

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

**Form 10-K**

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

For the fiscal year ended December 31, 2022

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

Commission File Number: **333-148987**

**CUENTAS, INC.**

(Exact name of Registrant as specified in its charter)

**Florida**

**20-3537265**

(State or Other Jurisdiction of  
Incorporation or Organization)

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

**235 Lincoln Rd., Suite 210, Miami Beach, FL 33139**

(Address of principal executive offices)

**800-611-3622**

(Registrant's telephone number)

Securities registered under Section 12(b) of the Act:

<b>Title of each class</b>	<b>Trading Symbol(s)</b>	<b>Name of each exchange on which registered</b>
Common Stock, par value \$0.001 per share	CUEN	The Nasdaq Stock Market LLC
Warrants, each exercisable for one share of Common Stock	CUENW	The Nasdaq Stock Market LLC

Securities registered under Section 12(g) of the Act: **None**

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the 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, 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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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.

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

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

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

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

As of June 30, 2022, the last day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the common stock

outstanding, other than shares held by persons who may be deemed affiliates of the registrant, computed by reference to the closing sales price of the common stock on June 30, 2022, was \$4,497,980.

The number of shares of Common Stock, \$0.001 par value, outstanding on March 31, 2023 was 2,103,592 shares.

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## TABLE OF CONTENTS

	<b>Page</b>
<b>PART I</b>	
Item 1. <a href="#">Business</a>	1
Item 1A. <a href="#">Risk Factors</a>	9
Item 1B. <a href="#">Unresolved Staff Comments</a>	18
Item 2. <a href="#">Properties</a>	18
Item 3. <a href="#">Legal Proceedings</a>	18
Item 4. <a href="#">Mine Safety Disclosures</a>	18
<b>PART II</b>	
Item 5. <a href="#">Market for Registrant’s Common Equity and Related Stockholder Matters and Issuer Purchases of Equity Securities</a>	19
Item 6. <a href="#">[Reserved]</a>	22
Item 7. <a href="#">Management’s Discussion and Analysis of Financial Condition and Results of Operations</a>	22
Item 7A. <a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	28
Item 8. <a href="#">Financial Statements and Supplementary Data</a>	28
Item 9. <a href="#">Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</a>	28
Item 9A. <a href="#">Control and Procedures</a>	29
Item 9B. <a href="#">Other Information</a>	30
Item 9C. <a href="#">Disclosure Regarding Foreign Jurisdictions that Prevent Inspections</a>	30
<b>PART III</b>	
Item 10. <a href="#">Directors, Executive Officers and Corporate Governance</a>	31
Item 11. <a href="#">Executive Compensation</a>	35
Item 12. <a href="#">Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</a>	37
Item 13. <a href="#">Certain Relationships and Related Transactions, and Director Independence</a>	38
Item 14. <a href="#">Principal Accounting Fees and Services</a>	38
<b>PART IV</b>	
Item 15. <a href="#">Exhibits, Financial Statement Schedules</a>	39
Item 16. <a href="#">Form 10-K Summary</a>	40

## SPECIAL NOTE

*As used in this Annual Report on Form 10-K (the "Annual Report"), unless the context otherwise requires, the terms "the Company," "Cuentas," "we," "us," and "our" refer to Cuentas, Inc., a Florida corporation.*

### CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report includes forward-looking statements as the term is defined in the Private Securities Litigation Reform Act of 1995 or by the U.S. Securities and Exchange Commission in its rules, regulations and releases, regarding, among other things, all statements other than statements of historical facts contained in this report, including statements regarding our future financial position, business strategy, and plans and objectives of management for future operations. The words "believe," "may," "estimate," "continue," "anticipate," "intend," "should," "plan," "could," "target," "potential," "is likely," "will," "expect" and similar expressions, as they relate to us, 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 financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. In addition, our past results of operations do not necessarily indicate our future results.

These statements include, among other things, statements regarding:

- our ability to implement our business plan;
- our ability to attract key personnel;
- our ability to operate profitably;
- our ability to efficiently and effectively finance our operations;
- our ability to raise additional financing for working capital;
- our ability to efficiently manage our operations;
- that our accounting policies and methods may require management to make estimates about matters that are inherently uncertain;
- changes in the legal, regulatory and legislative environments in the markets in which we operate;
- adverse state or federal legislation or regulation that increases the costs of compliance, or adverse findings by a regulator with respect to existing operations.

Except as otherwise required by applicable laws and regulations, we undertake no obligation to publicly update or revise any forward-looking statements or the risk factors described in this report, whether as a result of new information, future events, or changed circumstances after the date of this report. You should not rely upon forward-looking statements as predictions of future events or performance. We cannot assure you that the events and circumstances reflected in the forward-looking statements will 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. No forward-looking statement is a guarantee of future performance. You should read this Annual Report and the documents that we reference in this Annual Report and have filed with the Securities and Exchange Commission (the SEC) thereto completely and with the understanding that our actual future results may be materially different from any future results expressed or implied by these forward-looking statements.

The Company maintains a website at [www.cuentas.com](http://www.cuentas.com). The Company makes available, free of charge, through the Investor Information section of the website, its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Section 16 filings and all amendments to those reports, as soon as reasonably practicable after such material is electronically filed with the Securities and Exchange Commission. Any of the foregoing information is available in print to any stockholder who requests it by contacting our Investor Relations Department. Alternatively, you may also access our reports at the SEC's website at [www.sec.gov](http://www.sec.gov).

## PART I

### ITEM 1. BUSINESS

#### The Company

The Company was incorporated under the laws of Florida on September 21, 2005, and currently focuses on the business of using proprietary fintech technology to provide mobile and e-commerce services for delivering financial, prepaid debit and digital content services to the unbanked, underbanked and underserved Latino, Hispanic and immigrant communities. The Company's proprietary software platform enables Cuentas to offer comprehensive financial services and robust functionality that is absent from other Mobile Apps through the use of our Prepaid Debit Mastercard<sup>®</sup>/General-Purpose Reloadable cards ("GPR"). The Company is diversifying with its initial investment in the first affordable apartment building in Florida using patented, hurricane proof (up to CAT 5) technology. Cuentas sees great potential in developing similar projects in Florida and other area in the US while integrating many of its mobile and e-commerce solutions to help bridge the digital divide for unbanked, underbanked and underserved communities.

#### Our Business

The Company's historical business included its Mobile App & GPR card. The Company is now diversifying its product line to include its Mobile Payments and Mobility projects which will be integrated into a proprietary fintech ecosystem that will provide a more complete offering of e-commerce products and services designed for the unbanked, underbanked and underserved immigrant and underprivileged communities to help them bridge the e-commerce digital divide. The Cuentas Mobile App & GPR ecosystem protects its customers by depositing their funds in an FDIC insured bank account at Sutton Bank, the issuing bank.

The comprehensive financial services currently available include:

- Direct ACH Deposits to receive funds
- ATM access – U.S. and most foreign countries
- Retail and Online purchases
- Peer to Peer Payments at no cost between Cuentas Account holders
- Cash Reloads at major retailers (Walmart, CVS, Walgreens, Dollar General, etc.)
- Discounted Gift Cards for major brands (Amazon Cash, Xbox, Playstation, Burger King, etc.)
- Transit Authority Fares – Los Angeles TAP, Connecticut GoCT, coming soon NY-OMNY
- Prepaid Long Distance Telecom Minutes – call land lines or mobile phones worldwide
- U.S. Mobile Phone Recharges (TopUps)
- Int'l. Mobile Phone Recharges (TopUps)

#### WU and Cuentas Bridge Digital and Retail Money Transfer Worlds for Latino Community

On or about March 8, 2022, the Company has integrated Western Union's ("WU") domestic and international money transfer capabilities into the Cuentas mobile banking app. The integration enables the Company's customers to send money to 200 countries and territories via the Cuentas mobile app. Leveraging Western Union's leading global cross-border, cross-currency platform, The Company's customers can conveniently move money to friends and family almost anywhere across the world using the Cuentas mobile app. Once sent, receivers can pick up their remittance in cash at any Western Union retail location.

A major factor that provides technical strength and reliability to Cuentas' project is the fintech ecosystem that it has developed. The foundation of Cuentas' ecosystem is the fintech platform with mobile app, mobile wallet and associated integrations that Cuentas has developed over the past 3 years. We believe that this platform has been proven to be a robust, reliable transactional, marketing, financial and predictive, Tier-1 transactional platform. Cuentas' ecosystem integrates its platform via dedicated APIs with Sutton Bank (the issuing bank), IDology (AML & KYC) and InComm (Processor, Load Network & 3<sup>rd</sup> Party Digital Products). During the fourth quarter of 2022, the Company performed its annual impairment test for the impairment of those intangible assets. Based on the Company's qualitative analysis, which considered the electronic products and General Purpose Reloadable Cards reporting unit results and additional business and industry specific considerations including the impact of the settlement agreement with CIMA Telecom, the Company performed a further revisions of the fair value of the acquired platforms. As a result of the factors discussed the company recorded an impairment charge of \$3.6 million whereas no amount was assigned to the acquired platforms on December 31, 2022

Cuentas' Mobile App includes a Mobile Wallet ("Wallet") and a Digital Store (the "Cuentas Digital Store" or the "Digital Store") and is linked with a Prepaid Mastercard<sup>®</sup> which can be used for ATM withdrawals, online purchases and in-person purchases.

Account holders may deposit funds to their account via (a) no-cost Direct Deposit, (b) no-cost fund transfers from other Cuentas account holders, or (c) for a small charge, using InComm's VanillaLoad network in over 200,000 locations at major retailers like Walmart, CVS, Walgreens, Dollar General, and more.

Once account holders have available funds, they can use their Cuentas Prepaid Mastercard<sup>®</sup> wherever prepaid Mastercards are accepted worldwide and at most ATMs in the U.S., and many international ATMs.

Account holders may use the funds in their Wallet to purchase discounted gift cards in the Cuentas Digital Store. Product categories in the Digital Store include Digital Gift Cards, Transit Cards, Mobile Phone Recharges (the "TopUps") and Western Union International Remittances. Digital gift cards include Amazon Cash, Sony Playstation, Xbox, Karma Koin, Burger King, Bass Pro Shops and more. Active transit products include TAP in Los Angeles, GoCT in Connecticut and The Rapid from Grand Rapids, Michigan. These should include the digital availability of OMNY in New York when it launches officially. Additional transit products will be available as InComm rolls them out. Cuentas account holders may purchase TopUps (Prepaid Mobile Phone Recharges) which allow them to recharge their own or someone else's Verizon, AT&T or other mobile phones in the U.S. or in many foreign countries – in real time. Account holders may make real phone calls using the Cuentas ILD Rewards balance (Loyalty Program) or funds in their wallet - actual phone calls that are made directly from their phone to any mobile phone or land line worldwide.

#### Cuentas e-commerce Distribution and Mobile Payments

The Cuentas e-commerce Distribution and Mobile Payments ecosystem will allow consumers to purchase Cuentas's line of digital products and services through a nationwide network of retailers that specifically serve Cuentas' target market. Cuentas' distribution network includes certain neighborhood markets known as "Bodegas" and convenience stores as well as other retail establishments. This brings previously unavailable digital products and services to those neighborhoods affected by the e-commerce digital divide.

#### The Latino Market

The name "Cuentas" is a Spanish word that has multiple meanings and was chosen for strategic reasons, to develop a close relationship with the Spanish speaking population. It means "Accounts" as in "bank accounts" and it can also mean "You can count on me" as in "*Cuentas conmigo*". Additionally, it can be used to "Pay or settle accounts" (*saldar cuentas*), "accountability" (*rendición de cuentas*), "to be accountable" (*rendir cuentas*) and other significant meanings.

The 2020 U.S. Census showed the Hispanic Latino population at over 62 million and at 18.7% of the total U.S. population. The FDIC defines the "unbanked" "as those adults without an account at a bank or other financial institution and are considered to be outside the mainstream for one reason or another. The Company believes that the Hispanic and Latino demographic generally have had more identification, credit, and former bank account issues than any other U.S. minority group leading to more difficulty in obtaining a traditional bank account.

#### Cuentas Mobile App and Wallet

The Cuentas Mobile App and Wallet are positioned to service the Hispanic, Latino and immigrant demographics with comprehensive financial products. Additionally, we are able to accept various forms of U.S. and some foreign government issued identification to confirm qualification for opening an account with the Cuentas App. The Cuentas App is able to accept SSN or ITIN with U.S. identification, Matricula Consular or other qualified government issued forms of identification.

#### The Cuentas Prepaid Mastercard<sup>®</sup> - General-Purpose Reloadable (GPR) Card

The Cuentas Prepaid GPR Card allows each account holder to have a personalized Cuentas Mastercard<sup>®</sup> and an associated Cuentas Account with the Mobile App, Digital Wallet, Digital Store and Long Distance Telecom services included. It acts as a comprehensive banking solution which enables access to the U.S. financial system for those who are unbanked or underbanked, while also enabling greater functionality than a traditional bank account. The cardholders' deposited funds are protected in an FDIC-insured bank account at Sutton Bank.

## **The Cuentas Business Model**

The Cuentas business model provides or, we expect will provide, for multiple revenue sources, many of which are synergistic market segments and provide unified financial and social functionality to forgotten segments of society.

The Cuentas Mobile Wallet has several current and potential revenue streams. The Company currently receives and expect that the Company will continue to receive monthly maintenance fees, reload fees, ATM fees and commissions for products sold as well as interchange and network fees from Mastercard and the Pulse Network (see “The Cuentas Ecosystem” herein).. Cuentas’ strategy is to provide excellent value to consumers while charging reasonable fees and commissions to produce profitability. We believe that monthly fees of \$4.50 which we will charge per user will generate reasonable revenue. Cuentas provides account recharge capabilities to account holders via the nationwide VanillaLoad network owned by InComm as it is available in many big box retailer chains such as Walmart, Walgreens, CVS, Dollar Store and others.

The Cuentas Digital Store produces revenue each time that consumers purchase third party gift cards, digital access, mass transit tickets and mobile phone top-ups (U.S. and international). Additionally, International remittances provided by the industry-leader Western Union “by Cuentas” are currently available and International Bill Pay should be available in 2023. Both services should be major revenue driving factors for Cuentas as they provide reliable, low-cost solutions to our target audience.

Cuentas offers rewards for free long distance calling to its account holders (“Cuentas Rewards”) who are given credits upon activation to be able to make real international calls to land lines or mobile phone worldwide, not like internet calling which can be unreliable and poor quality. We can expand the Rewards program to include other products and/or services in the future. Our target demographic uses both internet and prepaid calling services to communicate with family members around the U.S. and in their country. This added benefit is designed, at a very low cost, to provide extra benefits to our accountholders, which should help to maintain and solidify valuable relationships with them.

### Prepaid Debit Card Market Overview

The Research and Markets report titled “Prepaid Card Market: Payment Trends, Market Dynamics, and Forecasts 2020 - 2025” released in January 2020 states that, “[i]n the United States, prepaid cards remain the preferred choice for the unbanked market segment....” It also states that “[t]he move towards a cashless society is substantial, further driving the prepaid card market.”

Cuentas is strategically positioned in the prepaid marketplace with a focus on the Hispanic, Latino and immigrant demographics.

Cuentas does not charge Activation Fees to our account holders as we have identified this as an important issue to our target demographic. Cuentas sends a personalized Prepaid Mastercard® directly to each approved applicant in the US, and we only charge a monthly fee of \$4.50, fifteen days after activation and every thirty days thereafter. As previously mentioned, we also model our offering with empathy and consideration for our target demographic, keeping fees and costs reasonably low so they will be able to justify and appreciate the benefits provided by the Cuentas Mobile App, Wallet and Prepaid Mastercard®.

### The Cuentas Technology platform

The Cuentas technology platform has proven itself to be a robust, reliable system and Cuentas is now taking steps to raise the platform to the next level through symbiotic integration with The OLB Group Inc’s (“OLB”) advanced PCI compliant OMNIolutions platform.

On August 22, 2022, Cuentas signed a Software Licensing And Transaction Sharing Agreement with OLB with the goal of mutually integrating capabilities, features and expertise to enable both systems to take advantage of this symbiotic relationship so both organizations may grow. The integration of upgrades to Cuentas’ system will include advanced intelligence and predictive trending to improve security, identify successful marketing campaigns and provide data for future project development.

The current Cuentas ecosystem and platforms function seamlessly as before, and upgrades will be introduced after careful evaluation, review and multi-level testing.

The newly upgraded Cuentas platform is designed to be PCI compliant and will include a complete POS system with credit card processing, marketing tools, integrated modules for inventory management, content management, concierge services, shipping and customer service. Additional features and capabilities include Real-time currency exchange rates (ECB), SSL support, Fully 100% customizable designs using templates, configurable list of allowed countries, ACL (Access control list), Activity Log, OpenID, Facebook and Twitter authentication, W3C compliance (XHTML) with all Bar-Codes Accepted, and much more.

The Cuentas platform will also have a multi functionable tax module that can apply taxes by country, state, Zipcode, product classes (e.g., goods, services, alcohol, etc.) and even including tax exempt, European Union Value Added Tax support,

The platform will include a Reward Points System, Marketing manager (Email & SMS campaigns), Customizable SEO (Search Engine Optimization) meta tags, discounts, coupons, affiliate programs, shopping, Froogle (google base), PriceGrabber / Yahoo Shopping, become.com product feeds, Google XML site map, CMS Topics as well as QuickBooks and Google AdSense integration.

