

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-Q**

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

For the quarterly period ended September 30, 2022

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number **000-55323**

**Mentor Capital, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**77-0395098**

(I.R.S. Employer  
Identification No.)

**5964 Campus Court, Plano, Texas 75093**

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code **(760) 788-4700**

Securities registered pursuant to Section 12(b) of the Act: **N/A**

Title of each class to be so registered

Trading Symbols (s)

Name of each exchange on which each class is to be registered

Securities registered pursuant to section 12(g) of the Act:

**Common Stock**

(Title of class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company, or an emerging growth company. See the definitions 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

Smaller reporting company

Emerging growth company

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

At November 10, 2022, there were 22,941,357 shares of Mentor Capital, Inc.'s common stock outstanding and 11 shares of Series Q Preferred Stock outstanding.

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains “forward-looking statements,” as defined in the United States Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities and Exchange Act 1934, as amended. All statements contained in this report, other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans, and our objectives for future operations, are forward-looking statements. The words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “seek,” “look,” “hope,” “intend,” “expect,” and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations, and objectives and financial needs. These forward-looking statements are subject to a number of risks, uncertainties, and assumptions. For example, statements in this Form 10-Q regarding the potential future impact of inflation, recession, climate regulation, the COVID-19 outbreak, economic sanctions, cybersecurity risks, and the outbreak of war in Ukraine on the Company’s business and results of operations are forward-looking statements. Moreover, due to our investments in the cannabis-related industry or other industries, we may be subject to heightened scrutiny, and our portfolio companies may be subject to additional laws, rules, regulations, and statutes. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties, and assumptions, the future events and trends discussed in this Form 10-Q may not occur, and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. The events and circumstances reflected in the forward-looking statements may not be achieved or occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. The Company assumes no obligation to revise or update any forward-looking statements for any reason, except as required by law.

All references in this Form 10-Q to the “Company,” “Mentor,” “we,” “us,” or “our,” are to Mentor Capital, Inc.

MENTOR CAPITAL, INC.

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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**Mentor Capital, Inc.**

Condensed Consolidated Balance Sheets (Unaudited)

	September 30, 2022	December 31, 2021
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,437,318	\$ 453,939
Investment in securities at fair value	258	1,009
Accounts receivable, net	604,688	706,418
Other receivable	330,571	33,222
Net finance leases receivable, current portion	-	76,727
Investment in installment receivable, current portion	101,200	-
Convertible notes receivable, current portion	-	58,491
Prepaid expenses and other current assets	87,174	14,284
Employee advances	4,911	3,750
<b>Total current assets</b>	<b>2,566,120</b>	<b>1,347,840</b>
<b>Property and equipment</b>		
Property and equipment	343,124	299,526
Accumulated depreciation and amortization	(192,712)	(144,480)
<b>Property and equipment, net</b>	<b>150,412</b>	<b>155,046</b>
<b>Other assets</b>		
Operating lease right-of-use assets	12,376	41,128
Finance lease right-of-use assets	786,858	645,611
Investment in account receivable, net of discount and current portion	196,357	301,433
Net finance leases receivable, net of current portion	-	229,923
Convertible notes receivable, net of current portion	-	27,834
Contractual interest in legal recovery	396,666	396,666
Deposits	17,575	9,575
Long term investments	288,459	205,203
Goodwill	1,426,182	1,426,182
<b>Total other assets</b>	<b>3,124,473</b>	<b>3,283,555</b>
<b>Total assets</b>	<b>\$ 5,841,005</b>	<b>\$ 4,786,441</b>

See accompanying Notes to Financial Statements

**Mentor Capital, Inc.**

Condensed Consolidated Balance Sheets (Unaudited, Continued)

	September 30, 2022	December 31, 2021
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 29,732	\$ 41,278
Accrued expenses	1,022,256	411,860
Related party payable	274,456	232,244
Deferred revenue	-	16,308
Economic injury disaster loan, current portion	3,343	-
Finance lease liability, current portion	200,310	167,515
Operating lease liability, current portion	12,376	42,058
Current portion of long-term debt	29,236	23,203
Total current liabilities	<u>1,571,709</u>	<u>934,466</u>
<b>Long-term liabilities</b>		
Accrued salary, retirement, and incentive fee - related party	1,147,451	1,127,865
Economic injury disaster loan	158,600	158,324
Finance lease liability, net of current portion	502,748	415,465
Operating lease liability, net of current portion	-	4,975
Long term debt, net of current portion	62,031	66,669
Total long-term liabilities	<u>1,870,830</u>	<u>1,773,298</u>
<b>Total liabilities</b>	<u>3,442,539</u>	<u>2,707,764</u>
<b>Commitments and Contingencies</b>		
	-	-
<b>Shareholders' equity</b>		
Preferred stock, \$0.0001 par value, 5,000,000 shares authorized; 11 and 11 shares issued and outstanding at September 30, 2022 and December 31, 2021 *	-	-
Common stock, \$0.0001 par value, 75,000,000 shares authorized; 22,941,357 and 22,850,947 shares issued and outstanding at September 30, 2022 and December 31, 2021	2,294	2,285
Additional paid in capital	13,085,992	13,071,655
Accumulated deficit	(10,898,055)	(10,874,079)
Non-controlling interest	208,235	(121,184)
Total shareholders' equity	<u>2,398,466</u>	<u>2,078,677</u>
<b>Total liabilities and shareholders' equity</b>	<u>\$ 5,841,005</u>	<u>\$ 4,786,441</u>

\* Par value is less than \$0.01.

See accompanying Notes to Financial Statements

**Mentor Capital, Inc.**

## Condensed Consolidated Income Statements (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
<b>Revenue</b>				
Service fees	\$ 1,910,131	\$ 1,482,649	\$ 5,610,158	\$ 4,154,711
Finance lease revenue	20,168	9,975	37,659	31,176
<b>Total revenue</b>	1,930,299	1,492,624	5,647,817	4,185,887
<b>Cost of sales</b>	1,490,712	1,004,040	3,924,380	2,882,275
<b>Gross profit</b>	439,587	488,584	1,723,437	1,303,612
Selling, general and administrative expenses	861,628	402,257	2,777,865	1,689,318
<b>Operating income (loss)</b>	(422,041)	86,327	(1,054,428)	(385,706)
<b>Other income and (expense)</b>				
Employee retention credits	-	-	1,350,161	-
Gain (loss) on investments	590	(2,427)	(39,661)	(8,001)
Paycheck Protection Program Loan Forgiven	-	-	-	10,000
Interest income	12,887	16,269	40,632	49,003
Interest expense	(20,283)	(16,714)	(58,052)	(43,899)
Gain on asset disposal	-	(671)	56,455	761
Other income (expense)	56,128	4,032	58,026	4,429
<b>Total other income and (expense)</b>	49,322	489	1,407,561	12,293
<b>Income (loss) before provision for income taxes</b>	(372,719)	86,816	353,133	(373,413)
Provision for income taxes	800	2,815	47,690	8,565
<b>Net income (loss)</b>	(373,519)	84,001	305,443	(381,978)
Gain (loss) attributable to non-controlling interest	(134,695)	87,393	329,419	(15,043)
<b>Net income (loss) attributable to Mentor</b>	\$ (238,824)	\$ (3,392)	\$ (23,976)	\$ (366,935)
<b>Basic and diluted net income (loss) per Mentor common share:</b>				
Basic and diluted	\$ (0.010)	\$ (0.000)	\$ (0.001)	\$ (0.016)
<b>Weighted average number of shares of Mentor common stock outstanding:</b>				
Basic and diluted	22,941,357	22,850,947	22,932,316	22,850,947

See accompanying Notes to Financial Statements

**Mentor Capital, Inc.**  
Condensed Consolidated Statement of Shareholders' Equity (Unaudited)  
For the Three Months Ended September 30, 2022 and 2021

	Controlling Interest						Non- controlling equity (deficit)	Totals	
	Preferred stock		Common stock		Additional paid in capital	Accumulated equity (deficit)			Total
	Shares	\$0.0001 par*	Shares	\$0.0001 par					
Balances at June 30, 2022	11	\$ -	22,941,357	\$ 2,294	\$ 13,085,992	\$ (10,659,231)	\$ 2,429,055	\$ 342,930	\$ 2,771,985
Net income (loss)	-	-	-	-	-	(238,824)	(238,824)	(134,695)	(373,519)
Balance at September 30, 2022	<u>11</u>	<u>\$ -</u>	<u>22,941,357</u>	<u>\$ 2,294</u>	<u>\$ 13,085,992</u>	<u>\$ (10,898,055)</u>	<u>\$ 2,190,231</u>	<u>\$ 208,235</u>	<u>\$ 2,398,466</u>
Balances at June 30, 2021	11	\$ -	22,850,947	\$ 2,285	\$ 13,071,655	\$ (10,964,774)	\$ 2,109,166	\$ (240,002)	\$ 1,869,164
Net income (loss)	-	-	-	-	-	(3,392)	(3,392)	87,393	84,001
Balance at September 30, 2021	<u>11</u>	<u>\$ -</u>	<u>22,850,947</u>	<u>\$ 2,285</u>	<u>\$ 13,071,655</u>	<u>\$ (10,968,166)</u>	<u>\$ 2,105,774</u>	<u>\$ (152,609)</u>	<u>\$ 1,953,165</u>

\*Par value of series Q preferred shares is less than \$1.

See accompanying Notes to Financial Statements

**Mentor Capital, Inc.**  
Condensed Consolidated Statement of Shareholders' Equity (Unaudited)  
For the Nine Months Ended September 30, 2022 and 2021

	Preferred stock		Controlling Interest				Non-controlling equity (deficit)	Totals	
	Shares	\$0.0001 par*	Common stock		Additional paid in capital	Accumulated equity (deficit)			Total
			Shares	\$0.0001 par					
Balances at December 31, 2021	11	\$ -	22,850,947	\$ 2,285	\$ 13,071,655	\$ (10,874,079)	\$ 2,199,861	\$ (121,184)	\$ 2,078,677
Conversion of warrants to common stock	-	-	90,410	9	14,337	-	14,346	-	14,346
Net income (loss)	-	-	-	-	-	(23,976)	(23,976)	329,419	305,443
Balance at September 30, 2022	11	\$ -	22,941,357	\$ 2,294	\$ 13,085,992	\$ (10,898,055)	\$ 2,190,231	\$ 208,235	\$ 2,398,466
Balances at December 31, 2020	11	\$ -	22,850,947	\$ 2,285	\$ 13,071,655	\$ (10,601,231)	\$ 2,472,709	\$ (137,566)	\$ 2,335,143
Net income (loss)	-	-	-	-	-	(366,935)	(336,935)	(15,043)	(381,978)
Balance at September 30, 2021	11	\$ -	22,850,947	\$ 2,285	\$ 13,071,655	\$ (10,968,166)	\$ 2,105,774	\$ (152,609)	\$ 1,953,165

\*Par value of series Q preferred shares is less than \$1.

See accompanying Notes to Financial Statements



**Mentor Capital, Inc.**

## Condensed Consolidated Statements of Cash Flows (Unaudited)

	For the Nine Months Ended September 30,	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net (loss)	\$ 305,443	\$ (381,978)
Adjustments to reconcile net (loss) to net cash provided by (used by) operating activities:		
Depreciation and amortization	51,847	34,305
Amortization of right of use asset	147,419	111,307
PPP loan forgiven	-	(10,000)
(Gain) loss on asset disposal	(26,168)	643
(Gain) loss on property and equipment disposal	-	(1,404)
Bad debt expense	53,000	19,580
Amortization of discount on investment in account receivable	(38,754)	(45,684)
Decrease (increase) in accrued investment interest income	86,325	(3,049)
(Gain) loss on investment in securities at fair value	751	9,001
(Gain) loss on long-term investments	(41,326)	-
Increase in deposits	(8,000)	-
Decrease (increase) in operating assets		
Finance leases receivable	306,650	56,342
Accounts receivable - trade	121,730	(183,477)
Other receivables	(370,349)	-
Prepaid expenses and other current assets	(46,722)	(7,605)
Employee advances	(1,161)	520
Increase (decrease) in operating liabilities		
Accounts payable	(11,546)	5,979
Accrued expenses	628,177	66,631
Deferred revenue	(16,308)	(4,886)
Accrued salary, retirement, and benefits - related party	19,586	(9,935)
Net cash provided by (used by) operating activities	<u>1,160,594</u>	<u>(343,710)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investment securities	-	4,442
Purchases of property and equipment	(24,733)	(108,554)
Proceeds from sale of property and equipment	-	91,381
Down payments on right of use assets	(42,675)	(46,737)
Proceeds from investment in receivable	700	-
Net cash (used by) investing activities	<u>(66,708)</u>	<u>(59,468)</u>

See accompanying Notes to Financial Statements

**Mentor Capital, Inc.**

## Condensed Consolidated Statements of Cash Flows (Unaudited, Continued)

	For the Nine Months Ended Ended September 30,	
	2022	2021
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from related party loan	\$ 50,000	\$ 204,006
Proceeds from Paycheck Protection Program loan	-	76,593
Refund of Paycheck Protection Program payments	-	551
Proceeds from warrants converted to common stock	14,346	
Payments on related party payable	(21,950)	-
Payments on long-term debt	(21,085)	(15,996)
Payments on finance lease liability	(131,818)	(90,082)
Net cash provided by (used by) financing activities	(110,507)	175,072
Net change in cash	983,379	(228,106)
Beginning cash	453,939	506,174
Ending cash	\$ 1,437,318	\$ 278,068
<b>SUPPLEMENTARY INFORMATION:</b>		
Cash paid for interest	\$ 8,736	\$ 43,899
Cash paid for income taxes	\$ 6,526	\$ 8,565
<b>NON-CASH INVESTING AND FINANCING TRANSACTIONS:</b>		
Right of use assets acquired through operating lease liability	\$ -	\$ 55,624
Right of use assets acquired through finance lease liability	\$ 251,896	\$ 340,999
Property and equipment acquired through long-term debt	22,480	-

See accompanying Notes to Financial Statements

## Note 1 - Nature of operations

### Corporate Structure Overview

Mentor Capital, Inc. (“Mentor” or “the Company”), reincorporated under the laws of the State of Delaware in September 2015.

The entity was originally founded as an investment partnership in Silicon Valley, California, by the current CEO in 1985 and subsequently incorporated under the laws of the State of California on July 29, 1994. On September 12, 1996, the Company’s offering statement was qualified pursuant to Regulation A of the Securities Act, and the Company began to trade its shares publicly. On August 21, 1998, the Company filed for voluntary reorganization, and on January 11, 2000, the Company emerged from Chapter 11 reorganization. The Company relocated to San Diego, California, and contracted to provide financial assistance and investment in small businesses. On May 22, 2015, a corporation named Mentor Capital, Inc. (“Mentor Delaware”) was incorporated under the laws of the State of Delaware. A shareholder-approved merger between Mentor and Mentor Delaware was approved by the California and Delaware Secretaries of State and became effective September 24, 2015, thereby establishing Mentor as a Delaware corporation. In September 2020, Mentor relocated its corporate office from San Diego, California, to Plano, Texas.

The Company’s common stock trades publicly under the trading symbol OTCQB: MNTR.

The Company’s broad target industry focus includes energy, manufacturing, and management services with the goal of ensuring increased market opportunities.

Mentor has a 51% interest in Waste Consolidators, Inc. (“WCI”). WCI was incorporated in Colorado in 1999 and operates in Arizona and Texas. It is a long-standing investment of the Company since 2003.

On April 18, 2016, the Company formed Mentor IP, LLC (“MCIP”), a South Dakota limited liability company and wholly owned subsidiary of Mentor. MCIP was formed to hold interests related to patent rights obtained on April 4, 2016, when Mentor Capital, Inc. entered into that certain “Larson - Mentor Capital, Inc. Patent and License Fee Facility with Agreement Provisions for an — 80% / 20% Domestic Economic Interest — 50% / 50% Foreign Economic Interest” with R. L. Larson and Larson Capital, LLC (“MCIP Agreement”). Pursuant to the MCIP Agreement, MCIP obtained rights to an international patent application for foreign THC and CBD cannabis vape pens under the provisions of the Patent Cooperation Treaty of 1970, as amended. On May 5, 2020, a patent was issued by the United States Patent and Trademark Office and on September 22, 2020, a patent was issued by the Canadian Intellectual Property Office. R. L. Larson and MCIP continue their efforts to license or sell their exclusive patent rights in the United States and Canada for THC and CBD cannabis vape pens for various THC and CBD percentage ranges and concentrations. Patent application and national phase maintenance fees were expensed when paid rather than capitalized and therefore, no capitalized assets related to MCIP are recognized on the consolidated financial statements at September 30, 2022 and December 31, 2021.

Mentor Partner I, LLC (“Partner I”) was reorganized as a limited liability company under the laws of the State of Texas as of February 17, 2021. The entity was initially organized as a limited liability company under the laws of the State of California on September 19, 2017. Partner I was formed as a wholly owned subsidiary of Mentor for the purpose of cannabis-focused acquisition and investment. In 2018, Mentor contributed \$996,000 of capital to Partner I to facilitate the purchase of manufacturing equipment to be leased from Partner I by G FarmaLabs Limited (“G Farma”) under a Master Equipment Lease Agreement dated January 16, 2018, as amended. Amendments expanded the Lessee under the agreement to include G FarmaLabs Limited and G FarmaLabs DHS, LLC, (collectively referred to as “G Farma Lease Entities”). The finance leases resulting from this investment were fully impaired at September 30, 2022 and December 31, 2021.

## Note 1 - Nature of operations (continued)

Mentor Partner II, LLC (“Partner II”) was reorganized as a limited liability company under the laws of the State of Texas on February 17, 2021. The entity was initially organized as a limited liability company under the laws of the State of California on February 1, 2018. Partner II was formed as a wholly owned subsidiary of Mentor for the purpose of cannabis-focused investing and acquisition. On February 8, 2018, Mentor contributed \$400,000 to Partner II to facilitate the purchase of manufacturing equipment to be leased from Partner II by Pueblo West Organics, LLC, a Colorado limited liability company (“Pueblo West”) under a Master Equipment Lease Agreement dated February 11, 2018, as amended. On March 12, 2019, Mentor agreed to use Partner II earnings of \$61,368 to facilitate the purchase of additional manufacturing equipment to Pueblo West under a Second Amendment to the lease. On September 27, 2022, Pueblo West exercised its lease prepayment option and purchased the manufacturing equipment for \$245,369.35. On September 28, 2022 Partner II transferred full title to the equipment to Pueblo West. See Note 8.

The Company has a membership equity interest in Electrum Partners, LLC (“Electrum”) which is carried at a cost of \$194,028 and \$194,028 at September 30, 2022 and December 31, 2021, respectively.

On October 30, 2018, the Company entered into a secured Recovery Purchase Agreement with Electrum. Electrum is the plaintiff in an ongoing legal action in the Supreme Court of British Columbia (“Litigation”). As described further in Note 9, Mentor provided capital for payment of Litigation costs in the amount of \$196,666 and \$181,529 as of December 31, 2021 and 2020, respectively. After repayment to Mentor of all funds invested for payment of Litigation costs, Mentor will receive 19% of anything of value received by Electrum as a result of the Litigation (“Recovery”), after first receiving reimbursement of the Litigation costs.

