BioSculpture Technology, Inc.

FINANCIAL STATEMENTS

BioSculpture Technology, Inc.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Biosculpture Technologies, Inc.

We have audited the accompanying balance sheets of BioSculpture Technologies Inc. as of December 31, 2015 and 2014, and the related statements of operations, changes in stockholders' deficit, and cash flows for each of the years in the two-year period ended December 31, 2015. BioSculpture Technologies Inc.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BioSculpture Technology, Inc. as of December 31, 2015 and 2014, and the results of its operations and its cash flows for each of the years in the two-year period ended December, 2015, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the financial statements, the Company used cash in operations of $139,944 and $90,735 and had a net loss of $198,752 and $147,368 for the years ended December 31, 2015 and 2014, respectively. These and other factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans concerning these matters are also described in Note 3 to the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Pybus & Company, P.A.

Pybus & Company, P.A.

North Palm Beach, FL

June 14, 2016

BioSculpture Technology, Inc.
Balance Sheets

ASSETS

		As of December 31, 2015		As of December 31, 2014
Current Assets				
Cash	$	2,437	$	67
Inventory		-		187
Total Current Assets		2,437		254
Property and Equipment, Net		6,749		16,150
Other Assets				
Deposits		35		1,250
Total Other Assets		35		1,250
Total Assets	$	9,221	$	17,654

LIABILITIES AND SHAREHOLDERS' DEFICIT

Current Liabilities				
Accounts payable and accrued expenses	$	57,908	$	58,469
Convertible Notes payable		93,100		-
Note Payable Related Party		445,490		471,276
Note Payable		80,680		80,680
Total Current Liabilities		677,177		610,425
Total Liabilities		677,177		610,425
Commitments & Contingencies		-		-
Shareholders' Deficit				
Common stock, 0.001 par value, 20,000,000 shares authorized				
6,054,582 and 6,020,178 common shares issued and outstanding respectively		6,020		6,020
Paid-in-capital in excess of stated value		2,929,232		2,805,700
Common stock to be issued		34		-
Accumulated deficit		(3,603,243)		(3,404,491)
Total Shareholders' Deficit		(667,956)		(592,771)
Total Liabilities and Shareholders' Deficit	$	9,221	$	17,654

See accompanying notes to financial statements.

BioSculpture Technology, Inc.
Statement of Operations

	Year Ended December 31, 2015	2014
Revenues		
Sales, net	$ 968	$ 12,977
Total Revenue	968	12,977
Cost of Goods Sold		
Cost of sales	187	739
Gross Profit	781	12,238
Expenses		
Research and development	766	11,589
Sales and marketing	59,486	1,447
General and administrative	107,888	86,883
Interest expense	21,993	18,914
Depreciation and amortization	9,401	40,773
Total Expenses	199,533	159,606
Loss from Operations	(198,752)	(147,368)
Loss Before Provision for Income Taxes	(198,752)	(147,368)
Provision for income taxes	-	-
Net Loss	$ (198,752)	$ (147,368)

See accompanying notes to financial statements.

BioSculpture Technology, Inc.
Statement of Changes in Shareholders' Deficit

	Common Stock		Preferred Stock		Common Stock to be Issued	Additional	Accumulated	
	Shares	Amount	Shares	Amount	Amount	Paid-in-Capital	Deficit	Total
Balance December 31, 2013	6,013,296	$ 6,013	-	$ -	$ -	$ 2,775,176	$ (3,257,123)	$ (475,934)
Services exchanged for stock options	-	-	-	-	-	15,531	-	15,531
Shares Issued for cash	6,882	7	-	-	-	14,993	-	15,000
Net loss for the year ended 2014	-	-	-	-	-	-	(147,368)	(147,368)
Balance December 31, 2014	6,020,178	6,020	-	-	-	2,805,700	(3,404,491)	(592,771)
Deferred compensation exchanged for stock options	-	-	-	-	-	48,567	-	48,567
Shares issued for services	22,936	-	-	-	23	49,977	-	50,000
Shares Issued for cash	11,468	-	-	-	11	24,989	-	25,000
Net loss for the year ended 2015	-	-	-	-	-	-	(198,752)	(198,752)
Balance December 31, 2015	6,054,582	$ 6,020	-	$ -	$ 34	$ 2,929,232	$ (3,603,243)	$ (667,956)

See accompanying notes to financial statements.