Additionally, the platform will provide a shipping and logistics department a complete solution that enables retailers to use UPS, USPS, FedEx and other shippers with a myriad of shipping calculation methods (weight, volume, product, etc.). Prevent shipping to restricted Countries, calculate shipping, defined shipping methods (e.g., Ground, Next Day, 2nd Day, etc.), shipping tracking numbers, etc.

Finally, the system's Customer Service module will allow customers to register/login, create wish lists and registries, multiple billing and shipping addresses per customer, customer roles (groups), time zone support, built-in forums, password recovery, multiple account registration/activation types, automatic or manual registrations, Email validation & image capture during login/registration, "Email a friend" feature, Compare products feature, News RSS, Contact Us form, and more. Plugins are also available for US Postal, QuickBooks, FedEx, DHL and MailChimp.

### **CIMA Settlement**

On July 8, 2022, the Company announced that it received a notice of default from CIMA related to that certain Platform Exclusive License Agreement, maintenance, and related agreements (collectively, the "License Agreement") by and among Cuentas, CIMA, Knetik, Inc. ("Knetik"), and Auris, LLC ("Auris"). The notice, which was received May 25, 2022, provides that Cuentas has failed to pay \$700,000 of maintenance and pass-through fees that CIMA alleges are owed under the License Agreement and also afforded Cuentas the required sixty-day period (through July 24, 2022) to cure the default as provided under the License Agreement.

On August 2, 2022, the Company and CIMA, along with Knetik and Auris executed a Settlement Agreement and General Release ("Settlement Agreement") which resolves the issues related to the July 8, 2022, notice of default from CIMA related to the License Agreement. Pursuant to the terms of the Settlement Agreement, in exchange for the consideration provided in the Settlement Agreement, Cuentas paid CIMA \$770,239.78 and the Company may assist CIMA in the sale of its Cuentas shares.

Further, in connection with the Settlement Agreement, Cuentas, Dinar Zuz, LLC, Michael De Prado and Arik Maimon provided signed waiver letters, expressly waiving any right of first refusal and co-sale rights granted in their favor under that certain letter agreement, dated December 31, 2019 (the "Side Letter"), by and among CIMA, Dinar Zuz, LLC, Michael Del Prado and Arik Maimon, and CIMA agreed (i) to restore immediately Cuentas's access to its platform; (ii) provided Cuentas with a limited license to utilize the platform the terms of which are detailed specifically in Section 6 of the Settlement Agreement, and to use reasonable efforts, subject to Cuentas' compliance thereto, to provide Cuentas' customer data to Cuentas through the end of the limited license term described in Section 6 of the Settlement Agreement; (iii) deliver to Cuentas the Source Code (as that term is defined in paragraph 1.18 of the License Agreement) relating to "Out-Of-Scope Services," and as further detailed in Section 6 of the Settlement Agreement; (iv) not enforce its rights under the Side Letter through and including August 31, 2022, and (v) shall not transfer, sale, or encumber its Cuentas shares through and including August 31, 2022, except as permitted therein. If Cuentas fails to comply with any term of this Settlement Agreement, Cuentas agreed to a Stipulated Judgment described in Section 5 of the Settlement Agreement, which, if triggered, the limited license set forth in Section 6 and any of CIMA's obligations under this Settlement Agreement shall become null and CIMA shall have the right to shut off Cuentas access to the Platform without notice.

The Settlement Agreement also provides for mutual general releases by Cuentas for the benefit of CIMA and by CIMA for the benefit of Cuentas of all claims other than claims relating to a breach of the Settlement Agreement.

The Settlement Agreement by its terms in effect terminated substantially all the obligations under the license agreement, dated December 31, 2019, by and between Cuentas and CIMA.

### **Strategic Partners**

#### **Sutton Bank ("Sutton")**

Cuentas has a 5 year Prepaid Card Program Management Agreement with Sutton Bank as the issuer of the Cuentas Prepaid Mastercard® - Debit/GPR card which is effective through October 2026 with automatic 1 year renewals.. Sutton insures account holders' funds through the FDIC and provides direct deposit capabilities, early pay functionality and account balance functionality for the Cuentas Mobile App and Mobile Wallet. Cuentas pays Sutton monthly fees for their assistance with compliance and regulatory concerns. Sutton coordinates Know Your Client ("KYC"), Office of Foreign Asset Control ("OFAC"), Politically Exposed Persons ("PEP") and Anti-Money Laundering ("AML") compliance with Cuentas and IDology. Each applicant must have either a Social Security number or an ITIN. During the registration process, IDology compares each applicant's personal information with known KYC, OFAC and PEP databases, and if required, can request certain forms of identification to confirm their identity. These forms of identification may include but are not limited to: Passport, Driver's License, Matricula Consular and U.S. residency documentation. Only applicants that reach a certain score that is coordinated between Sutton and IDology, are approved to receive a Cuentas Prepaid Mastercard® associated with their Cuentas Mobile App and Wallet account.

#### **Interactive Communications International, Inc. ("InComm")**

Cuentas has multiple agreements with InComm including: (a) Processing services, (b) Resale of 3<sup>rd</sup> party Digital gift cards, (c) Resale of InComm Digital Solutions, and (d) Reload Commission Agreement. The agreements are effective through July 2024 and then renew automatically for 1 year periods. InComm is an instrumental partner of Cuentas as it provides the operational core of Cuentas' transaction processing platform, the cash reload component and access to many third party products and services.

On July 23, 2019, the Company entered into a 5 year Prepaid Services Agreement with InComm (the "InComm PSA") to power and expand the Company's Mobile App, Mobile Wallet and GPR card. InComm is a supplier of 3<sup>rd</sup> party gift and digital content cards and Cuentas currently resells a variety of these products through its Mobile App's Digital Store and Cuentas-SDI distribution network, with possible expansion in the future.





Under the InComm PSA, InComm is the prepaid card processor and through its VanillaLoad network, allows the Company's cardholders for a small fee, to reload their Cuentas Mobile Wallet through a nationwide network of retailers including Walmart, 7-Eleven, Walgreens, CVS Pharmacy, Rite Aid, Dollar General and many more. In addition, the Company plans to extend the cash reload component of the Wallet through a select number of "bodegas" in the Cuentas-SDI network to increase its market penetration and profitability.

Under the InComm PSA, InComm provides processing services, telephone support, data storage services, account servicing, reporting, output and hot carding services to the Company. Cuentas pays InComm monthly fees for its support as well as anti-fraud and compliance services. Processing services consist mainly of authorization and transaction processing services. InComm also processes authorizations for transactions made with or on prepaid products, along with any payments or adjustments made to prepaid products. InComm also processes the Company's data and post entries in accordance with the specifications. Data storage services consist mainly of storage of the Company's data in a format that is accessible online by the Company through APIs designated by InComm, subject to additional API and data sharing terms and conditions. InComm also provides Web/API services for prepaid Cuentas GPR applications and transactions.

#### Cuentas SDI, LLC

Cuentas SDI, LLC (the "Cuentas-SDI") was incorporated in the State of Florida on January 4, 2022 and was a wholly owned subsidiary of SDI Black 011, Inc. ("SDI Black"). Cuentas-SDI is engaged in the business of electronic distribution and sales of virtual products via its Black 011 portal located at Yonkers, NY. Its electronic products range from prepaid wireless SIM activation, International mobile recharge services and international long distance phone services. During 2020, Cuentas-SDI also started sales of general merchandise to its retail reseller customers. Cuentas-SDI owns the assets of Black Wireless MVNO, Black 011 Long distance platform and operations and the SDI Black distribution platform and network of over 31,000 bodegas and convenience stores.

On May 27, 2022, the Company entered into a Membership Interest Purchase Agreement with SDI Black, the holders of all the membership interests of SDI Black and Cuentas-SDI, for the acquisition of 19.99% of the membership interests of Cuentas-SDI in exchange for \$750,000. Cuentas also had the right to close on the potential acquisition of the remaining 80.01% of the membership interests of Cuentas SDI within 60 days in exchange for a purchase price of an additional \$2,459,000 which the Company did not exercise.

The Company is working with a Vendor-Client relationship with Cuentas-SDI, who uses Least Cost Routing (LCR) to decide which vendor provides the products for sale. The LCR platform will determine the percentage and quantity of revenue that is realized between Cuentas and Cuentas-SDI

#### The Cuentas Ecosystem

Cuentas' goal is to offer the consumer a one-stop shop, easy to use, Mobile App & Mobile wallet with Mastercard<sup>®</sup> rails that can provide new, important financial services and solve many of their daily needs and desires while saving the users time and money.

Approved Cuentas accountholders will have a Prepaid Mastercard<sup>®</sup> acceptable wherever Mastercard<sup>®</sup> debit cards are accepted and can have their paychecks or certain government benefits checks directly deposited to their account associated with the card, with funds available for use on the card up to 2 days earlier than standard direct deposits. Furthermore, the Cuentas card has ATM access through the nationwide Pulse Network which provides access to over 500,000 ATMs in the U.S. and many more worldwide. (source: pulsenetwork.com)

The Cuentas Digital Store in the Mobile App will allow accountholders to purchase certain mainstream gift cards for use in a variety of stores, online portals and transit agencies – many at discounted prices. Accountholders can also "Top Up" or prepay their mobile phone accounts and also do the same for friends & family living in the US or overseas.

#### Cuentas Mobile

Cuentas Mobile is our Mobile Virtual Network Operator ("MVNO") trade name, which provided Cuentas Mobile branded mobile phones along with attractively priced prepaid voice, text, and data mobile phone services to a limited customer base. Cuentas, through M&M is negotiating to sell mobile services as an MVNO through an operator on the largest 5G nationwide network from one of the top 3 mobile carriers. Cuentas Mobile will continue to operate a virtual telecommunications network providing mobile voice, text, and data services with essentially the same quality as other MVNOs such as Cricket, Boost, Simple, Ultra, Mint, and Lyca Mobile which have been successful at creating brands, without owning the towers, hardware or network. Cuentas is currently reactivating distribution through grass roots retailers that normally interact with Cuentas' target audience, specifically offering low-cost mobile phone service with the ability to make international calls to specific Spanish speaking countries in Central and South America.

We believe that our potential customers will migrate away from legacy telephone and banking systems to enhanced mobility solutions. The Company's technological advantage and the synergies created by its combination of a reloadable debit card and a holder of mobile virtual network operator rights will make its products increasingly useful to unbanked, under-banked, under-served and other emerging niche markets.

#### Meimoun & Mammon LLC

*Meimoun & Mammon LLC ("M&M")* is a retail provider of domestic and international long-distance voice, text, and data telephony services to consumers in the United States and throughout the world. M&M holds International and Domestic Section 214 authority issued by the FCC. M&M operates the retail Tel3 business as a separate division. Tel3 has been a prepaid long distance provider for many years and provides direct and indirect access to Latino and immigrant communities across the US as it provides them with quality international communications services.

## LSI Group S.A. (“LSI”)

On Aug 31, 2022, Cuentas signed a 1-year agreement which is extendable to 3 years total with completion of certain milestones. LSI will market the US based Cuentas Prepaid Debit Card and Mobile App in countries including El Salvador, Guatemala and Honduras with plans to expand to South America, starting with Colombia, with the goal to sign 200,000 US-based Cuentas customers in 1 year for international cross-border remittances. As of date, the Company has not generated revenues through LSI.

### **Regulatory Compliance**

We operate in an ever-evolving and complex legal and regulatory environment. We, the products and services that we offer and market, and those for which we provide processing services, are subject to a variety of federal, state and foreign laws and regulations, including, but not limited to: federal communications laws and regulations; foreign jurisdiction communications laws and regulations; federal anti-money laundering laws and regulations, including the Patriot Act, the BSA, anti-terrorist financing laws and anti-bribery and corrupt practice laws and regulations in the U.S., and similar international laws and regulations, including the Proceeds of Crime (Money Laundering) and Terrorist Financing Act in Canada; state unclaimed property laws and money transmitter or similar licensing requirements; federal and state consumer protection laws, including the CARD Act, and the Dodd-Frank Act, and regulations relating to privacy and data security; and foreign jurisdiction payment services industry regulations.

Our subsidiary M&M is subject to regulation by the FCC and other government agencies and task forces. M&M holds International and Domestic Section 214 licenses issued by the FCC, which may be suspended or revoked by the FCC if M&M does not strictly comply with all applicable regulations and the terms and conditions under which the International and Domestic Section 214 licenses were issued. M&M is also subject to certain foreign jurisdiction communications laws and regulations as it provides limited access to its prepaid calling platform internationally. We believe that we, including our subsidiaries, are currently operating in compliance with all applicable laws and regulations, but there is no certainty that laws and regulations affecting our business will not change. Any such change of laws and regulations applicable to our business might adversely affect our ability to execute our business plan and achieve profitable operating results.

At the federal level, Congress and federal regulatory agencies have enacted and implemented new laws and regulations that affect the prepaid industry, such the CARD Act and FinCEN’s Prepaid Access Rule. Moreover, there are currently proposals before Congress that could further substantially change the way banks, including prepaid card issuing banks and other financial services companies, are regulated and are permitted to offer their products to consumers. Non-bank financial services companies, including money transmitters and prepaid access providers, are now regulated at the federal level by the Consumer Financial Protection Bureau (the “CFPB”), which began operations in July 2011, bringing additional uncertainty to the regulatory system and its impact on our business. We are increasingly facing more stringent anti-money laundering rules and regulations, compliance with which may increase our costs of operation, decrease our operating revenues and disrupt our business. Sutton bank performs routine AML, KYC, OFAC in consultation with Cuentas and IDology and other compliance review and searches throughout Cuentas’ registration and operational processes. Abuse of our prepaid products for purposes of financing sanctioned countries, terrorist funding, bribery or corruption could cause reputational or other harm that could have a material adverse effect on our business, results of operations and financial condition. Failure to comply with, or further expansion of, consumer protection regulations could have a material adverse effect on our business, results of operations and financial condition. Failure by us to comply with federal banking regulation may subject us to fines and penalties and our relationships with our issuing banks may be harmed.

Most states regulate the business of sellers of traveler’s checks, money orders, drafts and other monetary instruments, which we refer to collectively as money transmitters. While many states expressly exempt banks and their agents from regulation as money transmitters, others purport to regulate the money transmittal businesses of bank agents or do not extend exemptions to non-branch bank agents. In those states where we are required to be licensed, we are subject to direct supervision and regulation by the relevant state banking departments or similar agencies charged with enforcement of the money transmitter statutes and must comply with various restrictions and requirements, such as those related to the maintenance of certain levels of net worth, surety bonding, selection and oversight of our authorized delegates, permissible investments in an amount equal to our outstanding payment obligations with respect to some of the products subject to licensure, recordkeeping and reporting, and disclosures to consumers. We are also subject to periodic examinations by the relevant licensing authorities, which may include reviews of our compliance practices, policies and procedures, financial position and related records, various agreements that we have with our issuing banks, retail distribution partners and other third parties, privacy and data security policies and procedures, and other matters related to our business. As a regulated entity, Cuentas may incur significant costs associated with regulatory compliance. We anticipate that compliance costs and requirements will increase in the future for our regulated subsidiaries and that additional subsidiaries will need to become subject to these or new regulations. If we fail to maintain our existing money transmitter licenses or permits, or fail to obtain new licenses or permits in a timely manner, our business, results of operations and financial condition could be materially and adversely affected.

### **Marketing**

The Cuentas Mobile App, Mobile Wallet and Prepaid Mastercard® will be predominantly marketed via digital and traditional media channels. Cuentas expects to use a combination of internal resources as well as third parties for our marketing efforts.

The digital marketing placements will include social media, SEO (Search Engine Optimization), internet, geo fencing, online streaming providers, influencers, and other digital providers. Traditional marketing efforts include media such as radio, TV, print, billboards, bus wraps, bus benches, TV, radio, etc.

Media spend is distributed amongst these marketing vehicles and adjusted as acquisition data is received. Our initial program is designed to test creative, geo targeting and formats. Once feedback is analyzed, spending will be optimized to enhance efficiency and cost of acquisition. Vertical market integration and partnerships will also be developed to augment growth and stability.

Marketing strategies for customer acquisition have focused on key markets, targeted audiences, lifestyle fit, brand awareness, key metrics and go-to-market plans, especially where Hispanic & Latino groups are concentrated, such as Southern California, Texas, New York, Florida, Arizona and New Mexico. The marketing relationship with the indoor professional MASL (Major Arena Soccer League) soccer league for the 2022-2023 season has introduced the Cuentas brand and services to sports fans throughout the 14 team cities, with additional reach through streaming of the pro soccer games through the Twitch streaming network. The demographics of soccer fans is directly in line with Cuentas' target audience.

Cuentas will promote the newly integrated POS capabilities in its ecosystem and market these services to the 30,000 bodegas and convenience stores in the network, with the possibility of upgrading a select number of them to neighborhood financial centers to be able to load cash to the Cuentas prepaid debit card and provide other financial services.

