or dealer in securities, or as an affiliated person, director or employee of any investment company, bank, savings and loan association or insurance company, or engaging in or continuing any conduct or practice in connection with such activity;

(ii) Engaging in any type of business practice; or

(iii) Engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of Federal or State securities laws or Federal commodities laws;

(4) Such person was the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any Federal or State authority barring, suspending or otherwise limiting for more than sixty (60) days the right of such person to engage in any activity described in paragraph (f)(3)(i) of this section, or to be associated with persons engaged in any such activity;

(5) Such person was found by a court of competent jurisdiction in a civil action or by the SEC to have violated any federal or state securities law, and the judgment in such civil action or finding by the SEC has not been subsequently reversed, suspended, or vacated;

(6) Such person was found by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading Commission to have violated any Federal commodities law, and the judgment in such civil action or finding by the Commodity Futures Trading Commission has not been subsequently reversed, suspended or vacated;

(7) Such person was the subject of, or a party to, any federal or state judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of:

(i) Any federal or state securities or commodities law or regulation; or

(ii) Any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order; or

(iii) Any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or

(8) Such person was the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act (15 U.S.C. 78c(a)(26)), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act (7 U.S.C. 1(a)(29)), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

**Compliance with Section 16(a) of the Exchange Act**

The common stock of the Company is registered under the Exchange Act, and therefore, the officers, directors and holders of more than 10% of our outstanding shares are subject to the provisions of Section 16(a) which requires them to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and our other equity securities. Officers, directors and greater than 10% beneficial owners are required by SEC regulations to furnish us with copies of all Section 16(a) reports they file. Based solely upon review of the copies of such forms furnished to us during the fiscal year ended December 31, 2023, and based upon a review of the filings contained in the Edgar Archives, all such required reports were believed to be timely filed.

**Code of Ethics**

We have adopted a Code of Ethics for our principal executive and financial officers. See Exhibit 14 in Part IV, Item 15. We anticipate that our Code of Ethics will be updated by our Board of Directors as the Board deems necessary.

**Corporate Governance**

**Nominating Committee**

We have not established a Nominating Committee because until our closing of the KonaTel Nevada Merger, we had only two (2) directors and two (2) executive officers, and we believed that we were able to effectively manage the issues normally considered by a Nominating Committee and currently believe we can do without a Nominating Committee.

If we do establish a Nominating Committee, we will disclose our procedures in recommending nominees by our Board of Directors.

**Audit Committee**

We have not established an Audit Committee for the same reasons why we have not established a Nominating Committee, and a further review of this issue will no doubt be necessitated and undertaken by our management in the future.

**Insider Trading Policy**

During the year ended December 31, 2021, our Board of Directors adopted an Insider Trading Policy, which is Exhibit 99.1 hereto. See Item IV, Part 15.

The Insider Trading Policy was adopted by the Company to satisfy its obligations to prevent insider trading and to help its personnel avoid the consequences associated with violations of applicable federal and state securities laws, rules and regulations regarding insider trading of our securities when they have material non-public information related to the Company. It is also intended to prevent even the appearance of improper conduct on the part of anyone employed by or associated with us, not just so-called "insiders." It contains four (4) "Black-Out Periods", which are as follows: twenty (20) days prior to the release of financial results for the periods ending March 31, June 30, September 30 and December 31 of each year and end after three (3) full trading days of our securities on the OTCQB (or any other recognized nation medium on which our securities publicly trade ["Other Medium"]) after financial results are announced for

the preceding fiscal period. If the last day of the month falls on a weekend, the Black-Out Period will start at the close of business on the last trading day prior to the weekend. Additional Black-Out Periods may occur when other material events occur, such as a press release sent out to the public, wherein only a select few persons have knowledge of the event. The Black-Out Periods do not apply to the exercise of outstanding and vested ISOs issued by the Company or other stock issuances approved by the Board of Directors; however, they do apply to all of our securities that are the subject of a registration statement filed with the SEC. This summary is modified in its entirely by reference to Exhibit 99.1.

## ITEM 11: EXECUTIVE COMPENSATION

### All Compensation

The following Employment Agreements of our officers and directors are discussed below under the caption "Executive Compensation" in Part III, Item 11 hereof, and can be accessed by Hyperlink in Part IV, Item 15 hereof:

D. Sean McEwen-Chairman and CEO-8-K Current Report dated January 1, 2022, filed with the SEC January 14, 2022, along with the third amendment to Mr. McEwen's Employment Agreement that is Exhibit 10.1 filed herewith.