BioSculpture Technology, Inc.
Statement of Cash Flows

	Year Ended December 31,	
	2015	2014
Cash Flows From Operating Activities		
Net loss	$ (198,752)	$ (147,368)
Adjustments to Reconcile Net Loss to Net Cash Used in Operations		
Depreciation and amortization	9,401	40,773
Amortization of deferred compensation	48,567	15,531
Changes in Operating Assets and Liabilities		
Decrease in inventory	187	739
(Increase) in prepaid expenses and other current assets	-	(157)
Decrease in deposits	1,215	-
(Decrease) in accounts payable and accrued expenses	(561)	(253)
Net Cash Used in Operations	(139,944)	(90,735)
Cash Flows from Investing Activities	-	-
Cash Flows from Financing Activities		
Convertible notes payable	93,100	-
Note payable related party	(25,786)	75,015
Sale of stock	75,000	15,000
Net Cash Provided by Financing Activities	142,314	90,015
Net Increase (Decrease) in Cash	2,370	(720)
Cash, Beginning of Year	67	787
Cash, End of Year	$ 2,437	$ 67
Supplemental Disclosure of Cash Activities:		
Cash paid for interest	$ 18,276	$ 18,914
Income taxes paid	$ -	$ -
Supplemental Schedule of Non-Cash Financing Activities:		
Warrants issued for financing	$ -	$ -
Warrants issued for services	$ -	$ -

See accompanying notes to financial statements.

NOTE 1: ORGANIZATION AND NATURE OF OPERATIONS

BioSculpture Technology, Inc. is a U.S. Delaware C-corporation with a fiscal year end December 31, (The Company or "BST"). BST is an F.D.A.-registered medical device manufacturer and developer of surgical devices and procedures for handling adipose tissue targeting: the liposuction and body sculpting market; the bariatric market; and fat autograft and adipocyte-derived stem cell processing markets.

BST has prioritized final development of a patented and prototyped minimally invasive device for the endoscopic removal of visceral or "belly" fat as a new treatment of obesity, metabolic syndrome and type 2 diabetes mellitus.

The Company's operates efficiently using OEM manufacturers to manufacture, provide inventory and fulfilment, and service the medical devices manufactured pursuant to its design specifications.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Company maintains its accounts on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of cash flow statements, the Company considers all highly liquid temporary cash investments with an original maturity of three months or less to be cash equivalents.

Revenue Recognition, Accounts Receivable and Allowances

The Company recognizes revenue over the period the service is performed in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") No. 605, Revenue Recognition in Financial Statements. In general, ASC No. 605 requires that four basic criteria must be met before revenue can be recognized: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services rendered, (iii) the fee is fixed and determinable, and (iv) collectability is reasonably assured.

The Company places its products with medical distributors, who make the products available for sale to customers, consisting of hospitals and surgery centers. Revenue from sales of products and related costs of products sold are recognized when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable and collectivity is reasonably assured. This generally occurs when the customer requests and takes possession of the product for use, at which time title passes to the customer.

Management monitors collections and payments from its customers and maintains an allowance for doubtful accounts based upon our historical experience and any specific customer collection issues that have been identified. Management uses its best judgment, based on the best available facts and circumstances, and records a reserve against the amounts due to reduce the receivable to the amount that is expected to be collected. These reserves are re-evaluated and adjusted as additional information is received that impacts the amount reserved.