#### Entry into a Joint-Venture Agreement with WaveMAX Corporation (“WaveMax”)

On July 21, 2021, the Company and WaveMAX entered into a Definitive Joint-Venture Agreement (the “Agreement”). Pursuant to the Agreement, the Company and WaveMax formed CuentasMax LLC on Dec 8, 2021, a joint venture (“CUENTASMAX”) which would install WiFi6 shared network (“WSN”) systems in up to 1,000 retail locations in the New York metropolitan tristate area using access points and small cells to provide users with access to the WSN (the “JV Project”). The WSN will allow CUENTASMAX to generate location-based advertising configured by advertisers using WaveMAX’s advertising dashboard technology directly to users over the WSN, could permit users to pay a service fee for ad-free access to the WSN. The ownership and management of CUENTASMAX shall be as follows: 50% to the Company, 25% to WaveMAX and 25% to Consultoria y Asesoría de Redes, S.A. de C.V. (“Execon”). Execon currently manages approximately 20,000 WiFi endpoints with WaveMax in Mexico. Each of the Company and WaveMAX agreed to fund \$120,000 (for a total of \$240,000) initially upon execution of the Agreement. In addition, each of the Company and WaveMAX has agreed to fund an additional \$127,500 over the succeeding five months, in each case, subject to approval of each party’s board of directors. The expenses of the JV Project shall include acquiring the Access Points hardware, the installation and configuration of the Access Points hardware for use with the broadband internet service at each Retail Location, entering into the necessary agreements with the Retail Locations, instore marketing and promotion of the WSN program, and expenses relating to commercialization of the digital advertising program. The Board of Directors of CUENTASMAX shall initially be comprised of four persons, two designated by the Company, one designated by WaveMAX, and one designated by Execon. The officers of CUENTASMAX shall be the persons from time to time designated by mutual agreement of the Company and WaveMAX, with the initial officers to be determined. It is hoped that up to 1,000 high traffic, prime location convenience stores and “bodegas” (small community markets) will be signed up in conjunction with the Company’s distribution network that sells prepaid debit card, e-store, e-wallet and digital services. A fee of 2% (two percent) of the net revenue of CUENTASMAX will be paid by CUENTASMAX on a monthly basis as a commission to Innovateur Management SAPI de CV. WaveMAX grants CUENTASMAX exclusive rights to use and deploy the WaveMAX Technology, including any and all patents owned or to be owned by WaveMAX and any and all related enhancements or applications of the WaveMAX Technology and any and all prior and subsequent improvements and/or new technology developed by WaveMAX solely in the Company’s BODEGAS network throughout the United States. The parties have agreed to expand CUENTASMAX to other areas of the U.S. once the current deployment is in progress or has been completed. As of date, CuentasMax has installed 30 WiFi6 Access Points in New York City, Los Angeles, and Puerto Rico at different small businesses including Bodegas, restaurants, beauty salons and gas stations. CuentasMax also has pilot project agreements with the Bodega Association and Business Group in NYC, Benelisha Group in LA, and Top Gasoline Inc in Puerto Rico. As of December 31, 2022, the Company funded \$80,000 in CUENTASMAX and recorded equity losses in the amount of \$52,000.

#### Entry into a Joint-Venture Agreement with Benelisha Group, Inc. (“Benelisha”)

On August 4, 2021, the Company and Benelisha entered into a Definitive Marketing and Promotion Agreement (the “Benelisha Agreement”). Pursuant to the Benelisha Agreement, the Company and Benelisha will market and promote Cuentas GPR cards and the mobile phone application (“DC/MA”) products to Benelisha customers. During the term of the Benelisha Agreement, Benelisha’s goal is to register Benelisha customers to become active users of the Cuentas DC/MA products. The Company hopes to complete technical and program integration to be able to launch in Q2 of 2023.

If Benelisha reaches these milestone goals, it will be rewarded with Most Favored Nation (MFN) status along with compensation consisting of 32% of Net Revenue from new cardholders that Benelisha registers and maintains on the Cuentas GPR Platform. After year 3, Benelisha may continue to maintain MFN status by registering 50,000 new cardholders each year. If Benelisha does not maintain MFN status, it will still receive compensation of 32% of net revenue for the active cardholders it maintains.

#### Acquisition of a 6% equity position in Lakewood Village

On March 7, 2023 Cuentas announced that it had completed the acquisition of a 6% equity position in Lakewood Village, the first sustainable rental housing project developed in the US using a patented MCFR Mineral Composite Fiber Reinforced Construction Technology that has been approved for hurricane-prone areas as such in Florida. The Lakewood Village project is an affordable multi-family real estate development located in Lake Worth, Palm Beach County, Florida, consisting of 96 apartments that are 2 and 3 bedrooms. An independent appraisal has valued the project, once completed, at approx. \$25M, equating the Company’s equity position at approx. \$1.5M. This investment will produce monthly income, expected to be about \$100k per year or more. Due to the success of the Lakewood project, the Company has made plans to develop additional affordable real estate projects under the CuentasCasa brand and has entered negotiations to initiate other projects, initially in South Florida.

#### Entry into a supply agreement with Renco USA

In March 2023, the Company also signed a 10 year supply agreement with Renco USA, Inc, the provider of the innovative, green, structural construction technology components used in the Lakewood Village project, which is hurricane proof (up to CAT 5) and earthquake proof (Seismic Cat A & B – soon C, D & E). Renco USA has the exclusive rights in the USA to the patented process. The Renco Wall, Floor and Roofing System is a unique MCFR Building System that creates interlocking, fiber reinforced, composite building blocks and other construction related products that can be connected in an almost limitless variety of designs. Renco’s system can be used to create homes, apartment buildings, hotels, office buildings, warehouses, infrastructure products and more.



## Corporate Information

We were incorporated in Florida on September 21, 2005. Our principal executive offices are located at 235 Lincoln Rd., Suite 210, Miami Beach, Florida 33139, and our telephone number is (800) 611-3622. Our corporate website address is [www.cuentas.com](http://www.cuentas.com). The information contained on or accessible through our website is not a part of this prospectus, and the inclusion of our website address in this prospectus is an inactive textual reference only.

## Reverse Split and Offering

On February 6, 2023, the Company entered into a Securities Purchase Agreement (the “Purchase Agreement”) with an institutional investor (the “Investor”) for the purpose of raising approximately \$5 million in gross proceeds for the Company. Pursuant to the terms of the Purchase Agreement, the Company agreed to sell, in a registered direct offering, an aggregate of (i) 163,344 shares (the “Shares”) of the Company’s common stock (“Common Stock”) and (ii) pre-warrants to purchase up to 128,031 shares of Common Stock (the “Pre-Funded Warrants” and such shares of Common Stock issuable upon exercise of the Pre-Funded Warrants, the “Pre-Funded Warrant Shares”) and, in a concurrent private placement, warrants (the “Purchase Warrants”) to purchase 291,375 shares of Common Stock (the shares of Common Stock issuable upon exercise of the Purchase Warrants, the “Purchase Warrant Shares”). The combined purchase price per Share and Purchase Warrant is \$17.16 and the combined purchase price per Pre-Funded Warrant and Purchase Warrant of \$17.16.

The Pre-Funded Warrants were sold, in lieu of shares of Common Stock, to any Investor whose purchase of shares of Common Stock in the Registered Offering would otherwise result in such Investor, together with its affiliates and certain related parties, beneficially owning more than 4.99% (or, at such Investor’s option upon issuance, 9.99%) of the Company’s outstanding Common Stock immediately following the consummation of the Registered Offering. Each Pre-Funded Warrant represents the right to purchase one share of Common Stock at an exercise price of \$0.0001 per share. The Pre-Funded Warrants are exercisable immediately and may be exercised at any time until the Pre-Funded Warrants are exercised in full.

The Purchase Warrants will be exercisable on the six-month anniversary of the issuance date and will expire five and one-half years following the date of issuance at an exercise price of \$17.36 per share.

The closing of the sales of these securities under the Purchase Agreement occurred on or about February 8, 2023, subject to satisfaction of customary closing conditions.

H.C. Wainwright & Co., LLC (“Wainwright”) is acting as exclusive placement agent for the offering pursuant to an engagement agreement between the Company and Wainwright dated as of December 13, 2022. As compensation for such placement agent services, the Company has agreed to pay Wainwright an aggregate cash fee equal to 7.0% of the gross proceeds received by the Company from the offering, plus a management fee equal to 1.0% of the gross proceeds received by the Company from the offerings, a non-accountable expense of \$65,000 and \$15,950 for clearing expenses. The Company has also agreed to issue to Wainwright or its designees warrants to purchase 20,396 shares of Common Stock (the “PA Warrants” and the shares of Common Stock issuable upon exercise of the PA Warrants, the “PA Warrant Shares”). The PA Warrants have a term of five years from the commencement of sales in the offering, and have an exercise price of \$23.17 per share. The fair market of those warrants was \$267 thousand as of date of issuance.

The net proceeds to the Company from the registered direct offering and concurrent private placement, after deducting the Placement Agent’s fees and expenses and the Company’s offering expenses was approximately \$4.3 million.

On February 7, 2023 the investor exercised 67,800 Pre-Funded Warrants and in March 13, 2023 the investor exercised 60,231 Pre-Funded Warrants.

As previously disclosed, on June 21, 2022, the Nasdaq Listing Qualifications Staff (the “Staff”) issued the Company a delist letter citing its failure to comply with the minimum bid price requirement under Listing Rule 5550(a)(2). In accordance with Listing Rule 5810(c)(3)(A), the Company was provided 180 calendar days, or until December 19, 2022, to regain compliance with Rule 5550(a)(2). On December 20, 2022, Staff notified the Company that it had determined to delist the Company as it did not comply with bid price requirement for listing on the Exchange. On December 27, 2022, the Company requested a hearing, which was held on February 9, 2023. On February 28, 2023, the Company announced that it received on February 23 formal notification from The Nasdaq Stock Market LLC (“Nasdaq”) indicating that the Nasdaq Hearings Panel (the “Panel”) had determined to grant the Company’s request for continued listing on The Nasdaq Capital Market, pursuant to an extension through April 6, 2023, to evidence compliance with Nasdaq Listing Rule 5550(a)(2) (the “Bid Price Rule”). Such extension is subject to the conditions that (1) on or before March 23, 2023, the Company shall effect a reverse stock split at a ratio that is sufficient to ensure compliance with the Bid Price Rule and (2) on April 6, 2023, the Company shall have demonstrated compliance with the Bid Price Rule, by evidencing a closing bid price of \$1 or more per share for a minimum of ten consecutive trading sessions. The Company is taking definitive steps to timely evidence compliance with the terms of the Panel’s decision; however, there can be no assurance that it will be able to do so by April 6, 2023, or that the Panel will grant a further extension if required.

On March 24, 2023, the Company completed a reverse stock split of its common stock. As a result of the reverse stock split, the following changes have occurred (i) every thirteen shares of common stock have been combined into one share of common stock; (ii) the number of shares of common stock underlying each common stock option or common stock warrant have been proportionately decreased on a 13-for-1 basis, and the exercise price of each such outstanding stock option and common warrant has been proportionately increased on a 13-for-1 basis. Accordingly, all option numbers, share numbers, warrant numbers, share prices, warrant prices, exercise prices and losses per share have been adjusted within these consolidated financial statements, on a retroactive basis, to reflect this 13-for-1 reverse stock split.

## ***The Company 2021 Share Incentive Plan***

On June 17, 2021 the Board of the Company approved the Cuentas Inc. 2021 Share Incentive Plan (the “2021 Plan”), which was approved by the shareholders during the Annual Shareholders Meeting held on December 15, 2021. The maximum number of shares of stock reserved and available for issuance under the 2021 Plan is 124,231 shares. The 2021 Plan is designed to enable the flexibility to grant equity awards to the Company’s officers, employees, directors and consultants as determined by the Company’s Compensation Committee.

### **Employees**

As of March 31, 2023, our management team consisted of the Interim Chief Executive Officer, Interim President, and Chief Financial Officer. We have an additional three full-time employees: our Compliance Officer, IT Director, and Executive Assistant. For more information relating to the employment agreements, please see the section below entitled “*Item 11. Executive Compensation.*”

### **ITEM 1A. RISK FACTORS**

Investing in our securities involves a high degree of risk. Before deciding whether to invest in our securities, you should carefully consider the risk factors we describe below, in any prospectus supplement and in any related free writing prospectus for a specific offering of securities, as well as those incorporated by reference into this prospectus or such prospectus supplement. You should also carefully consider other information contained and incorporated by reference in this prospectus and any applicable prospectus supplement, including our financial statements and the related notes thereto incorporated by reference in this prospectus. The risks and uncertainties described herein and in the applicable prospectus supplement and our other filings with the SEC incorporated by reference herein are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also adversely affect us. If any of the described risks occur, our business, financial condition or results of operations could be materially harmed. In such case, the value of our securities could decline and you may lose all or part of your investment.

***While we have entered into a binding letter of intent with SDI Black, we have not entered into negotiations for a purchase and sale agreement therewith and we cannot assure you that the transactions contemplated by our letter of intent will be consummated or, that if such transactions are consummated, they will be accretive to stockholder value.***

We entered into the LOI with SDI Black pursuant to which we agreed to explore an acquisition of the Purchased Assets from SDI Black. However, the LOI did not include many of the material terms to any potential transaction with SDI Black and there is no guarantee that we will agree to terms or definitive documentation with SDI Black in order to effect the proposed transaction. Further, even if we are able to agree to terms with SDI Black for a transaction, there is no guarantee that the terms will be favorable to our stockholders, that the transaction will be completed in the time frame or in the manner currently anticipated, or that we will recognize the anticipated benefits of the transaction.

***We may engage in future acquisitions or strategic transactions, including the transaction with SDI Black, which may require us to seek additional financing or financial commitments, increase our expenses and/or present significant distractions to our management.***

As described herein, we have recently entered into a LOI to acquire the Purchased Assets from SDI Black which enables us to conduct due diligence and negotiate the terms of a definitive purchase and sale agreement. In the event we engage in an acquisition or strategic transaction, we may need to acquire additional financing (particularly, if the acquired entity is not cash flow positive or does not have significant cash on hand). Obtaining financing through the issuance or sale of additional equity and/or debt securities, if possible, may not be at favorable terms and may result in additional dilution to our current stockholders. Additionally, any such transaction may require us to incur non-recurring or other charges, may increase our near and long-term expenditures and may pose significant integration challenges or disrupt our management or business, which could adversely affect our operations and financial results. For example, an acquisition or strategic transaction may entail numerous operational and financial risks, including the risks outlined above and additionally:

- exposure to unknown liabilities;
- disruption of our business and diversion of our management’s time and attention in order to develop acquired products or technologies;
- higher than expected acquisition and integration costs;
- write-downs of assets or goodwill or impairment charges;
- increased amortization expenses;
- difficulty and cost in combining the operations and personnel of any acquired businesses with our operations and personnel;
- impairment of relationships with key suppliers or customers of any acquired businesses due to changes in management and ownership; and
- inability to retain key employees of any acquired businesses.

Accordingly, although there can be no assurance that we will undertake or successfully complete any transactions of the nature described above, and any transactions that we do complete could have a material adverse effect on our business, results of operations, financial condition and prospects.

## **Risks Related to the Company**

***We have a limited operating history and therefore we cannot ensure, either in the near- or long-term, that we will be able to generate cash flow or profit.***

We have a limited operating history upon which you may evaluate our business and an investment in our Common Stock may entail significantly more risk than the shares of Common Stock of a company with a substantial operating history. Our ability to successfully develop our products, and to realize consistent, meaningful revenues and profit has not been established and cannot be assured. For us to achieve success, our products must receive broader market acceptance by consumers. Without this market acceptance, we will not be able to generate sufficient revenue to continue our business operation. If our products are not widely accepted by the market, our business may fail.

Our ability to achieve and maintain profitability and positive cash flow is dependent upon our ability to generate revenues, manage development costs and expenses, and compete successfully with our direct and indirect competitors.

Our business operations are subject to numerous risks, uncertainties, expenses and difficulties associated with early stage enterprises. You should consider an investment in our company in light of these risks, uncertainties, expenses and difficulties. Such risks include: the absence of a lengthy operating history; insufficient capital to fully realize our operating plan; our ability to anticipate and adapt to a developing market; a competitive environment characterized by well-capitalized competitors; our ability to identify, attract and retain qualified personnel; our reliance on key management personnel.

Because we are subject to these risks, evaluating our business may be difficult. We may be unable to successfully overcome these risks, which could harm our business and prospects. Our business strategy may be unsuccessful and we may be unable to address the risks we face in a cost-effective manner, if at all. If we are unable to successfully address these risks, there may be an adverse effect on our business, results of operations, financial condition and cash flows.

***We may never achieve profitability from operations or generate sufficient cash flows to make or sustain distributions to our shareholders.***

We may never achieve profitability from operations. Even if we do achieve profitability, we cannot assure you that we will be able to sustain or increase profitability on a quarterly or annual basis in the future. There can be no assurance that future operations will be profitable or that we will be able to make or sustain distributions to our shareholders from cash from operations. Revenues and profits, if any, will depend upon various factors, including whether we will be able to successfully implement our business plan and operating strategy. We may not achieve our business objectives and the failure to achieve such goals would have an adverse impact on us. In addition, an inability to achieve profitability could have a detrimental effect on the market value of our Common Stock.

***We are an early entrant in an emerging industry, and the long-term viability of our business strategy is unproven.***

As an early entrant in this emerging Fintech industry, we are subject to the risk that our business model and business plan may not prove to be a viable long-term business strategy. If it turns out that our strategy is not a viable long-term business strategy, we may not be able to generate meaningful cash flows, which would materially and adversely affect the viability of our business and stock price.



***We may not be able to secure sufficient capital to effectively execute our business plan.***

We may not be able to attract and obtain sufficient capital from the equity and debt markets, or any other capital markets, to execute our business plan and grow our business. If we do not have access to sufficient funding in the future, we may not be able to make necessary capital expenditures necessary to execute our business plan, and in that event our ability to generate revenue may be significantly impaired.