On October 31, 2018, Mentor entered into a secured Capital Agreement with Electrum and invested an additional \$100,000 of capital in Electrum. Due to the coronavirus and the resulting delay in the trial date of the Litigation, on November 1, 2021 the parties amended the October 31, 2018 Capital Agreement for the purpose of extending the payment to the earlier of November 1, 2023, or the final resolution of the Litigation and increasing the monthly payment payable by Electrum to \$834. Under the amended Capital Agreement, on the payment date, Electrum will pay Mentor the sum of (i) \$100,000, (ii) ten percent (10%) of the Recovery, and (iii) 0.083334% of the Recovery for each full month from October 31, 2018 to the payment date for each full month that the monthly payment is not paid to Mentor in full. The payment date is the earlier of November 1, 2023, or the final resolution of the Litigation.

On January 28, 2019, the Company entered into a second secured Capital Agreement with Electrum and invested an additional \$100,000 of capital in Electrum with payment terms similar to the October 31, 2018 Capital Agreement. On November 1, 2021, the parties also amended the January 28, 2019 Capital Agreement to extend the payment date to the earlier of November 1, 2023, or the final resolution of the Litigation and increasing the monthly payment payable by Electrum to \$834. As part of the January 28, 2019 Capital Agreement, Mentor was granted an option to convert its 6,198 membership interests in Electrum into a cash payment of \$194,028 plus an additional 19.4% of the Recovery. See Note 9.

On or about September 14, 2022, Electrum and Aurora Cannabis, Inc. settled the Litigation claims and Electrum received CAD \$800,000, or approximately USD \$584,000, in settlement funds from Aurora Cannabis, Inc. (“Settlement Funds”), which have been placed in escrow. Pursuant to an escrow agreement entered into by and between Electrum, Mentor, and the escrow agent, Mentor was to be paid amounts due and owing to it under the Capital Agreements and Recovery Purchase Agreements from the Settlement Funds before any remaining amounts are to be distributed to Electrum. To date, such payment has not been received. On or about September 20, 2022, the escrow agent resigned and Electrum has refused to agree to a successor escrow agent in accordance with the terms of the escrow agreement.

Subsequent to quarter end, on October 21, 2022, the Company filed suit against the escrow agent, Electrum, and Does 1 through 10, seeking declaratory relief from the California Superior Court in the County of San Mateo that the escrow agent shall either distribute the Settlement Funds or transfer the Settlement Funds to the successor escrow agent, all in accordance with the escrow agreement. See Note 20.

On December 21, 2018, Mentor paid \$10,000 to purchase 500,000 shares of NeuCourt, Inc. common stock, representing approximately 6.13% of NeuCourt’s issued and outstanding common stock as of September 30, 2022. NeuCourt is a Delaware corporation that is developing a technology that is expected to be useful to the dispute resolution industry.

## Note 2 - Summary of significant accounting policies

### Condensed consolidated financial statements

The unaudited condensed consolidated financial statements of the Company for the nine month period ended September 30, 2022 and 2021 have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Regulation S-K. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. However, such information reflects all adjustments (consisting solely of normal recurring adjustments), which are, in the opinion of management, necessary for the fair presentation of the financial position and the results of operations. Results shown for interim periods are not necessarily indicative of the results to be obtained for a full fiscal year. The balance sheet information as of December 31, 2021 was derived from the audited financial statements included in the Company's financial statements as of and for the year ended December 31, 2021 included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on March 24, 2022. These financial statements should be read in conjunction with that report.

### Basis of presentation

The accompanying consolidated financial statements and related notes include the activity of subsidiaries in which a controlling financial interest is owned. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Significant intercompany balances and transactions have been eliminated in consolidation. Certain prior period amounts have been reclassified to conform with the current period presentation.

As shown in the accompanying financial statements, the Company has a significant accumulated deficit of \$10,898,055 as of September 30, 2022. The Company continues to experience negative cash flows from operations.

### Going Concern Uncertainties

The Company may seek to recover unused funds from its affiliated entities, sell one or more investments that management has determined are at the end of their lifecycle or no longer fit within the Company's desired focus, or raise additional capital to fund its operations. Mentor will continue to attempt to raise capital resources from both related and unrelated parties until such time as the Company is able to generate revenues sufficient to maintain itself as a viable entity. These factors have raised substantial doubt about the Company's ability to continue as a going concern. These financial statements are presented on the basis that we will continue as a going concern. The going concern concept contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. There can be no assurances that the Company will be able to raise additional capital or achieve profitability. However, the Company has 6,250,000 Series D warrants outstanding in which the Company can reset the exercise price substantially below the current market price. These condensed consolidated financial statements do not include any adjustments that might result from repricing the outstanding warrants.

Management's plans include monetizing existing mature business projects and increasing revenues through acquisition, investment, and organic growth. Management anticipates funding new activities by raising additional capital through the sale of equity securities and debt.

## Note 2 - Summary of significant accounting policies (continued)

### Impact Related to COVID-19 and Global Economic Factors

The effect of the novel coronavirus (“COVID-19”) has significantly impacted the United States and the global economy. COVID-19 and the measures taken by many countries in response have adversely affected and could in the future materially adversely impact the Company’s business, results of operations, financial condition, and stock price. The ongoing worldwide economic situation, including the COVID-19 outbreak, economic sanctions, cybersecurity risks, the outbreak of war in Ukraine, future weakness in the credit markets, and significant liquidity problems for the financial services industry may impact our financial condition in a number of ways. For example, our current or potential customers, or the current or potential customers of our partners or affiliates, may delay or decrease spending with us, or may not pay us, or may delay paying us for previously purchased products and services. Also, we, or our partners or affiliates, may have difficulties in securing additional financing. Additionally, due to a reduction in expected collections, the collectability of our investment in accounts receivable was impaired by \$116,430 at December 31, 2021, and on February 15, 2022, the terms of the investment were modified, resulting in an additional loss of \$41,930, see Note 3.

Public health efforts to mitigate the impact of COVID-19 have included government actions such as travel restrictions, limitations on public gatherings, shelter-in-place orders, and mandatory closures. These actions are being lifted to varying degrees. Supply chain disruptions, inflation, high energy prices, and supply-demand imbalances are expected to continue in 2022. WCI has not experienced an overall reduced demand for services initially anticipated because WCI helps lower monthly service costs paid by its client properties. However, WCI has been directly affected by rapid increases to direct costs of fuel, labor, and landfill usage in 2020, 2021 and 2022. WCI’s clients may experience a delay in collecting rent from tenants, which may cause slower payments to WCI. WCI closely monitors customer accounts and has not experienced significant delays in the collection of accounts receivable.

According to the Critical Infrastructure Standards released by the Cybersecurity and Infrastructure Security Agency on March 19, 2020, as amended, August 10, 2021, “Financial Services Sector” businesses, like Mentor, are considered “essential businesses.” Because of the financial nature of Mentor’s operations, which consist of oversight of our portfolio companies, accounting, compliance, investor relations, and sales, Mentor’s day-to-day operations are not substantially hindered by remote office work or telework.

The Company has taken preventative measures to protect itself from potentially malicious cyber wiper malware attacks in response to the “Shields Up” February 26, 2022, Cybersecurity and Infrastructure Security Agency warning following Russia’s February 24, 2022 invasion of Ukraine.

We anticipate that current cash and associated resources will be sufficient to execute our business plan for the next twelve months. The ultimate impact of COVID-19, the outbreak of war in Ukraine, and inflation on our business, results of operations, cybersecurity, financial condition, and cash flows are dependent on future developments, including the duration of COVID-19 and the crisis in Ukraine, government responses, and the related length of this impact on the economy, which are uncertain and cannot be predicted at this time.

### Use of estimates

The preparation of our condensed consolidated financial statements in conformity with GAAP requires management to make estimates, assumptions, and judgments that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of our consolidated financial statements, and the reported amount of revenues and expenses during the reporting period.

## Note 2 - Summary of significant accounting policies (continued)

Significant estimates relied upon in preparing these consolidated financial statements include revenue recognition, accounts and notes receivable reserves, expected future cash flows used to evaluate the recoverability of long-lived assets, estimated fair values of long-lived assets used to record impairment charges related to investments, goodwill, amortization periods, accrued expenses, and recoverability of the Company's net deferred tax assets and any related valuation allowance.

Although the Company regularly assesses these estimates, actual results could differ materially from these estimates. Changes in estimates are recorded in the period in which they become known. The Company bases its estimates on historical experience and various other assumptions that it believes to be reasonable under the circumstances. Actual results may differ from management's estimates if past experience or other assumptions do not turn out to be substantially accurate.

### Recent Accounting Standards

From time to time, the FASB or other standards-setting bodies issue new accounting pronouncements. Updates to the FASB Accounting Standard Codifications ("ASCs") are communicated through the issuance of an Accounting Standards Update ("ASU"). Unless otherwise discussed, we believe that the impact of recently issued guidance, whether adopted or to be adopted in the future, is not expected to have a material impact on our consolidated financial statements upon adoption.

There were no accounting pronouncements issued during the nine months ended September 30, 2022, that are expected to have a material impact on the Company's condensed consolidated financial statements.

### Concentrations of cash

The Company maintains its cash and cash equivalents in bank deposit accounts, which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts, nor does the Company believe it is exposed to any significant credit risk on cash and cash equivalents.

### Cash and cash equivalents

The Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents. The Company had no short-term debt securities as of September 30, 2022 and December 31, 2021.

### Accounts receivable

Accounts receivable consists of trade accounts arising in the normal course of business and are classified as current assets and carried at original invoice amounts less an estimate for doubtful receivables based on historical losses as a percent of revenue in conjunction with a review of outstanding balances on a quarterly basis. The estimate of the allowance for doubtful accounts is based on the Company's bad debt experience, market conditions, and aging of accounts receivable, among other factors. If the financial condition of the Company's customers deteriorates, resulting in the customer's inability to pay the Company's receivables as they come due, additional allowances for doubtful accounts will be required. At September 30, 2022 and December 31, 2021, the Company has an allowance for doubtful receivables in the amount of \$64,692 and \$74,676, respectively.

### Investments in securities at fair value

Investment in securities consists of debt and equity securities reported at fair value. Under ASU 2016-01, "*Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*," the Company elected to report changes in the fair value of equity investment in realized investment gains (losses), net.

## Note 2 - Summary of significant accounting policies (continued)

### Long term investments

The Company's investments in entities where it is a minority owner and does not have the ability to exercise significant influence are recorded at fair value if readily determinable. If the fair market value is not readily determinable, the investment is recorded under the cost method. Under this method, the Company's share of the earnings or losses of such investee company is not included in the Company's financial statements. The Company reviews the carrying value of its long-term investments for impairment each reporting period.

### Investments in debt securities

The Company's investment in debt securities consisted of two convertible notes receivable from NeuCourt, Inc., which were recorded at the aggregate principal face amount of \$0 and \$71,850 plus accrued interest of \$0 and \$13,225 at September 30, 2022 and December 31, 2021, respectively, as presented in Note 7. On June 13, 2022, the Company sold \$2,160.80 of note principal to a third party.

On July 15, 2022, the Company and NeuCourt, Inc. entered into an Exchange Agreement by which the \$25,000 and \$47,839 principal amounts of the NeuCourt November 22, 2017 and October 31, 2018 convertible notes and accrued unpaid interest in the amounts of \$3,518 and \$9,673 respectively, were exchanged for a Simple Agreement for Future Equity ("SAFE"), a security providing for conversion of the SAFE into shares of NeuCourt common or preferred stock ("Capital Stock") at some future date. As of July 15, 2022, the Company received SAFEs in the aggregate face amount of \$86,030 (the "Purchase Amount").

The valuation cap of the SAFE is \$3,000,000 ("Valuation Cap"), and the discount rate is 75% ("Discount Rate").

If, prior to termination, conversion, or expiration of the SAFE, NeuCourt sells a series of preferred stock ("Equity Preferred Stock") to investors in an equity financing raising not less than \$500,000, Mentor's SAFE shall be converted into shares equal to the Purchase Amount divided by the lesser of (x) the price per share of the Equity Preferred Stock multiplied by the Discount Rate and (y) the price per share equal to the Valuation Cap divided by the number of outstanding shares of NeuCourt on a fully diluted, as-converted basis ("Conversion Shares"). The Conversion Shares shall consist of (a) the number of shares of Equity Preferred Stock equal to the Purchase Amount divided by the price per share of the Equity Preferred Stock ("Preferred Stock") and (b) the number of shares of common stock equal to the Conversion Shares minus the Preferred Stock.

The SAFE will expire and terminate upon i) conversion or ii) repayment. The SAFE may be repaid by NeuCourt upon sixty (60) days prior notice ("Repayment Notice") to the Company unless the Company elects during that period to convert the SAFE.

If NeuCourt does not close an equity financing round raising \$500,000 or more prior to expiration or termination of the SAFE, the Company may elect to convert the SAFE into the number of shares of a to-be-created series of preferred stock equal to the (x) Purchase Amount divided by (y) the Valuation Cap divided by the number of outstanding shares of NeuCourt on a fully diluted, as-converted basis ("Default Conversion"). Additionally, if NeuCourt experiences a change of control, initial public offering, ceases operations, or enters into a general assignment for the benefit of its creditors, prior to conversion, termination, or expiration of the SAFE, the Company will receive the greater of (a) a cash payment equal to the Purchase Amount and (b) the value of the shares issuable on Default Conversion.

On July 22, 2022, the Company sold \$989 of the SAFE Purchase Amount to a third party. On August 1, 2022, the Company sold an additional \$1,285 of the SAFE Purchase Amount to a third party, thereby reducing the outstanding aggregate SAFE Purchase Amount to \$83,756.



## Note 2 - Summary of significant accounting policies (continued)

### Investment in account receivable, net of discount

The Company's investment in account receivable are stated at face value, net of unamortized purchase discount. The discount is amortized to interest income over the term of the exchange agreement. In the fourth quarter of 2020, we were notified that due to the effect of COVID-19 on the estimated receivable, we may not receive the 2020 installment payment or the full 2021 installment payment. Due to a reduction in expected collections, the collectability of our investment in accounts receivable was impaired by \$116,430 at December 31, 2021, and on February 15, 2022, the terms of the investment were modified, resulting in an additional loss of \$41,930, see Note 3.

### Credit quality of notes receivable and finance leases receivable, and credit loss reserve

As our notes receivable and finance leases receivable are limited in number, our management is able to analyze estimated credit loss reserves based on a detailed analysis of each receivable as opposed to using portfolio-based metrics. Our management does not use a system of assigning internal risk ratings to each of our receivables. Rather, each note receivable and finance lease receivable is analyzed quarterly and categorized as either performing or non-performing based on certain factors including, but not limited to, financial results, satisfying scheduled payments, and compliance with financial covenants. A note receivable or finance lease receivable will be categorized as non-performing when a borrower experiences financial difficulty and has failed to make scheduled payments.

### Lessee Leases

We determine whether an arrangement is a lease at inception. Lessee leases are classified as either finance leases or operating leases. A lease is classified as a finance lease if any one of the following criteria is met: (i) the lease transfers ownership of the asset by the end of the lease term, (ii) the lease contains an option to purchase the asset that is reasonably certain to be exercised, and (iii) the lease term is for a significant part of the remaining useful life of the asset or the present value of the lease payments equals or exceeds substantially all of the fair value of the asset. A lease is classified as an operating lease if it does not meet any one of these criteria. Our operating leases are comprised of office space leases and office equipment. Fleet vehicle leases entered into prior to January 1, 2019, are classified as operating leases based on an expected lease term of four years. Fleet vehicle leases entered into on or after January 1, 2019, for which the lease is expected to be extended to five years, are classified as finance leases. Our leases have remaining lease terms of one to forty-eight months. Our fleet finance leases contain a residual value guarantee which, based on past lease experience, is unlikely to result in liability at the end of the lease. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the commencement date to determine the present value of lease payments.

## Note 2 - Summary of significant accounting policies (continued)

Costs associated with operating lease assets are recognized on a straight-line basis, over the term of the lease, within cost of goods sold for vehicles used in direct servicing of WCI customers and in operating expenses for costs associated with all other operating leases. Finance lease assets are amortized within cost of goods sold for vehicles used in direct servicing of WCI customers and within operating expenses for all other finance lease assets, on a straight-line basis over the shorter of the estimated useful lives of the assets or the lease term. The interest component of a finance lease is included in interest expense and recognized using the effective interest method over the lease term. We have agreements that contain both lease and non-lease components. For vehicle fleet operating leases, we account for lease components together with non-lease components (e.g., maintenance fees).

### Property and equipment

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is computed on the declining balance method over the estimated useful lives of various classes of property. The estimated lives of the property and equipment are generally as follows: computer equipment, three to five years; furniture and equipment, seven years; and vehicles and trailers, four to five years. Depreciation on vehicles used by WCI to service its customers is included in cost of goods sold in the consolidated income statements. All other depreciation is included in selling, general and administrative costs in the consolidated income statements.

Expenditures for major renewals and improvements are capitalized, while minor replacements, maintenance, and repairs, which do not extend the asset lives, are charged to operations as incurred. Upon sale or disposition, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is included in operations. The Company continually monitors events and changes in circumstances that could indicate that the carrying balances of its property and equipment may not be recoverable in accordance with the provisions of ASC 360, "*Property, Plant, and Equipment*." When such events or changes in circumstances are present, the Company assesses the recoverability of long-lived assets by determining whether the carrying value of such assets will be recovered through undiscounted expected future cash flows. If the total of the future cash flows is less than the carrying amount of those assets, the Company recognizes an impairment loss based on the excess of the carrying amount over the fair value of the assets.

The Company reviews intangible assets subject to amortization quarterly to determine if any adverse conditions exist or a change in circumstances has occurred that would indicate impairment or a change in the remaining useful life. Conditions that may indicate impairment include, but are not limited to, a significant adverse change in legal factors or business climate that could affect the value of an asset, a product recall, or an adverse action or assessment by a regulator. If an impairment indicator exists, we test the intangible asset for recoverability. For purposes of the recoverability test, we group our amortizable intangible assets with other assets and liabilities at the lowest level of identifiable cash flows if the intangible asset does not generate cash flows independent of other assets and liabilities. If the carrying value of the intangible asset (asset group) exceeds the undiscounted cash flows expected to result from the use and eventual disposition of the intangible asset (asset group), the Company will write the carrying value down to the fair value in the period identified.

### Goodwill

Goodwill of \$1,324,142 was derived from consolidating WCI effective January 1, 2014, and \$102,040 of goodwill was derived from the 1999 acquisition of a 50% interest in WCI. In accordance with ASC 350, "*Intangibles-Goodwill and Other*," goodwill and other intangible assets with indefinite lives are no longer subject to amortization but are tested for impairment annually or whenever events or changes in circumstances indicate that the asset might be impaired.

## Note 2 - Summary of significant accounting policies (continued)

The Company reviews the goodwill allocated to each of our reporting units for possible impairment annually as of December 31 and whenever events or changes in circumstances indicate carrying amount may not be recoverable. In the impairment test, the Company measures the recoverability of goodwill by comparing a reporting unit's carrying amount, including goodwill, to the estimated fair value of the reporting unit. If the carrying amount of a reporting unit is in excess of its fair value, the Company recognizes an impairment charge equal to the amount in excess. To estimate the fair value, management uses valuation techniques which included the discounted value of estimated future cash flows. The evaluation of impairment requires the Company to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment and are subject to change as future events and circumstances change. Actual results may differ from assumed and estimated amounts. Management determined that no impairment write-downs were required as of September 30, 2022 and December 31, 2021.

### Revenue recognition

The Company recognizes revenue in accordance with ASC 606, "Revenue from Contracts with Customers," and FASB ASC Topic 842, "Leases." Revenue is recognized net of allowances for returns and any taxes collected from customers, which are subsequently remitted to government authorities.