Inventory

Inventory has been valued on a lower of cost or market value basis and consists only of finished goods available and ready for sale. Inventory assets were $187 and $0 on December 31, 2014 and 2015 respectively.

Property and Equipment

Property and equipment are carried at cost. Depreciation is computed using the straight-line method over their useful economic lives, which is estimated at 7 to 10 years.

Licenses and Patents

Costs to acquire rights to licenses are capitalized and amortized over their expected economic useful lives. Where the future benefits of the rights are unknown, these costs are expensed as incurred. Costs associated with the submission of a patent application are expensed as incurred given the uncertainty of the patents resulting in probable future economic benefits to the Company.

Long-lived Assets

The Company reviews its long-lived assets and certain identifiable intangible assets held and used for possible impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. In evaluating the fair value and future benefits of its tangible and intangible assets, management performs an analysis of the anticipated discounted future net cash flows of the individual assets over the remaining estimated economic useful lives. The Company recognizes an impairment loss if the carrying value of the assets exceeds the expected future cash flows. As of December 31, 2014 and December 31, 2015, there were no impaired long-lived assets.

Income Taxes

The Company accounts for income taxes using the asset and liability method prescribed by ASC No. 740, Income Taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences of differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, as well as net operating loss and tax credit carry forwards. Deferred taxes are measured using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred taxes of a change in tax rates is recognized in results of operations in the period that includes the enactment date.

Each reporting period, the Company assesses whether its deferred tax assets are more-likely-than-not realizable, in determining whether it is necessary to record a valuation allowance. This includes evaluating both positive (e.g., sources of taxable income) and negative (e.g., recent historical losses) evidence that could impact the realizability of the Company's deferred tax assets.

The Company recognizes the impact of an uncertain tax position in its financial statements if, in management's judgment, the position is more-likely-than-not sustainable upon audit based on the position's technical merits. This involves the identification of potential uncertain tax positions, the evaluation of applicable tax laws and an assessment of whether a liability for uncertain tax positions is necessary. Different conclusions reached in this assessment can have a material impact on our consolidated financial statements. Currently, we have no uncertain tax positions.

The net deferred tax liability in the accompanying balance sheets includes the following amounts of deferred tax assets and liabilities:

	2015	2014
Deferred Tax Liability	$ -	$ -
Deferred tax asset		
Net operating Loss Carry Forward	1,498,679	1,435,521
Valuation Allowance	(1,498,679)	(1,435,521)
Net Deferred Tax asset	$ -	$ -
Net Deferred Tax Liability	$ -	$ -

The provision for income taxes has been computed as follows:

	2015	2014
Expected income tax recovery (expense) at the statutory rate of 35% - Federal	$ 69,563	$ 51,579
Expected income tax recovery (expense) at the statutory rate of 7.1% - State	14,111	10,463
Tax effect of expenses that are not deductible for income tax purposes	(20,517)	(6,612)
Change in valuation allowance	(63,158)	(55,430)
Provision for income taxes	$ -	$ -

The valuation allowance was established to reduce the deferred tax asset to the amount that will more likely than not be realized. This is necessary due to the Company's continued operating losses and the uncertainty of the Company's ability to utilize all of the net operating loss carry forwards before they will expire through the year 2035. The net change in the valuation allowance for the years ended December 31, 2014 and 2015 were decreases of $55,430 and $63,158 respectively. The components of income tax expense related to continuing operations are as follows:

	2015	2014
Federal		
Current	-	-
Deferred	$ -	$ -
	-	-
State and Local		
Current	-	-
Deferred	-	-
	$ -	$ -

Reclassification

Certain amounts from prior periods have been reclassified to conform to the presentation of current periods.

Note Payable

On April 13, 2007, the Company entered into a capital lease with VGM Financial Services for $154,475 towards tooling for Airbrush® Multicore Connector parts maintained at the Colder Products Company. The loan was secured by a lien on the tooling and the Personal Guarantee of Dr. Cucin.