***COVID-19 and its impact on businesses and financial markets could have a material adverse effect on our operations.***

In December 2019, a novel strain of coronavirus was reported to have surfaced in Wuhan, China, which has and is continuing to spread throughout China and other parts of the world, including the United States. On January 30, 2020, the World Health Organization declared the outbreak of the coronavirus disease (“COVID-19”) a “Public Health Emergency of International Concern.” On January 31, 2020, U.S. Health and Human Services Secretary Alex M. Azar II declared a public health emergency for the United States to aid the U.S. healthcare community in responding to COVID-19, and on March 11, 2020 the World Health Organization characterized the outbreak as a “pandemic”. A significant outbreak of COVID-19 and other infectious diseases could result in a widespread health crisis that could adversely affect the economies and financial markets worldwide, as well as our business and operations. COVID-19 effectively reduced our capability to acquire accounts holders as a significant portion of our target demographic lost their ability to earn wages and subsequently could not load funds to our product. If the disruptions posed by COVID-19 or other matters of global concern continue for an extensive period of time, our business and results of operations may be materially adversely affected.

***We are involved in various litigation matters that are expensive and time consuming, and, if resolved adversely, could harm our business, financial condition, or results of operations.***

Any litigation to which we are a party may result in an onerous or unfavorable judgment that may not be reversed upon appeal, or we may decide to settle lawsuits on similarly unfavorable terms. Any such negative outcome could result in payments of substantial monetary damages or fines, or changes to our products or business practices, and accordingly our business, financial condition, or results of operations could be materially and adversely affected. See “Business-Legal Proceedings” for a description of certain litigation involving the Company.

Although the results of lawsuits and claims cannot be predicted with certainty, we do not believe that the final outcome of those matters that we currently face will have a material adverse effect on our business, financial condition, or results of operations. However, defending these claims is costly and can impose a significant burden on management and employees, and we may receive unfavorable preliminary or interim rulings in the course of litigation, which could adversely affect the market price of our securities. There can be no assurances that a favorable final outcome will be obtained in all cases.

***Operating our business on a larger scale could result in substantial increases in our expenses.***

As our business grows in size and complexity, we can provide no assurance that we can successfully enter new markets or grow our business without incurring significant additional expenses, that our management platform will ultimately prove to be scalable, and/or that we will be able to achieve economies of scale or we will be able to operate our business on a larger scale than the scale on which we have historically operated.

***We are substantially dependent on the CIMA Technical and Back-End support, which may be terminated under certain circumstances.***

On December 31, 2019, the Company entered into the CIMA License Agreement, pursuant to which the Company has a perpetual, exclusive, non-transferable, non-sublicensable, royalty-free license to access and use the CIMA Licensed Technology in the form provided to the Company via the Hosting Services. Pursuant to Section 6 of the Amended Settlement Agreement executed December 28, 2022, the License expired on November 30, 2022 and is extended for technical support and back-end services to a comparable level on a month by month basis as the Company coordinates its transition to an alternative platform... We could lose access to the licensed technology that comprise the Cuentas technology platform prior to the complete transition, which will have a significant impact on our business, operations and financial results.

***Security breaches and other disruptions could compromise our information and expose us to liability, which would cause our business and reputation to suffer.***

In the ordinary course of our business we use sophisticated call processing engines and other sophisticated telecommunications technology platforms, and we acquire and store sensitive data, including intellectual property, our proprietary business information and personally identifiable information of our prospective and current tenants, our employees and third-party service providers on our networks and website. The secure processing and maintenance of this information is critical to our operations and business strategy. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in revenue losses, legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, disruption to our operations and the services we provide to customers or damage our reputation, which could adversely affect our results of operations and competitive position.

***We are dependent on our executive officers and dedicated personnel, and the departure of any of our key personnel could materially and adversely affect us.***

We rely on a small number of persons to carry out our business and investment strategies. An Executive Search Committee has been established to evaluate and propose qualified executive candidates for approval by the Board of Directors. Any member of our senior management may cease to provide services to us at any time. The loss of the services of any of our key management personnel, or our inability to recruit and retain qualified personnel in the future, could have an adverse effect on our business and financial results. As we expand, we will continue to need to attract and retain qualified additional senior management but may not be able to do so on acceptable terms or at all. Cuentas does not yet have but intends to have key man life insurance policies in place.

***We are subject to regulation which may adversely affect our ability to execute our business plan.***

We operate in an ever-evolving and complex legal and regulatory environment. We, the products and services that we offer and market, and those for which we provide processing services, are subject to a variety of federal, state and foreign laws and regulations, including, but not limited to: federal communications laws and regulations; foreign jurisdiction communications laws and regulations; federal anti-money laundering laws and regulations, including the USA PATRIOT Act (the “Patriot Act”), the Bank Secrecy Act (the “BSA”), anti-terrorist financing laws and anti-bribery and corrupt practice laws and regulations in the U.S., and similar international laws and regulations, including the Proceeds of Crime (Money Laundering) and Terrorist Financing Act in Canada; state unclaimed property laws and money transmitter or similar licensing requirements; federal and state consumer protection laws, including the Credit Card Accountability, Responsibility and Disclosure Act of 2009 (the “CARD Act”), and the Durbin Amendment to Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”), and regulations relating to privacy and data security; and foreign jurisdiction payment services industry regulations. We believe that we are currently operating in compliance with all applicable laws and regulations, but there is no certainty that laws and regulations affecting our business will not change. Any such change of laws and regulations applicable to our business might adversely affect our ability to execute our business plan and achieve profitable operating results.

***We are subject to Anti-Money Laundering Regulation.***

We are subject to a comprehensive federal anti-money laundering regulatory regime that is constantly evolving. The anti-money laundering regulations to which we are subject include the BSA, as amended by the Patriot Act, which criminalizes the financing of terrorism and enhances existing BSA regimes through: (a) expanding AML program requirements to certain delineated financial institutions; (b) strengthening customer identification procedures; (c) prohibiting financial institutions from engaging in business with foreign shell banks; (d) requiring financial institutions to have due diligence procedures and, where appropriate, enhanced due diligence procedures for foreign correspondent and private banking accounts; and (e) improving information sharing between financial institutions and the U.S. government. Pursuant to the BSA, we have instituted a Customer Identification Program, (CIP). The CIP is incorporated into our BSA/anti-money laundering compliance program. We are increasingly facing more stringent anti-money laundering rules and regulations, compliance with which may increase our costs of operation, decrease our operating revenues and disrupt our business” for additional information. Cuentas is or may become subject to reporting and recordkeeping requirements related to anti-money laundering compliance obligations arising under the Patriot Act and its implementing regulations. In addition, provisions of the BSA enacted by the Prepaid Access Rule issued by the Financial Crimes Enforcement Network (“FinCEN”), impose certain obligations, such as registration and collection of consumer information, on “providers” of certain prepaid access programs, including the prepaid products issued by Cuentas and our issuing banks for which we serve as program manager. In order to qualify for certain exclusions under the Prepaid Access Rule, some of our content providers were required to modify operational elements of their products, such as limiting the amount that can be loaded onto a card in any one day. In addition, pursuant to the Prepaid Access Rule, Cuentas and some of our retail distribution partners have adopted policies and procedures to prevent the sale of more than \$10,000 in prepaid access (including closed loop and open loop products that fall under the monetary thresholds outlined above) to any one person during any one day.

***We are subject to Consumer Protection Regulation.***

We are subject to various federal, state and foreign consumer protection laws, including those related to unfair and deceptive trade practices as well as privacy and data security. Failure to comply with, or further expansion of, consumer protection regulations could have a material adverse effect on our business, results of operations and financial condition. A data security breach could expose us to liability and protracted and costly litigation, and could adversely affect our reputation and operating revenues.

***We are subject to Federal Regulation.***

At the federal level, Congress and federal regulatory agencies have enacted and implemented new laws and regulations that affect the prepaid industry, such the CARD Act and FinCEN's Prepaid Access Rule. Moreover, there are currently proposals before Congress that could further substantially change the way banks, including prepaid card issuing banks and other financial services companies, are regulated and are permitted to offer their products to consumers. Non-bank financial services companies, including money transmitters and prepaid access providers, are now regulated at the federal level by the Consumer Financial Protection Bureau (the "CFPB"), which began operations in July 2011, bringing additional uncertainty to the regulatory system and its impact on our business. We are increasingly facing more stringent anti-money laundering rules and regulations, compliance with which may increase our costs of operation, decrease our operating revenues and disrupt our business. Abuse of our prepaid products for purposes of financing sanctioned countries, terrorist funding, bribery or corruption could cause reputational or other harm that could have a material adverse effect on our business, results of operations and financial condition. Failure to comply with, or further expansion of, consumer protection regulations could have a material adverse effect on our business, results of operations and financial condition. Failure by us to comply with federal banking regulation may subject us to fines and penalties and our relationships with our issuing banks may be harmed.

***We are subject to Money Transmitter Licenses or Permits.***

Most states regulate the business of sellers of traveler's checks, money orders, drafts and other monetary instruments, which we refer to collectively as money transmitters. While many states expressly exempt banks and their agents from regulation as money transmitters, others purport to regulate the money transmittal businesses of bank agents or do not extend exemptions to non-branch bank agents. In those states where we are required to be licensed, we are subject to direct supervision and regulation by the relevant state banking departments or similar agencies charged with enforcement of the money transmitter statutes and must comply with various restrictions and requirements, such as those related to the maintenance of certain levels of net worth, surety bonding, selection and oversight of our authorized delegates, permissible investments in an amount equal to our outstanding payment obligations with respect to some of the products subject to licensure, recordkeeping and reporting, and disclosures to consumers. We are also subject to periodic examinations by the relevant licensing authorities, which may include reviews of our compliance practices, policies and procedures, financial position and related records, various agreements that we have with our issuing banks, retail distribution partners and other third parties, privacy and data security policies and procedures, and other matters related to our business. As a regulated entity, Cuentas may incur significant costs associated with regulatory compliance. We anticipate that compliance costs and requirements will increase in the future for our regulated subsidiaries and that additional subsidiaries will need to become subject to these or new regulations. If we fail to maintain our existing money transmitter licenses or permits, or fail to obtain new licenses or permits in a timely manner, our business, results of operations and financial condition could be materially and adversely affected.

***We are subject to Privacy Regulation.***

In the ordinary course of our business, we collect and store or may collect and store personally identifiable information about customers, holders of our cards, subscribers, and users. This information may include names, addresses, email addresses, social security numbers, driver's license numbers and account numbers. We also maintain or may maintain a database of cardholder data for our proprietary cards relating to specific transactions, including account numbers, in order to process transactions and prevent fraud. These activities subject us to certain privacy and information security laws, regulations and rules in the United States, including, for example, the privacy provisions of the Gramm-Leach-Bliley Act and its implementing regulations, various other federal and state privacy and information security statutes and regulations, and the Payment Card Industry Data Security Standard. These federal and state laws, as well as our agreements with our issuing banks, contain restrictions relating to the collection, processing, storage, disposal, use and disclosure of personal information, and require that we have in place policies regarding information privacy and security. We have in effect a privacy policy relating to personal information provided to us in connection with requests for information or services, and we continue to work with our issuing banks and other third parties to update policies and programs and adapt our business practices in order to comply with applicable privacy laws and regulations. Certain state laws also require us to notify affected individuals of certain kinds of security breaches of computer databases that contain their personal information. These laws may also require us to notify state law enforcement, regulators or consumer reporting agencies in the event of a data breach. Failure to comply with, or further expansion of, consumer protection regulations could have a material adverse effect on our business, results of operations and financial condition. A data security breach could expose us to liability and protracted and costly litigation, and could adversely affect our reputation and operating revenues.

***We are subject to Card Association and Network Organization Rules.***

In addition to the federal, state, local, and foreign jurisdiction laws and regulations discussed above, we, Cuentas and our issuing banks, are also subject to card association and debit network rules and standards. The operating rules govern a variety of areas, including how consumers and merchants may use their cards and data security. Each card association and network organization audits us from time to time to ensure our compliance with these standards. Noncompliance with these rules or standards due to our acts or omissions or the acts or omissions of businesses that work with us could result in fines and penalties or the termination of the card association registrations held by us or any of our issuing banks. Changes in card association rules or standards set by Visa or Vanilla Reload, or changes in card association and debit network fees or products or interchange rates, could materially and adversely affect our business, financial condition and results of operations.

***Our success depends, in part, upon our ability to hire and retain highly skilled managerial, and operational personnel, and the past performance of our senior management may not be indicative of future results.***

The implementation of our business plan may require that we employ additional qualified personnel. Competition for highly skilled managerial, telecommunications, financial and operational personnel is intense, and we cannot assure our stockholders that we will be successful in attracting and retaining such skilled personnel. If we are unable to hire and retain qualified personnel as required, our growth and operating results could be adversely affected.

***The Company and its subsidiaries have well-financed, well-managed competitors and may not be able to adequately compete in its market.***

Most of our competitors are larger and have greater financial, technical, marketing, and other resources than we do. Some of our competitors have seasoned management teams with more experience and expertise in our industry than we do. Some competitors may enjoy significant competitive advantages that result from, among other things, having substantially more available capital, having a lower cost of capital, having greater economies of scale, and having enhanced operating efficiencies compared to ours.

Cuentas recently began e-commerce card operations and is much smaller than its competitors, faces competition in the prepaid financial services industry including competitors such as American Express, First Data, Total Systems Services, Green Dot, NetSpend, Money Network, Momentum, Blackhawk, Prepaid MasterCard, MasterCard RePower, PayPal, Apple Pay, Amex Serve, H&R Block Emerald, J.P. Morgan Chase, and others. Cuentas also faces intense competition from existing players in the prepaid card industry.

Cuentas Mobile will be the new marketing identity for the new MVNO agreement starting in 2022-Q2 and will face prepaid competitors including, without limitation, AT&T, Sprint, Viber, WhatsApp, Skype, MetroPCS, TracFone, Telcel, StraightTalk, Simple Mobile, Virgin Mobile, Boost, Net 10, IDT, Boost, and others.

M&M faces competition from many strong and well-financed competitors and other competitors, engaged in the retail termination of domestic and international long distance as well a mobile voice, text, and data services, including, without limitation, IDT, NobelCom, Access Wireless, Boost Mobile, H2O mobile, Mint Mobile and others.

***Cuentas Mobile will be dependent on the performance of third-party network operators.***

MVNO operators, including Cuentas Mobile, earn revenues by purchasing network capacity from other network operators and reselling it to end users. Cuentas Mobile will sell mobile services starting in \_\_\_\_\_ as an MVNO that operates on the largest 5G nationwide network from one of the top 3 mobile carriers and is dependent on the performance of its underlying provider and its network.

***To compete effectively, Cuentas needs to improve its offerings continuously.***

Cuentas plans to begin operations shortly and expects to be substantially smaller than its competitors. As a result, to compete effectively, Cuentas needs to improve its offerings rapidly and continuously.

***Cuentas may be unable to attract and retain users.***

As of the date of this filing, Cuentas has an operating history of e-commerce card business of almost three years. If Cuentas cannot increase the number of cardholders using its Cuentas Mastercard and retain its existing cardholders, this will significantly adversely affect Cuentas' operating results, revenues, financial condition, and ability to remain in business.

***Cuentas may be adversely affected by fraudulent activity.***

Criminals, including, without limitation, cyber-organized criminal syndicates, and others, use increasingly sophisticated methods to engage in illegal activities involving prepaid cards, reload products, and customer information. Cuentas relies on third parties for certain transaction processing services, which subjects Cuentas and its customers to risks related to the vulnerabilities of these third parties, as well as Cuentas' own vulnerabilities to criminals engaged in fraudulent activities. Fraudulent activity could result in the imposition of regulatory sanctions, including significant monetary fines, which could adversely affect Cuentas' business, operating results, and financial condition.

**Risks Related to an Investment in Our Securities**

***Our failure to meet the continued listing requirements of Nasdaq could result in a de-listing of our Common Stock.***

If we fail to satisfy the continued listing requirements of Nasdaq, such as the corporate governance requirements or the minimum closing bid price requirement, Nasdaq may take steps to de-list our securities. Such a de-listing would likely have a negative effect on the price of our Common Stock and would impair your ability to sell or purchase our Common Stock when you wish to do so. In the event of a de-listing, we would take actions to restore our compliance with Nasdaq's listing requirements, but we can provide no assurance that any such action taken by us would allow our Common Stock to become listed again, stabilize the market price or improve the liquidity of our Common Stock, prevent our Common Stock from dropping below the Nasdaq minimum bid price requirement or prevent future non-compliance with Nasdaq's listing requirements. . The Company exercised a Reverse Stock Split of 13 shares for 1 share on March 24, 2023 to bring it in compliance with Nasdaq's pricing requirements. Nasdaq is expected to issue a final decision on the 10<sup>th</sup> trading day after the reverse split. The Company believes it has complied with Nasdaq's requirements but until Nasdaq delivers its decision, there is still possible risk of a de-listing.

***The market price of our Common Stock and Warrants may be highly volatile, and you could lose all or part of your investment.***

The trading price of our Common Stock and Warrants is likely to be volatile. This volatility may prevent you from being able to sell your securities at or above the price you paid for your securities. Our stock price could be subject to wide fluctuations in response to a variety of factors, which include:

- whether we achieve our anticipated corporate objectives;
- actual or anticipated fluctuations in our quarterly or annual operating results;
- changes in financial or operational estimates or projections;
- changes in the economic performance or market valuations of companies similar to ours; and
- general economic or political conditions in the United States or elsewhere.

In addition, the stock market in general has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of these companies. Broad market and industry factors may negatively affect the market price of our Common Stock, regardless of our actual operating performance.