Charles D. Griffin, President-8-K Current Report dated January 1, 2022, filed with the SEC January 14, 2022.

B. Todd Murcer, 8-K Current Report dated February 4, 2022, filed with the SEC on February 11, 2022.

Joshua Ploude, President of Apeiron Systems-8-K Current Report dated December 31, 2018, filed with the SEC on December 31, 2018.

Jason N. Welch, President of IM Telecom-8-KA-1 Current Report dated February 4, 2022, filed with the SEC on April 8, 2022.

### Summary Compensation Table

| Name and Principal Position | Year | Salary | Bonus | Stock Awards | Option Awards* | All Other Compensation | Total |
|---|---|---|---|---|---|---|---|
| D Sean McEwen, | 2023 | $ 316,450 | $ — | $ — | $ — | $ — | $ 316,450 |
| Chairman and CEO | 2022 | $ 316,450 | $ — | $ — | $ — | $ — | $ 316,450 |
| Robert Beaty, Director | 2023 | $ 12,500 | $ — | $ — | $ 34,978 | $ — | $ 47,478 |
| | 2022 | $ 36,000 | $ — | $ — | $ 122,375 | $ — | $ 158,375 |
| Jeffrey Pearl, Director | 2023 | $ 12,500 | $ — | $ — | $ 36,185 | $ — | $ 48,685 |
| | 2022 | $ 36,000 | $ — | $ — | $ 126,500 | $ — | $ 162,500 |
| Brian R. Riffle, | 2023 | $ — | $ — | $ — | $ — | $ 20,292 | $ 20,292 |
| Chief Financial Officer | 2022 | $ — | $ — | $ — | $ — | $ 16,544 | $ 16,544 |
| Charles D. Griffin, | 2023 | $ 250,000 | $ — | $ — | $ — | $ — | $ 250,000 |
| President and COO | 2022 | $ 250,000 | $ — | $ — | $ — | $ — | $ 250,000 |
| B. Todd Murcer, Secretary | 2023 | $ 225,000 | $ — | $ — | $ — | $ — | $ 225,000 |
| and EVP of Finance | 2022 | $ 216,250 | $ — | $ — | $ — | $ — | $ 216,250 |
| Joshua Ploude, CEO, | 2023 | $ 250,000 | $ — | $ — | $ — | $ — | $ 250,000 |
| Apeiron Systems | 2022 | $ 250,000 | $ — | $ — | $ — | $ — | $ 250,000 |
| Jason Welch, President, | 2023 | $ 250,000 | $ — | $ — | $ — | $ — | $ 250,000 |
| IM Telecom | 2022 | $ 225,139 | $ — | $ — | $ — | $ — | $ 225,139 |

*See the heading "Outstanding Equity Awards" below.

### Employment Agreement of D. Sean McEwen

At the Effective Time of the KonaTel Merger, we entered into an Employment Agreement with Mr. McEwen for a term of two (2) years, under which he served as the Chairman, President and CEO of our Company, with customary duties applicable to these positions. After the initial term, the McEwen Employment Agreement provided that it would continue on a year-to-year basis. During the initial term (2018-2019), Mr. McEwen received the following compensation under his Employment Agreement: $1,000 per month base salary; and inclusion in our healthcare plan for employees, including medical, dental and vision, which coverage also includes his spouse. Effective January 1, 2020, McEwen's Employment Agreement was amended to adjust his monthly base salary to $16,667, including a monthly bonus program tied to a percentage of EBITDA. Effective

January 1, 2022, McEwen's Employment Agreement was amended a second time to adjust his monthly base salary to $22,916.66, including a twenty-four (24) month severance compensation package equal to his then current base salary, together with any accrued and untaken vacation, in the event any employment departure is not "for cause" as defined in the McEwen Employment Agreement. Additionally, at the time of the second amendment to his Employment Agreement, Mr. McEwen resigned as President of the Company to allow for Charles D. Griffin to assume the role of President and COO of the Company. Mr. McEwen remains as Chairman of the Board and CEO of the Company. Mr. McEwen has never claimed the "percentage of EBITDA" bonus program provision of his Employment Agreement; accordingly, effective April 12, 2022, Mr. McEwen suggested, and the Board of Directors agreed, to a third amendment of his Employment Agreement thereby eliminating the percentage of EBITDA bonus provision. Mr. McEwen volunteered this third amendment to his Employment Agreement without receipt of any current or future consideration, and all other terms and conditions of the McEwen Employment Agreement along with its three amendments remain the same. The third amendment to Mr. McEwen's Employment Agreement is filed herewith as Exhibit 10.1, in Part IV, Item 15 hereof.