WCI works with business park owners, governmental centers, and apartment complexes to reduce facilities-related costs. WCI performs monthly services pursuant to agreements with customers. Customer monthly service fees are based on WCI's assessment of the amount and frequency of monthly services requested by a customer. WCI may also provide additional services, such as apartment cleanout services, large item removals, or similar services, on an as needed basis at an agreed upon rate as requested by customers. All services are invoiced and recognized as revenue in the month the agreed on services are performed.

For each finance lease, the Company recognized as a gain the amount equal to (i) the net investment in the finance lease less (ii) the net book value of the equipment at the inception of the applicable lease. At lease inception, we capitalize the total minimum finance lease payments receivable from the lessee, the estimated unguaranteed residual value of the equipment at lease termination, if any, and the initial direct costs related to the lease, less unearned income. Unearned income is recognized as finance income over the term of the lease using the effective interest rate method.

The Company, through its subsidiaries, is the lessor of manufacturing equipment subject to leases under master leasing agreements. The leases contain an element of dealer profit and lessee bargain purchase options at prices substantially below the subject assets' estimated residual values at the exercise date for the options. Consequently, the Company classified the leases as sales-type leases (the "finance leases") for financial accounting purposes. For such finance leases, the Company reports the discounted present value of (i) future minimum lease payments (including the bargain purchase option, if any) and (ii) any residual value not subject to a bargain purchase option as a finance lease receivable on its balance sheet and accrues interest on the balance of the finance lease receivable based on the interest rate inherent in the applicable lease over the term of the lease. For each finance lease, the Company recognized revenue in an amount equal to the net investment in the lease and cost of sales equal to the net book value of the equipment at the inception of the applicable lease.

### Basic and diluted income (loss) per common share

We compute net income (loss) per share in accordance with ASC 260, "Earnings Per Share." Under the provisions of ASC 260, basic net loss per share includes no dilution and is computed by dividing the net loss available to common stockholders for the period by the weighted average number of shares of Common Stock outstanding during the period. Diluted net income (loss) per share takes into consideration shares of Common Stock outstanding (computed under basic net loss per share) and potentially dilutive securities that are not anti-dilutive.

**Note 2 - Summary of significant accounting policies (continued)**

Outstanding warrants that had no effect on the computation of the dilutive weighted average number of shares outstanding as their effect would be anti-dilutive were approximately 7,000,000 and 7,000,000 as of September 30, 2022 and December 31, 2021, respectively. There were 0 and 87,456 potentially dilutive shares outstanding at September 30, 2022 and December 31, 2021, respectively.

Conversion of Series Q Preferred Stock into Common Stock would be anti-dilutive for the nine months ended September 30, 2022 and 2021 and is not included in calculating the diluted weighted average number of shares outstanding.

**Note 3 – Investment in account receivable**

On April 10, 2015, the Company entered into an exchange agreement whereby the Company received an investment in an account receivable with annual installment payments of \$117,000 for 11 years through 2026, totaling \$1,287,000 in exchange for 757,059 shares of Mentor Common Stock obtained through the exercise of 757,059 Series D warrants at \$1.60 per share plus a \$0.10 per warrant redemption price.

The Company valued the transaction based on the market value of Company common shares exchanged in the transaction, resulting in a 17.87% discount from the face value of the account receivable. The discount is being amortized monthly to interest over the 11-year term of the agreement. In the fourth quarter of 2020, we were notified that due to the effect of COVID-19 on the estimated receivable, we may not receive the 2020 installment payment or the full 2021 installment payment. Based on management's collection estimates, we recorded an impairment of \$116,430 at December 31, 2021.

On February 16, 2022, subject to effecting certain agreed upon payment changes, the parties agreed to modify the terms of the installment payments. The Company will retain annual payments of \$100,000 for the remaining four years of the agreement and will also receive an additional \$100 per month through the end of the agreement term. The modification was accounted for using the same original discount rate, and a loss of \$41,930 was recognized in the quarter ended March 31, 2022.

The investment in account receivable consists of the following at September 30, 2022 and December 31, 2021:

	September 30, 2022	December 31, 2021
Face value	\$ 403,900	\$ 585,000
Impairment	-	(116,430)
Total	403,900	468,570
Unamortized discount	(106,343)	(167,137)
Net balance	297,557	301,433
Current portion	(101,200)	-
Long term portion	\$ 196,357	\$ 301,433

For the three months ended September 30, 2022 and 2021, \$12,916 and \$15,228 of discount amortization is included in interest income, respectively. For the nine months ended September 30, 2022 and 2021, \$38,754 and \$45,684 of discount amortization is included in interest income, respectively.

**Note 4 – Other receivable**

Other receivable consisted of the following:

	September 30, 2022	December 31, 2021
Employee retention tax credits	\$ 77,898	\$ 33,222
Accrued sales tax receivable from customers	248,243	-
Other	4,430	-
<b>Total Other receivable</b>	<b>\$ 330,571</b>	<b>\$ 33,222</b>

In 2022, WCI received an Employee Retention Tax Credit (“ERTC”) in the amount of \$1,350,161, in conjunction with WCI’s professional employer organization’s receipt and application of the same to WCI leased employees. The ERTC was initially established by Section 2301 of Coronavirus Aid, Relief and Economic Security Act of 2020, as amended by Sections 206-207 of the Taxpayer Certainty and Disaster Relief Act and by Division EE of Consolidated Appropriation Act of 2021 and Section 9651 of American Rescue Plan Act of 2021; which is authorized by Section 3134 of the Internal Revenue Code. The Consolidated Appropriation Act of 2021 and American Rescue Plan Act of 2021 amendments to the ERTC program provided eligible employers with a tax credit in an amount equal to 70% of qualified wages (including certain health care expenses) that eligible employers pay their employees after January 1, 2021 through December 31, 2021. The maximum amount of qualified wages taken into account with respect to each employee for each calendar quarter is \$10,000 so that the maximum credit that an eligible employer may claim for qualified wages paid to any employee is \$7,000 per quarter. The credit is taken against an employer’s share of social security tax after WCI’s professional employer organization files applicable amended quarterly tax filings on Form 941-X for each applicable quarter. The receipt of the tax credit is expected to improve WCI’s liquidity due to the effects of the credit. Although WCI’s professional employer organization currently anticipates receiving credits for wages paid in 2020 and 2021, there can be no assurances that WCI or WCI’s professional employer organization will continue to meet the requirements or that changes in the ERTC regulations including changes in guidance provided by the IRS with respect to the implementation and operation of the ERTC, will not be adopted that could reduce or eliminate the benefits that WCI and WCI’s professional employer organization may receive or qualify for.

ERTC income of \$0 and \$1,350,161 is reflected in other income for the three and nine months ended September 30, 2022 in the condensed consolidated income statement. WCI received the ERTC based on qualitative information submitted. During the three months ended September 30, 2022, \$1,272,2693 was claimed against current payroll tax liabilities as they became due, and the remaining credit of \$77,898 is included in other receivable in the condensed consolidated balance sheet at September 30, 2022.

The December 31, 2021, ERTC balance of \$33,222, was received by Mentor as a refund in the first nine months of 2022. The balance at December 31, 2022 is \$0.

**Note 5 - Property and equipment**

Property and equipment are comprised of the following:

	September 30, 2022	December 31, 2021
Computers	\$ 32,312	\$ 31,335
Furniture and fixtures	15,966	15,966
Machinery and vehicles	294,846	252,225
	343,124	299,526
Accumulated depreciation and amortization	(192,712)	(144,480)
<b>Net Property and equipment</b>	<b>\$ 150,412</b>	<b>\$ 155,046</b>

**Note 5 - Property and equipment (continued)**

Depreciation and amortization expense were \$18,207 and \$15,031 for the three months ended September 30, 2022 and 2021, respectively. Depreciation and amortization expense were \$51,847 and \$34,305 for the nine months ended September 30, 2022 and 2021, respectively. Depreciation on WCI vehicles used to service customer accounts is included in the cost of goods sold, and all other depreciation is included in selling, general and administrative expenses in the condensed consolidated income statements.

**Note 6 – Lessee Leases**

Operating leases are comprised of office space and office equipment leases. Fleet leases entered into prior to January 1, 2019, are classified as operating leases. Fleet leases entered into on or after January 1, 2019, under ASC 842 guidelines, are classified as finance leases.

Gross right of use assets recorded under finance leases related to WCI vehicle fleet leases were \$1,176,653 and \$882,081 as of September 30, 2022 and December 31, 2021, respectively. Accumulated amortization associated with finance leases was \$389,795 and \$236,470 as of September 30, 2022 and December 31, 2021, respectively.

Lease costs recognized in our consolidated statements of operations is summarized as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Operating lease cost included in cost of goods	\$ 976	\$ 27,868	\$ 14,030	\$ 90,569
Operating lease cost included in operating costs	7,500	13,496	22,200	35,788
Total operating lease cost (1)	8,476	41,364	36,230	126,357
Finance lease cost, included in cost of goods:				
Amortization of lease assets	54,855	41,111	153,324	90,082
Interest on lease liabilities	7,258	6,765	21,745	18,595
Total finance lease cost	62,113	47,876	175,069	108,677
Short-term lease cost	-	-	-	2,300
Total lease cost	\$ 70,589	\$ 89,240	\$ 211,299	\$ 237,334

(1) Right of use asset amortization under operating agreements was \$7,214 and \$39,006 for the three months ended September 30, 2022 and 2021, respectively. Right of use asset amortization under operating agreements was \$32,847 and \$106,545 for the nine months ended September 30, 2022 and 2021, respectively.

Other information about lease amounts recognized in our condensed consolidated financial statements is summarized as follows:

	September 30, 2022	December 31, 2021
Weighted-average remaining lease term – operating leases	0.41 years	0.95 years
Weighted-average remaining lease term – finance leases	3.80 years	3.83 years
Weighted-average discount rate – operating leases	4.0%	5.7%
Weighted-average discount rate – finance leases	5.5%	3.8%

**Note 6 – Lessee Leases (continued)**

Finance lease liabilities were as follows:

	September 30, 2022	December 31, 2021
Gross finance lease liabilities	\$ 759,561	\$ 634,192
Less: imputed interest	(56,503)	(51,212)
Present value of finance lease liabilities	<u>703,058</u>	<u>582,980</u>
Less: current portion	(200,310)	(167,515)
Long-term finance lease liabilities	<u>\$ 502,748</u>	<u>\$ 415,465</u>

Operating lease liabilities were as follows:

	September 30, 2022	December 31, 2021
Gross operating lease liabilities	\$ 12,500	\$ 55,865
Less: imputed interest	(124)	(8,832)
Present value of operating lease liabilities	<u>12,376</u>	<u>47,033</u>
Less: current portion	(12,376)	(42,058)
Long-term operating lease liabilities	<u>\$ -</u>	<u>\$ 4,975</u>

Lease maturities were as follows:

Maturity of lease liabilities

12 months ending September 30,	Finance leases	Operating leases
2022	\$ 200,310	\$ 12,376
2023	187,397	-
2024	168,143	-
2025	102,522	-
2026	44,686	-
Total	<u>703,058</u>	<u>12,376</u>
Less: Current maturities	(200,310)	(12,376)
Long-term liability	<u>\$ 502,748</u>	<u>\$ -</u>

## Note 7 – Convertible notes receivable

Convertible notes receivable consist of the following:

	September 30, 2022	December 31, 2021
November 22, 2017, NeuCourt, Inc. convertible note receivable included accrued interest of \$2,834 at December 31, 2021. The convertible note plus accrued interest of \$3,518 was converted to a SAFE investment in NeuCourt as further described in the note below. The note bore interest at 5% per annum, originally matured November 22, 2019, and was extended to mature November 22, 2021, and subsequently to November 22, 2023. Principal and accrued interest were due at maturity. Upon extension, the Company received a cash payment of \$2,496 for interest accrued through November 4, 2019. The convertible note and accrued interest were exchanged for a SAFE security as further described below. *	\$ -	\$ 27,834
The October 31, 2018, NeuCourt, Inc. convertible note receivable included accrued interest of \$8,491 at December 31, 2021. The note bore interest at 5% per annum and was to mature on October 31, 2022. Principal and accrued interest were due at maturity. On July 15, 2022, the convertible note and accrued interest of \$9,673 were exchanged for a SAFE security as further described below. *	-	58,491
<b>Total convertible notes receivable</b>	<b>-</b>	<b>86,325</b>
<b>Less current portion</b>	<b>-</b>	<b>(58,491)</b>
<b>Long term portion</b>	<b>\$ -</b>	<b>\$ 27,834</b>

\* On July 15, 2022 the convertible notes were exchanged for a Simple Agreement for Future Equity (“SAFE”). Prior to the exchange, the Conversion Price for each Note was the lower of (i) 75% of the price paid in the Next Equity Financing, or the price obtained by dividing a \$3,000,000 valuation cap by the fully diluted number of shares. The number of Conversion Shares to be issued on conversion was the quotient obtained by dividing the outstanding principal and unpaid accrued interest on a Note to be converted on the date of conversion by the Conversion Price (the “Total Number of Shares”), The Total Number of Shares consisted of Preferred Stock and Common Stock as follows: (i) That number of shares of Preferred Stock obtained by dividing (a) the principal amount of each Note and all accrued and unpaid interest thereunder by (b) the price per share paid by other purchasers of Preferred Stock in the Next Equity Financing (such number of shares, the “Number of Preferred Stock”) and (ii) that number of shares of Common Stock equal to the Total Number of Shares minus the Number of Preferred Stock.

On July 15, 2022, the Company and NeuCourt, Inc. entered into an Exchange Agreement by which the \$25,000 and \$47,839 principal amounts of the NeuCourt November 22, 2017 and October 31, 2018 convertible notes and accrued unpaid interest in the amounts of \$3,518 and \$9,673, respectively, were exchanged for a Simple Agreement for Future Equity (“SAFE”), a security providing for conversion of the SAFE into shares of NeuCourt common or preferred stock (“Capital Stock”) at some future date. As of July 15, 2022, the Company received SAFEs in the aggregate face amount of \$86,030 (the “Purchase Amount”).

The valuation cap of the SAFE is \$3,000,000 (“Valuation Cap”), and the discount rate is 75% (“Discount Rate”).

If, prior to termination, conversion, or expiration of the SAFE, NeuCourt sells a series of preferred stock (“Equity Preferred Stock”) to investors in an equity financing raising not less than \$500,000, Mentor’s SAFE shall be converted into shares equal to the Purchase Amount divided by the lesser of (x) the price per share of the Equity Preferred Stock multiplied by the Discount Rate and (y) the price per share equal to the Valuation Cap divided by the number of outstanding shares of NeuCourt on a fully diluted, as-converted basis (“Conversion Shares”). The Conversion Shares shall consist of (a) the number of shares of Equity Preferred Stock equal to the Purchase Amount divided by the price per share of the Equity Preferred Stock (“Preferred Stock”) and (b) the number of shares of common stock equal to the Conversion Shares minus the Preferred Stock.

The SAFE will expire and terminate upon i) conversion or ii) repayment. The SAFE may be repaid by NeuCourt upon sixty (60) days prior notice (“Repayment Notice”) to the Company unless the Company elects during that period to convert the SAFE.

If NeuCourt does not close an equity financing round raising \$500,000 or more prior to expiration or termination of the SAFE, the Company may elect to convert the SAFE into the number of shares of a to-be-created series of preferred stock equal to the (x) Purchase Amount divided by (y) the Valuation Cap divided by the number of outstanding shares of NeuCourt on a fully diluted, as-converted basis (“Default Conversion”). Additionally, if NeuCourt experiences a change of control, initial public offering, ceases operations, or enters into a general assignment for the benefit of its creditors, prior to conversion, termination, or expiration of the SAFE, the Company will receive the greater of (a) a cash payment equal to the Purchase Amount and (b) the value of the shares issuable on Default Conversion.

On July 22, 2022, the Company sold \$989 of the SAFE Purchase Amount to a third party. On August 1, 2022, the Company sold an additional \$1,285 of the SAFE Purchase Amount to a third party, thereby reducing the aggregate outstanding SAFE Purchase Amount to \$83,756.



#### Note 8 – Finance leases receivable

Partner II entered into a Master Equipment Lease Agreement with Pueblo West, dated February 11, 2018, amended November 28, 2018 and March 12, 2019. Partner II acquired and delivered manufacturing equipment as selected by Pueblo West under sales-type finance leases. On September 27, 2022, Pueblo West exercised its lease prepayment option and purchased the manufacturing equipment for \$245,369.35. On September 28, 2022 Partner II transferred full title to the equipment to Pueblo West.

Performing net finance leases receivable consisted of the following:

	September 30, 2022	December 31, 2021
Gross minimum lease payments receivable	\$ -	\$ 367,505
Accrued interest	-	1,783
Less: unearned interest	-	(62,638)
Finance leases receivable	-	306,650
Less current portion	-	(76,727)
Long term portion	\$ -	\$ 229,923

Finance lease revenue recognized on Partner II finance leases for the three months ended September 30, 2022 and 2021 was \$20,168 and \$9,957, respectively. Interest income recognized on Partner II finance leases for the nine months ended September 30, 2022 and 2021 was \$37,659 and \$ 31,176, respectively.

#### Note 9 - Contractual interests in legal recoveries

##### Interest in Electrum Partners, LLC legal recovery

Electrum was the plaintiff in that certain legal action captioned *Electrum Partners, LLC, Plaintiff, and Aurora Cannabis Inc., Defendant*, in the Supreme Court of British Columbia (“Litigation”). On October 23, 2018, Mentor entered into a Joint Prosecution Agreement among Mentor, Mentor’s corporate legal counsel, Electrum, and Electrum’s legal counsel.

On October 30, 2018, Mentor entered into a secured Recovery Purchase Agreement (“Recovery Agreement”) with Electrum, under which Mentor purchased a portion of Electrum’s potential recovery in the Litigation. Mentor agreed to pay \$100,000 of costs incurred in the Litigation, in consideration for ten percent (10%) of anything of value received by Electrum as a result of the Litigation (“Recovery”) in addition to repayment of its initial investment. As of September 30, 2022 and December 31, 2021, Mentor has invested an additional \$96,666 and \$96,666, respectively, in capital for payment of legal retainers and fees in consideration for an additional nine percent (9%) of the Recovery. At September 30, 2022 and December 31, 2021, the Recovery Agreement investment is reported in the condensed consolidated balance sheets at cost of \$196,666 and \$196,666, respectively. This investment was subject to loss should Electrum not prevail in the Litigation.

**Note 9 - Contractual interests in legal recoveries (continued)**

On October 31, 2018, Mentor also entered into a secured Capital Agreement with Electrum under which Mentor invested an additional \$100,000 of capital in Electrum. Due to the coronavirus and the resulting delay in the trial date of the Litigation, on November 1, 2021 the parties amended the October 31, 2018 Capital Agreement for the purpose of extending the payment to the earlier of November 1, 2023, or the final resolution of the Litigation and increasing the monthly payment payable by Electrum to \$834. In consideration for Mentor's investment, Electrum shall pay to Mentor, on the payment date, the sum of (i) \$100,000, (ii) ten percent of the Recovery, and (iii) 0.083334% of the Recovery for each full month from October 31, 2018 to the payment date for each full month that the monthly payment is not paid to Mentor in full. The payment date under the amended October 31, 2018 Capital Agreement is the earlier of November 1, 2023, or the final resolution of the Litigation. Payment is secured by all assets of Electrum. This investment is included at cost of \$100,000 in Contractual interests in legal recoveries on the condensed consolidated balance sheets at September 30, 2022 and December 31, 2021.