***The financial and operational projections and statements regarding future milestones that we may make from time to time are subject to inherent risks.***

The projections and statements regarding future milestones that we provide herein or our management may provide from time to time reflect numerous assumptions made by management, including assumptions with respect to our specific as well as general business, regulatory, economic, market and financial conditions and other matters, all of which are difficult to predict and many of which are beyond our control. Accordingly, there is a risk that the assumptions made in preparing the projections, or the projections and targeted milestones themselves, will prove inaccurate or may not be achieved. There may be differences between actual and projected results, and actual results may be materially different from than those contained in the projections and statements regarding future milestones. The inclusion of the projections and statements regarding future milestones in this prospectus should not be regarded as an indication that we, our management or the underwriters considered or consider the projections or such statements to be a guaranteed prediction of future events, and the projections and such statements should not be relied upon as such.

***We do not expect to pay dividends for the foreseeable future.***

We do not expect to pay dividends on our Common Stock for the foreseeable future. Accordingly, any potential investor who anticipates the need for current dividends should not purchase our securities.

***Our existing directors, executive officers and principal shareholders have substantial control over us, which could limit your ability to influence the outcome of key transactions, including a change of control.***

Our directors, executive officers, principal shareholders and their affiliates beneficially own or control, directly or indirectly, in the aggregate, approximately 21.83% of our outstanding Common Stock. As a result, these shareholders, acting together, could have significant influence over the outcome of matters submitted to our shareholders for approval, including the election or removal of directors; any amendments to our articles of incorporation or bylaws; any merger, consolidation or sale of all or substantially all of our assets; and over the management and affairs of the Company. This concentration of ownership may also have the effect of delaying or preventing a change in control of the Company or discouraging others from making tender offers for our shares and might affect the market price of our Common Stock.

## **ITEM 1B. UNRESOLVED STAFF COMMENTS**

As a “smaller reporting company”, we are not required to provide the information required by this Item.

## **ITEM 2. PROPERTIES**

We currently lease office space at 235 Lincoln Rd., Miami Beach, FL 33139 as our principal offices. We believe these facilities are in good condition and are sufficient for our current use but may need to expand our leased space as our business efforts increase.

## **ITEM 3. LEGAL PROCEEDINGS**

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business.

On May 1, 2019, the Company received a notice of demand for arbitration from Secure IP Telecom, Inc. (“Secure IP”), who allegedly had a Reciprocal Carrier Services Agreement (“RCS”) exclusively with Limecom and not with the Company. The arbitration demand originated from another demand for arbitration that Secure IP received from VoIP Capital International (“VoIP”) in March 2019, demanding \$1,052,838.09 in damages allegedly caused by unpaid receivables that Limecom assigned to VoIP based on the RCS. On June 5, 2020, Secure IP filed a complaint against Limecom, Heritage Ventures Limited (“Heritage”), an unrelated third party and owner of Limecom, and the Company. The complaint primarily concerns alleged indebtedness owed Secure IP by Limecom. Secure IP also alleges that the Company received certain transfers of funds which it alleges may be an avoidable transfer under Florida Statute §725.105 up to \$1,052,838.09. The Company is contemplating filing a motion to dismiss the complaint and disputes that it received the alleged \$1,052,838.09 from Limecom. Moreover, to the extent the Company has exposure for any transfers from Limecom, both Limecom and Heritage have indemnified the Company for any such liability. The Company continues to vigorously defend its position to be removed as a named party in this action due to the fact that the Company rescinded the Limecom Acquisition on January 30, 2019. Cuentas has provided requested discovery and expects depositions to be scheduled shortly. As of December 31, 2022 the company accrued \$300,000 due to this matter.

On February 8, 2023, a former employee filed a breach of employment agreement alleging Cuentas failed to pay her for sixty days following her resignation and failed to pay her under an employee incentive plan. The Company disputes these allegations and denies that her employment agreement requires the payment of this additional compensation. On March 10, 2023, the Company’s Registered Agent was served with this complaint registered as Miami-Dade County Local Case Number: 2023-002134-CA-01.

## **ITEM 4. MINE SAFETY DISCLOSURES.**

Not applicable.



## PART II

### ITEM 5. MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND SMALL BUSINESS ISSUER PURCHASE OF EQUITY SECURITIES

#### Market Information

Since February 2, 2021, our common stock has been traded on the Nasdaq Capital Market with the symbol CUEN and our warrants have been traded on the Nasdaq Capital Market with the symbol CUEN.W. Prior to such date, our common stock was traded on the OTCQB market. As our shares are relatively thinly traded, the price for our securities may be highly volatile and may bear no relationship to our actual financial condition or results of operations. Factors we discuss in this report, including the many risks associated with an investment in our securities, may have a significant impact on the market price of our common stock. . A Reverse Stock Split of 13 shares for 1 share was exercised on March 24, 2023.

#### Holder of Common Stock

As of March 31, 2023, our shares of common stock were held by 128 record holders and our warrants were held by 3 record holders. As of March 31, 2023, we had 2,085,867 shares of Common Stock issued and outstanding. Additionally, there were 128,477 options to purchase common stock issued of which 120,782 are exercisable as of March 31, 2022. Furthermore, as of March 31, 2022 there were (1) 1135,215 shares of Common Stock issuable upon exercise of the Warrants at an exercise price of \$55.90 per share; (2) 3,077 shares of Common Stock issuable upon exercise of the representative's warrants at an exercise price of \$113.75 per share; (3) 3623 shares of Common Stock issuable upon exercise of warrants at an exercise price of \$260.00 per share; (4) 324,926 shares of Common Stock issuable upon exercise of the Warrants at an exercise price of \$7.67 per share (5) 22,745 shares of Common Stock issuable upon exercise of the representative's warrants at an exercise price of \$11.54 per share (6) 291,375 shares of Common Stock issuable upon exercise of the Warrants at an exercise price of \$17.16 per share (7) 20,396 shares of Common Stock issuable upon exercise of the representative's warrants at an exercise price of \$23.17 per share;.

#### Dividends

The payment of dividends is subject to the discretion of our Board of Directors and depends, among other things, upon our earnings, our capital requirements, our financial condition, and other relevant factors. We have not paid any dividends upon our common stock since our inception. By reason of our present financial status and our contemplated financial requirements, we may not declare additional dividends upon our common or preferred stock in the foreseeable future.

We have never paid any cash dividends. We may not pay additional cash or stock dividends in the foreseeable future on the shares of common or preferred stock. We intend to reinvest any earnings in the development and expansion of our business. Any cash dividends in the future to common stockholders will be payable when, as and if declared by our Board of Directors, based upon the Board's assessment of:

- our financial condition;
- earnings;
- need for funds;
- capital requirements;
- prior claims of preferred stock to the extent issued and outstanding; and
- other factors, including any applicable laws.

Therefore, there can be no assurance that any additional dividends on the common or preferred stock will be declared.

## Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth information as of December 31, 2022 relating to all our equity compensation plans:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	128,477	56.44	120,782
Equity compensation plans not approved by security holders	-	-	-
Total**	128,477	56.44	120,782

On June 17, 2021 the Board of the Company approved the Cuentas Inc. 2021 Share Incentive Plan (the “2021 Plan”). The maximum number of shares of stock reserved and available for issuance under the 2021 Plan is 242,308 shares. The 2021 Plan is designed to enable the flexibility to grant equity awards to the Company’s officers, employees, directors and consultants as determined by the Company’s Compensation Committee. On December 15, 2021, the shareholders of the Company approved the 2021 Plan .

In 2021 the Company issued 119,229 stock options and 38,461 in 2022 to executives’ officers and non-employee directors. The options vest on the terms set forth on the table below. Such options can be exercised until, November 2, 2031, and were approved by the Company’s shareholders on December 15, 2021.

Name	Number of Options	Exercise Price	Vesting Schedule
Jeffery D Johnson	38,462	\$ 36.40	125,000 on 11/3/2021. 125,000 on each Employment Anniversary.
Shalom Arik Maimon	15,385	\$ 36.40	50% on 11/3/2021; 50% on 12 month anniversary of grant date
Michael DePrado	11,538	\$ 36.40	50% on 11/3/2021; 50% on 12 month anniversary of grant date
Ran Daniel	7,692	\$ 36.40	50% on 11/3/2021; 50% on 12 month anniversary of grant date
Richard Berman	7,692	\$ 36.40	50% on 11/3/2021
Yochanon Bruk	7,692	\$ 36.40	50% on 11/3/2021; 50% on 12 month anniversary of grant date
Jeff Lewis	7,692	\$ 36.40	50% on 11/3/2021; 50% on 12 month anniversary of grant date
David Schottenstein	7,692	\$ 36.40	50% on 11/3/2021
Adiv Baruch	7,692	\$ 36.40	50% on 11/3/2021; 50% on 12 month anniversary of grant date
Carol Pepper	7,692	\$ 36.40	50% on 11/3/2021; 50% on 12 month anniversary of grant date
Anthony H. Meadows	15,385	\$ 36.40	33.3% on 2022, 33.3% on 12 month anniversary of grant date and 33.3% on second anniversary of grant date.
Sara Sooy	7,692	\$ 36.40	50% on /2022; 50% on 12 month anniversary of grant date
Sandra Orihuela	7,692	\$ 36.40	50% on /2022; 50% on 12 month anniversary of grant date
Lex Terrero	7,692	\$ 36.40	50% on /2022; 50% on 12 month anniversary of grant date

## Recent Sales of Unregistered Securities

On April 6, 2022, the Company issued 7,693 shares of its Common Stock pursuant to a Service Agreement between the Company and a service provider. The fair market value of the shares at the issuance date was \$110,000.

On August 4, 2022, the Company, entered into a Securities Purchase Agreement (“Purchase Agreement”) with an institutional investor (the “Purchaser”) pursuant to which the Purchaser agreed to purchase, and the Company agreed to issue and sell to the Purchaser in a private placement, an aggregate of 127,308 shares of the Company’s common stock, \$0.001 par value, pre-funded warrants to purchase up to 197,620 shares of Common and warrants to purchase up to 324,928 shares of Common Stock. The purchase price per Share and associated Common Stock Warrant was \$9.23 and the purchase price per Pre Funded Warrant and associated Common Stock Warrant was \$9.23. Each Common Stock Warrant entitles the holder to purchase one share of Common Stock at an exercise price of \$7.67 per share. Each Pre Funded Warrant entitles the holder to purchase one share of Common Stock at an exercise price of \$0.0001 per share. The Common Stock Warrants are exercisable for a period of five years and six months commencing on the issuance date and the Pre Funded Warrants are exercisable until exercised. The Warrants also contain customary beneficial ownership limitations that may be waived at the option of each holder upon 61 days’ notice to the Company. The Private Placement closed on August 8, 2022. The gross proceeds to the Company, before deducting placement agent fees and other offering expenses, are approximately \$3.0 million. On August 4, 2022, in connection with the Private Placement, the Company entered into a registration rights with the Purchaser, pursuant to which the Company agreed to file a registration statement with the Securities and Exchange Commission (the “SEC”) to register for resale the Shares and any shares of the Company’s common stock issuable upon exercise of the Warrants within 30 days of the signing of the Registration Rights Agreement, with such registration statement becoming effective within 60 days after the signing of the Registration Rights Agreement, subject to adjustment in the event of a review by the SEC. The Company is subject to customary penalties and liquidated damages in the event it does not meet certain filing requirements and deadlines set forth in the Registration Rights Agreement. Pursuant to an engagement agreement, H.C. Wainwright & Co., LLC (the “Placement Agent”) was engaged by the Company to act as its placement agent for the Private Placement. The Company agreed to pay the Placement Agent a cash fee equal to 7.0% of the gross proceeds received by the Company in the Private Placement, in addition to the reimbursement of certain expenses. The Company also agreed to issue to the Placement Agent warrants to purchase up to 22,745 shares of Common Stock, exercisable for a period of five years and six months commencing on the issuance date, at an exercise price of \$11.54 per share. The fair market of those warrants was \$165 thousand as of date of issuance.

On February 3, 2023, the Company (“Cuentas” or “Buyer”) entered into a Membership Interest Purchase Agreement (MIPA) with Core. Core has agreed to sell 6% of its interest in the Lakewood Manager to Cuentas and Cuentas has agreed to issue to Core 295,282 of the Company’s common shares to acquire the 6% equity in the Lakewood Manager valued at \$1,195,195. The 295,282 of the Company’s share was equal to 19.9% of the total number of current issued and outstanding shares of the Company as of the date of this Agreement. The Company closed this transaction on or about March 9th, 2023.

On August 4, 2022, the Company, entered into a Securities Purchase Agreement (“Purchase Agreement”) with an institutional investor (the “Purchaser”) pursuant to which the Purchaser agreed to purchase, and the Company agreed to issue and sell to the Purchaser in a private placement, an aggregate of 127,308 shares of the Company’s common stock, \$0.001 par value, pre-funded warrants to purchase up to 197,620 shares of Common and warrants to purchase up to 324,928 shares of Common Stock. The purchase price per Share and associated Common Stock Warrant was \$9.23 and the purchase price per Pre Funded Warrant and associated Common Stock Warrant was \$9.23. Each Common Stock Warrant entitles the holder to purchase one share of Common Stock at an exercise price of \$7.67 per share. Each Pre Funded Warrant entitles the holder to purchase one share of Common Stock at an exercise price of \$0.0001 per share. The Common Stock Warrants are exercisable for a period of five years and six months commencing on the issuance date and the Pre Funded Warrants are exercisable until exercised. The Warrants also contain customary beneficial ownership limitations that may be waived at the option of each holder upon 61 days’ notice to the Company. The Private Placement closed on August 8, 2022. The gross proceeds to the Company, before deducting placement agent fees and other offering expenses, are approximately \$3.0 million. On August 4, 2022, in connection with the Private Placement, the Company entered into a registration rights with the Purchaser, pursuant to which the Company agreed to file a registration statement with the Securities and Exchange Commission (the “SEC”) to register for resale the Shares and any shares of the Company’s common stock issuable upon exercise of the Warrants within 30 days of the signing of the Registration Rights Agreement, with such registration statement becoming effective within 60 days after the signing of the Registration Rights Agreement, subject to adjustment in the event of a review by the SEC. The Company is subject to customary penalties and liquidated damages in the event it does not meet certain filing requirements and deadlines set forth in the Registration Rights Agreement. Pursuant to an engagement agreement, H.C. Wainwright & Co., LLC (the “Placement Agent”) was engaged by the Company to act as its placement agent for the Private Placement. The Company agreed to pay the Placement Agent a cash fee equal to 7.0% of the gross proceeds received by the Company in the Private Placement, in addition to the reimbursement of certain expenses. The Company also agreed to issue to the Placement Agent warrants to purchase up to 22,745 shares of Common Stock, exercisable for a period of five years and six months commencing on the issuance date, at an exercise price of \$11.54 per share. The fair market of those warrants was \$165 thousand as of date of issuance. The Company issued such shares in reliance on the exemptions from registration pursuant to Section 4(a)(2) of the Securities Act.

On February 6, 2023, the Company entered into a Securities Purchase Agreement (the “Purchase Agreement”) with an institutional investor (the “Investor”) for the purpose of raising approximately \$5 million in gross proceeds for the Company. Pursuant to the terms of the Purchase Agreement, the Company agreed to sell, in a registered direct offering, an aggregate of (i) 163,344 shares (the “Shares”) of the Company’s common stock (“Common Stock”) and (ii) pre-warrants to purchase up to 128,031 shares of Common Stock (the “Pre-Funded Warrants” and such shares of Common Stock issuable upon exercise of the Pre-Funded Warrants, the “Pre-Funded Warrant Shares”) and, in a concurrent private placement, warrants (the “Purchase Warrants”) to purchase 291,375 shares of Common Stock (the shares of Common Stock issuable upon exercise of the Purchase Warrants, the “Purchase Warrant Shares”). The combined purchase price per Share and Purchase Warrant is \$17.16 and the combined purchase price per Pre-Funded Warrant and Purchase Warrant of \$17.16. The Pre-Funded Warrants were sold, in lieu of shares of Common Stock, to any Investor whose purchase of shares of Common Stock in the Registered Offering would otherwise result in such Investor, together with its affiliates and certain related parties, beneficially owning more than 4.99% (or, at such Investor’s option upon issuance, 9.99%) of the Company’s outstanding Common Stock immediately following the consummation of the Registered Offering. Each Pre-Funded Warrant represents the right to purchase one share of Common Stock at an exercise price of \$0.0001 per share. The Pre-Funded Warrants are exercisable immediately and may be exercised at any time until the Pre-Funded Warrants are exercised in full. The Purchase Warrants will be exercisable on the six-month anniversary of the issuance date and will expire five and one-half years following the date of issuance at an exercise price of \$17.36 per share. The closing of the sales of these securities under the Purchase Agreement occurred on or about February 8, 2023, subject to satisfaction of customary closing conditions.

H.C. Wainwright & Co., LLC (“Wainwright”) is acting as exclusive placement agent for the offering pursuant to an engagement agreement between the Company and Wainwright dated as of December 13, 2022. As compensation for such placement agent services, the Company has agreed to pay Wainwright an aggregate cash fee equal to 7.0% of the gross proceeds received by the Company from the offering, plus a management fee equal to 1.0% of the gross proceeds received by the Company from the offerings, a non-accountable expense of \$65,000 and \$15,950 for clearing expenses. The Company has also agreed to issue to Wainwright or its designees warrants to purchase 20,396 shares of Common Stock (the “PA Warrants” and the shares of Common Stock issuable upon exercise of the PA Warrants, the “PA Warrant Shares”). The PA Warrants have a term of five years from the commencement of sales in the offering, and have an exercise price of \$23.17 per share. The fair market of those warrants was \$267 thousand as of date of issuance. The net proceeds to the Company from the registered direct offering and concurrent private placement, after deducting the Placement Agent’s fees and expenses and the Company’s offering expenses was approximately \$4.3 million. On February 7, 2023 the investor exercised 67,800 Pre-Funded Warrants and in March 13, 2023 the investor exercised 60,231 Pre-Funded Warrants.