**Charles D. Griffin Employment Agreement**

The Griffin Employment Agreement covers customary duties performed by persons serving in the capacities of President and COO, and Mr. Griffin, with the guidance of Mr. McEwen, our Chairman and CEO, will assist in the management and leadership of the Company and is accountable to our CEO; he will also act as a liaison between the Company, our subsidiaries and our CEO. A complete description of his duties is contained in Exhibit A of the Griffin Employment Agreement, which provides, among other customary terms and provisions: (i) a monthly base salary of $20,833.33, along with inclusion in our healthcare plan for employees and spouse, including medical, dental and vision coverage, effective January 1, 2022, and termination can occur on thirty (30) days' notice by either party; (ii) customary trade secret, non-competition and dispute resolution provisions, among other provisions; and (iii) he shall be paid a twelve (12) month severance compensation package equal to his then current base salary, together with any accrued and untaken vacation, in the event any employment departure is not "for cause" as defined in the Griffin Employment Agreement.

The Employment Agreement has customary termination, trade secret and dispute resolution clauses, among others.

**B. Todd Murcer Employment Agreement**

On January 24, 2022, we entered into an Employment Agreement with Mr. Murcer (the "Murcer Employment Agreement"), under which Mr. Murcer serves as our Executive Vice President of Finance and Secretary of the Company, with customary duties applicable to these positions, and which are described in Exhibit A thereof. Under the Murcer Employment Agreement, Mr. Murcer will receive the following compensation: $18,750 per month base salary; and inclusion in our healthcare plan for employees, including medical, dental and vision, which coverage also includes his immediate family. The monthly base salary may be increased or decreased from time to time in the sole discretion of the Company, but in no event shall the monthly base salary be less than the amount stated in this section. Mr. Murcer is entitled to paid vacation during each year of his employment in accordance with the Company's vacation accrual policy as defined by our Company handbook; and he may also receive an annual bonus under the Company's bonus program established by us and as approved by our Board of Directors each calendar year.

The Murcer Employment Agreement also contained customary termination, trade secret and dispute resolution clauses, among others.

**Joshua Ploude Employment Agreement**

Effective December 31, 2018, Apeiron and Mr. Ploude executed and delivered a 36-month Employment Agreement under which Mr. Ploude continues to serve as the Chief Executive Officer of Apeiron, with the attendant duties and responsibilities outlined in his Employment Agreement, at a monthly salary of $16,667 (the "Ploude Employment Agreement"). On September 1, 2021, Mr. Ploude's monthly salary was increased to $20,883.33. The Ploude Employment Agreement has customary provisions regarding trade secrets; a one (1) year covenant not to compete; confidentiality; Apeiron's continued ownership of intellectual property; a duty to cooperate; free, fully-paid licensing to Apeiron of inventions created by Mr. Ploude that he provides or incorporates into any Employer product or system during his employment with Apeiron; and an assignment of Mr. Ploude's interest in all relevant intellectual property utilized by Apeiron, among other terms and conditions.

**Jason N. Welch Employment Agreement**

On February 2, 2022 (effective February 14, 2022), we entered into an Employment Agreement with Mr. Welch (the "Welch Employment Agreement"), under which Mr. Welch served as the President of IM Telecom, with customary duties applicable to this position, and which were described in Exhibit A thereof. Under the Welch Employment Agreement, Mr. Welch will continue to receive the following compensation: $20,833.33 per month base salary; and inclusion in our healthcare plan for employees, including medical,

dental and vision, which coverage also includes his immediate family. The monthly base salary may be increased or decreased from time to time in the sole discretion of the Company, but in no event shall the monthly base salary be less than the amount stated in this section. Mr. Welch is entitled to paid vacation during each year of his employment in accordance with the Company's vacation accrual policy as defined by our Company handbook; and he may also receive an annual bonus under the Company's bonus program established by us and as approved by our Board of Directors each calendar year. This Employment Agreement will novate to KonaTel under the Excess Purchase Agreement and related agreements in Part I, Item 1 hereof.

The Welch Employment Agreement also contained customary termination, trade secret and dispute resolution clauses, among others.