On January 28, 2019, Mentor entered into a second secured Capital Agreement with Electrum. On November 1, 2021, the parties also amended the January 28, 2019 Capital Agreement to extend the payment date to the earlier of November 1, 2023, or the final resolution of the Litigation and increased the monthly payment payable by Electrum to \$834. Under the amended second Capital Agreement, Mentor invested an additional \$100,000 of capital in Electrum. In consideration for Mentor's investment, Electrum shall pay to Mentor on the payment date the sum of (i) \$100,000, (ii) ten percent (10%) of the Recovery, and (iii) the greater of (A) 0.083334% of the Recovery for each full month from January 28, 2019 until the payment date if the Recovery occurs prior to the payment date, and (B) the monthly payment for each full month from January 28, 2019 until the payment date. The payment date is the earlier of November 1, 2023, and the final resolution of the Litigation. This investment is included at its \$100,000 cost as part of the Contractual interests in legal recoveries on the condensed consolidated balance sheets at September 30, 2022 and December 31, 2021. In addition, the second Capital Agreement provides that Mentor may, at any time up to and including 90 days following the payment date, elect to convert its 6,198 membership interests in Electrum into a cash payment of \$194,028 plus an additional 19.4% of the Recovery.

On or about September 14, 2022, Electrum and Aurora Cannabis, Inc. settled the Litigation claims and Electrum received CAD \$800,000, or approximately USD \$584,000, in settlement funds from Aurora Cannabis, Inc. ("Settlement Funds"), which have been placed in escrow. Pursuant to an escrow agreement entered into by and between Electrum, Mentor, and the escrow agent, Mentor was to be paid amounts due and owing to it under the Capital Agreements and Recovery Purchase Agreements from the Settlement Funds before any remaining amounts are to be distributed to Electrum. To date, such payment has not been received. On or about September 20, 2022, the escrow agent resigned and Electrum has refused to agree to a successor escrow agent in accordance with the terms of the escrow agreement.

Subsequent to quarter end, on October 21, 2022, the Company filed suit against the escrow agent, Electrum, and Does 1 through 10, seeking declaratory relief from the California Superior Court in the County of San Mateo that the escrow agent shall either distribute the Settlement Funds or transfer the Settlement Funds to the successor escrow agent, all in accordance with the escrow agreement. See Note 20.

Company management estimates that collection from the Settlement Funds is more likely than not, and no impairment has been recorded at September 30, 2022 and December 31, 2021.

The Company's interest in the Electrum Partners, LLC legal recovery, carried at cost, at September 30, 2022 and December 31, 2021 is summarized as follows:

	September 30, 2022	December 31, 2021
October 30, 2018 Recovery Purchase Agreement	\$ 196,666	\$ 196,666
October 31, 2018 secured Capital Agreement	100,000	100,000
January 28, 2019 secured Capital Agreement	100,000	100,000
Total Invested	<u>\$ 396,666</u>	<u>\$ 396,666</u>

**Note 10 – Investments and fair value**

The hierarchy of Level 1, Level 2 and Level 3 Assets are listed as following:

	Unadjusted Quoted Market Prices (Level 1)	Quoted Prices for Identical or Similar Assets in Active Markets (Level 2)	Fair Value Measurement Using		
			Significant Unobservable Inputs (Level 3)	Significant Unobservable Inputs (Level 3)	Significant Unobservable Inputs (Level 3)
	Investment in Securities		Contractual interest Legal Recovery	Investment in Common Stock Warrants	Other Equity Investments
Balance at December 31, 2020	\$ 34,826	\$ -	\$ 381,529	\$ 1,000	\$ 204,028
Total gains or losses					
Included in earnings (or changes in net assets)	842	-	-	175	-
Purchases, issuances, sales, and settlements					
Purchases	38,470	-	15,137	-	-
Issuances	-	-	-	-	-
Sales	(73,129)	-	-	-	-
Settlements	-	-	-	-	-
Balance at December 31, 2021	\$ 1,009	\$ -	\$ 396,666	\$ 1,175	\$ 204,028
Total gains or losses					
Included in earnings (or changes in net assets)	(751)	-	-	(500)	-
Purchases, issuances, sales, and settlements					
Purchases	-	-	-	-	83,756
Issuances	-	-	-	-	-
Sales	-	-	-	-	-
Settlements	-	-	-	-	-
Balance at September 30, 2022	\$ 258	\$ -	\$ 396,666	\$ 675	\$ 287,784

**Note 10 – Investments and fair value (continued)**

The amortized costs, gross unrealized holding gains and losses, and fair values of the Company's investment securities classified as equity securities, at fair value, at September 30, 2022 consist of the following:

Type	Amortized Costs	Gross Unrealized Gains	Gross Unrealized Losses	Fair Values
NASDAQ listed company stock	\$ 1,637	\$ -	\$ (1,379)	\$ 258
	\$ 1,637	\$ -	\$ (1,379)	\$ 258

The portion of unrealized gains and losses for the period related to equity securities still held at the reporting date is calculated as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net gains and losses recognized during the period on equity securities	\$ (501)	\$ (2,427)	\$ (751)	\$ (9,001)
Less: Net gains (losses) recognized during the period on equity securities sold during the period	-	-	-	(2,508)
Unrealized gains and losses recognized during the reporting period on equity securities still held at the reporting date	\$ (501)	\$ (2,427)	\$ (751)	\$ (6,493)

**Note 11 - Common stock warrants**

On August 21, 1998, the Company filed for voluntary reorganization with the United States Bankruptcy Court for the Northern District of California, and on January 11, 2000, the Company's Plan of Reorganization was approved. Among other things, the Company's Plan of Reorganization allowed creditors and claimants to receive new Series A, B, C, and D warrants in settlement of their prior claims. The warrants expire on May 11, 2038.

All Series A, B, C, and D warrants have been called, and all Series A, B, and C warrants have been exercised. The Company intends to allow warrant holders or Company designees, in place of original holders, additional time as needed to exercise the remaining Series D warrants. The Company may lower the exercise price of all or part of a warrant series at any time. Similarly, the Company could reverse split the stock to raise the stock price above the warrant exercise price. The warrants are specifically not affected and do not split with the shares in the event of a reverse split. If the called warrants are not exercised, the Company has the right to designate the warrants to a new holder in return for a \$0.10 per share redemption fee payable to the original warrant holders. All such changes in the exercise price of warrants were provided for by the court in the Plan of Reorganization to provide a mechanism for all debtors to receive value even if they could not or did not exercise their warrant. Therefore, Management believes that the act of lowering the exercise price is not a change from the original warrant grants and the Company did not record an accounting impact as the result of such change in exercise prices.

The exercise price in effect at January 1, 2015 through September 30, 2022 for the Series D warrants is \$1.60.

**Note 11 - Common stock warrants (continued)**

In 2009, the Company entered into an Investment Banking agreement with Network 1 Financial Securities, Inc. and a related Strategic Advisory Agreement with Lenox Hill Partners, LLC regarding a potential merger with a cancer development company. In conjunction with those related agreements, the Company issued 689,159 Series H (\$7) Warrants, with a 30-year life. The warrants are subject to cashless exercise based upon the ten-day trailing closing bid price preceding the exercise as interpreted by the Company.

As of September 30, 2022 and December 31, 2021, the weighted average contractual life for all Mentor warrants was 15.75 years and 16.5 years, respectively, and the weighted average outstanding warrant exercise price was \$2.14 and \$2.11 per share, respectively.

During the nine months ended September 30, 2022 and 2021, there were 87,456 and 0 Series B and 2,954 and 0 Series D warrants exercised, respectively; there were no warrants issued. The intrinsic value of outstanding warrants at September 30, 2022 and December 31, 2021 was \$0 and \$0, respectively.

The following table summarizes Series B and Series D common stock warrants as of each period:

	<u>Series B</u>	<u>Series D</u>	<u>B and D Total</u>
Outstanding at December 31, 2020	87,456	6,252,954	6,340,410
Issued	-	-	-
Exercised	-	-	-
Outstanding at December 31, 2021	87,456	6,252,954	6,340,410
Issued	-	-	-
Exercised	(87,456)	(2,954)	(90,410)
Outstanding at September 30, 2022	<u>0</u>	<u>6,250,000</u>	<u>6,250,000</u>

Series E, F, G, and H warrants were issued for investment banking and advisory services during 2009. Series E, F, and G warrants were exercised in 2014. The following table summarizes Series H (\$7) warrants as of each period:

	<u>Series H \$7.00 exercise price</u>
Outstanding at December 31, 2020	689,159
Issued	-
Exercised	-
Outstanding at December 31, 2021	689,159
Issued	-
Exercised	-
Outstanding at September 30, 2022	<u>689,159</u>

#### **Note 11 - Common stock warrants (continued)**

On February 9, 2015, in accordance with Section 1145 of the United States Bankruptcy Code and the Company's Plan of Reorganization, the Company announced a minimum 30-day partial redemption of up to 1% (approximately 90,000 shares at that time) of the already outstanding Series D warrants to provide for the court specified redemption mechanism for warrants not exercised timely by the original holder or their estates. Company designees that applied during the 30 days paid 10 cents per warrant to redeem the warrant and then exercised the Series D warrant to purchase a share at the court-specified formula of not more than one-half of the closing bid price on the day preceding the 30-day exercise period. In the Company's October 7, 2016 press release, Mentor stated that the 1% redemptions which were formerly priced on a calendar month schedule would subsequently be initiated and be priced on a random date to be scheduled after the prior 1% redemption is completed to prevent potential third-party manipulation of share prices at month-end. The periodic partial redemptions will continue to be periodically recalculated and repeated until such unexercised warrants are exhausted, or the partial redemption is otherwise paused, suspended, or truncated by the Company. For the nine months ended September 30, 2022 and 2021, no warrants were redeemed.

#### **Note 12 - Warrant redemption liability**

The Plan of Reorganization provides the right for the Company to call, and the Company or its designee to redeem warrants that are not exercised timely, as specified in the Plan, by transferring a \$0.10 redemption fee to the former holders. Certain individuals desiring to become a Company designee to redeem warrants have deposited redemption fees with the Company that, when warrants are redeemed, will be forwarded to the former warrant holders through DTCC or at their last known address 30 days after the last warrant of a class is exercised, or earlier at the discretion of the Company. The Company has arranged for a service to process the redemption fees in offset to an equal amount of liability.

In prior years the Series A, Series B, and Series C redemption fees have been distributed through DTCC into holder's brokerage accounts or directly to the holders. All Series A, Series B, and Series C warrants have been exercised and are no longer outstanding.

Once the Series D warrants have been fully redeemed and exercised, the fees for the Series D warrant series will likewise be distributed. Mr. Billingsley has agreed to assume liability for paying these redemption fees and therefore warrant redemption fees received are retained by the Company for operating costs. Should Mr. Billingsley be incapacitated or otherwise become unable to pay the warrant redemption fees, the Company will remit the warrant redemption fees to former holders from amounts due to Mr. Billingsley from the Company, which are sufficient to cover the redemption fees at September 30, 2022 and December 31, 2021.

#### **Note 13 - Stockholders' equity**

##### Common Stock

The Company was incorporated in California in 1994 and was redomiciled as a Delaware corporation, effective September 24, 2015. There are 75,000,000 authorized shares of Common Stock at \$0.0001 par value. The holders of Common Stock are entitled to one vote per share on all matters submitted to a vote of the stockholders.

On August 8, 2014, the Company announced that it was initiating the repurchase of 300,000 shares of its Common Stock (approximately 2% of the Company's common shares outstanding at that time). As of September 30, 2022 and December 31, 2021, 44,748 and 44,748 shares have been repurchased and retired, respectively.

**Note 13 - Stockholders' equity(continued)**

Preferred Stock

Mentor has 5,000,000, \$0.0001 par value, preferred shares authorized.

On July 13, 2017, the Company filed a Certificate of Designation of Rights, Preferences, Privileges and Restrictions of Series Q Preferred Stock ("Certificate of Designation") with the Delaware Secretary of State to designate 200,000 preferred shares as Series Q Preferred Stock, such series having a par value of \$0.0001 per share. Series Q Preferred Stock is convertible into Common Stock, at the option of the holder, at any time after the date of issuance of such share and prior to notice of redemption of such share of Series Q Preferred Stock by the Company, into such number of fully paid and nonassessable shares of Common Stock as determined by dividing the Series Q Conversion Value by the Conversion Price at the time in effect for such share.

The per share "Series Q Conversion Value," as defined in the Certificate of Designation, shall be calculated by the Company at least once each calendar quarter as follows: The per share Series Q Conversion Value shall be equal to the quotient of the "Core Q Holdings Asset Value" divided by the number of issued and outstanding shares of Series Q Preferred Stock. The "Core Q Holdings Asset Value" shall equal the value, as calculated and published by the Company, of all assets that constitute Core Q Holdings which shall include such considerations as the Company designates and need not accord with any established or commonly employed valuation method or considerations. "Core Q Holdings" consists of all proceeds received by the Company on the sale of shares of Series Q Preferred Stock and all securities, acquisitions, and business acquired from such proceeds by the Company. The Company shall periodically, but at least once each calendar quarter, identify, update, account for and value, the assets that comprise the Core Q Holdings.

Preferred Stock (continued)

The "Conversion Price" of the Series Q Preferred Stock shall be at the product of 105% and the closing price of the Company's Common Stock on a date designated and published by the Company. The Series Q Preferred Stock is intended to allow for a pure-play investment in cannabis companies that have the potential to go public. The Series Q Preferred Stock will be available only to accredited, institutional, or qualified investors.

The Company sold and issued 11 shares of Series Q Preferred Stock on May 30, 2018, at a price of \$10,000 per share, for an aggregate purchase price of \$110,000 ("Series Q Purchase Price"). The Company invested the Series Q Purchase Price as capital in Partner II to purchase equipment to be leased to Pueblo West. On September 27, 2022, Pueblo West exercised its lease prepayment option and purchased the manufacturing equipment for \$245,369.35. On September 28, 2022 Partner II transferred full title to the equipment to Pueblo West. Therefore, the Core Q Holdings at September 30, 2022 and December 31, 2021 include this interest. The Core Q Holdings Asset Value at September 30, 2022 and December 31, 2021 was \$20,843 and \$18,082 per share, respectively. There is \$0 and \$0 contingent liability for the Series Q Preferred Stock conversion at September 30, 2022 and December 31, 2021. At September 30, 2022 and December 31, 2021, the Series Q Preferred Stock could have been converted at the Conversion Price of \$0.063 and \$0.053, respectively, into an aggregate of 3,639,262 and 3,752,930 shares of the Company's Common Stock, respectively. Because there were net losses for the nine-month period ended September 30, 2022 and December 31, 2021, the shares were anti-dilutive and therefore are not included in the weighted average share calculation for that period.

**Note 14 - Term Loan**

Term debt as of September 30, 2022 and December 31, 2021 consists of the following:

	September 30, 2022	December 31, 2021
Bank of America auto loan, interest at 2.49% per annum, monthly principal and interest payments of \$1,505, maturing July 2025, collateralized by vehicle.	\$ 48,738	\$ 61,710
Bank of America auto loan, interest at 2.24% per annum, monthly principal and interest payments of \$654, maturing October 2025, collateralized by vehicle.	22,755	28,162
Bank of America auto loan, interest at 2.84% per annum, monthly principal and interest payments of \$497, maturing March 2026, collateralized by vehicle.	19,775	-
Total notes payable	91,268	89,872
Less: Current maturities	(29,236)	(23,203)
	<u>\$ 62,031</u>	<u>\$ 66,669</u>

**Note 15 – Paycheck Protection Program Loans and Economic Injury Disaster Loans**Paycheck Protection Program loans

In 2020, the Company and WCI each received loans in the amount of \$76,500 and \$383,342, respectively, from the Bank of Southern California and the Republic Bank of Arizona (collectively, the “PPP Loans”). The PPP Loans were forgiven in November 2020, except for \$10,000 of WCI’s loan that was not eligible for forgiveness due to receipt of a \$10,000 Economic Injury Disaster Loan Advance (“EIDL Advance”). However, on December 27, 2020, Section 1110(e)(6) of the CARES Act was repealed by Section 333 of the Economic Aid Act. As a result, the SBA automatically remitted a reconciliation payment to WCI’s PPP lender, the Republic Bank of Arizona, for the previously deducted EIDL Advance amount, plus interest through the remittance date. On March 16, 2021, The Republic Bank of Arizona notified WCI of receipt of the reconciliation payment and full forgiveness of the EIDL Advance. The \$10,000 forgiveness is reflected as other income for the nine months ended September 30, 2021, in the condensed consolidated income statements.

On February 17, 2021, Mentor received a second PPP Loan in the amount of \$76,593 (“Second PPP Loan”) pursuant to Division N, Title III, of the Consolidated Appropriations Act, 2021 (the “Economic Aid Act”) as further set forth at Section 311 *et. seq.* of the Economic Aid Act. The Second PPP Loan was forgiven effective October 26, 2021.

There were no outstanding balances due on PPP loans at September 30, 2022 or December 31, 2021.



**Note 15 – Paycheck Protection Program loans and Economic Injury Disaster Loan (continued)**Economic injury disaster loan

On July 9, 2020, WCI received an additional Economic Injury Disaster Loan in the amount of \$149,900 through the SBA. The loan is secured by all tangible and intangible personal property of WCI, bears interest at 3.75% per annum, requires monthly installment payments of \$731 beginning July 2021, and matures July 2050. In March 2021, the SBA extended the deferment period for payments which extended the initial payment until July 2022. The loan is collateralized by all tangible and intangible assets of WCI.

EIDL loan balances at September 30, 2022 consist of the following:

	September 30, 2022	December 31, 2021
July 9, 2020, WCI received an additional Economic Injury Disaster Loan, including accrued interest of \$12,043 and \$8,424 as of September 30, 2022 and December 31, 2021, respectively. The note is secured by all tangible and intangible personal property of WCI, bears interest at 3.75% per annum, requires monthly installment payments of \$731 beginning July 2022, and matures July 2050.	161,943	158,324
Less: Current maturities	(3,343)	-
Long-term portion of economic injury disaster loan	<u>\$ 158,600</u>	<u>\$ 158,324</u>

Interest expense on the EIDL Loan for the three months ended September 30, 2022 and 2021 was \$1,501 and \$1,449, respectively.

Interest expense on the EIDL Loan for the nine months ended September 30, 2022 and 2021 was \$4,418 and \$4,260, respectively.

**Note 16 - Accrued salary, accrued retirement, and incentive fee - related party**

The Company had an outstanding liability to its CEO as follows:

	September 30, 2022	December 31, 2021
Accrued salaries and benefits	\$ 905,864	\$ 881,125
Accrued retirement and other benefits	503,240	508,393
Offset by shareholder advance	(261,653)	(261,653)
	<u>\$ 1,147,451</u>	<u>\$ 1,127,865</u>

As approved by a resolution of the Board of Directors in 1998, the CEO will be paid an incentive fee and a bonus which are payable in installments at the CEO's option. The incentive fee is 1% of the increase in market capitalization based on the bid price of the Company's stock beyond the book value at confirmation of the bankruptcy, which was approximately \$260,000. The bonus is 0.5% of the increase in market capitalization for each \$1 increase in stock price up to a maximum of \$8 per share (4%) based on the bid price of the stock beyond the book value at confirmation of the bankruptcy. For the nine months ended September 30, 2022 and 2021, the incentive fee expense was \$0 and \$0, respectively.

**Note 17 – Related party transactions**

On December 15, 2020, WCI received a \$20,000 short term loan from an officer of WCI, which was reflected as a related party payable at December 31, 2021. On February 15, 2022, the loan plus accrued interest of \$1,950 was paid in full.