On March 16, 2023, the Company issued 15,385 shares of its Common Stock pursuant to a Service Agreement between the Company and a service provider. The fair market value of the shares at the issuance date was \$112

Each of the transactions described in this Item II give effect to the Reverse Stock Split (as defined below) and were exempt from the registration requirements of the Securities Act of 1933, as amended (“Securities Act”), in reliance upon Section 4(a)(2) of the Securities Act, Regulation D promulgated under the Securities Act and, in the case of sales to investors who are non-US persons, Regulation S promulgated under the Securities Act.

#### **ITEM 6. [RESERVED]**

Not applicable.

#### **ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*Except for the historical information, the following discussion contains forward-looking statements that are subject to risks and uncertainties. We caution you not to put undue reliance on any forward-looking statements, which speak only as of the date of this report. Our actual results or actions may differ materially from these forward-looking statements for many reasons, including the risks described in “Risk Factors” and elsewhere in this annual report. Our discussion and analysis of our financial condition and results of operations should be read in conjunction with the financial statements and related notes and with the understanding that our actual future results may be materially different from what we currently expect.*

## OVERVIEW AND OUTLOOK

The Company was incorporated under the laws of the State of Florida on September 21, 2005 to act as a holding company for its subsidiaries. Its subsidiary is Meimoun and Mammon, LLC (100% owned) (“M&M”), Tel3, a business segment of Meimoun and Mammon, LLC provides prepaid calling cards to consumers directly and operates in a complimentary space as Meimoun and Mammon, LLC. The Company also owns 50% of CUENTASMAX LLC which is a joint venture and installs WiFi6 shared network (“WSN”) systems in locations in the New York metropolitan tristate area using access points and small cells to provide users with access to the WSN

The Company invests in financial technology and engages in use of certain licensed technology to provide innovative telecommunications, mobility, and remittance solutions to unserved, unbanked, and emerging markets. The Company uses proprietary technology and certain licensed technology to provide innovative telecommunications and telecommunications mobility and remittance solutions in emerging markets. The Company also offers wholesale telecommunications minutes and prepaid telecommunications minutes to consumers through its Tel3 division.

On May 27, 2022, the Company entered into a Membership Interest Purchase Agreement (the “MIPA”) with SDI Black 011, LLC (“SDI Black”), the holders of all the membership interests of SDI Black and Cuentas SDI, LLC, a Florida limited liability (“Cuentas SDI”), for the acquisition of 19.99% of the membership interests of Cuentas SDI in exchange for \$750,000. SDI Black previously transferred all of its assets including the platform, portals, domain names, and related software necessary to conduct its business to Cuentas SDI. The MIPA contains a number of representations and warranties by each of the parties thereto which we believe are customary for transactions similar to the transactions contemplated by the MIPA. In addition, the Company provided a loan in the amount of \$100,000 that was provided to Cuentas SDI for marketing purposes. SDI Black previously transferred all of its assets including the platform, portals, domain names, and related software necessary to conduct its business to Cuentas SDI. As of December 31, 2022, Cuentas SDI did not repay the loan to the Company and therefore that Company wrote off the entire loan. The investment in Cuentas SDI is recorded an investment in unconsolidated entity in our financial statement.

On August 22, 2022, the Company entered into a Software Licensing and transaction sharing Agreement with The OLB Group, Inc. (“OLB”), a Delaware corporation whereas OLB, through its wholly-owned subsidiaries will establish a merchant services relationship whereby the parties will seek to sell or rent OLB’s point-of-sale (POS) devices to merchants in the network established by Cuentas SDI, LLC for the merchants in the SDI network and the Company will use reasonable best efforts to interconnect its reload agreement with the OLB POS platform for use in qualified merchant locations. The Company will market the OLB-branded products under the processing platform as a Cuentas white label application for payment processing and debit cards. OLB will develop for Cuentas’ Mobile App and associated products, an Application Programming Interface (API), databases and servers at no cost to the Company to allow for the registration, approval and onboarding of consumers onto the Cuentas GPR/Mobile App/Mobile Wallet platform with complete functions as currently available through the Cuentas App and associated products and services. OLB agreed to provide OLB’s Services for Cuentas’ benefit in exchange for revenue sharing and OLB will utilize its developers to enhance the Cuentas GPR-Mobile-App. Before the relaunch of the Cuentas GPR-Mobile-App, the OLB developers in consultation with Cuentas shall as necessary test the functionality, reliability and process of the Cuentas GPR-Mobile-App in a controlled testing environment. Upon approval by the Company of the results of the controlled testing environment to move the Cuentas GPR-Mobile-App into production, the OLB developers, in consultation with the Company, shall perform periodic test of the Cuentas GPR-Mobile-App to ensure continued functionality, reliability and process of the Cuentas GPR-Mobile-App and to remove and repair any bugs or malfunctions in the Cuentas GPR-Mobile-App as soon as practicable. All net revenue generated by OLB from the following: (i) net revenues from the sale or rental of OLB POS devices to Cuentas SDI Merchants, (ii) all other net revenues generated by OLB arising from or related to the OLB POS devices elected to be utilized by the Cuentas SDI Merchants, (iii) all net revenues generated by OLB from the Cuentas White Label Products/Services, and (iv) to the extent that the Reload Provider agrees to provide its reload capability through the OLB POS devices, the net revenues generated by OLB from the reloads shall be split between OLB and Cuentas. All net revenue generated by Cuentas from the following: (i) net revenues from each reload purchased through the OLB POS device through a Cuentas SDI Merchant, (ii) all retail digital products as set forth on Schedule A sold through a OLB POS device through a Cuentas SDI Merchant or the Cuentas White Label Products/Services, (iii) mobile top-ups net revenues sold through a OLB POS device through a Cuentas SDI Merchant: all net revenues to be split between OLB and Cuentas. Net revenue will be shared between the Parties and profits will be calculated and settled on a 30 net 30 basis (after each 30-day period closes, the Parties have 30 days to calculate and settle net revenue). On August 22, 2022, the Company entered into an Independent Sales Organization Processing Agreement with eVance, Inc., a wholly owned subsidiary of The OLB Group, Inc., whereby eVance is in the business of providing credit and debit card processing services to merchants. The Company desires to solicit and refer merchants to eVance for those Services under the terms of this Agreement. eVance will provide Merchants with access to Third-Party Authorization Networks, Settlement and other services to authorize, capture and transmit data relating to transactions on major credit and debit card networks. As of the date of this report, the Company has not generated any revenue from this transaction since the development and the integration of the additional features is not completed as of date. The Company expects to complete the development during 2023

On February 3, 2023, the Company (“Cuentas” or “Buyer”) entered into a Membership Interest Purchase Agreement (MIPA) with Core Development Holdings Corporation (“Core” or “Seller”), a Florida corporation that holds approximately 29.3% of 4280 Lakewood Road Manager, LLC (“Lakewood Manager”), which in turn owns 86.45% of the membership interests in 4280 Lakewood Road, LLC (“4280 Project”), an affordable multi-family real estate project located in Lake Worth, Florida. Core has agreed to sell 6% of its interest in the Lakewood Manager to Cuentas, and Cuentas has agreed to issue to Core 295,282 of the Company’s common shares to acquire \$1,195,195 of equity in the Lakewood Manager. The 295,282 of the Company’s share was equal to 19.9% of the total number of current issued and outstanding shares of the Company as of the date of the Agreement. Core, Lakewood Manager an affiliate of RENCo USA, Inc., is constructing the 4280 Lakewood Project with RENCO Structural Building System, a proprietary composite structural system distributed by RENCo USA, Inc. The Company closed this transaction and issued the aforementioned shares on March 7, 2023.

On March 1, 2023, Cuentas announced that it signed a 10 year supply agreement with Renco USA, Inc (“Renco”), to provide its patented building materials for new, sustainable rental housing projects. Renco is an innovative green construction technology company that has a patented MCFR (Mineral Composite Fiber Reinforced) Construction System which provides cost efficiency, reduced build time, and sustainable benefits. Renco’s system is hurricane proof up to Category 5, which is a major benefit for developing housing projects in the South Florida market and other hurricane prone areas where Cuentas is planning to develop projects. Renco’s system is also earthquake resistant. Renco USA was the supplier of building technology and materials for the abovementioned affordable housing project in the USA using its MCFR system. Renco USA has the exclusive rights in the USA to the patented building process. The Renco Wall, Floor and Roofing System is a unique MCFR Building System that creates interlocking, fiber reinforced, composite building blocks and other construction related products that can be connected in an almost limitless variety of designs. Renco’s system can be used to create homes, apartment buildings, hotels, office buildings, warehouses, infrastructure products and more.

## **OUTLOOK**

### **Business Environment**

We are a technology payment platform company that enables digital and mobile payments on behalf of under-bank and unbanked individuals. We believe in providing simple, affordable, secure and reliable financial services and digital payments to help our customers to achieve their financial goals. We strive to increase our relevance for consumers, and family to access and move their money anywhere in the world, anytime, on any platform and through any device (e.g., mobile, tablets, personal computers or wearables). We provide safer and simpler ways for businesses of all sizes to accept payments from merchant websites, mobile devices and applications, and at offline retail locations through a wide range of payment solutions. We also facilitate person to person payments through Cuentas GPR Card.

We operate globally and in a rapidly evolving regulatory environment characterized by a heightened regulatory focus on all aspects of the payments industry. That focus continues to become even more heightened as regulators on a global basis focus on such important issues as countering terrorist financing, anti-money laundering, privacy and consumer protection. Some of the laws and regulations to which we are subject were enacted recently and the laws and regulations applicable to us, including those enacted prior to the advent of digital and mobile payments, are continuing to evolve through legislative and regulatory action and judicial interpretation. Non-compliance with laws and regulations, increased penalties and enforcement actions related to non-compliance, changes in laws and regulations or their interpretation, and the enactment of new laws and regulations applicable to us could have a material adverse impact on our business, results of operations and financial condition. Therefore, we monitor these areas closely to ensure compliant solutions for our customers who depend on us.

### **Industry Trends**

Our industry is dynamic and highly competitive, with frequent changes in both technologies and business models. Each industry shift is an opportunity to conceive new products, new technologies, or new ideas that can further transform the industry and our business. At Cuentas, we push the boundaries of what is possible through a broad range of research and development activities that seek to anticipate the changing demands of customers, industry trends and competitive forces.

## RESULTS OF OPERATIONS

### *Comparison of year ended December 31, 2022 to year ended December 31, 2021*

#### *Revenue*

The Company generates revenues through the sale and distribution of prepaid telecom minutes, digital products, and other related telecom services. The Company also generated sales from its Fintech products and services commencing in the third quarter of 2020. Revenues during the year ended December 31, 2022, totaled \$2,994,000 compared to \$593,000 for the year ended December 31, 2021. The increase in our sales of digital products and General-Purpose Reloadable Cards is mainly due to an increase in the sales of our digital telecom products due to online and other marketing initiatives and realization of deferred revenue in the amount of \$570,000 of our telecommunications products

Revenue by product for 2022 and 2021 are as follows:

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
	<u>(dollars in thousands)</u>	
Telecommunications	\$ 839	\$ 525
Digital products and General-Purpose 'Reloadable Cards	2,155	68
Total revenue	<u>\$ 2,994</u>	<u>\$ 593</u>

#### *Costs of Revenue and Gross profit*

Cost of revenues during the year ended December 31, 2022 totaled \$2,508,000 compared to \$469,000 for the year ended December 31, 2021.

Cost of revenue consists of the purchase of wholesale minutes were approximately \$232,000 during the year ended December 31, 2022 and \$313,000 during the year ended December 31, 2021.

year ended

Cost of revenue also consists of costs related to the sale of the Company's Digital products and GPR Cards in the amount of \$2,276,000 during the year ended December 31, 2022 and \$156,000 during the year ended December 31, 2021. The costs related to the sale of the Company's Digital products and GPR Cards were composed mainly from the cost of the Digital products in the amount of \$2,087,000 during the year ended December 31, 2022 as oppose to \$68,000 during the year ended December 31, 2021.

Gross profit (loss) by product for 2022 and 2021 are as follows :

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
	<u>(dollars in thousands)</u>	
Telecommunications	\$ 607	\$ 212
Digital products and General Purpose Reloadable Cards	(121)	(88)
Total Gross profit	<u>\$ 486</u>	<u>\$ 124</u>

Gross profit margin for the year ended December 31, 2022 was 16% consisting of 72% gross profit margin for the telecommunications segment and offset by a gross loss margin of 6% for the digital product and general purpose reloadable cards segment. The gross loss for the sale of digital product and general-purpose reloadable cards in 2022 and 2021 stemmed from the lower margins of our digital products since these sales derived from the sale of digital products bears minimal gross margins. The Company is actively pursuing related and symbiotic business relationships and projects that will produce significant revenue with higher profit potential.

### ***Operating Expenses***

Operating expenses consist of selling, general and administrative Expenses, impairments and amortization of Intangible assets as discussed below and totaled \$14,841,000 during the year ended December 31, 2022, compared to \$10,789,000 during the year ended December 31, 2021, representing a net increase of \$4,052,000.

### ***Selling, General and Administrative Expenses***

The table below summarizes our general and administrative expenses incurred during the periods presented:

	<b>Year Ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
	<b>(\$ in thousands)</b>	
<b>General and Administrative Expenses:</b>		
Officers' compensation	\$ 1,397	\$ 1,180
Performance bonuses	300	-
Directors fees	233	249
Share-based compensation	1,697	2,745
Directors' and officers' insurance	490	670
Professional services	661	516
maintenance and support services in accordance with the software maintenance agreement with CIMA	700	500
Legal fees	635	645
payments in accordance with the processing service agreement with Incomm	860	590
Credit losses	157	228
Marketing	1,437	410
Settlement	-	325
Other	1,513	1,378
Total	\$ 9,431	\$ 8,980

Selling, general and administrative expenses totaled \$9,431,000 during the year ended December 31, 2022 compared to \$8,980,000 during the year ended December 31, 2021, representing a net increase of \$451,000. Included in the Selling, general and administrative expenses, Stock-based compensation amounted to \$1,587,000 and shares issued for services expenses amounted to \$110,000 during the year ended December 31, 2022 compared to \$2,745,000 during the year ended December 31, 2021. This was mainly due to issuance of 1,550,000 stock options to directors and officers of the Company in the 2021 and 500,000 stock options issued to officer and directors of the Company in the 2022. Such options can be exercised until 2032. The increase in the other operating expenses is mainly due to an increase in the agreed maintenance and support services in accordance with the software maintenance agreement with CIMA in the amount of \$200,000, increase in the agreed payments in accordance with the processing service agreement with Incomm in the amount of \$270,000 to \$860,000 during the year ended December 31, 2022, increase in officers' compensation of \$217,000, performance bonuses to the interim CEO and President of the Company in the amount of \$300,000, credit losses of receivables due from Cuentas SDI LLC in the amount of \$157,000, and increase of approximately of \$1,027,000 in our selling and marketing expenses during 2022 mainly due to our marketing and social media campaigns with connection to the sales of our Digital products and General-Purpose 'Reloadable Cards'.

### ***Amortization and impairment of Intangible assets***

Amortization of Intangible assets totaled \$1,810,000 during the year ended December 31, 2022 and \$1,809,000 during the year ended December 31, 2021, respectively. The amortization expense mainly stems from the one-time licensing fee in the amount of \$9,000,000 that was paid in shares to Cima, on December 31, 2019. The acquired intangible assets that consisted of perpetual software license had an estimated fair value of \$9,000,000. The Company amortizes the intangible assets on a straight-line basis over their expected useful life of 60 months. During the fourth quarter of 2022, the Company recorded an impairment charge of \$3,600,000 whereas as no amount was assigned to the acquired platforms on December 31, 2022.

### ***Other Income***

The Company recognized other expenses of \$124,000 during the year ended December 31, 2022 compared to other loss of \$61,000 during the year ended December 31, 2021. The increase is mainly due a write off a loan in the amount of \$100,000 that was provided to Cuentas SDI LLC and was not repaid.

### ***Net Loss***

We incurred a net loss of \$14,531,000 for the year ended December 31, 2022, as compared to a net loss of \$10,729,000 for the year ended December 31, 2021, for the reasons described above.



## Liquidity and Capital Resources

Liquidity is the ability of a company to generate funds to support its current and future operations, satisfy its obligations, and otherwise operate on an ongoing basis. Significant factors in the management of liquidity are funds generated by operations, levels of accounts receivable and accounts payable and capital expenditures.

As of December 31, 2022, the Company had total current assets of \$689,000, including \$466,000 of cash, accounts receivables of \$209,000, and other current assets of \$14,000. As of December 31, 2022, the Company had total current liabilities of \$ 2,134,000 creating a negative working capital of \$1,445,000.

As of December 31, 2021, the Company had total current assets of \$6,780,000, including \$6,607,000 of cash, accounts receivables of \$11,000, and other current assets of \$162,000 and total current liabilities of \$ 2,719,000 creating a working capital of \$4,061,000.