**Securities Authorized for Issuance under Equity Compensation Plans**

**Outstanding Equity Awards**

The following table represents 5,410,000 options granted, with 1,825,000 exercised, and 690,000 options still available to be granted under the 7,925,000 shares reserved for issuance under the Company's 2018 Incentive Stock Option Plan.

| Name | Option Awards | | | | | Stock Awards | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Number of securities underlying unexercised options (#) exercisable | Number of securities underlying unexercised options (#) not exercisable | Equity incentive plan awards; number of securities underlying unexercised unearned options (#) | Option exercise price ($) | Option expiration date | Number of shares or units of stock that have not vested (#) | Market value of shares or units of stock that have not vested (#) | Equity incentive plan awards; number of unearned shares, units or other rights that have not vested (3) | Equity incentive plan awards; market or payout value of unearned shares, united or other rights that have not vested |
| (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | (j) |
| Robert Beaty | 100,000 | 0 | | $0.33 | (1) | 0 | | 0 | |
| Robert Beaty | 25,000 | 0 | | $0.18 | (1) | 0 | | 0 | |
| Robert Beaty | 50,000 | 0 | | $0.17 | (1) | 0 | | 0 | |
| Robert Beaty | 25,000 | 0 | | $0.17 | (1) | 0 | | 0 | |
| Robert Beaty | 25,000 | 0 | | $0.26 | (1) | 0 | | 0 | |
| Robert Beaty | 25,000 | 0 | | $0.13 | (1) | 0 | | 0 | |
| Robert Beaty | 25,000 | 0 | | $0.06 | (1) | 0 | | 0 | |
| Robert Beaty | 25,000 | 0 | | $0.44 | (1) | 0 | | 0 | |
| Robert Beaty | 25,000 | 0 | | $0.66 | (1) | 0 | | 0 | |
| Robert Beaty | 25,000 | 0 | | $0.94 | (1) | 0 | | 0 | |
| Robert Beaty | 25,000 | 0 | | $1.93 | (1) | 0 | | 0 | |
| Robert Beaty | 25,000 | 0 | | $1.14 | (1) | 0 | | 0 | |
| Robert Beaty | 25,000 | 0 | | $1.01 | (1) | 0 | | 0 | |
| Robert Beaty | 25,000 | 0 | | $1.91 | (1) | 0 | | 0 | |
| Robert Beaty | 25,000 | 0 | | $1.32 | (1) | 0 | | 0 | |
| Robert Beaty | 25,000 | 0 | | $0.81 | (1) | 0 | | 0 | |
| Robert Beaty | 25,000 | 0 | | $0.87 | (1) | 0 | | 0 | |
| Robert Beaty | 33,333 | 0 | | $0.94 | (1) | 0 | | 0 | |
| Robert Beaty | 33,333 | 0 | | $0.94 | (1) | 0 | | 0 | |
| Robert Beaty | 33,334 | 0 | | $0.94 | (1) | 0 | | 0 | |
| Robert Beaty | 216,666 | 0 | | $0.94 | (1) | 0 | | 0 | |
| Robert Beaty | 216,667 | 0 | | $0.94 | (1) | 0 | | 0 | |
| Robert Beaty | 216,667 | 0 | | $0.94 | (1) | 0 | | 0 | |
| Jeffrey Pearl | 100,000 | 0 | | $0.50 | (2) | 0 | | 0 | |
| Jeffrey Pearl | 25,000 | 0 | | $0.17 | (2) | 0 | | 0 | |
| Jeffrey Pearl | 25,000 | 0 | | $0.12 | (2) | 0 | | 0 | |
| Jeffrey Pearl | 25,000 | 0 | | $0.17 | (2) | 0 | | 0 | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Jeffrey Pearl | 25,000 | 0 | $0.10 | (2) | 0 | 0 |
| Jeffrey Pearl | 25,000 | 0 | $0.49 | (2) | 0 | 0 |
| Jeffrey Pearl | 25,000 | 0 | $0.60 | (2) | 0 | 0 |
| Jeffrey Pearl | 25,000 | 0 | $0.81 | (2) | 0 | 0 |
| Jeffrey Pearl | 25,000 | 0 | $1.60 | (2) | 0 | 0 |
| Jeffrey Pearl | 25,000 | 0 | $1.34 | (2) | 0 | 0 |
| Jeffrey Pearl | 25,000 | 0 | $1.10 | (2) | 0 | 0 |
| Jeffrey Pearl | 25,000 | 0 | $1.74 | (2) | 0 | 0 |
| Jeffrey Pearl | 25,000 | 0 | $1.39 | (2) | 0 | 0 |
| Jeffrey Pearl | 25,000 | 0 | $0.88 | (2) | 0 | 0 |
| Jeffrey Pearl | 25,000 | 0 | $0.78 | (2) | 0 | 0 |
| Jonathan So | 150,000 | 0 | $0.32 | (3) | 0 | 0 |
| Edward Archuleta | 30,000 | 0 | $0.73 | (4) | 0 | 0 |
| Edward Archuleta | 0 | 20,000 | $0.85 | (9) | 0 | 0 |
| Charles D. Griffin | 550,000 | 550,000 | $0.75 | (5) | 0 | 0 |
| Charles D. Griffin | 0 | 550,000 | $0.94 | (5) | 0 | 0 |
| Amy Pearson | 33,334 | 16,666 | $0.75 | (6) | 0 | 0 |
| B. Todd Murcer | 0 | 750,000 | $0.81 | (7) | 0 | 0 |
| Jason N. Welch | 0 | 750,000 | $0.81 | (8) | 0 | 0 |
| John Shadek, Esq. | 60,000 | 0 | $0.89 | (9) | | |
| August Gatto | 0 | 30,000 | $0.85 | (10) | 0 | 0 |
| Matthew Zanger | 0 | 30,000 | $0.85 | (10) | 0 | 0 |
| Joshua Holbay | 0 | 75,000 | $0.85 | (10) | 0 | 0 |
| Amy Prindle | 0 | 30,000 | $0.85 | (10) | 0 | 0 |
| Ben Holmes | 0 | 30,000 | $0.85 | (10) | 0 | 0 |
| Stacey Carmel | 0 | 50,000 | $0.85 | (10) | 0 | 0 |
| Noah Griffin | 0 | 30,000 | $0.85 | (10) | 0 | 0 |
| John Heathcock | 0 | 50,000 | $0.85 | (10) | 0 | 0 |

