Mentor Capital, Inc. and Subsidiaries

Condensed Consolidated Financial Statements

September 30, 2014

(Unaudited)

Mentor Capital, Inc. and Subsidiaries

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Mentor Capital, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets (Unaudited)

	September 30, 2014	December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	$ 553,467	$ 40,184
Accounts receivable - trade	295,822	-
Receivable - Bhang Corporation and shareholders	1,500,000	-
Prepaid expenses	183,632	342,408
Investment in account receivable, net of discount	101,250	-
Investments in securities, at fair value	8,248	21,320
Employee advances	16,997	-
Other assets	4,725	-
Total current assets	2,664,141	403,912
Property and equipment		
Property and equipment	236,523	31,032
Accumulated depreciation	(175,857)	(26,732)
Property and equipment, net	60,666	4,300
Other assets		
Subsidiary note receivable	-	1,080,000
Shareholder loans receivable	1,213,410	136,000
Deposits	9,575	-
Convertible note receivable	100,000	-
Long term investments	64,793	65,943
Goodwill	1,426,183	-
Total other assets	2,813,961	1,281,943
Total assets	$ 5,538,768	$ 1,690,155

Mentor Capital, Inc. and Subsidiaries
Condensed Consolidated Balance Sheet (Unaudited Continued)

	September 30, 2014	December 31, 2013
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities		
Accounts payable	$ 21,239	$ 20,892
Accrued expenses	119,076	6,474
Deferred fees - related party, current portion	-	32,000
Line of credit	60,000	-
Current portion of long term debt	11,665	-
Total current liabilities	211,980	59,366
Long-term liabilities		
Accrued salary and benefits - related party	888,665	900,238
Long term debt, net of current portion	2,993	-
Deferred fees - related party, net of current portion	-	593,333
Accrued retirement and other benefits - related party	437,587	431,087
Total long-term liabilities	1,329,245	1,924,658
Shareholders' deficit		
Preferred stock, no par value, 100,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock, no par value, 400,000,000 shares authorized; 14,483,373 and 6,655,509 shares issued and outstanding at September 30, 2014 and December 31, 2013	7,002,016	2,389,801
Additional paid in capital	234,731	495,509
Accumulated deficit	(3,190,447)	(3,179,179)
Non-controlling interest	(48,757)	-
Total shareholders' deficit	3,997,543	(293,869)
Total liabilities and shareholders' deficit	$ 5,538,768	$ 1,690,155

Mentor Capital, Inc. and Subsidiaries

Condensed Consolidated Statement of Operations (Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Revenue				
Service fees	$ 544,615	$ -	$ 1,543,578	$ -
Publication revenue	1,600	-	2,550	-
Other revenue	-	8,000	-	24,000
Total revenue	546,215	8,000	1,546,128	24,000
Cost of sales	381,776	-	1,057,355	-
Gross profit	164,439	8,000	488,773	24,000
Selling, general and administrative expenses	334,567	70,436	1,069,861	207,298
Operating income (loss)	(170,128)	(62,436)	(581,088)	(183,298)
Other income and (expense)				
Gain recognized on purchase of majority Interest in WCI	-	-	1,250,964	-
Interest income	12,453	4,473	15,982	2,699
Interest expense	(7,043)	-	(13,550)	-
Loan costs	-	-	(635,851)	-
Gain (loss) on investments	(7,782)	170	(5,590)	170
Gain (loss) on equipment disposals	(4,925)	-	(1,886)	-
Other income (expense)	-	46	167	46
Total other income and (expense)	(7,297)	4,689	610,236	2,915
Income (loss) before provision for income taxes	(177,425)	(57,747)	29,148	(180,383)
Provision for income taxes		-	2,525	800
Net income (loss)	(177,425)	(57,747)	26,623	(181,183)
Gain attributable to non-controlling interest	8,641	-	37,891	-
Net income (loss) attributable to controlling interest	$ (186,066)	$ (57,757)	$ (11,268)	$ (181,183)
Basic and diluted net loss per common share:				
Basic	$ (0.013)	$ (0.009)	$ (0.001)	$ (0.024)
Diluted*	$ N/A	$ N/A	$ N/A	$ N/A
Weighted average number of shares of common stock outstanding:				
Basic	14,492,602	6,650,277	12,539,342	6,650,277
Diluted*	N/A	N/A	N/A	N/A

*The company recorded operating loss and so the diluted EPS will not be calculated for the diluted EPS effect is anti-dilutive