On March 12, 2021, Mentor received a \$100,000 loan from its CEO, which bears interest at 7.8% per annum compounded quarterly and is due upon demand. On June 17, 2021 and June 5, 2022, Mentor received additional \$100,000 and \$50,000 loans from its CEO with the same terms as the original loan. Accrued interest on the related party loans was \$24,456 and \$12,244 at September 30, 2022 and December 31, 2021, respectively. Interest expense on the related party loans for the three months ended September 30, 2022 and 2021 was \$5,250 and \$4,006 respectively. Interest expense on the related party loans for the nine months ended September 30, 2022 and 2021 was \$13,812 and \$6,442 respectively.

**Note 18 – Commitments and contingencies**

G FarmaLabs Limited, a Nevada corporation (“G Farma”) has not made scheduled payments on the finance lease receivable or the notes receivable summarized below since February 19, 2019. All amounts due from G Farma are fully impaired at September 30, 2022 and December 31, 2021. A complete description of the agreements can be found in the Company’s Annual Report for the period ended December 31, 2021 on Form 10-K as filed with the SEC on March 24, 2022.

On March 17, 2017, the Company entered into a Notes Purchase Agreement with G Farma, with operations in Washington that had planned operations in California under two temporary licenses pending completion of its Desert Hot Springs, California, location. Under the Agreement, the Company purchased two secured promissory notes from G Farma in an aggregate principal face amount of \$500,000. Subsequent to the initial investment, the Company executed eight addenda. Addendum II through Addendum VIII increased the aggregate principal face amount of the two notes to \$1,100,000 and increased the combined monthly payments of the notes to \$10,239 per month beginning March 15, 2019 with a balloon payment on the notes of approximately \$894,172 due at maturity.

On September 6, 2018, the Company entered into an Equity Purchase and Issuance Agreement with G FarmaLabs Limited, G FarmaLabs DHS, LLC, GFBrands, Inc., Finka Distribution, Inc., and G FarmaLabs, WA, LLC under which Mentor was supposed to receive equity interests in the G Farma Equity Entities and their affiliates (together, the “G Farma Equity Entities”) equal to 3.75% of the G Farma Equity Entities’ interests. On March 4, 2019, Addendum VIII increased the G Farma Equity Entities’ equity interest to which Mentor is immediately entitled to 3.843%, and added Goya Ventures, LLC as a G Farma Equity Entity. The G Farma Entities failed to perform their obligations under the Equity Purchase and Issuance Agreement and the equity investment was fully impaired at September 30, 2022 and December 31, 2021.

Partner I acquired and delivered manufacturing equipment as selected by the G Farma Entities under sales-type finance leases. The finance leases resulting from this investment have been fully impaired at September 30, 2022 and December 31, 2021.

## Note 18 – Commitments and contingencies (continued)

On May 28, 2019, the Company and Mentor Partner I, LLC filed suit against the G Farma Entities and three guarantors to the G Farma agreements, summarized above, in the California Superior Court in and for the County of Marin. The Company primarily sought monetary damages for breach of the G Farma agreements, including promissory notes, leases, and other agreements, to recover collateral under a security agreement and to collect from guarantors on the agreements. The Company obtained, in January 2020, a writ of possession to recover leased equipment within G Farma's possession. On January 31, 2020, all remaining equipment leased to G Farma by Mentor Partner I was repossessed by the Company. In the quarter ended June 30, 2020, the Company sold all of the recovered equipment, with an original cost of \$622,670, for net proceeds of \$249,481, after deducting shipping and delivery costs. All proceeds from the sale of repossessed equipment have been applied to the G Farma lease receivable balance that is fully reserved at September 30, 2022 and December 31, 2021.

On November 4, 2020, the Court granted Mentor Capital, Inc.'s and Mentor Partner I's motion for summary adjudication as to both causes of action against G FarmaLabs Limited for liability for breach of the two promissory notes and one cause of action against each of Mr. Gonzalez and Ms. Gonzalez related to their duties as guarantors of G FarmaLabs Limited's obligations under the promissory notes.

On August 27, 2021, the Company and Mentor Partner I entered into a Settlement Agreement and Mutual Release with the G Farma Entities and guarantors (collectively, "G Farma Settlers") to resolve and settle all outstanding claims ("Settlement Agreement"). The Settlement Agreement requires the G Farma Settlers to pay the Company an aggregate of \$500,000 plus interest, payable monthly as follows: (i) \$500 per month for 12 months beginning on September 5, 2021, (ii) \$1,000 per month for 12 months beginning September 5, 2022, (iii) \$2,000 per month for 12 months beginning September 5, 2023, and (iv) increasing by an additional \$1,000 per month on each succeeding September 5<sup>th</sup> thereafter, until the settlement amount and accrued unpaid interest is paid in full. Interest on the unpaid balance shall initially accrue at the rate of 4.25%, commencing February 25, 2021, and shall be adjusted on February 25<sup>th</sup> of each year to equal the Prime Rate as published in the Wall Street Journal plus 1%. In the event that the G Farma Settlers fail to make any monthly payment and have not cured such default within 10 days of notice from the Company, the parties have stipulated that an additional \$2,000,000 will be immediately added to the amount payable by the G Farma Settlers.

In August 2022 and September 2022, the G Farma Settlers failed to make monthly payments, and failed to cure each default within 10 days' notice from Company pursuant to the Settlement Agreement. Subsequent to quarter end, the G Farma Settlers failed to make the October 2022 monthly payment and also failed to cure such default within 10 days' notice from the Company. As a result, \$2,000,000 will be added to the amount payable by the G Farma Settlers in accordance with the terms of the Settlement Agreement. The Company intends to seek entry of a stipulated judgment against the G Farma Settlers for (1) the remaining amount of the \$500,000 settlement amount which has not yet been paid by the G Farma Settlers plus \$2,000,000 and all accrued unpaid interest, (2) the Company's incurred costs, and (3) attorneys' fees paid by the Company to obtain the judgment.

The Company has retained the reserve on collections of the unpaid lease receivable balance due to the long history of uncertain payments from G Farma. See the Company's Annual Report for the period ended December 31, 2021 on Form 10-K, Footnotes 7 and 8, as filed with the SEC March 24, 2022, for a discussion of the reserve against the finance lease receivable.

For the G Farma notes receivable, we will continue to pursue collection of the settlement payments from the G Farma Settlers for the notes that are fully impaired at September 30, 2022 and December 31, 2021. We will continue to pursue collection for lease payments remaining, after applying proceeds from the sale of recovered assets, that are fully impaired at September 30, 2022 and December 31, 2021, from the G Farma Lease Entities and G Farma Lease Guarantors. See the Company's Annual Report for the period ended December 31, 2021 on Form 10-K, Footnotes 7 and 8, as filed with the SEC March 24, 2022, for a discussion of the reserve against the finance lease receivable.

## Note 19 – Segment Information

The Company is an operating, acquisition, and investment business. Subsidiaries in which the Company has a controlling financial interest are consolidated. The Company generally has two reportable segments: 1) the cannabis and medical marijuana segment, which includes the cost basis of membership interests of Electrum, the contractual interest in the Electrum legal recovery, and the operation of subsidiaries in the cannabis and medical marijuana sector; and 2) the Company's long-standing investment in WCI which works with business park owners, governmental centers, and apartment complexes to reduce their facility-related operating costs. The Company also had small investments in securities listed on the NASDAQ, an investment in note receivable from a non-affiliated party, the fair value of convertible notes receivable and accrued interest from NeuCourt, which on July 15, 2022 was exchanged for a NeuCourt SAFE security investment that will be carried at cost, and the investment in NeuCourt that are included in the Corporate, Other, and Eliminations section below.

	Cannabis and Medical Marijuana Segment	Facility Operations Related	Corporate and Eliminations	Consolidated
<u>Three months ended September 30, 2022</u>				
Net revenue	\$ 20,168	\$ 1,910,131	\$ -	\$ 1,930,299
Operating income (loss)	19,507	(314,565)	(126,983)	(422,041)
Interest income	-	-	12,887	12,887
Interest expense	-	10,564	9,719	20,283
Property additions	-	18,334	-	18,334
Depreciation and amortization	-	17,687	520	18,207
<u>Three months ended September 30, 2021</u>				
Net revenue	\$ 9,972	\$ 1,482,649	\$ -	\$ 1,492,624
Operating income (loss)	6,426	196,565	(116,664)	86,327
Interest income	-	-	16,269	16,269
Interest expense	-	9,831	7,333	16,714
Property additions	-	92,013	1,264	93,277
Depreciation and amortization	-	13,570	1,461	15,031
<u>Nine months ended September 30, 2022</u>				
Net revenue	\$ 37,659	\$ 5,610,158	\$ -	\$ 5,647,817
Operating income (loss)	33,079	(360,192)	(727,315)	(1,054,428)
Interest income	-	5	40,632	40,632
Interest expense	-	31,743	26,309	58,052
Property additions	-	46,236	-	46,236
Depreciation and amortization	-	50,283	1,564	51,847
Total assets	737,847	3,536,780	1,566,378	5,841,005
<u>Nine months ended September 30, 2021</u>				
Net revenue	\$ 31,176	\$ 4,154,711	\$ -	\$ 4,185,887
Operating income (loss)	20,876	11,062	(417,644)	(385,706)
Interest income	-	-	49,003	49,003
Interest expense	-	27,421	16,478	43,899
Property additions	-	107,290	1,264	108,554
Depreciation and amortization	-	29,923	4,382	34,305
Total assets	396,907	1,997,786	2,391,748	4,786,441

**Note 19 – Segment Information (continued)**

The following table reconciles operating segments and corporate-unallocated operating income (loss) to consolidated income before income taxes, as presented in the unaudited condensed consolidated income statements:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Operating loss	\$ (422,041)	\$ 86,327	\$ (1,054,428)	\$ (385,706)
Employee retention credits	-	-	1,350,161	-
Gain (loss) on investments	590	(2,427)	(39,661)	(8,001)
Interest income	12,887	16,269	40,632	49,003
Interest expense	(20,283)	(16,714)	(58,052)	(43,899)
Gain on asset disposals	-	(671)	56,455	761
Paycheck protection program loan forgiveness	-	-	-	10,000
Other income	56,128	4,032	58,026	4,429
Income before income taxes	<u>\$ (372,719)</u>	<u>\$ 86,816</u>	<u>\$ 353,133</u>	<u>\$ (373,413)</u>

**Note 20 – Subsequent events**

On or about September 14, 2022, Electrum and Aurora Cannabis, Inc. settled the Litigation claims and Electrum received CAD \$800,000, or approximately USD \$584,000, in settlement funds from Aurora Cannabis, Inc. (“Settlement Funds”), which have been placed in escrow. Pursuant to an escrow agreement entered into by and between Electrum, Mentor, and the escrow agent, Mentor was to be paid amounts due and owing to it under the Capital Agreements and Recovery Purchase Agreements from the Settlement Funds before any remaining amounts are to be distributed to Electrum. To date, such payment has not been received. On or about September 20, 2022, the escrow agent resigned and Electrum has refused to agree to a successor escrow agent in accordance with the terms of the escrow agreement.

Subsequent to quarter end, on October 21, 2022, the Company filed suit against the escrow agent, Electrum, and Does 1 through 10, seeking declaratory relief from the California Superior Court in the County of San Mateo that the escrow agent shall either distribute the Settlement Funds or transfer the Settlement Funds to the successor escrow agent, all in accordance with the escrow agreement. The Company is also seeking interest during the period of time that the escrow agent refused to disburse the Settlement Funds and for the Company’s attorneys’ fees and costs incurred in bringing suit.

Subsequent to quarter end, on October 1, 2022, WCI entered into a Multi-Lessee Industrial Net Lease for facilities located in Phoenix, Arizona with 5,603 square feet for an initial lease term of sixty-one months. Monthly base rent will be as follows:

- \$5,603 for the period October 1, 2022 to September 30, 2023;
- \$5,827 for the period October 1, 2023 to September 30, 2024;
- \$6,060 for the period October 1, 2024 to September 30, 2025;
- \$6,303 for the period October 1, 2025 to September 30, 2026;
- \$6,555 for the period October 1, 2026 to September 30, 2027;
- \$6,817 for the period October 1, 2027 to October 31, 2027

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion will assist in the understanding of our financial position at September 30, 2022 and the results of operations for the nine months ended September 30, 2022 and 2021. The information below should be read in conjunction with the information contained in the unaudited Condensed Consolidated Financial Statements and related notes to the financial statements included within this Quarterly Report on Form 10-Q for the nine months ended September 30, 2022 and 2021 and our Annual Report on Form 10-K for the year ended December 31, 2021.

### Corporate Background

The Company's common stock trades publicly under the trading symbol OTCQB: MNTR.

In 2009 the Company began focusing its investing activities in leading-edge cancer companies. In response to government limitations on reimbursement for highly technical and expensive cancer treatments and a resulting business decline in the cancer immunotherapy sector, the Company decided to exit that space. In the summer of 2013, the Company was asked to consider investing in a cancer-related project with a medical marijuana focus. On August 29, 2013, the Company decided to fully divest its cancer assets and focus its next round of investments in the medical marijuana and cannabis sector. The Company has since expanded its target industry focus which now includes energy, manufacturing, and management services with the goal of ensuring increased market opportunities.

### Acquisitions and investments

#### *Waste Consolidators, Inc. (WCI)*

WCI is a long standing investment of which the Company owns a 51% interest and is included in the condensed consolidated financial statements for the nine months ended September 30, 2022 and 2021. In the last half of 2020, WCI began expanding its services in Texas from San Antonio and Austin to include Houston, and in November 2021, WCI began services in Dallas. This has led to an increase in selling, general and administrative salaries as WCI positions itself to operate in this new location.

#### *Electrum Partners, LLC (Electrum)*

Electrum is a Nevada based consulting, investment, and management company. The Company's equity interest in Electrum is reported in the condensed consolidated balance sheets as an investment at cost of \$194,028 and \$194,028 at September 30, 2022 and December 31, 2021, respectively. At September 30, 2022 and December 31, 2021, the Company had approximately 6.69% and 6.69% interest of Electrum's outstanding equity, respectively.

On October 30, 2018, the Company entered into a secured Recovery Purchase Agreement with Electrum to purchase a portion of Electrum's potential recovery in its legal action captioned *Electrum Partners, LLC, Plaintiff, and Aurora Cannabis Inc., Defendant*, in the Supreme Court of British Columbia ("Litigation"). As of September 30, 2022 and December 31, 2021, Mentor has provided \$196,666 and \$196,666, respectively, in capital for payment of Litigation costs. In exchange, after repayment to Mentor of all funds invested for payment of Litigation costs, Mentor will receive 19% of anything of value received by Electrum as a result of the Litigation ("Recovery").

On October 31, 2018, Mentor entered into a secured Capital Agreement with Electrum and invested an additional \$100,000 in Electrum. Due to the coronavirus and the resulting delay in the trial date of the Litigation, on November 1, 2021 the parties amended the October 31, 2018 Capital Agreement for the purpose of extending the payment to the earlier of November 1, 2023, or the final resolution of the Litigation and increasing the monthly payment payable by Electrum to \$834. Under the amended Capital Agreement, on the payment date, Electrum will pay Mentor the sum of (i) \$100,000, (ii) ten percent (10%) of the Recovery, and (iii) 0.083334% of the Recovery for each full month from October 31, 2018, to the payment date for each full month that the monthly payment is not paid to Mentor in full. The payment date for the Capital Agreement is the earlier of November 1, 2023, or the final resolution of the Litigation.

On January 28, 2019, the Company entered into a second secured Capital Agreement with Electrum and invested an additional \$100,000 in Electrum with payment terms similar to the October 31, 2018 Capital Agreement. On November 1, 2021, the parties also amended the January 28, 2019 Capital Agreement to extend the payment date to the earlier of November 1, 2023, or the final resolution of the Litigation and increase the monthly payment payable by Electrum to \$834. As part of the January 28, 2019 Capital Agreement, Mentor was granted an option to convert its 6,198 membership interests in Electrum into a cash payment of \$194,027.78 plus an additional 19.4% of the Recovery. See Note 9 to the condensed consolidated financial statements.

The Company is entitled to receive 19% of anything of value received by Electrum as a result of the Recovery, following reimbursement to the Company of Litigation costs, see Note 9 to the condensed consolidated financial statements.

On or about September 14, 2022, Electrum and Aurora Cannabis, Inc. settled the Litigation claims and Electrum received CAD \$800,000, or approximately USD \$584,000, in settlement funds from Aurora Cannabis, Inc. ("Settlement Funds"), which have been placed in escrow. Pursuant to an escrow agreement entered into by and between Electrum, Mentor, and the escrow agent, Mentor was to be paid amounts due and owing to it under the Capital Agreements and Recovery Purchase Agreements from the Settlement Funds before any remaining amounts are to be distributed to Electrum. To date, such payment has not been received. On or about September 20, 2022, the escrow agent resigned and Electrum has refused to agree to a successor escrow agent in accordance with the terms of the escrow agreement.

Subsequent to quarter end, on October 21, 2022, the Company filed suit against the escrow agent, Electrum, and Does 1 through 10, seeking declaratory relief from the California Superior Court in the County of San Mateo that the escrow agent shall either distribute the Settlement Funds or transfer the Settlement Funds to the successor escrow agent, all in accordance with the escrow agreement. See Note 20 to the condensed consolidated financial statements.

#### *Mentor IP, LLC (MCIP)*

On April 18, 2016, the Company formed Mentor IP, LLC ("MCIP"), a South Dakota limited liability company and a wholly owned subsidiary of Mentor. MCIP was formed to hold interests related to patent rights obtained on April 4, 2016, when Mentor Capital, Inc. entered into that certain "Larson - Mentor Capital, Inc. Patent and License Fee Facility with Agreement Provisions for an — 80% / 20% Domestic Economic Interest — 50% / 50% Foreign Economic Interest" with R. L. Larson and Larson Capital, LLC ("MCIP Agreement"). Pursuant to the MCIP Agreement, MCIP obtained rights to an international patent application for foreign THC and CBD cannabis vape pens under the provisions of the Patent Cooperation Treaty of 1970, as amended. R. L. Larson and MCIP continue their efforts to license or sell their exclusive patent rights in the United States and Canada for THC and CBD cannabis vape pens for various THC and CBD percentage ranges and concentrations. Activity is currently limited to the annual payment of patent maintenance fees in Canada. On January 21, 2020, the United States Patent and Trademark Office granted a Notice of Allowance for the United States patent application, and on May 5, 2020, the United States patent was issued. On June 29, 2020, the Canadian Intellectual Property Office granted a Notice of Allowance for the Canada patent, and on September 22, 2020, the Canadian patent was issued. Patent application national phase maintenance fees were expensed when paid, and therefore, no capitalized assets related to MCIP are reported on the condensed consolidated financial statements at September 30, 2022 and December 31, 2021.

#### *NeuCourt, Inc.*

NeuCourt, Inc. is a Delaware corporation that is developing a technology that is expected to be useful to the dispute resolution industry.

On November 22, 2017, the Company invested \$25,000 in NeuCourt, Inc. (“NeuCourt”) as a convertible note receivable. The note bears interest at 5% per annum, originally matured on November 22, 2019, and was amended to extend the maturity date to November 22, 2021. No payments are required prior to maturity. However, at the time the November 22, 2017 note was initially extended, interest accrued through November 4, 2019, was remitted to Mentor. As consideration for the initial extension of the maturity date for the \$25,000 note, a warrant to purchase up to 25,000 shares of NeuCourt common stock at \$0.02 per share was issued to Mentor. On November 5, 2021, the parties amended the note to extend the November 22, 2021 maturity date to November 22, 2023. A warrant to purchase 27,630 shares of NeuCourt common stock at \$0.02 per share was issued to Mentor in exchange for the second extension of the maturity date.