### *Cash Flows – Operating Activities*

The Company's operating activities for the year ended December 31, 2022, resulted in net cash used of \$8,137,000. Net cash used in operating activities consisted of a net loss of \$14,531,000 partially offset by non-cash expenses consisting of share-based compensation of \$1,697,000, impairment of intangible assets of \$3,600,000 and amortization of intangible assets of \$1,810,000. Changes in operating assets and liabilities used cash of \$777,000, resulting mainly from an increase of in accounts receivables of \$431,000, decrease in other accounts payables of \$ 712,000 and decrease of deferred revenue of \$570,000 which was offset by an increase in accounts payables of \$421,000 and increase in accrual for bonuses in the amount of \$300,000.

The Company's operating activities for the year ended December 31, 2021, resulted in net cash used of \$9,330,000. Net cash used in operating activities consisted of a net loss of \$10,728,000, which was offset partially by non-cash expenses consisting of share-based compensation of \$2,745,000 and amortization of intangible assets of \$1,809,000. Changes in operating assets and liabilities utilized cash of \$3,192,000, resulting mainly from decrease in accrued expenses and other current liabilities of \$1,562,000, and a decrease in accounts payables of \$1,544,000.

### *Cash Flows – Investing Activities*

The Company's investment activities for the year ended December 31, 2022, resulted in net cash used of \$664,000 and net cash used of \$87,000 for the same period in 2021. The increase was mainly due to the investment in Cuentas SDI LLC.

### *Cash Flows – Financing Activities*

The Company's financing activities for the year ended December 31, 2022, resulted in net cash in the amount of \$2,660,000 mainly from the sale of our common stock. The Company's financing activities for the year ended December 31, 2021, resulted in net cash received of \$15,797,000, consisting of \$10,614,000 received from the sale of our common stock and \$6,264,000 from the issuance of shares due to exercise of warrants, partially offset by repayments of loans of \$730,000 and repayments of \$355,000 of loans from a related party.

The decrease in 2022 in our working capital was mainly attributable to the increase in Accounts Payables in the amount of \$ 371,000, decrease in our other Accounts Payables in the amount of \$662,000 and decrease in our Cash and Cash equivalents in the amount of \$ 6,141,000.

To date, we have principally financed our operations through the sale of our Common Stock. Nevertheless, management anticipates that our current cash and cash equivalents position and generating revenue from the sales of our digital products and General-Purpose Reloadable Cards will provide us limited financial resources for the near future to continue implementing our business strategy of further developing our digital products and General Purpose Reloadable Card, enhance our digital products offering and increase our sales and marketing. Management has taken important steps to reduce the financial burn rate and has curtailed some ineffective marketing programs, concentrating on those programs that have been proven to produce good results. Reduction of some top-level personnel has brought savings to the company as current executives took over the vacant positions at no additional cost to the Company but offset by the bonuses. Management plans to secure additional financing sources, including but not limited to the sale of our Common Stock in future financings. There can be no assurance, however, that the company will be successful in raising additional capital or that the company will have net income from operations to fund the business plan of the company for the near future or long term. As of December 31, 2022, the Company had approximately \$466 thousand in cash and cash equivalents, approximately \$1,445 thousand in negative working capital and an accumulated deficit of approximately \$52,750 thousand . These conditions raise substantial doubt about the Company's ability to continue as a going concern as of December 31, 2022.

Further, on February 6, 2023, the Company, sold an aggregate 291,376 shares of Common and 291,376 warrants to purchase up to 291,376 shares of Common Stock in consideration of \$5.0 million. The net proceeds to the Company, after deducting placement agent fees and other offering expenses, were approximately \$4.5 million. Company's ability to continue as a going concern is dependent upon raising capital from financing transactions and revenue from operations. Management anticipates their business will require substantial additional investments that have not yet been secured. Management is continuing in the process of fund raising in the private equity and capital markets as the Company will need to finance future activities.

#### **Off-balance Sheet Arrangements**

The Company has no off-balance sheet arrangements and does not anticipate entering into any such arrangements in the foreseeable future.

#### **Impact of Inflation**

The Company does not expect inflation to be a significant factor in operation of the business.

#### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

This item is not applicable as we are currently considered a smaller reporting company.

#### **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

See Index to Financial Statements and Financial Statement Schedules appearing on page F-1 through F-32 of this Form 10-K.

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

We have had no disagreements with our independent auditors on accounting or financial disclosures.

On February 15, 2023, the Audit Committee of Cuentas, Inc. of the Company approved the dismissal of Halperin CPA as the Company's independent registered public accounting firm. The decision to dismiss Halperin CPA was due to the partner rotation requirement under Section 203 of the Sarbanes-Oxley Act. The Company has provided Halperin with a copy of the above disclosures and requested that Halperin furnish the Company with a letter addressed to the Securities and Exchange Commission ("SEC") stating whether or not it agrees with the above statement. The audit reports of HALPERIN on the consolidated financial statements of the Company for each of the two most recent fiscal years ended December 31, 2020 and December 31, 2021 did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles.

(b) Engagement of New Independent Registered Public Accounting Firm.

On February 16, 2023, the Audit Committee of the Board of Directors (the “Board”) of the Company approved the appointment of Yarel and Partner to serve as the Company’s independent registered public accounting firm for the fiscal year ending December 31, 2022.

During the Company’s fiscal years ended December 31, 2021 and 2022 and the subsequent interim period through February 15, 2023, neither the Company nor anyone on its behalf has consulted with Yarel regarding (i) the application of accounting principles to a specific transaction, either completed or proposed or (ii) the type of audit opinion that might be rendered on the Company’s financial statements and, neither a written report nor oral advice was provided to the Company that Yarel concluded was an important factor considered by the Company in reaching a decision as to accounting, auditing or financial reporting issues, or (iii) any matter that was the subject of a disagreement (as defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions), or (iv) any “reportable event” (as described in Item 304(a)(1)(v) of Regulation S-K).

## **ITEM 9A. CONTROLS AND PROCEDURES**

Our Principal Executive Officer and Principal Financial Officer evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the year end covered by this Report. Based on that evaluation, they have concluded that, as of December 31, 2022 and 2021, are designed at a reasonable assurance level and are not effective to provide reasonable assurance that information we are required to disclose in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms. Such Information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

### **Management’s Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control, as is defined in the Securities Exchange Act of 1934. These internal controls are designed to provide reasonable assurance that the reported financial information is presented fairly, that disclosures are adequate and that the judgments inherent in the preparation of financial statements are reasonable. There are inherent limitations in the effectiveness of any system of internal controls, including the possibility of human error and overriding of controls. Consequently, an effective internal control system can only provide reasonable, not absolute, assurance with respect to reporting financial information.

Our internal control over financial reporting includes policies and procedures that: (i) pertain to maintaining records that in reasonable detail accurately and fairly reflect our transactions; (ii) provide reasonable assurance that transactions are recorded as necessary for preparation of our financial statements in accordance with generally accepted accounting principles and the receipts and expenditures of company assets are made and in accordance with our management and directors authorization; and (iii) provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on our financial statements.

Management has undertaken an assessment of the effectiveness of our internal control over financial reporting based on the framework and criteria established in the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) (2013 Framework). Based upon this evaluation, management concluded that our internal control over financial reporting was not effective as of December 31, 2020.

Based on that evaluation, management concluded that, during the period covered by this report, such internal controls and procedures were not effective due to the following material weakness identified:

- Lack of appropriate segregation of duties,
- Lack of information technology (“IT”) controls over revenue, and
- Lack of adequate review of internal controls to ascertain effectiveness, and
- Lack of control procedures that include multiple levels of supervision and review.

### **Implemented or Planned Remedial Actions in response to the Material Weaknesses**

We will continue to strive to correct the above noted weakness in internal control once we have adequate funds to do so. We believe appointing a director who qualifies as a financial expert will improve the overall performance of our control over our financial reporting.

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

**Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting that occurred during the year ended December 31, 2022 that materially affect, or are reasonably likely to materially affect, our internal control over financial reporting.

The Company's management, including the Chief Executive Officer and Principal Financial Officer, do not expect that its disclosure controls or internal controls will prevent all errors or all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. In addition, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake.

**ITEM 9B. OTHER INFORMATION**

None.

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

None.

## PART III

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

#### Directors and Executive Officers

The names of our director and executive officers and their ages, positions, and biographies are set forth below. Our executive officers are appointed by, and serve at the discretion of, our board of directors.

#### *Directors and Executive Officers*

Set forth below is information regarding our current directors and executive officers. Each director holds his office until he resigns or is removed and his successor is elected and qualified

<b>Name</b>	<b>Age</b>	<b>Position</b>
Arik Maimon	46	Chairman of the Board of Directors and Interim CEO
Ran Daniel	53	Chief Financial Officer
Michael De Prado	52	Vice Chairman of the Board of Directors and Interim President
Adiv Baruch	58	Director
Yochanon Bruk	43	Director
Sara Sooy	30	Director
Haim Yeffet	72	Director
Lexi Terrero	40	Director

#### Directors and Executive Officers

**Arik Maimon**, our Chairman, is a founder and Chairman of the Board of Directors of the Company and served as its CEO from its inception until August 2021, following which he continues to serve as Executive Chairman of the Board of Directors of the Company. In addition to co-founding the Company, Mr. Maimon founded the Company's subsidiary M&M. Prior to founding the Company and its subsidiary, Mr. Maimon founded and ran successful telecommunications companies operating primarily in the United States and Mexico. In 1998, Mr. Maimon founded and ran a privately-held wholesaler of long-distance telecommunications services which, later, under Mr. Maimon's management, grew from a start up to a profitable enterprise with more than \$100 million in annual revenues. Mr. Maimon serves on the Company's Board of Directors due to the perspective and experience he brings as our co-founder and as Executive Chairman.

**Michael A. De Prado** is a founder and Executive Vice Chairman of the Company and served as its President from its inception until February 2021. Prior to founding the Company, Mr. De Prado spent 20 years in executive positions at various levels of responsibility in the banking, technology, and telecommunications industries. As President of Sales at telecommunications company Radiant/Ntera, Mr. De Prado grew Radiant/Ntera's sales to more than \$200 million in annual revenues. At theglobe.com, Mr. De Prado served as President, reporting directing to Michael S. Egan. Mr. De Prado serves on the Company's Board of Directors due to the perspective and experience he brings as our co-founder, President, and COO.

**Ran Daniel** has served as Chief Financial Officer since November 23, 2018. He has extensive experience working as a CFO in both rapidly growing companies and publicly traded companies. Mr. Daniel served as the CFO of the IDH Group, the head and the CFO of Elie Tahari family office from 2014 to 2016, the CFO of Blue Sphere Corporation from 2016 to 2018 and Nanox from 2021 ( NNOX, a public reporting company). He has over 25 years of financial and business management experience, accounting, auditing, business forecasting, M&A, due diligence, SEC regulations and internal control experiences. He was responsible for the financial and accounting functions in several companies and has extensive experience working as a CFO in both rapidly growing companies and publicly traded companies. He has worked with real estate, fashion, high-tech companies as well as remote institutional and high net worth individuals. Mr. Daniel is licensed as a Certified Public Accountant (CPA) in the United States and Israel, Chartered Financial Analyst (CFA) and is admitted to practice law in the State of New York. Mr. Daniel holds a Bachelor of Economics, a Bachelor of Accounting and an MBA in Finance from the Hebrew University, as well as a Graduate Degree in Law from the University of Bar-Ilan. Mr. Daniel serves on the Company's Chief Financial Officer due to the perspective and experience he brings as our Chief Financial Officer.

**Adiv Baruch** has been a director of the Company since May 2016. Mr. Baruch is a global leader anchors in the Israeli high-tech industry as well as the Chairman of Israeli Export and International cooperation Institute and several private and public companies. Adiv has over 28 years of experience in equity investment and operation management under distress. Mr. Baruch also serves as chairman of Jerusalem Technology Investments Ltd. He also currently serves as Chairman of Maayan Ventures, a platform for investments in innovative technology companies. Mr. Baruch has served as a director of the Bank of Jerusalem, and he served as CEO of BOS Better Online Solutions, which, under this leadership, grew into a highly-successful company traded on Nasdaq under the symbol BOSC. Throughout his career, he has championed development and support of new talent in the high tech and entrepreneurial arenas. He is a Technion graduate and the Chairman of the Institute of Innovation and Technology of Israel. Mr. Baruch serves as a member on the Company's Board of Directors due to the perspective and experience he brings to Our Board.



**Yochanon Bruk** is the managing partner of Dinar Zuz LLC and has served as a Director of the Company since December 2019. Mr. Bruk joined Felman Trading in August 2009 as Logistics Manager and was appointed Corporate Logistics & Transportation Manager in 2011. In this role, he oversees the logistical operations and international distribution networks to ensure the seamless transportation of materials for Felman Production, CCMA, and a number of European-based companies that operate alongside Felman Trading. Mr. Bruk serves as a member on the Company's Board of Directors due to the perspective and experience he brings to Our Board.

**Lexi Terrero** is a marketing & financial executive with 15 years of experience in digital media, investor relations and private equity. Lexi's experience combines deep industry knowledge of marketing and business development, sales development, raising capital, finance, and operational management. She received a BS in Finance and an MBA in Interdisciplinary Business from St. Johns University in New York City.

**Sara Sooy** has served as a Somerset County Commissioner since 2019 and has been on the North Jersey Transportation Planning Authority Board of Trustees since 2020. Previously Ms. Sooy worked as a Credit Analyst, and later as a Senior Commercial Real Estate Analyst. She earned a bachelor's degree in economics from Saint Francis College and an MBA in real estate development from Rutgers University.

**Haim Yeffet** has owned and managed 10 restaurants and served as the CEO of a public company. He is involved in his condo board at the Alexander in Miami Beach, and has served as the Vice President and as Secretary for the association for the last three years.

### **Family Relationships**

There are no family relationships, or other arrangements or understandings between or among any of the directors, director nominees, executive officers or other person pursuant to which such person was selected to serve as a director or officer.

### **Indemnification of Directors and Officers**

Our Articles of Incorporation and Bylaws both provide for the indemnification of our officers and directors to the fullest extent permitted by Florida law.

### **Limitation of Liability of Directors**

Pursuant to the Florida Statutes, our Articles of Incorporation exclude personal liability for our Directors for monetary damages based upon any violation of their fiduciary duties as Directors, except as to liability for any breach of the duty of loyalty, acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, or any transaction from which a Director receives an improper personal benefit. This exclusion of liability does not limit any right which a Director may have to be indemnified and does not affect any Director's liability under federal or applicable state securities laws. We have agreed to indemnify our directors against expenses, judgments, and amounts paid in settlement in connection with any claim against a Director if he acted in good faith and in a manner he believed to be in our best interests.

### **Election of Directors and Officers**

Directors are elected to serve until the next annual meeting of shareholders and until their successors have been elected and qualified. Officers are appointed to serve until the meeting of the Board following the next annual meeting of shareholders and until their successors have been elected and qualified.

At each meeting of the Company's shareholders at which the election of directors is to be considered, each of CIMA, Dinar and Mr. De Prado have the right to designate one nominee for election at such meeting, and Mr. Maimon has the right to appoint two directors for a total of five Board members. Following the Company's listing on Nasdaq, the Board had a total of nine Directors with five considered to be Independent but 2 of these Independent Directors resigned in December 2021 to dedicate time to personal issues and projects. The Company is looking to expand the Board up to 11 members with the same appointment rights as before, including six independent board members elected by the shareholders of the Company pursuant to the Amended and Restated Articles and Amended and Restated Bylaws, each as further amended from time to time.

### **Involvement in Certain Legal Proceedings**

No Executive Officer or Director of the Corporation has been the subject of any Order, Judgment, or Decree of any Court of competent jurisdiction, or any regulatory agency permanently or temporarily enjoining, barring suspending or otherwise limiting him/her from acting as an investment advisor, underwriter, broker or dealer in the securities industry, or as an affiliated person, director or employee of an investment company, bank, savings and loan association, or insurance company or from engaging in or continuing any conduct or practice in connection with any such activity or in connection with the purchase or sale of any securities.

No Executive Officer or Director of the Corporation has been convicted in any criminal proceeding (excluding traffic violations) or is the subject of a criminal proceeding which is currently pending.

No Executive Officer or Director of the Corporation is the subject of any pending legal proceedings.

## Corporate Governance

### Board of Directors

We currently have seven directors serving on our Board of Directors. A majority of the authorized number of directors constitutes a quorum of the Board for the transaction of business.

### Board Committees and Director Independence

#### Director Independence

Of our current directors, we have determined that Messrs. Baruch and Yeffet as well as Ms. Sooy and Ms. Terrero are “independent” as defined by applicable rules and regulations. The Company is in the process to interviewing additional potential Independent Directors to fill additional board positions with goals of Gender, Age and Racial diversity as well as Cyber protection experience as indicated by the SEC to be important goals.

The following table sets forth certain information concerning the annual compensation of our independent directors during the last two fiscal years.

Name and Principal Position	Year	(c) Fee	Bonus	Option Awards	share compensation	Nonqualified deferred compensation earnings	All Other Compensation	(Total Compensation)
Adiv Baruch	2022	\$ 67,000	\$ -	\$ 110,781	\$ -	\$ -	\$ -	\$ 177,781
	2021	56,750	\$ -	155,093	154,841	\$ -	\$ -	366,684
Sara Sooy	2022	\$ 31,250	\$ -	\$ 81,250	\$ -	\$ -	\$ -	\$ 112,500
	2021	-	\$ -	\$ -	\$ -	\$ -	\$ -	-
Lexi Terreo	2022	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	2021	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Mr. Yeffet was elected to serve as a member of Board in 2023.