Mentor Capital, Inc. and Subsidiaries

Condensed Consolidated Statement of Changes in Shareholders' Equity
For the Nine Months ended September 30, 2014 (Unaudited)

	Common stock		Additional paid	Accumulated	Non-controlling	
	Shares	no par	in capital	deficit	deficit	Totals
Balance at December 31, 2013	6,688,503	$2,389,801	$ 495,509	$(3,179,179)	$ -	$(293,869)
Effect of consolidating interest in WCI previously accounted for at cost, effective January 1, 2014	-	-	-	-	(48,179)	(48,179)
Conversion of warrants to common stock, net of conversion costs	7,462,150	4,370,474	-	-	-	4,370,474
Cashless exercise of advisor warrants	354,410	260,778	(260,778)	-	-	-
Shares retired	(21,690)	(19,037)	-	-	-	(19,037)
Minority contributed capital	-	-	-	-	10,300	10,300
Minority shareholder distribution	-	-	-	-	(48,769)	(48,769)
Net income (loss)	-	-	-	(11,268)	37,891	26,623
Balance at September 30, 2014	14,483,373	$7,002,016	$ 234,731	$(3,190,447)	$ (48,757)	$3,997,543

Mentor Capital, Inc. and Subsidiaries
Condensed Consolidated Statement of Cash Flows (Unaudited)

	Nine Months Ended	
	September 30, 2014	September 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (11,268)	$ (181,183)
Adjustments to reconcile net loss to net		
cash provided by (used by) operating activities:		
Depreciation and amortization	19,314	615
Investment (gain) loss	5,590	-
Loss on sale/disposal of furniture and equipment	1,886	-
Gain recognized on purchase of majority interest in WCI	(1,250,964)	-
Receivable discount amortization	(11,250)	-
Decrease (increase) in operating assets		
Accounts receivable - trade	(35,637)	-
Receivable - Bhang Chocolate Company shareholders	(1,500,000)	-
Prepaid expenses	(31,976)	1,240
Other assets	(3,725)	(5,581)
Increase (decrease) in operating liabilities		
Accounts payable	(12,274)	(3,892)
Accrued expenses	(25,386)	(2,045)
Deferred fees	-	8,000
Accrued salary and benefits - related party	(11,573)	(36,283)
Accrued retirement and benefits - related party	6,500	(2,166)
Net cash provided by (used by) operating activities	(2,860,763)	(221,295)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(33,826)	-
Sale of property and equipment	7,499	1,432
Sale of investment in securities	7,482	20,753
Investment in receivable	(90,000)	-
Purchase of convertible note receivable	(100,000)	-
Proceeds from long term investment	1,150	-
Purchase of additional interest in WCI	(25,000)	-
Employee advances	254	-
Shareholder loans	(72,875)	33,000
Net cash provided by (used by) investing activities	(305,316)	55,185

Mentor Capital, Inc. and Subsidiaries
Condensed Consolidated Statement of Cash Flows (Unaudited) (Continued)

	Nine Months Ended	
	September 30, 2014	September 30, 2013
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long term debt	$ (46,479)	$ -
Borrowing on line of credit	60,000	-
Shares retired	(19,037)	(10,464)
Warrants converted to common stock, net of costs	3,637,505	275,209
Net cash provided by (used by) financing activities	3,631,989	264,745
Net change in cash	465,910	98,635
Beginning cash	87,557	40,184
Ending cash	$ 553,467	$ 138,819
SUPPLEMENTARY INFORMATION:		
Cash paid for interest	$ 13,550	$ 70
Cash paid for income taxes	$ 2,525	$ 800
NON-CASH INVESTING AND FINANCING TRANSACTION:		
CEO exercise of warrants via increase in shareholder loans receivable	$ 944,231	$ -
CEO assumption of warrant liability via decrease in shareholder loans receivable	$ (19,700)	$ -

Note 1 - Nature of operations

History (1985 – 2008)

Mentor Capital, Inc. ("Mentor" or "the Company") was founded as an investment partnership by the current CEO in 1985 and incorporated July 29, 1994, under the laws of the State of California. On September 12, 1996, the Company's offering statement was qualified pursuant to Regulation A of the Securities Act, and the Company began to trade its shares publicly. On August 21, 1998, the Company filed voluntary reorganization with the bankruptcy court and, on January 11, 2000, the Company emerged from Chapter 11. The Company contracted to provide financial assistance and investment into small businesses following its reorganization.

Current Business (2008 - 2014)

Since the August 2008, name change back to Mentor Capital, Inc., the Company's common stock has traded publicly under the trading symbol OTC Markets: MNTR.