On October 31, 2018, the Company invested an additional \$50,000 as a convertible note receivable in NeuCourt, which bears interest at 5%, originally matured October 31, 2020, and was amended to extend the maturity date to October 31, 2022. As consideration for the extension of the maturity date for the \$50,000 note plus accrued interest of \$5,132, a warrant to purchase up to 52,500 shares of NeuCourt common stock at \$0.02 per share was issued to Mentor. Principal and unpaid interest on the Notes may be converted into a blend of shares of a to-be-created series of Preferred Stock and Common Stock of NeuCourt (i) on the closing of a future financing round of at least \$750,000, (ii) on the election of NeuCourt on the maturity of the Note, or (iii) on the election of Mentor following NeuCourt’s election to prepay the Note. On June 13, 2022, the Company sold \$2,160.80 in note principal to a third party, thereby reducing the principal face value of the note to \$47,839.

On July 15, 2022, the Company and NeuCourt entered into an Exchange Agreement by which Mentor exchanged the principal amount and all accrued unpaid interest on the convertible notes for a Simple Agreement for Future Equity (“SAFE”) equal to the same, accumulated amount. The SAFE will be reported at cost.

On July 22, 2022, the Company sold \$989 of the SAFE Purchase Amount to a third party. On August 1, 2022, the Company sold an additional \$1,285 of the SAFE Purchase Amount to a third party.

On December 21, 2018, the Company purchased 500,000 shares of NeuCourt Common Stock for \$10,000. This represents approximately 6.13% of the issued and outstanding NeuCourt shares at September 30, 2022.

#### *Mentor Partner I, LLC*

On September 19, 2017, the Company formed Mentor Partner I, LLC (“Partner I”), a California limited liability company, as a wholly owned subsidiary of Mentor. Partner I was subsequently reorganized under the laws of the State of Texas. In 2018 and 2019, Mentor contributed \$1,010,326 of capital to Partner I to facilitate the purchase of manufacturing equipment to be leased from Partner I by G FarmaLabs Limited (“G Farma”) under a Master Equipment Lease Agreement dated January 16, 2018, as amended. Amendments expanded the Lessee under the agreement to include G FarmaLabs Limited and G FarmaLabs DHS, LLC (collectively referred to as “G Farma Lease Entities”). The finance leases resulting from this investment have been fully impaired at September 30, 2022 and December 31, 2021. Management considers collection on the leases to be unlikely, see Note 18 to the condensed consolidated financial statements.



### *Mentor Partner II, LLC*

On February 1, 2018, the Company formed Mentor Partner II, LLC (“Partner II”), a California limited liability company, as a wholly owned subsidiary of Mentor. Partner II was subsequently reorganized under the laws of the State of Texas. On February 8, 2018, Mentor contributed \$400,000 to Partner II to facilitate the purchase of manufacturing equipment to be leased from Partner II by Pueblo West under a Master Equipment Lease Agreement dated February 11, 2018, as amended see Note 8 to the condensed consolidated financial statements. On March 12, 2019, Mentor agreed to use Partner II’s earnings of \$61,368 to facilitate the purchase of additional manufacturing equipment to Pueblo West under a Second Amendment to the lease, see Note 8 to the condensed consolidated financial statements. On September 27, 2022, Pueblo West exercised its lease prepayment option and purchased the manufacturing equipment for \$245,369.35. On September 28, 2022 Partner II transferred full title to the equipment to Pueblo West. See Note 8 to the condensed consolidated financial statements.

#### **Overview**

The Company expanded its target industry focus from its investment in WCI and investments in the medical marijuana and social use cannabis sector to include energy, manufacturing, and management services with the goal of ensuring increased market opportunities. Our general business operations are intended to provide management consultation and headquarters functions, especially with regard to accounting and audits, for our larger investment targets and our majority-owned subsidiaries. We monitor our smaller and less than majority positions for value and investment security. Management also spends considerable effort reviewing possible acquisition candidates on an ongoing basis.

Mentor seeks to take significant positions in the companies it invests in to provide public market liquidity for founders, protection for investors, funding for the companies, and incubate private companies that Mentor believes to have significant potential. When Mentor takes a significant position in its investees, it provides financial management when needed but leaves operating control in the hands of the company founders. Retaining control, receiving greater liquidity, and working with an experienced organization to efficiently develop disclosures and compliance are three potential key advantages to founders working with Mentor Capital, Inc.

Because adult social use and medical marijuana opportunities often overlap, Mentor Capital has participated in the ancillary side of the legal recreational marijuana market. However, Mentor’s preferred focus was medical, and the Company sought to facilitate the application of cannabis to cancer wasting, Parkinson’s disease, calming seizures, reducing ocular pressures from glaucoma, and blunting chronic pain.

#### **Business Segments**

We generally manage our operations through two operating segments, our legacy cannabis segment that we are seeking to divest and our long-standing investment in WCI. WCI works with business park owners, governmental centers, and apartment complexes in Arizona and Texas to reduce their facilities’ operating costs. Mentor has expanded its target industry focus which now includes energy, manufacturing, and management services, with the goal of ensuring increased market opportunities.

#### **Liquidity and Capital Resources**

The Company’s future success depends upon its ability to make a return on its investments, generate positive cash flow, and obtain sufficient capital from non-portfolio-related sources. Management believes they have approximately twelve months of operating resources on hand and can raise additional funds as may be needed to support their business plan and develop an operating, cash flow positive company.

## Results of Operations

### Three Months Ended September 30, 2022, compared to Three Months Ended September 30, 2021

#### *Revenues*

Revenue for the three months ended September 30, 2022 was \$1,930,299 compared to \$1,492,624 for the three months ended September 30, 2021 (“the prior year period”), an increase of \$437,675 or 29.3%. This increase is due to a \$427,482 increase in WCI service fees and a \$10,193 increase in Partner II finance lease revenue.

#### *Gross profit*

Gross profit for the three months ended September 30, 2022 was \$439,587 compared to \$488,584 for the prior year period. Cost of goods sold relate to WCI. WCI experienced gross profit of \$466,981 or 24.5% of revenue for the three months ended September 30, 2022, compared to \$478,609 or 32.3% for the prior year period, a decrease of (\$11,628) with a decrease of (7.83%) in gross profit as a percentage of revenue. Partner II had gross profit of \$20,168 for the three months ended September 30, 2022 as compared to \$9,975 in the prior year period. Partner I did not have revenue for the three months ended September 30, 2022 and 2021.

The decrease in WCI gross profit percentage was due to an increase in gas costs of 2.5%, an increase in salary and related costs of 2.6%, an increase in disposal costs of 2.0% and an increase in other cost of goods sold of 0.7% as a percentage of revenue in the current year period.

The increase in Partner II gross profit over the prior year period was due to the recognition of deferred revenue upon Pueblo West’s exercise of lease prepayment option and purchase of the manufacturing equipment leased from Partner II.

#### *Selling, general and administrative expenses*

Our selling, general and administrative expenses for the three months ended September 30, 2022 was \$861,628 compared to \$402,257 for the prior year period, an increase of \$459,371. We experienced an increase of \$420,000 in management fees, an increase of \$17,351 in professional fees, an increase of \$11,022 in phone costs, and increase in other selling, general and administrative expenses of \$10,998, for the three months ended September 30, 2022 as compared to the prior year period.

#### *Other income and expense*

Other income and expense, net, totaled \$49,322 for the three months ended September 30, 2022 compared to \$489 for the prior year period, an increase of \$48,834. The increase is primarily from other income of \$56,128, an increase on gain (loss) on investments of \$3,017, and an increase in gain (loss) on equipment disposals of \$671, partially offset by a decrease in interest income of (\$2,427), and an increase in interest expense of (\$3,569).

#### *Net results*

The net result for the three months ended September 30, 2022 was net loss attributable to Mentor of (238,824) or (\$0.010) per Mentor common share compared to a net loss attributable to Mentor in the prior year period of (\$3,390) or (\$0.000) per Mentor common share. Management will continue to make an effort to lower operating expenses and increase revenue and gross margin. The Company will continue to look for acquisition opportunities to expand its portfolio in companies that are positive for operating revenue or have the potential to become positive for operating revenue.

## **Nine months Ended September 30, 2022, compared to Nine months Ended September 30, 2021**

### ***Revenues***

Revenue for the nine months ended September 30, 2022 was \$5,647,817 compared to \$4,185,887 for the nine months ended September 30, 2021 (“the prior year period”), an increase of \$1,461,930 or 34.9%. This increase is due to a \$1,455,447 increase in WCI service fees, and a \$6,483 increase in finance lease revenue in the current period as compared to the prior year period.

### ***Gross profit***

Gross profit for the nine months ended September 30, 2022 was \$1,723,437 compared to \$1,303,612 for the prior year period. Cost of goods sold relates to WCI. WCI experienced gross profit of \$1,746,212 or 31.1% of revenue for the nine months ended September 30, 2022, compared to \$1,276,462 or 30.7% for the prior year period, an increase of \$469,750 with an increase of 0.4% as a percentage of revenue. Partner II had gross profit of \$37,659 for the nine months ended September 30, 2022 as compared to \$31,176 for the prior year period, an increase of \$6,482.

Although WCI implemented a price increase to customers in January 2022, the costs of sales increased as well, resulting in a small decrease to WCI gross profit percentage of (0.4%). The decrease in WCI cost of sales was due to a decrease in salary and related costs of (1.7%), and a decrease in disposal costs of (1.1%), partially offset by an increase in gas costs of 2.2% and an increase in other cost of sales of 0.2% as a percentage of WCI revenue in the prior year period.

### ***Selling, general and administrative expenses***

Our selling, general and administrative expenses for the nine months ended September 30, 2022 were \$2,777,865 compared to \$1,689,317 for the prior year period, an increase of \$1,088,546. We recorded a \$73,000 allowance on customer sales taxes receivable, which was partially offset by a decrease of (\$20,000) in our allowance for customer trade receivables. We also experienced an increase of \$722,500 in management fees, an increase in professional fees of \$364,400, and an increase in other selling, general and administrative costs of \$4,571, partially offset by a decrease of (\$15,529) in salaries and related costs, and a decrease of (\$40,396) in outside services, for the nine months ended September 30, 2022 as compared to the prior year period.

### ***Other income and expense***

Other income and expense, net, totaled \$1,407,561 for the nine months ended September 30, 2022 compared to \$12,293 for the prior year period, an increase of \$1,395,268. Of the increase, \$1,350,161 is due to an employee retention tax credit, \$55,694 is due to increased gain on equipment disposals, and \$53,597 is due to an increase in other income, partially offset by a (\$31,660) decrease in gain (loss) on investments, a (\$8,371) decrease in interest income, a (\$14,153) increase in interest expense, and a decrease of (\$10,000) related to prior year PPP Loan forgiveness that was not experienced in the current year period.

### ***Net results***

The net result for the nine months ended September 30, 2022 was net loss attributable to Mentor of (\$23,976) or (\$0.001) per Mentor common share compared to a net loss attributable to Mentor in the prior year period of (\$366,934) or (\$0.016) per Mentor common share. Management will continue to make an effort to lower operating expenses and increase revenue and gross margin. The Company will continue to look for acquisition opportunities to expand its portfolio in companies that are positive for operating revenue or have the potential to become positive for operating revenue.

### ***Liquidity and Capital Resources***

Since our reorganization, we have raised capital through warrant holder exercise of warrants to purchase shares of Common Stock. At September 30, 2022 we had cash and cash equivalents of \$1,437,318 and working capital of \$994,411.

Operating cash inflows in the nine months ended September 30, 2022 was \$1,160,594, including \$305,443 of net income, increased by non-cash depreciation and amortization of \$51,847, non-cash amortization on right of use assets of \$147,419, non-cash bad debt expense of \$53,000, a decrease in accrued interest of \$86,325, losses on investments of \$751, a decrease in operating assets of \$10,148, and an increase in operating liabilities of \$619,909, partially offset by a gain on disposal of assets of (\$26,168), non-cash amortization of discount on investment in account receivable of (\$38,754), gain on long-term investments of (\$41,326), and an increase in deposits of (\$8,000).

Cash outflows from investing activities in the nine months ended September 30, 2022 were (\$66,708) due to purchase of property and equipment of (\$24,733) and down payments on right of use assets of (\$42,675), partially offset by proceeds from investment in receivable of 700.

Net outflows from financing activities during the nine months ended September 30, 2022 were (\$110,507) consisting of payment on related party payable of (\$21,950), payments on long-term debt of (\$21,085) and payments on finance lease liability of (\$131,818), partially offset by proceeds from related party loan of \$50,000, and proceeds of \$14,346 from warrants converted to common stock.

We will be required to raise additional funds through financing, additional collaborative relationships, or other arrangements until we are able to raise revenues to a point of positive cash flow.

In addition, on February 9, 2015, in accordance with Section 1145 of the United States Bankruptcy Code and the Company's court-approved Plan of Reorganization, the Company announced a minimum 30 day partial redemption of up to 1% of the already outstanding Series D warrants to provide for the court specified redemption mechanism for warrants not exercised timely by the original holder or their estates. Company designees that applied during the 30 days paid 10 cents per warrant to redeem the warrant and then exercised the Series D warrant to purchase a share at the court specified formula of not more than one-half of the closing bid price on the day preceding the 30 day exercise period. In the Company's October 7, 2016 press release, Mentor stated that the 1% redemptions which were formerly priced on a calendar month schedule would subsequently be initiated and be priced on a random date to be scheduled after the prior 1% redemption is completed to prevent potential third party manipulation of share prices at month-end. The periodic partial redemptions may continue to be recalculated and repeated until such unexercised warrants are exhausted, or the partial redemption is otherwise temporarily paused, suspended, or truncated by the Company.

For the nine months ended September 30, 2022, there were no redemptions of Series D Warrants. There were no redemptions of Series D Warrants in 2021. We believe that if warrants are redeemed and exercised, partial warrant redemptions would provide monthly cash in excess of what is required for monthly operations for an extending period of time while we are exploring other major sources of funding for further acquisitions.

#### **Disclosure About Off-Balance Sheet Arrangements**

We do not have any transactions, agreements, or other contractual arrangements that constitute off-balance sheet arrangements.

#### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

As a "smaller reporting company" as defined in Rule 12b-2 of the Exchange Act, we are not required to provide the information called for by this item.

#### **Item 4. Controls and Procedures.**

##### **Evaluation of disclosure controls and procedures**

Management, with the participation of our chief executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Exchange Act. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on management's evaluation, our chief executive officer and principal financial officer concluded that, as of September 30, 2022, our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to our managers, including our chief executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

##### **Changes in internal control over financial reporting.**

We regularly review our system of internal control over financial reporting and make changes to our processes and systems to improve controls and increase efficiency while ensuring that we maintain an effective internal control environment. Changes may include such activities as implementing new, more efficient systems, consolidating activities, and migrating processes.

There were no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2022 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

## PART II – OTHER INFORMATION

### Item 1. Legal Proceedings.

#### G FarmaLabs Limited

On May 28, 2019, Mentor Capital, Inc. and Mentor Partner I, LLC filed a complaint in the Superior Court of California in the County of Marin for, among other things, breach of contract against G FarmaLabs Limited, Atanachi (“Ata”) Gonzalez, Nicole Gonzalez, G FarmaLabs DHS, LLC, GFBrands, Inc., fka G FarmaBrands, Inc., Finka Distribution, Inc., G FarmaLabs WA, LLC, and Goya Ventures, LLC (together “Defendants”). Under the complaint, among other things:

- Mentor Capital, Inc. alleged that G FarmaLabs Limited and Ata Gonzalez and Nicole Gonzalez as guarantors of the G Farma obligations failed to perform their several obligations under a Note Purchase Agreement and two secured Promissory Notes dated March 17, 2017, as amended. At December 31, 2019, the aggregate amount due, owing, and unpaid under both Notes is \$1,045,051. Interest of approximately \$67,770 was also due but was not accrued in the financial statements due to uncertainty of collection.
- Mentor Partner I, LLC alleged that G FarmaLabs Limited, G FarmaLabs DHS, LLC as Lessees and GFBrands, Inc, Ata Gonzalez, and Nicole Gonzalez as guarantors of the lease obligations failed to perform their several obligations under a Master Equipment Lease dated January 16, 2018, as amended. At December 31, 2019, the aggregate amount due, owing, and unpaid under the Lease is \$1,055,680. Interest of approximately \$93,710 was also due but was not accrued in the financial statements due to uncertainty of collection.
- Mentor Capital, Inc. also alleged that G FarmaLabs Limited and Ata Gonzalez and Nicole Gonzalez as guarantors failed to perform their obligations under (i) a Consulting Agreement dated March 17, 2017, as amended, (ii) a Rights Agreement dated March 17, 2017, and (iii) a Security Agreement dated March 17, 2017, as amended.
- Mentor Capital, Inc. also alleged that G FarmaLabs Limited, G FarmaLabs DHS, LLC, GFBrands, Inc., Finka Distribution, Inc., G FarmaLabs WA, LLC, and Goya Ventures, LLC failed to perform their obligations under an Equity Purchase and Issuance Agreement dated September 6, 2018, as amended.
- Mentor Capital, Inc. and Mentor Partner I, LLC sought an injunction against all Defendants preventing Defendants from keeping equipment leased under the Master Lease Agreement.

On January 22, 2020, the Court granted the Company’s motion for writ of possession and preliminary injunction prohibiting defendants from retaining control of or selling leased property. On January 31, 2020, all remaining equipment leased to G Farma by Mentor Partner I, which was not impounded by the Corona Police, was repossessed by the Company and moved to storage under the Company’s control. All repossessed equipment was sold in 2020.

On November 4, 2020, the Court granted Mentor Capital, Inc.’s and Mentor Partner I’s motion for summary adjudication as to both causes of action against G FarmaLabs Limited for liability for breach of the two promissory notes and one cause of action against each of Mr. Gonzalez and Ms. Gonzalez related to their duties as guarantors of G FarmaLabs Limited’s obligations under the promissory notes.

On August 27, 2021, the Company and Mentor Partner I entered into a Settlement Agreement and Mutual Release with the G Farma Entities and guarantors (“G Farma Settlers”) to resolve and settle all outstanding claims (“Settlement Agreement”). The Settlement Agreement requires the G Farma Settlers to pay the Company an aggregate of \$500,000 plus interest, payable monthly as follows: (i) \$500 per month for 12 months beginning on September 5, 2021, (ii) \$1,000 per month for 12 months beginning September 5, 2022, (iii) \$2,000 per month for 12 months beginning September 5, 2023, and (iv) increasing by an additional \$1,000 per month on each succeeding September 5th thereafter, until the settlement amount and accrued unpaid interest are paid in full. Interest on the unpaid balance shall initially accrue at the rate of 4.25% per annum, commencing February 25, 2021, compounded monthly, and shall be adjusted on February 25th of each year to equal the Prime Rate as published in the Wall Street Journal plus 1%. In the event that the G Farma Settlers fail to make any monthly payment and have not cured two such defaults within 10 days of notice from the Company, the parties have stipulated that an additional \$2,000,000 will be immediately added to the amount payable by the G Farma Settlers.

On October 12, 2021, the parties filed a Stipulation for Dismissal and Continued Jurisdiction with the Superior Court of California in the County of Marin. The Court ordered that it retain jurisdiction over the parties under Section 664.6 of the California Code of Civil Procedure to enforce the Settlement Agreement until the performance in full of its terms is met.