(1) As part of his designation as director, Mr. Beaty was granted quarterly stock option grants to purchase 25,000 shares of our common stock commencing February 12, 2018, with the shares being valued at 110% of the fair market value or the closing price of our common stock on the date of the grant for the first year, and thereafter at 110% of the fair market value or the closing price of our common stock on the quarterly date of vesting for any other remaining quarters of service as a director. The first quarterly grants of 25,000 (100,000 total) were all granted at the same exercise price of $0.33. On February 9, 2023, Mr. Beaty exercised his first option grants of 100,000 options by conveying to the Company 44,686 unencumbered shares of the Company's common stock that he had acquired in an unrelated private transaction in 2020. The remaining options expire at the earlier of five (5) years from the date grant or one (1) year from termination or resignation as a director. On November 29, 2023, Mr. Beaty was granted an additional 100,000 stock options, which vest 33,333 shares on November 29, 2024, 33,333 on November 29, 2025, and 33,334 on November 29, 2025; and they also expire at the earlier of five (5) years from the date of grant or one (1) year from termination or resignation as a director. Also, on November 29, 2023, Mr. Beaty was granted an additional 650,000 stock options, with one-third (1/3rd) of these options vesting per year, conditioned on Apeiron Systems having been provided 100,000 simultaneous cellular customers by VIVA-US Telecommunications, Inc. ("VIVA") under Apeiron's "Mobile Reseller Agreement" with VIVA dated November 10, 2023, and with VIVA being fully paid and current with all outstanding amounts owed to Apeiron, within one (1) year of the date of grant and with at least 100,000 of such simultaneous customer cellular contracts then being in full force and effect, or the grant of the ISO's shall expire.

(2) As part of his designation as director, Mr. Pearl was granted quarterly stock option grants to purchase 25,000 shares of our common stock commencing October 28, 2018, with the shares being valued at 110% of the fair market value or the closing price of our common stock on the date of the grant for the first year, and thereafter at 110% of the fair market value or the closing price of our common stock on the quarterly date of vesting for the remaining quarters of service as a director. The first quarterly grants of 25,000 (100,000 total) were all granted at the same exercise price of $0.495. On October 25, 2023, Mr. Pearl exercised his first option grants of 100,000 options. The remaining options expire at the earlier of five (5) years from the date of quarterly grant or one (1) year from termination or resignation as a director.

(3) These options were granted on April 1, 2021, and vest 50,000 shares on April 1, 2022; 50,000 shares on April 1, 2023; and 50,000 shares on April 1, 2024; and they expire on the earlier of April 1, 2026, or ninety (90) days from resignation or termination of employment.

(4) These options were granted on May 17, 2021, and vest 10,000 shares on May 17, 2022; 10,000 shares on May 17, 2023; and 10,000 shares on May 17, 2024; and they expire on the earlier of May 17, 2026, or ninety (90) days from resignation or termination of employment. On November 29, 2023, Mr. Archuleta was granted an additional 20,000 stock options, with 6,666 vesting on November 29, 2024, and 6,667 vesting on November 29, 2025, and 6,667 vesting on November 29, 2026. These options expire on the earlier of November 29, 2028, or ninety (90) days from resignation or termination of employment.