In 2009 the Company began focusing its investing activities in leading edge cancer companies. In response to government limitations on reimbursement for highly technical and expensive cancer treatments and a resulting business decline in the cancer development sector, the Company decided to exit that space. In the summer of 2013 the Company was asked to consider investing in a cancer related project with a medical marijuana focus. On August 27, 2013, the Company made a decision to divest of its cancer assets and focus on becoming a pure play in the cannabis and medical marijuana sector.

Effective January 1, 2014, Mentor purchased an additional 1% interest in WCI for $25,000 which resulted in a 51% ownership in WCI. At December 31, 2013, Mentor's investment in WCI was recorded under the equity method. In accordance with Accounting Standard Codification 810-10, *Consolidation – Overall*, on January 1, 2014 Mentor remeasured its previously held equity interest at the acquisition-date fair value and recognized the resulting gain on investment in subsidiary, see Note 14. WCI is a legacy investment that is included in the consolidated financial statements for the three and nine months ended September 30, 2014 and is reported as an investment under the equity method at December 31, 2013 and the three and nine months ended September 30, 2013.

On February 18, 2014, the Company signed an agreement to purchase a 51% interest in MicroCannaBiz ("MCB"), a development stage company, for $200,000. MCB provides cannabis and marijuana related private companies, investors and microcap issuers with information resources including client company specific publications, directories, and continuing education courses. See Note 8. MCB operations are included in the consolidated financial statements for the three and nine months ended September 30, 2014.

On February 28, 2014, the Company acquired a 60% ownership in Bhang Chocolate Company, Inc. ("Bhang"), see Note 5 regarding the purchase and subsequent Mentor lawsuit seeking rescission of the agreement. Amounts invested in Bhang are reported as Receivable from Bhang Chocolate Company shareholders in the consolidated balance sheet at September 30, 2014.

Note 2 - Summary of significant accounting policies

Basis of presentation

The Company's condensed consolidated financial statements include majority owned subsidiaries of 51% or more. The condensed consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. All material intercompany balances and transactions have been eliminated in consolidation.

Note 2 - Summary of significant accounting policies (continued)

Basis of presentation (continued)

As shown in the accompanying consolidated financial statements, the Company has a significant accumulated deficit of $3,190,447 as of September 30, 2014. The Company also continues to experience negative cash flows from operations. The Company will be required to raise additional capital to fund its operations, and will continue to attempt to raise capital resources from both related and unrelated parties until such time as the Company is able to generate revenues sufficient to maintain itself as a viable entity. These factors have raised substantial doubt about the Company's ability to continue as a going concern. There can be no assurances that the Company will be able to raise additional capital or achieve profitability. However, the Company has 14.5 million warrants outstanding in which the Company can reset the exercise price substantially below the current market price, see Note 6. These consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

From January 1, 2014 through the date of this report, the Company raised approximately $3,637,500 from the exercise of warrants into common stock. The Company estimates it has adequate cash reserves to support one to three years of operation. Management's plans include increasing revenues through acquisition, investment, and organic growth. This is to be funded by raising additional capital through the sale of equity securities and debt.

Concentrations of cash

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

Cash and cash equivalents

The Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents. The Company had no short-term debt securities as of September 30, 2014.

Accounts receivable

Customer accounts receivable are classified as current assets and are carried at original invoice amounts less an estimate for doubtful receivables based on a review of all outstanding amounts on a monthly basis. The estimate of allowance for doubtful accounts is based on the Company's bad debt experience, market conditions, collateral available, and aging of accounts receivable, among other factors. If the financial condition of the Company's customers deteriorates resulting in the customer's inability to pay the Company's receivables as they come due, additional allowances for doubtful accounts will be required. At September 30, 2014, the Company considers its accounts receivable to be fully collectible and no allowance has been included in the accompanying financial statements.

Investment in unconsolidated entities

Prior to acquiring a controlling interest in WCI on January 1, 2014, Mentor accounted for the investment in WCI using the equity method based on the ownership interest and the Company’s ability to exercise significant influence at December 31, 2013. Accordingly, the investment was initially recorded at cost with adjustments to the carrying amount of the investment to recognize our share of the earnings or losses of the investee each reporting period. Mentor ceased to recognize losses when our investment basis was zero. At December 31, 2013, the WCI investment was $0. On January 1, 2014, the Company purchased an additional 1% interest in WCI for a 51% interest, see Note 14.

Note 2 - Summary of significant accounting policies (continued)

Long term investments

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

Investment in account receivable, net of discount

The Company invested in an account receivable and promissory note on July 8, 2014 which is due on or before January 15, 2014. The investment was recorded at face value with an offsetting discount at the time purchased. The discount is being amortized to interest over the term of the note.