In August 2022 and September 2022, the G Farma Settlers failed to make monthly payments, and failed to cure each default within 10 days’ notice from Company pursuant to the Settlement Agreement. Subsequent to quarter end, the G Farma Settlers failed to make the October 2022 monthly payment and also failed to cure such default within 10 days’ notice from the Company. As a result, \$2,000,000 will be added to the amount payable by the G Farma Settlers in accordance with the terms of the Settlement Agreement. The Company intends to seek entry of a stipulated judgment against the G Farma Settlers for (1) the remaining amount of the \$500,000 settlement amount which has not yet been paid by the G Farma Settlers plus \$2,000,000 and all accrued unpaid interest, (2) the Company’s incurred costs, and (3) attorneys’ fees paid by the Company to obtain the judgment.

The Company has retained the reserve on collections of the unpaid lease receivable balance due to the long history of uncertain payments from G Farma. Payments recovered will be reported as Other income in the consolidated income statements. See Footnotes 7 and 8 to Company’s Annual Report for the period ended December 31, 2021 on Form 10-K filed with the SEC on March 24, 2022.

#### **Item 1A. Risk Factors.**

In addition to other information in this Quarterly Report on Form 10-Q, the following risk factors should be carefully considered in evaluating our business since it operates in a highly changing and complex business environment that involves numerous risks, some of which are beyond our control. The following discussion highlights a few of these risk factors, any one of which may have a significant adverse impact on our business, operating results, and financial condition.

As a result of the risk factors set forth below and elsewhere in this Form 10-Q and in our Form 10-K, and the risks discussed in our Rule 15c2-11 and other publicly disclosed submissions, actual results could differ materially from those projected in any forward-looking statements.

We face significant risks, and the risks described below may not be the only risks we face. Additional risks that we do not know of or that we currently consider immaterial may also impair our business operations. If any of the events or circumstances described in the following risks actually occurs, our business, financial condition or results of operations could be harmed, and the trading price of our Common Stock could decline.

##### ***We may not be able to continue as a going concern.***

Management has noted certain financial conditions that raise substantial doubts about the Company’s ability to continue as a going concern. During the nine months ended September 30, 2022, and the years ended December 31, 2021 and 2020, we experienced significant operating losses, liquidity constraints, and negative cash flows from operations. If we are unable to make a return on our investments to generate positive cash flow and cannot obtain sufficient capital from non-portfolio-related sources to fund operations and pay liabilities in a timely manner, we may have to cease our operations. Securing additional sources of financing to enable us to continue investing in our target markets will be difficult, and there is no assurance of our ability to secure such financing. A failure to obtain additional financing and generate positive cash flow from operations could prevent us from making expenditures that are needed to pay current obligations, allow us to hire additional personnel, and continue to seek out and invest in new companies. This leaves doubt as to our ability to continue as a going concern.

***A failure to obtain financing could prevent us from executing our business plan or operate as a going concern***

We anticipate that current cash resources and opportunities will be sufficient for us to execute our business plan for twelve months after the date these financial statements are issued. It is possible that if future financing is not obtained, we will not be able to operate as a going concern. We believe that securing substantial additional sources of financing is possible, but there is no assurance of our ability to secure such financing. A failure to obtain additional financing could prevent us from making necessary expenditures for advancement and growth to partner with businesses and hire additional personnel. If we raise additional financing by selling equity, or convertible debt securities, the relative equity ownership of our existing investors could be diluted, or the new investors could obtain terms more favorable than previous investors. If we raise additional funds through debt financing, we could incur significant borrowing costs and be subject to adverse consequences in the event of a default.

***Management voluntarily transitioned to a fully reporting company and spends considerable time meeting the associated reporting obligations.***

Management operated Mentor Capital, Inc. as a non-reporting public company for over 26 years and voluntarily transitioned to reporting company status subject to financial and other SEC-required disclosures. Prior to such voluntary transition, management had not been required to prepare and make such required disclosures. As a reporting company, we may be subject to certain reporting requirements of the Securities Exchange Act of 1934, as amended (“Exchange Act”), the Sarbanes-Oxley Act, the Dodd-Frank Act, the listing requirements of a national securities exchange, and other applicable securities rules and regulations. The Exchange Act requires, among other things, that we file annual, quarterly, and current reports with respect to our business and operating activities. Preparing and filing periodic reports imposes a significant expense, time, and reporting burden upon management. This distraction can divert management from its operation of the business to the detriment of core operations.

***Investors may suffer risk of dilution following exercise of warrants for cash.***

As of September 30, 2022, the Company had 22,941,357 outstanding shares of its Common Stock trading at approximately \$0.05 per share. As of the same date, the Company also had 6,250,000 outstanding Series D warrants exercisable for shares of Common Stock at \$1.60 per share. These Series D warrants do not have a cashless exercise feature. The Company anticipates that the warrants may be increasingly exercised anytime the per share price of the Company’s Common Stock is greater than \$1.60 per share. Exercise of these Series D warrants may result in immediate and potentially substantial dilution to current holders of the Company’s Common Stock. In addition, the Company has 689,159 outstanding Series H warrants with a per share exercise price of \$7.00 held by an investment bank and its affiliates. These \$7.00 Series H warrants include a cashless exercise feature. Current and future shareholders may suffer dilution of their investment and equity ownership if any of the warrant holders elect to exercise their warrants.

Beginning on February 9, 2015, in accordance with Section 1145 of the United States Bankruptcy Code and in accordance with the Company’s court-approved Plan of Reorganization, the Company announced that it would allow for partial redemption of up to 1% per month of the outstanding Series D warrants to provide for the court specified redemption mechanism for warrants not exercised timely by the original holder or their estates. On October 7, 2016, the Company announced that the 1% redemptions which were formerly priced on a calendar month schedule would subsequently be initiated and priced on a random date to be scheduled after the prior 1% redemption is complete to prevent potential third-party manipulation of share prices during the pricing period at month-end. Company designees that apply during the redemption period must pay 10 cents per warrant to redeem the warrants and then exercise the Series D warrant to purchase a share of the Company’s Common Stock at a maximum of one-half of the closing bid price on the day preceding the 1% partial redemption. The 1% partial redemption may continue to be periodically recalculated and repeated according to the court formula until such unexercised warrants are exhausted, or the partial redemption is otherwise suspended or truncated by the Company. There were no warrant redemptions in the third quarter of 2022 or in fiscal 2021.



***We operate in a turbulent market populated by businesses that are highly volatile.***

The U.S. market for cannabis products is highly volatile. While we believe that it is a potentially exciting and growing market, many companies involved in cannabis products and services used to be involved in illegal activities, some still are, and many operate in unconventional ways. Some of these differences, which represent challenges to us, include not keeping appropriate financial records, inexperience with business contracts, not having access to customary business banking or brokerage relationships, not having quality manufacturing relationships, and not having customary distribution arrangements. Any one of these challenges, if not managed well, could materially adversely impact our business. To date, some of our investments in cannabis-related businesses have not turned out well.

***Many cannabis activities, products, and services still violate law.***

The legal patchwork to which cannabis companies are subject is still evolving and frequently uncertain. While we believe that anti-cannabis laws are softening and that the trend is toward the legalization of cannabis products, many states, and the U.S. government still view some or all cannabis activity as illegal. Notwithstanding this uncertainty, we intend to do our best to engage in activities that are unambiguously legal and to use what influence we have with our affiliates for them to do the same. But we will not always have control over those companies with whom we do business, and there is a risk that we could suffer a substantial and material loss due to routine legal prosecution. Similarly, many jurisdictions have adopted so-called “zero tolerance” drug laws and laws prohibiting the sale of what is considered drug paraphernalia. If our or our affiliates’ activities related to cannabis activities, products, and services are deemed to violate one or more federal or state laws, we may be subject to civil and criminal penalties, including fines, impounding of cannabis products, and seizure of our assets. A company in which we invested suffered asset seizure which included some equipment licensed by us that caused us to incur a loss.

***Our business model is to partner with or acquire other companies.***

We do not manufacture or sell products or services. Rather, we aim to find businesses whose products, managers, technology, or other factors we like and acquire or invest in those businesses. While we are open to investing in a diverse portfolio of entities across multiple industries, there is no certainty that we will find suitable partners or that we will be able to engage in transactions on advantageous terms with partners we identify. There is also no certainty that we will be able to consummate a transaction on favorable terms, or any transaction at all, with any potential acquisitions. To date, several of our acquisitions/investments have not turned out well for us.

***The Federal Government’s attitude toward cannabis could materially harm our business***

Changes to the Federal Government’s administration, the manner in which the federal government regulates cannabis, including how it intends to enforce laws prohibiting medical marijuana and recreational cannabis use, could materially negatively affect our business.

***Many of the people and entities with whom we work in the cannabis industry are not used to engaging in other than normal course business transactions.***

Many of the people and entities with whom we engage may not be used to operating in business transactions in the normal course. Entities and persons operating in the cannabis industry may be unaccustomed to entering into written agreements or keeping financial records according to GAAP. Additionally, entities and persons with whom we engage may not pay particular attention to the obligations with which they have agreed in written contracts. We have experienced these differences with several different entities in which we have invested or considered investing, including several entities which failed to comply with contractual obligations, which led us into litigation and other legal remedies.

***Our actual results could differ materially from those anticipated in our forward-looking statements.***

This Form 10-Q contains forward-looking statements within the meaning of the federal securities laws that relate to future events or future financial performance. When used in this report, you can identify forward-looking statements by terminology such as “believes,” “anticipates,” “seeks,” “looks,” “hopes,” “plans,” “predicts,” “expects,” “estimates,” “intends,” “will,” “continue,” “may,” “potential,” “should,” and similar expressions. These statements are only expressions of expectation. Our actual results could, and likely will, differ materially from those anticipated in such forward-looking statements as a result of many factors, including those set forth above and elsewhere in this report and including factors unanticipated by us and not included herein. Although we believe that the expectations reflected in our forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. Neither we nor any other person assumes responsibility for the accuracy and completeness of these statements. Accordingly, we caution readers not to place undue reliance on these statements. Where required by applicable law, we will undertake to update any disclosures or forward-looking statements.

***If we are unable to protect our intellectual property, our competitive position would be adversely affected.***

We and our partners and subsidiaries intend to rely on patent protection, trademark and copyright law, trade secret protection and confidentiality agreements with our employees and others to protect our intellectual property. Despite our precautions, unauthorized third parties may copy our and our affiliates’ and partners’, products and services or reverse engineer or obtain and use information that we regard as proprietary. In addition, the laws of some foreign countries do not protect proprietary rights to the same extent as do the laws of the United States. Our means of protecting our, and our affiliates’ and partners’ proprietary rights may not be adequate, and third parties may infringe or misappropriate our and our affiliates’ and partners’ patents, copyrights, trademarks, and similar proprietary rights. If we, or our affiliates and partners, fail to protect intellectual property and proprietary rights, our business, financial condition, and results of operations would suffer. We believe that neither we nor our affiliates and partners infringe upon the proprietary rights of any third party, and no third party has asserted an infringement claim against us. It is possible, however, that such a claim might be asserted successfully against us in the future. We may be forced to suspend our operations to pay significant amounts to defend our rights, and a substantial amount of the attention of our management may be diverted from our ongoing business, all of which would materially adversely affect our business.

***We depend on our key personnel and may have difficulty attracting and retaining the skilled staff and outside professionals we need to execute our growth plans.***

Our success will be dependent largely upon the personal efforts of our Chief Executive Officer, Chet Billingsley. The loss of key staff could have a material adverse effect on our business and prospects. Currently, we have two full-time employees, and we rely on the services provided by outside professionals. To execute our plans, we will have to retain our current employees and work with outside professionals that we believe will help us achieve our goals. Competition for recruiting and retaining highly skilled employees with accounting, technical, management, marketing, sales, product development, and other specialized training is intense. We may not be successful in employing and retaining such qualified personnel. Specifically, we may experience increased costs in order to retain skilled employees. If we are unable to retain experienced employees as needed, we would be unable to execute our business plan.

***Founder and CEO Chet Billingsley, along with other members of the Company Board of Directors, have considerable control over the company through their aggregate ownership of 15.09% of the outstanding shares of the Company's Common Stock on a fully diluted basis.***

As of September 30, 2022, Mr. Billingsley owned approximately 8.87% of the outstanding shares of the Company's Common Stock on a fully diluted basis. Together with other members of the Company's Board of Directors, management of the Company owns approximately 15.09% of the outstanding shares of the Company's Common Stock on a fully diluted basis. Mr. Billingsley also holds 2,047,274 Series D warrants, exercisable at \$1.60 per share. Additionally, Robert Meyer, David Carlile, and Lori Stansfield, directors of the Company, hold an aggregate of 631,455 Series D warrants exercisable at \$1.60 per share. Due to the large number of shares of Common Stock owned by Mr. Billingsley and the directors of the Company, management has considerable ability to exercise control over the Company and matters submitted for shareholder approval, including the election of directors and approval of any merger, consolidation or sale of substantially all of the assets of the Company. Additionally, due to his position as CEO and Chairman of the Board, Mr. Billingsley has the ability to control the management and affairs of the Company. The Company's directors and Mr. Billingsley owe a fiduciary duty to our shareholders and must act in good faith in a manner each reasonably believes to be in the best interests of our shareholders. As shareholders, Mr. Billingsley and the other directors are entitled to vote their shares in their own interests, which may not always be in the interests of our shareholders generally.

***We face rapid change.***

The market for our partners' and subsidiaries' products and services is characterized by rapidly changing laws, technologies, and the introduction of new products and services. We believe that our future success will depend in part upon our ability to invest in companies that develop and enhance products and services offered in the energy, manufacturing, management services, and dispute resolution industries. There can be no assurance that our partners and subsidiaries will be able to develop and introduce new products and services or enhance initial products in a timely manner to satisfy customer needs, achieve market acceptance or address technological changes in our target markets. Failure to develop products and services and introduce them successfully and in a timely manner could adversely affect our competitive position, financial condition, and results of operations.

***If we experience rapid growth, we will need to manage such growth well.***

We may experience substantial growth in the size of our staff and the scope of our operations, resulting in increased responsibilities for management. To manage this possible growth effectively, we will need to continue to improve our operational, financial and management information systems, will possibly need to create departments that do not now exist, and hire, train, motivate and manage a growing number of staff. Due to a competitive employment environment for qualified accounting, technical, marketing, and sales personnel, we expect to experience difficulty in filling our needs for qualified personnel. There can be no assurance that we will be able to effectively achieve or manage any future growth, and our failure to do so could delay product development cycles and market penetration or otherwise have a material adverse effect on our financial condition and results of operations.

***We could face product liability risks and may not have adequate insurance.***

Our partners' and affiliates' products may be used for medical purposes. We may become the subject of litigation alleging that our partners' and affiliates' products were ineffective or unsafe. Thus, we may become the target of lawsuits from injured or disgruntled customers or other users. We intend to, but do not now, carry product and liability insurance, but in the event that we are required to defend more than a few such actions, or in the event we are found liable in connection with such an action, our business and operations may be severely and materially adversely affected.

***There is a limited market for our Common Stock.***

Our Common Stock is not listed on any exchange and trades on the OTC Markets OTCQB system. As such, the market for our Common Stock is limited and is not regulated by the rules and regulations of any exchange. Freely trading shares of even fully reporting cannabis companies receive careful scrutiny by brokers who may require legal opinion letters, proof of consideration, medallion guarantees, or expensive fee payments before accepting or declining share deposit. Through association with cannabis companies and products, we have been subject to heightened scrutiny by brokers in the past which may make it difficult for current shareholders to sell or interested investors from purchasing our shares of common stock. Further, the price of our Common Stock and its volume in the market may be subject to wide fluctuations. Our stock price could decline regardless of our actual operating performance, and stockholders could lose a substantial part of their investment as a result of industry or market-based fluctuations. Our stock may trade relatively thinly. If a more active public market for our stock is not sustained, it may be difficult for stockholders to sell shares of our Common Stock. Because we do not anticipate paying cash dividends on our Common Stock for the foreseeable future, stockholders will not be able to receive a return on their shares unless they are able to sell them. The market price of our Common Stock will likely fluctuate in response to a number of factors, including but not limited to the following:

- sales, sales cycle, and market acceptance or rejection of our affiliates' products;
- our ability to engage with partners who are successful in selling products;
- economic conditions within the markets;
- development of law related to cannabis products and services;
- the timing of announcements by us or our competitors of significant products, contracts or acquisitions or publicity regarding actual or potential results or performance thereof;
- domestic and international economic, business, and political conditions;
- justified or unjustified adverse publicity; and
- proper or improper third-party short sales or other manipulation of our stock.

***We have a long business and corporate existence.***

We began in Silicon Valley in 1985 as a limited partnership and operated as Mentor Capital, LP until we incorporated as Main Street Athletic Clubs, Inc. in California in 1994. We were privately owned until September 1996; our Common Stock began trading on the Over The Counter Pink Sheets on March 12, 1997. Our merger and acquisition and business development activities have spanned many business sectors, and we went through a bankruptcy reorganization in 1998. In late 2015, we reincorporated under the laws of the State of Delaware. We have operated in several different industries over our existence but do not have brand recognition within any one industry. We are continuing to diversify the types of entities with whom we are interested in partnering.

***Failure to maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 could have a material adverse effect on our stock price.***

Section 404 of the Sarbanes-Oxley Act of 2002 and the related rules and regulations of the SEC require annual management assessments of the effectiveness of our internal control over financial reporting. If we fail to adequately maintain compliance with, or maintain the adequacy of, our internal control over financial reporting, as such standards are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 and the related rules and regulations of the SEC. If we cannot favorably assess our internal controls over financial reporting, investor confidence in the reliability of our financial reports may be adversely affected, which could have a material adverse effect on our stock price.

***We have indemnified our officers and directors.***

We have indemnified our Officers and Directors against possible monetary liability to the maximum extent permitted under California and Delaware law. The managers of Mentor Partner I, LLC and Mentor Partner II, LLC have been indemnified to the maximum extent permitted under California and Texas law.

***The worldwide economy could impact the Company in numerous ways.***

The effects of negative worldwide economic events, such as the continuing coronavirus outbreak, economic sanctions, and outbreak of war in Ukraine, product and labor shortages, and a global economic slowdown may cause disruptions and extreme volatility in global financial markets, increased rates of default and bankruptcy, impact levels of consumer spending, and may impact our business, operating results, or financial condition. The ongoing worldwide economic situation, future weakness in the credit markets, and significant liquidity problems for the financial services industry may also impact our financial condition in a number of ways. For example, current or potential customers may delay or decrease spending with us, or our partners and affiliates, or may not pay us, or our partners or affiliates, or may delay paying us, or our partners or affiliates, for previously purchased products and services. Also, we may have difficulties in securing additional financing.

Competitors in the Canadian public market may have a material advantage over us. The Canadian government has loosened the laws and regulations with regard to cannabis earlier and at a faster pace than in the United States. The financial regulations with regard to cannabis investing and banking are also more favorable in Canada than for the Company in the United States. This Canadian advantage may have a material negative effect on the Company's business.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

On October 3, 2019, the Company rescinded the sale and, on March 6, 2020, canceled the issuance of 222,223 shares of its unregistered Common Stock due to a complete failure of consideration. The unregistered shares of Common Stock were originally sold on March 22, 2017 in a private placement for \$500,002.

On October 3, 2019, the Company rescinded the sale and, on March 6, 2020, cancelled the issuance of 66,667 shares of its unregistered Common Stock due to a complete failure of consideration. The unregistered shares of Common Stock were originally sold on April 28, 2017 in a private placement for \$100,000.

Other than as stated above, there have been no other unregistered securities sold within the past three years.

Each of these sales of shares of Common Stock was made in reliance on Rule 506(b) of Regulation D and Section 4(a)(2) of the Securities Act of 1933, as amended.

**Item 3. Defaults Upon Senior Securities and Use of Proceeds.**

None.