The Company made its last payment on March 20, 2009 and defaulted on the lease on May 1, 2009 with unpaid principal and interest was $73,345, the value at which the debt is carried forward. An oral promise was made to pay the unpaid principal in full as soon as the Company is able in a telephone conversation at the time. A delinquent fee of $7,335 which is 10% of the past due balance has been accrued per the capital lease agreement.

	2016	2017	2018	2019	2020	Later Years
Note Payable Maturities:	$ 80,680	$ -	$ -	$ -	$ -	$ -

Shipping and Handling Costs

We expense all shipping and handling costs as incurred. We include these costs in general and administrative expenses on the accompanying financial statements

Advertising Costs

We expense advertising costs when incurred. Advertising costs were $9,486 and $1,447 during the years ended December 31, 2015 and 2014, respectively.

Research and Development Expenses

Research and development expenditures, which are expensed as incurred, totaled $11,588 and $765 during the years ended December 31, 2014 and 2015 respectively.

Stock-Based Compensation

In accordance with ASC No. 718, Compensation – Stock Compensation ("ASC 718"), the Company measures the compensation costs of stock-based compensation arrangements based on the grant date fair value of granted instruments and recognizes the costs in the financial statements over the period during which employees are required to provide services. Stock-based compensation arrangements include stock options and restricted stock awards.

Equity instruments ("instruments") issued to non-employees are recorded on the basis of the fair value of the instruments, as required by ASC 718. ASC No.505, Equity Based Payments to Non-Employees ("ASC 505"), defines the measurement date and recognition period for such instruments. In general, the measurement date is (a) when a performance commitment, as defined, is reached or (b) when the earlier of (i) the non-employee performance is complete and (ii) the instruments are vested. The measured value related to the instruments is recognized over a period based on the facts and circumstances of each particular grant as defined in ASC 505.

The Fair Market Value of each option granted under the Company's Amended and Restated 2011 Long-term Incentive Plan (the "Plan") was estimated using the Black Scholes Merton option-pricing model (see Note 10). Using this model, fair value is calculated based on assumptions with respect to (i) expected volatility of the Company's common stock price, (ii) the expected life of the award, which for options is the period of time over which employees and nonemployees are expected to hold their options prior to exercise, (iii) expected dividend yield on the Company's common stock, and (iv) a risk-free interest rate, which is based on quoted U.S. Treasury rates for securities with maturities approximating the expected term. Expected volatility was estimated based on an average of available data from the reported volatilities in financial filings of three Small Cap medical device companies. The expected life of options has been determined using the "simplified" method as prescribed by Staff Accounting Bulletin (“SAB”) No. 110, an amendment to SAB No. 107, which uses the midpoint between the vesting date and the end of the contractual term. The expected dividend yield is zero as the Company has never paid dividends and does not currently anticipate paying dividends in the foreseeable future.

Recent Accounting Pronouncements

On May 12, 2011, the Financial Accounting Standards Board (“FASB”) issued revised authoritative guidance (Accounting Standards Update (“ASU”) No.2011-04) covering fair value measurements and disclosures. The amended guidance include provisions for (1) the application of concepts of "highest and best use" and "valuation premises", (2) an option to measure groups of offsetting assets and liabilities on a net basis, (3) incorporation of certain premiums and discounts in fair value measurements, and (4) measurement of the fair value of certain instruments classified in stockholders' equity. The revised guidance is effective for interim and annual periods beginning after December 15, 2011. The Company adopted this revised authoritative guidance prospectively for new or materially modified arrangements beginning January 1, 2012. The adoption of this revised authoritative guidance update did not have a significant impact on the Company’s consolidated financial statements.