Property and equipment

Property, equipment and vehicles are recorded at cost. Depreciation is computed on the straight-line and declining balance methods over the estimated useful lives of various classes of property ranging from 3 to 7 years.

Software development costs relate to development of MCB's website and cannabis directory. Software research and development costs are expensed as incurred. Software development costs are subject to capitalization beginning when a product's technological feasibility has been established and ending when a product is available for general release. The Company capitalized website software costs incurred during the three and nine months ended September 30, 2014, however, the website and directory launch was subsequent to September 30, 2014. Therefore, the Company has not recorded amortization for the three and nine months ended September 30, 2014. Software development costs will be amortized over 3 years.

Expenditures for renewals and betterments are capitalized and maintenance and repairs are charged to expense. Upon retirement or sale, the cost of assets disposed and the accumulated depreciation is removed from the accounts. The resulting gain or loss is credited or charged to income.

Goodwill

Goodwill of $1,324,143 was derived from consolidating WCI effective January 1, 2014, see Note 14. The remaining $102,040 of goodwill relates to the 1999 acquisition of a 50% interest in WCI. The Company accounts for its Goodwill in accordance with FASB Accounting Standards Codification 350, Intangibles – Goodwill and Other, which requires the Company to test goodwill for impairment annually or whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable, rather than amortize. Goodwill impairment tests consist of a comparison of each reporting unit's fair value with its carrying value. Impairment exists when the carrying amount of goodwill exceeds the implied fair value for each reporting unit. To estimate the fair value, management used valuation techniques which included the discounted value of estimated future cash flows. The evaluation of impairment requires the Company to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment and are subject to change as future events and circumstances change. Actual results may differ from assumed and estimated amounts. Management determined that no impairment write-downs were required as of September 30, 2014 and December 31, 2013.

Note 2 - Summary of significant accounting policies (continued)

Revenue recognition

The Company recognizes revenue in accordance with ASC 605 , "*Revenue Recognition*". The Company records revenue under each contract once persuasive evidence of an agreement exists, delivery has occurred or services have been rendered, the fee is fixed or determinable and collectability is reasonably assured.

Cost of services

Cost of services consists of direct costs to service customers under the service contracts.

Basic and diluted income (loss) per common share

Basic net income (loss) per common share (EPS) is computed by dividing net income (loss) available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS adjusts basic net income (loss) per common share, computed using the treasury stock method, for the effects of potentially dilutive common shares, if the effect is not antidilutive. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock warrants. Diluted EPS excludes all dilutive potential shares if their effect is antidilutive. Outstanding warrants that had no effect on the computation of dilutive weighted average number of shares outstanding as their effect would be antidilutive were approximately 15,198,000 and 23,220,000 as of September 30, 2014 and December 31, 2013, respectively. The Company had 4,500 and 6,650,070 potentially dilutive shares outstanding at September 30, 2014 and December 31, 2013.

Income taxes

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for or discloses potential changes that management believes are more likely than not to occur upon examination by tax authorities.

Management has not identified any uncertain tax positions in filed income tax returns that require recognition or disclosure in the accompanying financial statements. The Company's income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense. No interest expense or penalties were recognized during the nine months ended September 30, 2014.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying disclosures. Although these estimates are based on management's best knowledge of current events and actions the Company may undertake in the future, actual results ultimately may differ from these estimates.

Note 2 - Summary of significant accounting policies (continued)

Fair value measurements

The Fair Value Measurements and Disclosure Topic defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal, or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

The Fair Value Measurements and Disclosure Topic establish a fair value hierarchy, which prioritizes the valuation inputs into three broad levels. These three general valuation techniques that may be used to measure fair value are as follows: Market approach (Level 1) – which uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources. Cost approach (Level 2) – which is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and the Income approach (Level 3) – which uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (including present value techniques, and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

The carrying amounts of cash, accounts receivable, prepaid expenses and other current assets, accounts payable, customer deposits and other accrued liabilities approximate their fair value due to the short-term nature of these instruments.

The fair value of the note receivable is based on the net present value of calculated interest and principle payments. The carrying value approximates fair value as interest rates charged are comparable to market rates for similar notes.

The fair value of long-term notes payable is based on the net present value of calculated interest and principle payments. The carrying value of long-term debt approximates fair value due to the fact that the interest rate on the debt is based on market rates.