(5) These options were granted on July 6, 2021, and vest 275,000 shares on January 7, 2023; 275,000 shares on January 7, 2024; 275,000 shares on January 7, 2025; and 275,000 shares on January 7, 2026; and they expire on January 7, 2027, or ninety (90) days from resignation or termination of employment. Mr. Griffin was granted an additional 550,000 options on November 29, 2023, and vest 183,333 shares on November 29, 2024, 183,333 on November 29, 2025, and 183,334 on November 29, 2025; and they expire on the earlier of November 29, 2028, or ninety (90) days from resignation or termination of employment.

(6) These options were granted on September 27, 2021, and vest 16,667 shares on September 27, 2022; 16,667 shares on September 27, 2023, and 16,666 shares on September 27, 2024; and they expire on the earlier of September 26, 2026, or ninety (90) days from resignation or termination of employment.

(7) These options were granted on September 8, 2023, and vest 250,000 shares on September 8, 2024, 250,000 shares on September 8, 2025, and 250,000 shares on September 8, 2026; and they expire on the earlier of September 8, 2028, or ninety (90) days from resignation or termination of employment.

(8) These options were granted on September 22, 2023, and vest 250,000 shares September 22, 2024, 250,000 shares on September 22, 2025, and 250,000 shares on September 22, 2026; and they expire on the earlier of September 22, 2028, or ninety (90) days from resignation or termination of employment.

(9) These options were granted on July 17, 2023, and all 60,000 shares vested July 17, 2023; and they expire on the earlier of July 17, 2028, or ninety (90) days from resignation or termination of his position as a consulting attorney to the Company.

(10) These options were granted on November 29, 2023, and vest one third on November 29, 2024, on third on November 29, 2025, and one third on November 29, 2026; and they expire on the earlier of November 29, 2028, or ninety (90) days from resignation or termination of employment.

**Compensation of Directors**

Mr. McEwen receives no compensation to serve as a Director and Chairman of the Board. Currently, and except for compensation of Mr. McEwen under his Third Amended Employment Agreement (see Exhibit 10.1, in Part IV, Item 15), and the current $500 monthly compensation set out above for certain directors (these directors were paid $3,000 per month through May, 2023), our directors do not receive any other compensation other than the incentive stock options outlined above in this Item in the Outstanding Equity Awards Table.

**Transactions with Related Persons**

For information regarding transactions with related persons, see the heading “Transactions with Related Persons,” in Part III, Item 13 below.

**Promoters and Certain Control Persons**

See the heading “Transactions with Related Persons,” under Item 13 below.

**Parents of the Smaller Reporting Company**

We have no parents.

**ITEM 12: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

**Security Ownership of Certain Beneficial Owners**

The following table sets forth the ownership by any person known to us to be the beneficial owner of more than five percent (5%) of any of our outstanding voting securities as of the filing of this Annual Report with the SEC. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Other than as indicated below in footnotes to this table, the persons named in the table below have sole voting power and investment power with respect to all shares of common stock shown as beneficially owned by them.

**Security Ownership of Beneficial Owners**

| Name and Address* of Beneficial Owner | Title of Class | Amount and Nature of Beneficial Ownership (1), (2), (3) & (4) | Percent of Class (1), (2), (3) & (4) |
|---|---|---|---|
| D. Sean McEwen | Common | 17,000,000 | 37.59% |
| Joshua Ploude | Common | 6,300,000 | 13.93% |
| James Michael Grisham | Common | 2,163,799 | 4.79% |

**Security Ownership of Officers and Directors**

| Name and Address* of Officer or Director | Title of Class | Amount and Nature of Beneficial Ownership (1), (2), (3) & (4) | Percent of Class (1), (2), (3) & (4) |
|---|---|---|---|
| D. Sean McEwen | Common | 17,000,000 | 37.59% |
| Charles D. Griffin | Common | 550,000 | 1.22% |
| Brian R. Riffle | Common | 0 | 0.00% |
| B. Todd Murcer | Common | 0 | 0.00% |
| Robert Beaty | Common | 530,314 | 1.17% |
| Jeffrey Pearl | Common | 350,000 | 0.77% |
| Joshua Ploude | Common | 6,300,000 | 13.93% |
| Jason N. Welch | Common | 0 | 0.00% |
| All Officers and Directors as a Group | Common | 24,730,314 | 54.68% |

*The Company's principal executive office address on the cover page.