In December 2011, FASB issued Accounting Standards Update 2011-11, Balance Sheet - Disclosures about Offsetting Assets and Liabilities” to enhance disclosure requirements relating to the offsetting of assets and liabilities on an entity's balance sheet. The update requires enhanced disclosures regarding assets and liabilities that are presented net or gross in the statement of financial position when the right of offset exists, or that are subject to an enforceable master netting arrangement.

NOTE 3: GOING CONCERN

The financial statements have been prepared assuming that the Company will continue as a going concern. The Company used cash in operations of $90,735 and $139,944 and had a net loss of $147,368 and $198,752 for the years ended December 31, 2014 and 2015, respectively. This raises substantial doubt about its ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company’s ability to raise additional capital and implement its business plan.

Management believes that the actions presently being taken and the success of future operations will be sufficient to enable the Company to continue as a going concern. This includes the introduction of new products including those targeting new markets such as the bariatric treatment of obesity, metabolic syndrome and type 2 diabetes mellitus. However, there can be no assurance that the raising of equity and/or debt, including convertible debt and/or future operations will be successful. Failure to achieve the needed equity and/or debt, including convertible debt funding could have a material adverse effect on the Company’s ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 4: INVENTORIES

Inventories consist of the following at the end of these reporting periods:

	December 31,			
	2014		2015	
Finished Goods	$	187	$	-
Total	$	187	$	-

As the company has terminated production of the pneumatic Airbrush Liposculpture® System II it currently manufactures and intends to convert its production to an electromechanical Airbrush Liposculpture® IIE, the company wrote off its remaining inventory of $47,874 on December 31, 2013. It retained only $926 at the start of 2014 and $187 at the start of 2015 to make a few additional component supply sales to an existing user during those years and finish 2015 with no remaining inventory.

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at the end of these reporting periods:

	December 31,			
	2014		2015	
Dyes, Tools & Molds	$	43,921	$	6,274
Furniture & Fixtures		13,002		9,876
Total Property & Equipment		56,923		16,150
Depreciation		(40,773)		(9,401)
Net	$	16,150	$	6,749

Furniture & Fixtures were depreciated in a straight-line fashion over an estimated useful life of 10 years; depreciation expense on furniture and fixtures for the years ended December 31, 2014 and 2015 was approximately $3,126 each year.

Dyes, Tools and Molds with an initial value of $264,524 were depreciated over a useful life of 7 years. The annual depreciation expense was $37,646 and $219,603 of depreciation had accumulated by December 31, 2013. Tooling depreciation of $37,646 was expensed taken on December 31, 2014, leaving a remaining value of $6,274 value to be completely depreciated in 2015.

NOTE 6: INTANGIBLE ASSETS

Exclusive License

BioSculpture Technology, Inc. entered into a License Agreement with Rocin Laboratories, Inc. on June 2, 2001 in exchange for $250,000 and a 6% royalty on gross sales. The License was exclusive for all patents in the portfolio except for patent 5,112,302.

The $250,000 value of the license was calculated by calculating the Net Present Value of a 20-year cash flow of $40,000 per year at a discount rate of 15%, which came to $250,373. That was the Byron Medical guaranteed annual minimum royalty payment alone. Rocin Laboratories was also receiving a 10% royalty from NuMed on a non-exclusive license of the same single patent at the time.

On July 10, 2009, the Exclusive License was modified to eliminate royalty payments in exchange for an additional payment of $250,000. By then there were 18 applications and 15 patents had issued. This gave the BioSculpture Technology, Inc. an exclusive, paid up, perpetual, royalty free license of the portfolio, its continuations and subsequent improvements, and an absolute lock on twin cannula technology in the marketplace. The license is carried on the books at its cost of $500,000. It is perpetual, fully paid up and royalty free, and includes all improvements upon current technology.

Currently there are three newly allowed patents and numerous pending U.S. applications. Allowances are for endoscopic visceral lipectomy and pending claims include subsequent improvements in the design of the single and twin cannula aspiration platform extending protection to 2029.

As the license has generated negligible cash flow for the proceeding 3 years, the license was deemed fully impaired on December 31, 2013.