Recent Accounting Standards

The Company has implemented all new accounting pronouncements that are in effect. These pronouncements did not have any material impact on the financial statements and the Company does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

Note 3 – Investments

The investment in account receivable is supported by a promissory note which matures January 15, 2015 and consists of the following at September 30, 2014:

Face value	$	117,000
Unamortized discount		(15,750)
Net balance	$	101,250

During the three and nine months ended September 30, 2014, $11,250 of discount amortization is included in interest income.

Note 4 - Property and equipment

Property and equipment is comprised of the following:

	September 30, 2014	December 31, 2013
Computers	$ 18,644	$ 12,120
Furniture and fixtures	19,491	18,912
Machinery and vehicles	174,308	-
Capitalized software	24,080	-
	236,523	31,032
Accumulated depreciation	(175,857)	(26,732)
Net Property and equipment	$ 60,666	$ 4,300

Depreciation expense for the three and nine months ended September 30, 2014 and 2013 were:

Three Months Ended		Nine Months Ended	
September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
5,864	615	19,314	1,846

Note 5 - Acquisition of interest in Bhang Chocolate Company, Inc. and suit seeking rescission

On January 17, 2014, the Company transitioned out of its cancer related trading dormancy by announcing its first cannabis sector letter of intent amidst significantly increased share volume and price. The Company entered into a co-operative funding agreement with Bhang Chocolate Company, Inc. on February 28, 2014, that provided for the purchase from owners of a 60% ownership in Bhang. Unrelated debt funding for Mentor Capital had been announced by a private equity group. Bhang owners were to receive $9,000,000 in consideration in the first 90 days. During the first 90 days, $1,500,000 was provided to Bhang owners from proceeds of warrant exercise. The lending equity group was unable to fund the loan they announced.

As provided in the funding agreement, in the event of any shortfall in cash payment, the Bhang owners may elect to immediately receive free trading Mentor shares to the extent not otherwise covered by cash available for payment, or alternatively, they may elect to receive cash from ongoing warrant exercise plus a 10% late payment penalty. The owners asked for immediate payment and $7,500,000 in freely trading shares were delivered to them.

An additional $30,000,000 million in expansion funding was to be gradually invested into the Bhang Chocolate Company as it was received from warrant exercise over approximately the next 36 months. In response to the unexpected inability of the private equity group to fund the loan, Mentor triggered the “contingent payoff” provision in the contract by decreasing the strike price on its already called outstanding D warrants to $1.60 per share. In connection with the contingent payoff, if there is a future shortfall in delivering the $30,000,000 after all MNTR warrants were exercised, the Company can fully satisfy its obligation by issuing 200% of the shortfall in common stock to Bhang owners. The Company has complied with the contract obligations to date. The Company paid Bhang owners $1,500,000 within the first 90 days and the shortfall was paid by assigning Mentor shares to Bhang minority owners or in the alternative could have been satisfied from ongoing warrant exercise.

Note 5 - Acquisition of interest in Bhang Chocolate Company, Inc. and suit seeking rescission (continued)

On June 24, 2014, Bhang owners unilaterally announced that Bhang was no longer doing any business with Mentor and Bhang was terminating all remaining details of its relationship with Mentor. Bhang failed to provide share certificates as evidence of ownership or provide other promised consideration to Mentor, effectively rescinding the contract by their actions. In addition, Bhang owners have declined to return any of the $1,500,000 they were paid from Mentor. On August 11, 2014, Mentor filed suit against Bhang and its owners, in the United States District Court for the Northern District of California for rescission seeking return of the $1,500,000 investment the Company made in Bhang.

Note 6 - Common stock warrants

The Company's Plan of Reorganization provided for the creditors and claimants to receive new warrants in settlement of their claims. The term of the warrants, initially sixteen months, has been extended by the Company until May 11, 2038.

Each warrant is callable by the Company if the share price exceeds the exercise price by the lesser of $1 or 100%. The warrant holders have 30 to 90 calendar days during which to exercise their warrants once they are called. The Company may lower the exercise price of the warrants at any time. Similarly, the Company could, but does not anticipate, reverse splitting the stock to raise the stock price above the warrant exercise price. The warrants are specifically not affected and do not split with the shares in the event of a reverse split. If the warrants are not exercised, the Company has the right to designate the warrants to a new holder in return for a $0.10 per share redemption fee payable to the original warrant holder as discussed further in Note 7. Exercise prices at December 31, 2011 and subsequent lower prices for the A, B, C and D warrants are as follow:

	Series A	Series B	Series C	Series D
April 1, 2013	$ 0.01	$ 0.11	$ 0.09	$ 7.00
June 18, 2014	$ -	$ 0.11	$ -	$ 1.60