### Board Committees

Our Board of Directors has established two standing committees—Audit and Compensation. All standing committees operate under a charter that has been approved by our Board of Directors. In addition, in lieu of a Nominating and Corporate Governance committee, our Board of Directors has designated the independent directors of the Board of Directors by resolution to select, or recommended for the Board of Director’s selection, any and all nominees to the Board of Directors (see *Nomination of Directors* below).

#### Audit Committee

Our Board of Directors has an Audit Committee, composed of Mr Baruch, Ms. Sooy and Ms. Terrero, each of whom are independent directors as defined in accordance with section Rule 10A-3 of the Exchange Act and the rules of Nasdaq. Mr. Baruch serves as chairman of the Audit Committee.

Our Audit Committee oversees our corporate accounting, financial reporting practices and the audits of financial statements. For this purpose, the Audit Committee has a charter (which will be reviewed annually) and performs several functions. The Audit Committee:

- evaluates the independence and performance of, and assesses the qualifications of, our independent auditor and engages such independent auditor;
- approves the plan and fees for the annual audit, quarterly reviews, tax and other audit-related services and approves in advance any non-audit service and fees therefor to be provided by the independent auditor;
- monitors the independence of the independent auditor and the rotation of partners of the independent auditor on our engagement team as required by law;
- reviews the financial statements to be included in our annual report on Form 10-K and quarterly Reports on Form 10-Q and reviews with management and the independent auditors the results of the annual audit and reviews of our quarterly financial statements;



- oversees all aspects of our systems of internal accounting and financial reporting control and corporate governance functions on behalf of the board; and
- provides oversight assistance in connection with legal, ethical and risk management compliance programs established by management and the board, including compliance with requirements of Sarbanes-Oxley and makes recommendations to the Board of Directors regarding corporate governance issues and policy decisions.

The Audit Committee has a charter, which is reviewed annually.

#### *Compensation Committee*

Our Board of Directors has a Compensation Committee composed of Messrs. Baruch and Yeffet as well as Ms. Sooy, each of whom is independent in accordance with rules of Nasdaq. Mr. Baruch is the chairman of the Compensation Committee. Our Compensation Committee reviews or recommends the compensation arrangements for our management and employees and also assists the Board of Directors in reviewing and approving matters such as company benefit and insurance plans, including monitoring the performance thereof. The Compensation Committee has a charter, which will be reviewed annually.

#### *Nomination of Directors*

Our Board of Directors, by resolution of the full Board of Directors addressing the nominations process and such related matters as may be required under the federal securities laws, has charged the independent directors constituting a majority of our Board of Directors with the responsibility of reviewing our corporate governance policies and with proposing potential director nominees to the Board of Directors for consideration. The independent directors will consider director nominees recommended by security holders.

#### **Code of Business Conduct and Ethics and Insider Trading Policy**

Our Board of Directors has adopted a Code of Ethical Conduct and an Insider Trading Policy.

#### *Compliance under Section 16(a) Beneficial Ownership Reporting Compliance*

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers and persons who own more than 10% of our outstanding shares of Common Stock (collectively, "Reporting Persons") to file with the SEC initial reports of ownership and reports of changes in ownership in our Common Stock and other equity securities. To the Company's knowledge, based solely on its review of the copies of such reports received or written representations from certain Reporting Persons that no other reports were required, the Company believes that during its fiscal year ended December 31, 2021, all filing requirements applicable to the Reporting Persons were timely met.

#### *Stockholder Communications*

Although we do not have a formal policy regarding communications with the Board, stockholders may communicate with the Board by writing to us at 235 Lincoln Rd., Suite 210, Miami Beach, FL 33139, Attention: Stockholder Communication. Stockholders who would like their submission directed to a member of the Board may so specify, and the communication will be forwarded, as appropriate.

## ITEM 11. EXECUTIVE COMPENSATION

### Summary Compensation

#### Summary Compensation Table

The following table sets forth certain information concerning the annual compensation of our Chief Executive Officer and our other executive officers during the last two fiscal years.

(a) Name and Principal Position	(b) Year	(c) Salary	(d) Bonus	(f) Option Awards	(g) Non-equity incentive plan compensation	(h) Nonqualified deferred compensation earnings	(i) All Other Compensation	(j) Total Compensation
Arik Maimon Executive Chairman and Interim CEO	2022	\$ 295,000	\$ 150,000	\$ 257,895	\$ -	\$ -	\$ -	\$ 702,895
	2021	295,000	\$ -	\$ 326,667	\$ -	\$ -	\$ -	\$ 621,667
Michael De Prado Executive Vice Chairman	2022	\$ 275,000	\$ 150,000	\$ 193,421	\$ -	\$ -	\$ -	\$ 638,421
	2021	268,400	\$ -	\$ 245,000	\$ -	\$ -	\$ -	\$ 513,400
Ran Daniel CFO	2022	\$ 245,000	\$ -	\$ 128,947	\$ -	\$ -	\$ -	\$ 373,943
	2021	\$ 274,196	\$ -	\$ 163,333	\$ -	\$ -	\$ 77,400	\$ 514,929

#### *Founder/Executive Chairman Compensation Agreement with Arik Maimon, and Founder/Executive Vice-Chairman Compensation Agreement with Michael De Prado*

On August 26, 2021, the Company and Arik Maimon entered into a Founder/Executive Chairman Compensation Agreement (the “Chairman Compensation Agreement”). Additionally, on August 26, 2021, the Company and Michael De Prado entered into a Founder/Executive Vice-Chairman Compensation Agreement (the “Vice-Chairman Compensation Agreement” and collectively with the Chairman Compensation Agreement, the “Chairman Compensation Agreements”). The term of each of these Chairman Compensation Agreements became effective as of August 26, 2021 and replaces any prior arrangements or employment agreements between the Company and each of Mr. Maimon and Mr. De Prado (each such individual, an “Executive” and together, the “Executives”). Under the terms of the Chairman Compensation Agreements, the Executives agreed to be employed by the Company for an initial continuous twelve-month term beginning on the effective date of August 26, 2021, and ending on August 25, 2022. The initial term would be automatically extended for additional one (1) year periods on the same terms and conditions as set out in the Chairman Compensation Agreements; however, the Chairman Compensation Agreements, respectively, will not renew automatically if either the Company or the respective Executive provide a written notice to the other of a decision not to renew, which notice must be given at least ninety (90) days prior to the end of the initial term or any subsequently renewed one (1) year term. Pursuant to the terms of the Chairman Compensation Agreement, Mr. Maimon will receive an annual base salary of two hundred ninety-five thousand dollars (\$295,000) per year, and pursuant to the terms of the Vice-Chairman Compensation Agreement, Mr. De Prado will receive an annual base salary of two hundred seventy-five thousand dollars (\$275,000) per year, and each will be eligible for an annual incentive payment of up to one hundred percent (100%) of their respective base salary, which annual incentive payment shall be based on the Company’s performance as compared to the goals established by the Company’s Board of Directors in consultation with each Executive, respectively. This annual incentive shall have a twelve (12) month performance period and will be based on a January 1 through December 31 calendar year, with the Executives’ entitlement to the annual incentive and the amount of such award, if any, remaining subject to the good faith discretion of the Board of Directors. Any such annual incentive shall be paid by the end of the second quarter following the calendar year to which each respective Executive’s performance relates. Pursuant to the terms of the Chairman Compensation Agreements, each Executive has the option to have any such earned annual incentive be paid in fully vested shares of the Company’s Common Stock, but must elect such option by the end of the first quarter following the relevant performance calendar year period. In the event of a change in control of the Company, as defined under the terms of the Chairman Compensation Agreements, that takes place (i) during the term of the Chairman Compensation Agreement or (ii) prior to the date which is twenty-four (24) months from the effective date of the Chairman Compensation Agreements, if the Executive’s employment otherwise terminates prior to such date (other than if the Executive’s employment was terminated for cause or the Executive resigned his employment without good reason, as such terms are defined under the Chairman Compensation Agreements), each respective Executive shall be entitled to a bonus payment equal to two and one-half percent (2.5%) of the cash consideration received by the shareholders of the Company in the change in control transaction. Under the Chairman Compensation Agreements, each Executive is subject to certain obligations and restrictive covenants, including, but not limited to: confidentiality, non-competition, non-solicitation, and non-disparagement, among others. The Chairman Compensation Agreements are each governed by the laws of the State of Florida. The Chairman Compensation Agreements may be terminated by the Company for cause or without cause, and by each respective Executive for good reason or without good reason, as such terms are defined under the Chairman Compensation Agreements. On August 19, 2022, the Company’s Board of Directors approved a motion to appoint Arik Maimon as Interim CEO (in addition to his current position as Chairman of the Board) and Michael De Prado as Interim President (in addition to his current position as Vice Chairman of the Board). Both Arik Maimon and Michael De Prado agreed to assume these positions with no additional compensation.

#### *Employment Agreement with Mr. Daniel*

On November 28, 2018, the Company entered into an Employment Agreement with Mr. Daniel. Pursuant to the terms of the Employment Agreement, among other things:

- (1) Mr. Daniel receives a base salary of \$162,500 per annum for initial five years term. The Agreement will be automatically renewed for successive one-year periods unless either party provides ninety days’ prior notice of termination. Furthermore, during the term of his Employment Mr. Daniel’s compensation shall no less than any other officer or employee of the Company or its subsidiary.

- (2) Mr. Daniel has the right, on the same basis as other senior executives of the Company, to participate in and to receive benefits under any of the Company's employee benefit plans, as such plans may be modified from time to time, and provided that in no event shall Mr. Daniel receive less than four weeks paid vacation per annum and six paid sick and five paid personal days per annum.
- (3) Upon the successful up-listing of the Company's shares of Common Stock to Nasdaq, Mr. Daniel receives a \$100,000 bonus.
- (4) Mr. Daniel has agreed to a one-year non-competition agreement following the termination of his employment.
- (5) If Mr. Daniel's employment with the Company terminates as a result of an involuntary termination (as defined in the Employment Agreement), then, in addition to any other benefits described in this Agreement, Mr. Daniel shall receive all compensation bonuses and benefits earned the date of his termination of employment. In addition, Mr. Daniel will be entitled to a lump sum payment equivalent to the remaining salary due Mr. Daniel to the end of the term of his Employment or six months' salary, whichever is the greater.

## Outstanding Equity Awards at Fiscal Year End

The following table sets forth information concerning the outstanding equity awards of each of the Named Executive Officers as of December 31, 2022:

Name (a)	Number of Securities Underlying Unexercised Options (#) Exercisable (b)	Number of Securities Underlying Unexercised Options (#) Unexercisable (c)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) (d)	Option Exercise Price (\$) (e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (g) (9)	Market Value of Shares or Units of Stock That Have Not Vested (h)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (i)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (j)
<i>Ran Daniel</i>	9,230	-	-	3.20	1,538 options at April 6, 2024 and 7,692 at November 2, 2031	-	-	-	\$ 128,947
Arik Maimon	20,616	-	-	\$ 5.12	3,385 options at March 29, 2025, 1,846 at September 12, 2023 and 15,385 at November 2, 2031	-	-	-	\$ 257,895
Michael De Prado	14,246	-	-	\$ 5.00	\$2,708 at March 29, 2025 and 11,538 at November 2, 2031	-	-	-	\$ 193,421

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth, as of March 31, 2023, certain information with respect to the beneficial ownership of shares of our common stock by: (i) each person known to us to be the beneficial owner of more than five percent (5%) of our outstanding shares of common stock, (ii) each director or nominee for director of our Company, (iii) each of the executives, and (iv) our directors and executive officers as a group. Unless otherwise indicated, the address of each shareholder is c/o our company at our principal office address:

Beneficial Owner	Address	Number of Shares Beneficially Owned	Percent of Class (1)
Arik Maimon (2) Chairman	235 Lincoln Rd., Suite 210, Miami Beach, FL 33139	145,308	6.90%
Michael De Prado (3) Vice Chairman	235 Lincoln Rd., Suite 210, Miami Beach, FL 33139	72,941	3.47%
Adiv Baruch (4) Director	235 Lincoln Rd., Suite 210, Miami Beach, FL 33139	12,564	0.60%
Ran Daniel (6)	235 Lincoln Rd., Suite 210, Miami Beach, FL 33139	9,230	0.44%
Sara Sooy (7)	235 Lincoln Rd., Suite 210, Miami Beach, FL 33139	7,692	0.18%
Lexi Terreo (5)	235 Lincoln Rd., Suite 210, Miami Beach, FL 33139	3,846	0.18%
Yochanon Bruk (8)	1898 NW 74th Ave. Pembroke Pines, FL 33024	215,658	10.30%
Haim Yeffet (9)	235 Lincoln Rd., Suite 210, Miami Beach, FL 33139	3,846	0.18%
All Directors and Officers as a Group (persons)		467,227	21.68%
<b>5% or More Shareholders</b>			
Alize Irrevocable Trust	255 Aragon Ave, Coral Gables FL 33134	111,769	5.36%
Dinar Zuz LLC (8)	1898 NW 74th Ave. Pembroke Pines, FL 33024	215,658	10.30%
Core Development Holdings Corporation	1001 NW 163rd Drive, Miami, Florida 33169	295,282	14.16%

(1) Applicable percentages based on 2,085,867 shares of Common Stock.

(2) Arik Maimon is our Executive Chairman of the Board of Directors. Consists of (i) 124,693 shares of Common Stock, (ii) 1,846 stock options, exercisable until September 12, 2023 with an exercise price of \$97.5 per share and (iii) 3,385 stock options, exercisable until March 29, 2023 with an exercise price of \$186.55 per share (iv) 15,384 stock options, exercisable until November 2, 2031 with an exercise price of \$36.40 per share.

(3) Michael De Prado is our Vice Executive Chairman and Director. Consists of (i) 763,030 shares of Common Stock and (ii) 2,708 stock options, exercisable until March 29, 2023 with an exercise price of \$186.55 per share (iii) 11,538 stock options, exercisable until November 2, 2031 with an exercise price of \$36.40 per share.

(4) Adiv Baruch is our director. Consists of 4,872 shares of Common Stock and 7,692 stock options, exercisable until November 2, 2031 with an exercise price of \$36.40 per share.

(5) Ran Daniel is our Chief Financial Officer. Consists of (i) 4,872 shares of Common Stock and (ii) 1,538 stock options, exercisable until April 6, 2024 with an exercise price of \$67.93 per share (iii) 7,692 stock options, exercisable until November 2, 2031 with an exercise price of \$36.40 per share.

(6) Lexi Terrero is our director. Applicable percentages based on 3,846 stock options, exercisable until December 29, 2032 with an exercise price of \$36.40 per share.

(7) Sara Sooy is our director. Applicable percentages based on 3,846 stock options, exercisable until May 15, 2032 with an exercise price of \$36.40 per share.

(8) Pursuant to a Schedule 13G filed by Dinar with the SEC on March 5, 2020, Dinar is the beneficial owner of the shares reported therein, and Yochanon Bruk (also known as Jonathan Brook) is the sole manager of Dinar and exercises voting and investment power over the shares of Common Stock. As a result, Dinar and Yochanon Bruk may be deemed to have beneficial ownership (as determined under Section 13(d) of the Exchange Act) of the shares reported therein. Yochanon Bruk does not own any shares.

(9) Haim Yeffet is our director. Applicable percentages based on 3,846 stock options, exercisable until May 15, 2032 with an exercise price of \$36.40 per share.



## **Changes in Control**

There are no arrangements, known to the Company, including any pledge by any person of securities of the Company, the operation of which may at a subsequent date result in a change in control of the Company.

## **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

Other than compensation arrangements for our directors and executive officers, which are described elsewhere in this prospectus, below we describe transactions since January 1, 2019, to which we were a party or will be a party, in which (i) the amounts involved exceeded or will exceed \$120,000; and (ii) any of our directors, executive officers or holders of more than 5% of our capital stock, or any member of the immediate family of, or person sharing the household with, the foregoing persons, had or will have a direct or indirect material interest

### *Statement of Policy*

All future transactions between us and our officers, directors or five percent stockholders, and respective affiliates will be on terms no less favorable than could be obtained from unaffiliated third parties and will be approved by a majority of our independent directors who do not have an interest in the transactions and who had access, at our expense, to our legal counsel or independent legal counsel.

To the best of our knowledge, during the past three fiscal years, other than as set forth above and herein, there were no material transactions, or series of similar transactions, or any currently proposed transactions, or series of similar transactions, to which we were or are to be a party, in which the amount involved exceeds \$120,000, and in which any director or executive officer, or any security holder who is known by us to own of record or beneficially more than 5% of any class of our Common Stock, or any member of the immediate family of any of the foregoing persons, has an interest (other than compensation to our officers and directors in the ordinary course of business).

## **ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

### **(1) Audit Fees**

The Company incurred annual audit fees during the years ended December 31, 2022 and December 31, 2021 with Halperin Ilanit CPA totaling approximately \$55,000.

#### *Audit-Related Fees*

The Company incurred annual audit related fees during the year ended December 31, 2022 totalling approximately \$30,000. The Company incurred annual audit related fees during the year ended December 31, 2021 totalling approximately \$32,500.

#### *All Other Fees*

There were no other fees billed for products or services provided by our principal accountant for the fiscal years ended December 31, 2022 and December 31, 2021.

Our audit committee reviewed or ratified the engagement of the Company's principal accountant or the fees disclosed above.