(1) James Michael Grisham is presently the sole Trustee of "The James T. Coyle Trust" formed by Mr. Coyle on June 19, 2012 (the "Coyle Trust"), and is one of four (4) equal beneficiaries, per stirpes, of the Coyle Trust. He is also the CEO of Shawnee Communications, Inc. ("Shawnee") The Coyle Trust and Shawnee purchased, respectively, from the Company, 750,000 shares ($150,000) and 2,500,000 shares ($500,000) of the Company's common stock on or about March 6, 2018, and currently collectively own 2,163,799 shares or 4.79% of the outstanding securities of the Company. Neither Mr. Grisham, the Coyle Trust or Shawnee is or has ever been an "affiliate" of the Company.

(2) The number and percentage of shares beneficially owned is determined under rules of the SEC and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares as to which the individual has sole or shared voting power or investment power and also any shares, which the individual has the right to acquire within sixty (60) days through the exercise of any stock option or other right. The persons named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them, subject to community property laws where applicable and the information contained in the footnotes to this table.

(3) Based on 43,333,220 currently issued and outstanding shares of common stock as of March 15, 2024, together with 562,500 non-compensatory stock options of Mr. McEwen; 1,325,000 vested incentive stock options, comprised of, 425,000 for Robert Beaty, 350,000 Jeffrey Pearl, Charles D. Griffin for 550,000, for a total of 45,220,720 issued (or issuable with respect to such options within sixty [60] days) and outstanding shares of common stock, as of the filing of this Annual Report. SEC Rule 13d-3 generally provides that management's beneficial ownership of securities includes any such security that can be acquired within sixty (60) days. Accordingly, any securities not outstanding, which are subject to such options, warrants or conversion privileges and exercisable within sixty (60) days, are treated as outstanding for the purpose of computing the percentage of outstanding securities owned by that person, and are not treated as outstanding for the purpose of computing the percentage of the class owned by any such person.

(4) The beneficial ownership of Mr. McEwen in the "Beneficial Owners" table includes 16.437,500 shares directly owned; and 562,500 shares underlying personally owned vested options, all of which vested non-compensatory options can be exercised within sixty (60) days of the filing of this Annual Report.

**Changes in Control**

There are no additional present arrangements or pledges of our securities which may result in a change in control of the Company.

## ITEM 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

**Transactions with Related Persons**

*Transactions with Shareholders*

None.

*Transactions with CFO Strategies LLC*

Brian R. Riffle, the CFO of the Company, is the Managing Partner of CFO Strategies, LLC. Payments of $20,292 were made to CFO Strategies LLC as compensation for the CFO services of Mr. Riffle.

**Promoters and Certain Control Persons**

See the heading "Transactions with Related Persons" of this Item above, and Part III, Item 12 hereof for identification of control persons.

**Director Independence**

For purposes of determining director independence, we have applied the definitions set out in NASDAQ Marketplace Rule 4200(a)(15), which states that "Independent director" means "a person other than an executive officer or employee of the company or any other individual having a relationship which, in the opinion of the issuer's board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director." As of December 31, 2023, only Robert Beaty and Jeffrey Pearl came within any of the exceptions to this definition regarding: being or having been an executive officer; having an employee-employer relationship with us; having received compensation from us in an amount in excess of $100,000; and having certain relationships with us, in the case of membership of a director on an audit committee, including applicable family relationships.

**Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors**

We have not adopted an Audit Committee; therefore, there is no Audit Committee policy in this regard. However, we do require approval in advance of the performance of professional services to be provided to us by our principal accountant. Additionally, all services rendered by our principal accountant are performed pursuant to a written engagement letter between us and the principal accountant.

## ITEM 14: PRINCIPAL ACCOUNTING FEES AND SERVICES

The following is a summary of the fees billed to us by our principal accountants, Haynie & Company, CPAs, during the years ended December 31, 2023, and 2022, respectively:

| Fee Category | 2023 | 2022 |
|---|---|---|
| Audit Fees | $ 103,578 | $ 100,500 |
| Audit-related Fees | — | — |
| Tax Fees | — | — |
| All Other Fees | — | — |
| **Total Fees** | $ 103,578 | $ 100,500 |

**Audit Fees -** Consists of fees for professional services rendered by our principal accountants for the audit of our annual financial statements for our 10-K Annual Reports and review of the financial statements included in our 10-Q Quarterly Reports or services that are normally provided by our principal accountants in connection with statutory and regulatory filings or engagements.