At November 8, 2009, the Company entered into an Investment Banking agreement with Network One Securities, LLC and a related Strategic Advisory Agreement with Lenox Hill Partners, LP with regard to a potential merger with a cancer development company. In conjunction with those related agreements, the Company issued 81,699 Series E ($1) Warrants, 369,037 Series F ($3) Warrants, 85,579 Series G ($0.65) Warrants and 689,159 Series H ($7) Warrants, all with a 30 year life. The warrants are subject to cashless exercise based upon the ten day trailing closing bid price preceding the exercise as interpreted by the Company. The fair value of the warrants issued under the agreements was estimated on the date of the issuance using the Black-Scholes option pricing model. The use of a valuation model requires the Company to make certain assumptions with respect to selected model inputs. Expected volatility was calculated based on the historical volatility of the Company’s stock price. The average expected life is based on the contractual term of the warrant and expected exercise behavior. The risk-free interest rate is based on U.S. Treasury zero-coupon issues with a remaining term equal to the expected life assumed at the date of grant.

Note 6 - Common stock warrants (continued)

The following table provides the assumptions used to value the options granted and warrants issued using the Black-Scholes option pricing model:

	Series E and G	Series F and H
Stock price volatility	111.60%	111.60%
Risk-free rate of return	4.26%	4.26%
Annual dividend yield	0.00%	0.00%
Expected life (in years)	0.5	3.0

As of September 30, 2014 and December 31, 2013 the weighted average contractual life for all Mentor warrants was 23.7 years and 24.5 years, respectively, and the weighted average outstanding warrant exercise price was $1.84 and $4.91 per share, respectively.

During the nine month period ended September 30, 2014 and the year ended December 31, 2013, a total of 8,018,978 and 2,619,332 warrants were exercised, respectively. There were no warrants issued during the nine month period ended September 30, 2014 and the year ended December 31, 2013. At September 30, 2014 and December 31, 2013, the total intrinsic value of outstanding warrants was $3,263 and $1,583,805, respectively.

The following table summarizes common stock warrants as of each period:

	Series A $0.09 exercise price	Series B $0.11 exercise price	Series C $0.09 exercise price	Series D $1.60 * exercise price	A,B,C,D Total Warrants
Outstanding at December 31, 2012	1,188,909	7,952,313	128,180	15,312,627	24,582,029
Issued	-	-	-	-	-
Exercised	-	(2,619,332)	-	-	(2,619,332)
Outstanding at December 31, 2013	1,188,909	5,332,981	128,180	15,312,627	21,962,697
Issued in 2014	-	-	-	-	-
Exercised in 2014	(1,188,909)	(5,328,481)	(128,180)	(807,861)	(7,453,431)
Outstanding at September 30, 2014	-	4,500	-	14,504,766	14,509,266

* Exercise price at September 30, 2014. Until June 18, 2014, the exercise price was $7.00.

Note 6 - Common stock warrants (continued)

Series E, F, G and H warrants were issued for investment banking and advisory services during 2009. Warrants were exercised under the cashless provision allowed for these warrants as follows:

	Series E $1.00 exercise price	Series F $3.00 exercise price	Series G $0.65 exercise price	Series H $7.00 exercise price	E,F,G,H Total Warrants
Outstanding at December 31, 2013	107,931	369,037	88,579	689,159	1,254,706
Issued in 2014	-	-	-	-	-
Exercised in 2014	(107,931)	(369,037)	(88,579)	-	(565,547)
Outstanding at September 30, 2014	-	-	-	689,159	689,159
Shares issued as a result of cashless exercise	73,388	210,870	70,152	-	354,410

Note 7 - Warrant redemption liability

The Plan of Reorganization provides the right for the Company to call, and the Company or its designee to redeem warrants that are not exercised timely, as specified in the Plan, by transferring a $0.10 redemption fee to the former holders. Certain individuals desiring to become a Company designee to redeem warrants have deposited redemption fees with the Company that, when warrants are redeemed, will be forwarded to the former warrant holders at their last known address 30 days after the last warrant of a class is exercised, or earlier at the discretion of the Company. The Company has arranged for a service to process the redemption fees in offset to an equal amount of liability. Included in prepaid expenses at September 30, 2014 and December 31, 2013 was $0 and $192,411 of prepaid warrant redemption fees, respectively.