**Item 4. Mine Safety Disclosures.**

None.

**Item 5. Other Information.**

None.

**Item 6. Exhibits.**

The following exhibits are filed as part of this report:

<b>Exhibit Number</b>	<b>Description</b>
3.1	<a href="#"><u>Amended and Restated Certificate of Incorporation of the Company (Incorporated by reference to Mentor's Definitive Information Statement on Schedule 14C filed with the SEC on July 10, 2015).</u></a>
3.2	<a href="#"><u>Bylaws of the Company (Incorporated by reference to Mentor's Definitive Information Statement on Schedule 14C filed with the SEC on July 10, 2015).</u></a>
4.1	<a href="#"><u>Instrument Defining Rights of Security Holders. (A copy of our Bankruptcy Plan of Reorganization, including Mentor's Sixth Amended Disclosure Statement, incorporated by reference to Exhibit 4 of our Registration Statement on Form 10, filed with the SEC on November 19, 2014.)</u></a>
4.2	<a href="#"><u>Description of assumed warrants to purchase shares of Mentor's Common Stock (Incorporated by reference to Mentor's Definitive Information Statement on Schedule 14C filed with the SEC on July 10, 2015).</u></a>
4.3	<a href="#"><u>Certificate of Designations of Rights, Preferences, Privileges and Restrictions of Series Q Preferred Stock (Incorporated by reference to Exhibit 4.3 to Mentor's Quarterly Report on Form 10-Q for the Period Ended September 30, 2017, filed with the SEC on November 9, 2017).</u></a>
10.1	<a href="#"><u>NeuCourt, Inc. Exchange Agreement dated July 15, 2022</u></a>
31.1	<a href="#"><u>Certification of the Chief Executive Officer required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>
31.2	<a href="#"><u>Certification of the Principal Financial Officer required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>
32.1	<a href="#"><u>Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u></a>
32.2	<a href="#"><u>Certification of the Principal Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u></a>
101	XBRL Exhibits
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

**SIGNATURES**

Pursuant to the requirements 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.

Mentor Capital, Inc.

Date: November 10, 2022

By: /s/ Chet Billingsley  
Chet Billingsley, Chief Executive Officer

Date: November 10, 2022

By: /s/ Chet Billingsley  
Chet Billingsley, Principal Financial Officer

Certain information has been redacted from this Exhibit 10.1 because it is not material and it is the type of information that the issuer treats as private or confidential.

**EXCHANGE AGREEMENT**

THIS **EXCHANGE AGREEMENT** (the "Agreement"), dated as of July 15, 2022 is entered into by and among NeuCourt, Inc., a Delaware corporation having an address at 1342 Rollins Road, Burlingame, CA 94010 (the "Company"), and the Convertible Note Holders set forth on the signature page hereto ("Holders").

**WITNESSETH:**

**WHEREAS**, the Company issued to the Holders one or more of its 5% Convertible Promissory Notes (the "Notes"); and

**WHEREAS**, the Company and the Holders desire to exchange the principal amount and all accrued unpaid interest (the "Amount") of each Note for a SAFE (Simple Agreement for Future Equity, in the form attached hereto as Attachment 1;

**NOW, THEREFORE**, in consideration of the premises and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Exchange of Notes.

a. Issuance SAFE and Exchange of Notes. In exchange for the surrender and cancellation of the Notes, the Company shall issue to each Holder, and each Holder shall acquire from the Company a SAFE in the form attached hereto as Attachment 1, in principal amount equal to the Amount. The issuance of the SAFEs shall have no effect on any warrants previously issued for extension of the Notes prior to the date hereof. The SAFEs shall be issued through CARTA as soon as is reasonably practicable.

b. Holder Accepts SAFE. Each Holder hereby accepts such SAFE in replacement of and in exchange for all of such Holder's Notes, and agrees to all of the terms, conditions, representations, agreements, and warranties of such SAFE.

2. Representations and Warranties. The Company hereby makes to the Holders the following representations and warranties: The Company has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by this Agreement and otherwise to carry out its obligations hereunder. The execution and delivery of this Agreement and the SAFEs by the Company and the consummation by it of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of the Company and no further action is required by the Company, its board of directors or its stockholders in connection therewith. This Agreement and the SAFEs have been duly executed by the Company and, when delivered in accordance with the terms hereof will constitute the valid and binding obligations of the Company enforceable against the Company in accordance with their terms except (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.



3. Miscellaneous.

a. This Agreement may be executed in two or more counterparts and by facsimile signature, delivery of PDF images of executed signature pages by email or otherwise, and each of such counterparts shall be deemed an original and all of such counterparts together shall constitute one and the same agreement.

b. If any provision of this Agreement is prohibited by law or otherwise determined to be invalid or unenforceable by a court of competent jurisdiction, the provision that would otherwise be prohibited, invalid or unenforceable shall be deemed amended to apply to the broadest extent that it would be valid and enforceable, and the invalidity or unenforceability of such provision shall not affect the validity of the remaining provisions of this Agreement so long as this Agreement as so modified continues to express, without material change, the original intentions of the parties as to the subject matter hereof and the prohibited nature, invalidity or unenforceability of the provision(s) in question does not substantially impair the respective expectations or reciprocal obligations of the parties or the practical realization of the benefits that would otherwise be conferred upon the parties. The parties will endeavor in good faith negotiations to replace the prohibited, invalid or unenforceable provision(s) with a valid provision(s), the effect of which comes as close as possible to that of the prohibited, invalid or unenforceable provision(s).

c. This Agreement shall be governed by and interpreted in accordance with laws of the State of California, excluding its choice of law rules. The parties hereto hereby waive the right to a jury trial in any litigation resulting from or related to this Agreement.

d. Each Holder and the Company hereby will, in the future, execute and deliver any and all further agreements, certificates, instruments and documents and do and perform or cause to be done and performed, all acts and things as may be necessary or appropriate to carry out the intent and accomplish the purposes of this Agreement.

e. The parties acknowledge and agree that the actions and obligations of each Holder hereunder are several and not joint with the actions and obligations of any other Holder and that no Holder shall be responsible in any way for the representations, warranties, agreements, acts or omissions, or the performance or non-performance of the obligations, of any other Holder hereunder.

f. The parties acknowledge and agree that (i) the Holders are not agents, affiliates or partners of each other, (ii) the Holders are not, under any circumstances, agreeing to act jointly, in concert or as a group with respect to the Notes, the SAFEs, and any underlying or conversion securities, (iii) nothing contained in any document, and no action taken by any Holder pursuant thereto, constitutes or shall be deemed to constitute the Holders as a partnership, an association, a joint venture or any other kind of entity, or create a presumption that the Holders are in any way acting or agreeing to act jointly, in concert or as a group with respect to the Notes, SAFEs, or any underlying or conversion securities, any transactions, or any of their actions or obligations under any documents (including without limitation the decision to acquire, dispose of or vote any securities), and (iv) the Company shall not assert any claim inconsistent with the foregoing.

g. No rules of construction are intended by the Company or any Holder and the parties intend that for all purposes they be treated as joint authors hereof.

h. This Agreement and the SAFEs and the other documents delivered pursuant hereto constitute the full and entire understanding and agreement between the parties with regard to the subjects hereof and thereof. The Company's agreements with each of the Holders are separate agreements, and the issuance of the SAFEs to each of the Holders are separate issuances. Nonetheless, any term of this Agreement or the SAFEs may be amended and the observance of any term of this Agreement or the SAFEs may be waived (either generally or in a particular instance and either retroactively or prospectively), with the written consent of the Company and the Majority of the SAFE holders. Any waiver or amendment effected in accordance with this Section shall be binding upon each party to this Agreement and any holder of any SAFE and each future holder of SAFEs.


i. All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed effectively given upon receipt.

j. Any dispute between the parties arising out of or relating to this Agreement shall (i) first be resolved through good faith settlement discussions, (ii) then be submitted to NeuCourt mediation, and (iii) then be submitted to NeuCourt binding arbitration.

[remainder of page left blank]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.


**NeuCourt, Inc.,**  
a Delaware corporation

By:   
DocuSigned by:  
940982242CDA4ED...  
**Paul Marotta, Chief**  
**Executive Officer**

**TCLG, LLC,**  
a Delaware limited liability company

By:   
DocuSigned by:  
54C58B009FC647D...  
**Megan Jeanne, Member**


**MENTOR CAPITAL, INC.,**  
a Delaware corporation

By:   
DocuSigned by:  
20900000001174E...  
**Chet Billingsley, CEO**

DocuSigned by:  
[REDACT]  
772A407566094F0...  
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[REDACT]  
6D47AB3729F148D...  
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By:   
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[REDACT]

DocuSigned by:  
[REDACT]  
26FA741E8E22443...  
[REDACT]

**Attachment 1**

THIS SAFE AND ANY SECURITIES ISSUABLE PURSUANT HERETO HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR UNDER THE SECURITIES LAWS OF ANY STATES. THESE SECURITIES MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED EXCEPT AS PERMITTED UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT OR AN EXEMPTION THEREFROM.

**NeuCourt, Inc.**

**SAFE  
(Simple Agreement for Future Equity)**

**THIS CERTIFIES THAT** in consideration for the investment by \_\_\_\_\_ (the "Investor") of \$ \_\_\_\_\_ (the "Purchase Amount") on or about July 15, 2022, NeuCourt, Inc., a Delaware corporation (the "Company") hereby issues to the Investor the right to certain shares of the Company's capital stock, subject to the terms set forth below.

The "Valuation Cap" is \$3,000,000.

The "Discount Rate" is 75%.

See Section 2 for certain additional defined terms.

**1. Events.**

(a) **Equity Financing.** In the event that before the conversion, expiration, or termination of this SAFE the Company consummates an Equity Financing, then the SAFE shall automatically convert into the number of shares equal to the face amount of the SAFE, divided by the lesser of (A) the Discount Price, and (B) the Liquidity Price (the "Conversion Shares").

(i) **Conversion Shares.** The Conversion Shares shall consist of (x) that number of shares of Equity Preferred Stock equal to the face amount of the SAFE divided by the price per share in the Equity Financing (the "Preferred Shares") and (y) that number of shares of Common Stock equal to the Conversion Shares minus the Preferred Shares.

(ii) **Purchase Terms.** In connection with the issuance of the Conversion Shares by the Company to the Investor, the Investor will execute and deliver to the Company all transaction documents related to the Equity Financing.

(b) **Liquidity Event.** If there is a Liquidity Event before the expiration or termination of this SAFE, the Investor will receive the greater of (i) a cash payment equal to the Purchase Amount, and (ii) the value of the shares issuable upon the default conversion hereof under Section 1(d)(ii).

(c) **Dissolution Event.** If there is a Dissolution Event before the expiration or termination of this SAFE, the Investor will receive the greater of (i) a cash payment equal to the Purchase Amount, and (ii) the value of the shares issuable upon the default conversion hereof under Section 1(d)(ii).

(d) **Termination and Repayment.** This SAFE will expire and terminate upon the conversion or repayment hereof.

(i) **Repayment.** Notwithstanding anything else herein to the contrary, this SAFE may be repaid by the Company on not less than sixty (60) days' prior written notice, provided,

however, the Investor shall have, during such 60 day period, the right to convert set forth in Section 1(d)(ii) below.

(ii) **Default Conversion.** In connection with (A) the notice of repayment set forth in Section 1(d)(i) hereof, or (B) this SAFE not otherwise being converted or repaid within five years of issuance hereof, the Investor may elect to receive on the conversion hereof, that number of shares of a to-be-created series of preferred stock (having reasonable rights, preferences, privileges, and restrictions), obtained by dividing the Purchase Amount by the Liquidity Price.

## 2. **Definitions.**

“Capital Stock” means the capital stock of the Company, including, without limitation, the “Common Stock” and the “Preferred Stock.”

“Capitalization” means the number, as of immediately prior to the Liquidity Event, of shares of Capital Stock (on a full dilution, as-converted basis) but excluding all SAFEs and convertible promissory notes where the holders of such securities are receiving cash out payments in lieu of any shares of equity or similar “as converted” payments.

“Change of Control” means (i) a transaction or series of related transactions in which any “person” or “group” (within the meaning of Section 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), becomes the “beneficial owner” (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended), directly or indirectly, of more than 50% of the outstanding voting securities of the Company having the right to vote for the election of members of the Company’s board of directors, (ii) any reorganization, merger or consolidation of the Company, other than a transaction or series of related transactions in which the holders of the voting securities of the Company outstanding immediately prior to such transaction or series of related transactions retain, immediately after such transaction or series of related transactions, at least a majority of the total voting power represented by the outstanding voting securities of the Company or such other surviving or resulting entity or (iii) a sale, lease or other disposition of all or substantially all of the assets of the Company.

“Discount Price” means the price per share of the Equity Preferred Stock sold in the Equity Financing multiplied by the Discount Rate.

“Dissolution Event” means (i) a voluntary termination of operations, (ii) a general assignment for the benefit of the Company’s creditors or (iii) any other liquidation, dissolution or winding up of the Company (excluding any Liquidity Event), whether voluntary or involuntary.

“Equity Financing” means a bona fide transaction, or series of related transactions, in which the Company sells shares of Preferred Stock with the principal purpose of raising capital, at a fixed pre-money valuation, raising not less than \$500,000.

“Equity Preferred Stock” means the shares of a series of Preferred Stock issued to investors in an Equity financing.

“Initial Public Offering” means the closing of the Company’s first firm commitment underwritten initial public offering of Common Stock pursuant to a registration statement filed under the Securities Act.

“Liquidity Event” means a Change of Control or an Initial Public Offering.

“Liquidity Price” means the price per share equal to the Valuation Cap divided by the Capitalization.

“SAFE” means an instrument containing a future right to shares of Capital Stock, similar in form and content to this instrument, purchased by investors for the purpose of funding the Company’s business operations.

**3. Company Representations.**

(a) The Company is a corporation duly organized, validly existing and in good standing under the laws of the state of Delaware, and has the power and authority to own, lease and operate its properties and carry on its business as now conducted.

(b) The execution, delivery and performance by the Company of this SAFE is within the power of the Company and, other than with respect to the actions to be taken when equity is to be issued to the Investor, has been duly authorized by all necessary actions on the part of the Company. This SAFE constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency or other laws of general application relating to or affecting the enforcement of creditors’ rights generally and general principles of equity. To the knowledge of the Company, it is not in violation of (i) its current Certificate of Incorporation or Bylaws, (ii) any material statute, rule or regulation applicable to the Company or (iii) any material indenture or contract to which the Company is a party or by which it is bound, where, in each case, such violation or default, individually, or together with all such violations or defaults, could reasonably be expected to have a material adverse effect on the Company.

(c) The performance and consummation of the transactions contemplated by this SAFE do not and will not: (i) Violate any material judgment, statute, rule or regulation applicable to the Company; (ii) result in the acceleration of any material indenture or contract to which the Company is a party or by which it is bound; or (iii) result in the creation or imposition of any lien upon any property, asset or revenue of the Company or the suspension, forfeiture, or nonrenewal of any material permit, license or authorization applicable to the Company, its business or operations.

(d) No consents or approvals are required in connection with the performance of this SAFE, other than: (i) The Company’s corporate approvals concerning the Equity financing; (ii) any qualifications or filings under applicable securities laws; and (iii) necessary corporate approvals for the authorization of Capital Stock issuable pursuant to Section 1.

(e) To its knowledge, the Company owns or possesses (or can obtain on commercially reasonable terms) sufficient legal rights to all patents, trademarks, service marks, trade names, copyrights, trade secrets, licenses, information, processes and other intellectual property rights necessary for its business as now conducted and as currently proposed to be conducted, without any conflict with, or infringement of the rights of, others.

**4. Investor Representations.**

(a) The Investor has full legal capacity, power and authority to execute and deliver this SAFE and to perform its obligations hereunder. This instrument constitutes valid and binding obligation of the Investor, enforceable in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency or other laws of general application relating to or affecting the enforcement of creditors’ rights generally and general principles of equity.

(b) The Investor is an accredited investor as such term is defined in Rule 501 of Regulation D under the Securities Act. The Investor has been advised that this SAFE and the underlying securities have not been registered under the Securities Act, or any state securities laws and, therefore, cannot be resold unless they are registered under the Securities Act and applicable state securities laws or

unless an exemption from such registration requirements is available. The Investor is purchasing this SAFE and the securities to be acquired by the Investor hereunder for its own account for investment, not as a nominee or agent, and not with a view to, or for resale in connection with, the distribution thereof, and the Investor has no present intention of selling, granting any participation in, or otherwise distributing the same. The Investor has such knowledge and experience in financial and business matters that the Investor is capable of evaluating the merits and risks of such investment, is able to incur a complete loss of such investment without impairing the Investor's financial condition and is able to bear the economic risk of such investment for an indefinite period of time.

**5. Miscellaneous.**

(a) Any provision of this SAFE may be amended, waived or modified only upon the written consent of the Company and the Investor. Any notice required or permitted by this SAFE must be in writing and will be deemed delivered when received.

(b) The Investor is not entitled, as a holder of this SAFE, to vote or receive dividends or be deemed a holder of Capital Stock for any purpose, nor will anything contained herein be construed to confer on the Investor, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action or to receive notice of meetings, or to receive subscription rights or otherwise until shares have been issued upon the terms described herein.

(c) Neither this SAFE nor the rights contained herein may be assigned, by operation of law or otherwise, by either party without the prior written consent of the other; *provided, however*, that this SAFE and/or the rights contained herein may be assigned without the Company's consent by the Investor to any other entity who directly or indirectly, controls, is controlled by or is under common control with the Investor, including, without limitation, any general partner, managing member, officer or director of the Investor, or any venture capital fund now or hereafter existing which is controlled by one or more general partners or managing members of, or shares the same management company with, the Investor; and *provided, further*, that the Company may assign this SAFE in whole, without the consent of the Investor, in connection with a reincorporation to change the Company's domicile.

(d) In the event any one or more of the provisions of this SAFE is for any reason held to be invalid, illegal or unenforceable, in whole or in part or in any respect, or in the event that any one or more of the provisions of this SAFE operate or would prospectively operate to invalidate this SAFE, then and in any such event, such provision(s) only will be deemed null and void and will not affect any other provision of this SAFE and the remaining provisions of this SAFE will remain operative and in full force and effect and will not be affected, prejudiced, or disturbed thereby.

(e) All rights and obligations hereunder will be governed by the laws of the State of California, without regard to the conflicts of law provisions of such jurisdiction. The parties intend that no rules of construction be employed in the interpretation hereof.

**IN WITNESS WHEREOF**, the undersigned have caused this SAFE to be duly executed and delivered effective as of the date first set forth above.

**NeuCourt, Inc.,  
a Delaware corporation**

By: \_\_\_\_\_  
**Paul Marotta, CEO**

**Quarter ended September 30, 2022**  
**CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF**  
**THE SARBANES-OXLEY ACT OF 2002**

I, Chet Billingsley, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mentor Capital, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2022

*/s/ CHET BILLINGSLEY*  
\_\_\_\_\_  
Chet Billingsley  
Chief Executive Officer  
Principal Financial Officer

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**Certification of Chief Executive Officer and Principal Financial Officer  
Certification Pursuant to 18 U.S.C. Section 1350, as Amended,  
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

I, Chet Billingsley, Chief Executive Officer and Principal Financial Officer of Mentor Capital, Inc. (the "Company"), hereby certify pursuant to Rule 13a-14(b) or 15d-14(b) of the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code that to my knowledge:

1. The Company's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2022, to which this statement is furnished as an exhibit (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 10, 2022

*/s/ CHET BILLINGSLEY*  
Chet Billingsley  
Chief Executive Officer  
Principal Financial Officer

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