**Audit-related Fees -** Consists of fees for assurance and related services by our principal accountants that are reasonably related to the performance of the audit or review of our financial statements and are not reported under "Audit fees."

**Tax Fees -** Consists of fees for professional services rendered by our principal accountants for tax compliance, tax advice and tax planning.

**All Other Fees -** Consists of fees for products and services provided by our principal accountants, other than the services reported under "Audit Fees," "Audit-related Fees," and "Tax Fees" above.

## PART IV

## ITEM 15: EXHIBIT AND FINANCIAL STATEMENT SCHEDULES

(a)(1)(2)
Financial Statements. See the audited financial statements of the Company contained in Part II, Item 8 above, of this Annual Report, which are incorporated herein by this reference.

(a)(3)
Exhibits. The following exhibits are filed as part of this Annual Report:

(a) Exhibits.

| Exhibit Number | Description of Exhibit | Filing |
|---|---|---|
| **3(i)** | Amended and Restated Certificate of Incorporation | Filed with the Form 8-K dated February 7, 2018, and filed with the SEC on February 12, 2018. |
| **3(ii)** | Amended and Restated Bylaws | Filed with the Form S-8 filed with the SEC on December 8, 2023, and incorporated herein by reference. |
| **4** | Description of the Company's Securities | Filed with the Form 10-K for December 31, 2022, and filed with the SEC on April 17, 2023. |
| **10.1** | Third Amended Employment Agreement with D. Sean McEwen | Filed with the Form 8-K dated January 1, 2022, and filed with the SEC on January 14, 2022. |
| **10.2** | Charles D. Griffin Employment Agreement | Filed with the Form 8-K dated January 1, 2022, and filed with the SEC on January 14, 2022. |
| **10.3** | B. Todd Murcer Employment Agreement | Filed with the Form 8-K dated February 4, 2022, and filed with the SEC on February 11, 2022. |
| **10.4** | Joshua Ploude Employment Agreement | Filed with the Form 8-K dated December 31, 2018, and filed with the SEC on December 31, 2018. |
| **10.5** | Jason N. Welch Employment Agreement | Filed with the 8-KA-1 Current Report dated February 4, 2022, and filed with the SEC on April 8, 2022. |
| **14** | Code of Ethics | Filed with the Form 8-K/A filed on December 20, 2017, and incorporated herein by reference. |
| **31.1** | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | Filed herewith. |
| **31.2** | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | Filed herewith |
| **32** | Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | Filed herewith. |
| **99.1** | Insider Trading Policy | Filed with the Form 10-K for December 31, 2022, and filed with the SEC on April 17, 2023. |

| | |
|---|---|
| **101.INS** | XBRL Instance Document |
| **101.SCH** | XBRL Taxonomy Extension Schema |
| **101.CAL** | XBRL Taxonomy Extension Calculation Linkbase |
| **101.DEF** | XBRL Taxonomy Extension Definition Linkbase |
| **101.LAB** | XBRL Taxonomy Extension Label Linkbase |
| **101.PRE** | XBRL Taxonomy Extension Presentation Linkbase |

Exhibits incorporated by reference:

8-K Current Report dated June 14, 2022 ("CCUR Loan"), and filed with the SEC on June 21, 2022

8-KA Current Report dated June 14, 2022 ("CCUR Loan"), and filed with the SEC on June 7, 2023

8-K Current Report dated April 6, 2023 ("Insight Mobile Assignment") and filed with the SEC on April 17, 2023

8-K Current Report dated December 18, 2023 ("ACP Financing Installment Sale Agreement"), filed with the SEC on December 22, 2023.

8-K Current Report dated January 22, 2024 ("Excess Purchase Agreement and related agreements"), filed with the SEC on January 30, 2024

**ITEM 16. FORM 10-K SUMMARY**

None.

(*This space intentionally left blank*)

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**KonaTel, Inc.**

Date: April 1, 2024

By: /s/ D. Sean McEwen
D. Sean McEwen
Chairman, CEO and Director

Date: April 1, 2024

By: /s/ Brian R. Riffle
Brian R. Riffle
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Date: April 1, 2024

By: /s/ D. Sean McEwen
D. Sean McEwen
Chairman, CEO and a Director

Date: April 1, 2024

By: /s/ Brian R. Riffle
Brian R. Riffle
Chief Financial Officer

Date: April 1, 2024

By: /s/ Robert Beaty
Robert Beaty
Director

Date: April 1, 2024

By: /s/ Jeffrey Pearl
Jeffrey Pearl
Director