Note 8 - Funding agreement

The Company entered into a co-operative funding agreement with MCB that closed on February 18, 2014, to purchase up to a 51% interest in MCB, a development stage company. MCB provides cannabis and marijuana related private companies, investors and microcap issuers with information resources including client company specific publications, directories, and continuing education courses. MCB is to receive up to $200,000 in funding as Mentor receives proceeds from warrant exercise. Allocation of funding to MCB is discretionary and may be reduced to $100,000 with no change in Mentor's ownership if Mentor is dissatisfied with MCB performance. The Company has the right, in its sole discretion, to convert the paid portion of the $200,000 equity investment in MCB to a six percent (6%) ten-year note payable to Mentor by the majority owner of MCB in 120 equal payments of principal and interest at any time. If triggered, this provision would truncate further funding. Alternatively, if Mentor's allocation of funds to MCB is less than the *pro rata* share MCB would normally receive from warrant exercise under the agreement, then MCB may elect to convert the equity investment to a loan, under the same terms.

Note 9 - Stockholders' equity

Common Stock

The Company has a total of 400,000,000 shares of Common Stock, no par value authorized at September 30, 2014 and December 31, 2013. The holders of Common Stock are entitled to one vote per share on all matters submitted to a vote of the stockholders and may accumulate their votes for the election of directors. During 2007, the Company effected a 1,000 to 1 reverse stock split on its outstanding common stock, under the authority of the Plan, and subsequent to receiving 84% shareholder approval and Board of Directors approval. During September 2008, the Company announced a stock repurchase plan which allowed for a total of 12.5% of the Company's shares outstanding at that time to be repurchased during future periods. All shares under the 2008 repurchase plan were repurchased prior to December 31, 2013.

On August 8, 2014, the Company announced that it was initiating the repurchase of approximately 2% of the Company's shares outstanding at that time.

Note 10 - Income tax

The Company and its subsidiaries are taxed as C-Corporations for federal income tax purposes. The Company does not file consolidated income tax returns for federal or state purposes.

The provision (benefit) for income taxes for the three and nine months ended September 30, 2014 and 2013 consist of the following:

	Three Months Ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Current:				
Federal	$ -	$ -	$ 1,725	$ -
State	-	-	800	800
	-	-	2,525	800
Deferred:				
Federal	40,500	16,900	601,000	53,500
State	7,500	4,400	123,900	13,900
Change in valuation	(48,000)	(21,300)	(724,900)	(67,400)
	-	-	-	-
Total expense	$ -	$ -	$ 2,525	$ 800

The Company has net deferred tax assets resulting from a timing difference in recognition of deferred revenue and from net operating loss carryforwards.

At September 30, 2014, the Company had approximately $2,256,000 of federal net operating loss carryforwards that begins expiring in 2030, $888,000 of California net operating loss carryforwards that begin expiring in 2022, $1,695,000 of Arizona net operating loss carryforwards that begin expiring in 2027, and $37,000 of Florida net operating loss carryforwards that begin expiring in 2034.

Note 10 - Income tax (continued)

The income tax provision (benefit) differs from the amount computed by applying the US federal income tax rate of 34% to net income (loss) before income taxes for the three and nine months ended September 30, 2014 and 2013 as a result of the following:

	Three Months Ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Net income (loss) before taxes	$ (177,425)	$ (57,747)	$ 26,623	$ (181,183)
US federal income tax rate	34%	34%	34%	34%
Computed expected tax provision (benefit)	(60,320)	(19,630)	9,050	(61,600)
Deferred from WCI		-	(743,478)	-
Permanent differences and other	12,320	(1,670)	9,528	(5,800)
Change in valuation	48,000	21,300	724,900	67,400
Federal income tax provision	$ -	$ -	$ -	$ -

The significant components of deferred income tax assets as of September 30, 2014 and December 31, 2013 after applying enacted corporate income tax rates are as follows:

	September 30, 2014	December 31, 2013
Net Operating Losses carried forward	$ 996,500	$ 231,300
Deferred revenue and other	227,300	267,600
Valuation allowance	(1,223,800)	(498,900)
	$ -	$ -

Note 11 - Lease commitments

Operating Leases

Mentor currently rents approximately 2,000 square feet of office space on a month-to-month basis in Ramona, California in San Diego County. Rent expense for the nine months ended September 31, 2014 and 2013 were $17,370 and $14,625, respectively.

WCI rents approximately 3,000 of office and warehouse space in Tempte, Arizona under an operating lease expiring in January 2015. Rent expense for the nine months ended September 31, 2014 was $6,633.

WCI leases vehicles under a master fleet management agreement with initial terms of 4 years expiring through April 2018. Vehicle lease expense of $27,098 and $81,234 for the three and nine months ended September 30, 2014 is included in cost of sales in the consolidated income statements.