NOTE 7: LEASES

The Company occupies a 1,400 square foot office at 1550-4 Latham Road, West Palm Beach, Florida where it is a month-to-month tenant as the previous lease had expired and ownership of the property has changed hands twice in the last several years through bankruptcy. There is no current lease on the office but the tenant is a month-to-month tenant on good terms with the property owner who is happy with the current arrangement.

	2016	2017	2018	2019	2020	Later Years
Lease Payments:	$ -	$ -	$ -	$ -	$ -	$ -

NOTE 8: CONVERTIBLE NOTES PAYABLE

During 2015, six convertible notes payable have been issued totaling $93,100 with 10% annual simple interest, which permit the payee to convert any unpaid principal and interest into the company's common stock at a price of $2.18.

The notes are due within one year of the loan date with the last loan due on December 18, 2016.

	Balance December 31, 2013	Additions	Notes Converted	Notes Repaid	Balance December 31, 2014
Total	$ -	-	-	-	$ -

	Balance December 31, 2014	Additions	Notes Converted	Notes Repaid	Balance December 31, 2015
Total	$ -	93,100	-	-	$ 93,100

NOTE 9: RELATED PARTY TRANSACTIONS

Note Payable Related Party

There is a Note currently outstanding to an officer of the Company totaling $471,276 and $445,490 on December 31, 2014 and 2015 respectively. This mainly represents his Personal Guarantee on three interest bearing bank-revolving Lines of Credit but also some direct loans by him to the Company. His Personal Guarantee allows the Company to draw upon those Credit Lines with an effective interest rate of approximately 3% during 2014 and 2015.

	2016	2017	2018	2019	2020	Later Years
Note Payable Related Party Maturities:	$ 445,490	$ -	$ -	$ -	$ -	$ -

NOTE 10: SHAREHOLDER'S DEFICIT

Common Stock

During 2014, the Company issued 6,882 of common stock at a price of $2.18 per share.

During 2015, the company authorized the sale of 11,468 shares of common stock at a price of $2.18 per share. The shares have been recorded as to be issued at December 31, 2015

During 2015, the Company authorized the issuance of 22,936 shares of common stock at $2.18, the fair value of the shares when the individual performed services. The fair value of the shares totaling $50,000 has been recorded as consulting services. The shares have been recorded as to be issued at December 31, 2015

Stock Options

The Company has an Employee Stock Option Plan instituted on November 16, 11 (“2011 ESOP”), which provides for the issuance of stock options to management and other key employees. There are 886,731 shares reserved under the Stock Option Plan, of which 585,000 shares were available for grant at December 31, 2013. Options were granted for periods not exceeding 10 years and exercisable 0 to 4 years after the date of grant at an exercise price of not less than 100% of the fair market value of the common stock on the date of grant. All options granted to date have been non-statutorily qualified options. (“NSO” or “NSQO”).

For the purposes of calculating the stock-based compensation under FASB (ASC) 718, the Company estimates the fair value of the stock options using Black-Scholes option-pricing model, which is consistent with the model used for pro-forma disclosures under SFAS 123 prior to the adoption of FASB (ASC) 718. The Black Scholes option-pricing model was developed for use in estimating the fair value of short-lived exchange traded options that have no vesting restrictions and are fully transferrable. In addition, Black-Scholes option-pricing model incorporates various highly sensitive assumptions including expected volatility, expected term and interest rates. Due to the Company's private status limited historical, restricted stock sales, the estimated volatility reflects application of SAB No. 107, incorporating the historical volatility of comparable companies whose share prices are freely trading and publically available. The expected term of the Company's stock option is based on an expected event horizon of a change in control triggering the total vesting and exercise of the options per the stock option agreement. In addition, in accordance with FASB (ASC) 718 share based compensation expense recognized in the statement of operation in 2013 for award grants after January 1, 2009 is based on awards ultimately expected to vest and is reduced for estimated forfeitures.

On November 16, 2011, the Company granted options to purchase 580,000 shares of the Company’s common stock, at an exercise price of $2.18 per share. The options vest between a one to three year period and expire November 16, 2021. The most recent sales price of the common stock at the time of issuance of the options was $1.00 per share. The fair value of the options totaled $184,507 using the Black-Scholes option pricing model with the following assumptions: i) risk free interest rate of 2.78%, ii) expected life of between 3 and 6.5 years, iii) dividend yield of 0%, iv) expected volatility of 59%. The Company recognized $0 and $13,811 deferred compensation for the years ended 2015 and 2014 respectively.

On September 20, 2013, the Company granted options to purchase 5,000 shares of the Company’s common stock, at an exercise price of $2.18 per share. The options vest over a four year period and expire September 20, 2023. The most recent sales price of the common stock at the time of issuance of the options was $2.18 per share. The fair value of the options totaled $6,455 using the Black-Scholes option pricing model with the following assumptions: i) risk free interest rate of 2.35%, ii) expected life of 7 years, iii) dividend yield of 0%, iv) expected volatility of 57.9%. The Company recognized $1,614 and $1,614 deferred compensation for the years ended 2015 and 2014 respectively.

On February 3, 2015, the Company granted options to purchase 116,000 shares of the Company's common stock, at an exercise price of $2.18 per share. The options vested instantly and expire February 3, 2025. The most recent sales price of the common stock at the time of issuance of the options was $2.18 per share. The fair value of the options totaled $116,963 using the Black-Scholes option pricing model with the following assumptions: i) risk free interest rate of 2.14%, ii) expected life of between 2.5 and 5 years, iii) dividend yield of 0%, iv) expected volatility of 64.44%. The Company recognized $116,963 of deferred compensation for the year ended 2015.
Additional information concerning the activity in the option plan is as follows:

	2015		2014	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding, beginning of year	585,000	2.18	585,000	2.18
Granted	116,000	2.18	-	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
Expired	-	-	-	-
Outstanding, end of year	701,000	2.18	585,000	2.18
Exercisable, end of year	696,000		580,000	

Additional information concerning the unvested options is as follows:

	2015		2014	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Non-Vested options at beginning of year	5,000	2.18	5,000	2.18
Granted	-	-	-	-
Vested	-	-	-	-
Cancelled	-	-	-	-
Non-Vested options at end of year	5,000	2.18	5,000	2.18

Summarized information with respect to the options outstanding under the option plan at December 31, 2015 is as follows:

Options Outstanding				Options Exercisable	
Exercise Price	Number Outstanding	Remaining Average Contractual Life (In Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
2.18	701,000	4.77	2.18	696,000	2.18

The estimated fair value of each stock option grant on the date of grant was computed using the following weighted-average assumptions:

	December 31, 2015	December 31, 2014
Risk-free interest rate	2.14%	2.54%
Expected term (life) of options (in years)	8.35	8.51
Expected dividends	-	-
Expected volatility	64.44%	70.07%

NOTE 11: COMMITMENTS AND CONTINGENCIES

The Company is subject to legal proceedings, claims and liabilities that arise in the ordinary course of business. In the opinion of management, the amount of the ultimate liability with respect to those actions will not materially affect the Company's financial position or results of operations. There are no active or pending litigation or proceedings involving the Company.

NOTE 12: SUBSEQUENT EVENT

In preparing the financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through June 14, 2016, the date the financial statements were issued.

In 2016, three convertible notes payable have been issued totaling $34,100 with 10% annual simple interest, which permit the payee to convert any unpaid principal and interest into the company's common stock at a price of $2.18.

In February of 2016, the company authorized the sale of 45,872 shares of common stock at a price of $1.09 per share.

In May of 2016, the company authorized the sale of 25,236 shares of common stock at a price of $2.18 per share.