The approximate remaining annual minimum lease payments under the non-cancelable operating leases existing as of December 31, 2013 with original or remaining terms over one year were as follows:

Years ending December 31,	Rental expense
2014	$ 99,282
2015	74,961
2016	53,091
2017	14,680
	$ 242,014

Note 12 – Long term debt and revolving line of credit

Long term debt

WCI has four vehicle notes payable with a total balance due of $14,658 at September 30, 2014 of which $11,665 is due in the twelve months ended September 30, 2015 and the remainder is due in the twelve months ended September 30, 2016. Interest rates range from 6.64% to 7.99%. The notes are secured by the respective vehicles.

Revolving line of credit

On September 4, 2014, WCI obtained an unsecured revolving line of credit with Bank of America, with interest at the bank's prime rate plus 3% due monthly. The line of credit matures on September 4, 2015. At September 30, 2014, WCI had $60,000 outstanding on the line of credit.

Note 13 - Related party transactions

As of September 30, 2014 and December 31, 2013, the Company had an outstanding liability to its Chief Executive Officer ("CEO") for accrued salaries and benefits in the amount of $888,665 and $900,238, respectively, and accrued retirement and other benefits of $437,587 and $431,087, respectively that have accrued variably over the preceding 28 years.

Note 13 - Related party transactions (continued)

The Company agreed to loan the CEO $944,000, in January 2014, to exercise additional warrants into shares to be used as collateral for a potential loan to the Company. The amount loaned equals approximately 70.9% of amounts owed to the CEO by Mentor (provides 141% coverage). After the warrants were exercised, CEO Billingsley has 100% of his shares owned, 5 million shares, in an escrow which was to guarantee the potential loan. The loan was mutually rescinded on June 12, 2014, and the shares remain in escrow as of the audit date. The CEO must make a public press release and post a notice on the Mentor website before he removes the shares from escrow.

Included in the consolidated balance sheet at September 30, 2014 is an advance to an officer of WCI in the amount of $140,004.

Note 14 - Purchase of additional equity in WCI

Effective January 1, 2014, Mentor purchased an additional 1% interest in WCI for $25,000 which resulted in a 51% ownership in WCI. In 2013 and 2012 Mentor's investment in WCI was recorded under the equity method. In accordance with Accounting Standard Codification 810-10, *Consolidation – Overall*, Mentor remeasured its previously held equity interest at the acquisition-date fair value and recognized the resulting gain of $1,250,964 on investment in subsidiary which is included in other income and expense in the consolidated statement of operations.

Cash to acquire additional 1% equity interest in WCI	$ 25,000
Fair value of 50% interest (Note1)	1,250,000
Investment under equity method	-
Total purchase price to be allocated	$ 1,275,000

(Note 1) Estimated fair value of Mentor's previously-held equity interest in WCI is valued at 1.25 times WCI's projected 2014 revenue.

Purchase price allocation at 51% of WCI assets and liabilities:

WCI assets and liabilities:	
Current assets	$ 327,238
Property and equipment	51,239
Other assets	816,952
Current liabilities	(112,810)
Long-term debt	(1,178,977)
Net deficit	(96,358)
Mentor equity rate	51%
Mentor portion of liabilities in excess of assets	(49,143)
Goodwill	1,324,143
Net assets acquired	$1,275,000

Note 15 – Pro forma financial information

The following unaudited pro forma consolidated results of operations assume that the WCI majority interest was acquired as of January 1, 2013 for the three and nine months ended September 30, 2013:

	Three months ended September 30, 2013	Nine months ended September 30, 2013
Net operating revenues	$ 433,300	$ 1,258,118
Net loss attributable to controlling interest	$ (63,431)	$ (180,151)
Basic loss per common share	$ (0.001)	$ (0.024)

Note 16 – Commitments and contingencies

During the normal course of business, the Company may be exposed to litigation. When the Company becomes aware of potential litigation, it evaluates the merits of the case in accordance with FASB ASC 450-20-50, Contingencies. The Company evaluates its exposure to the matter, possible legal or settlement strategies and the likelihood of an unfavorable outcome. If the Company determines than an unfavorable outcome is probable and can be reasonably estimated, it establishes the necessary accruals. As of September 30, 2014, the Company is not aware of any contingent liabilities that should be reflected in the accompanying financial statements.

Mentor lawsuit seeking rescission of co-operative funding agreement with Bhang

On August 11, 2014, Mentor filed suit against Bhang and its owners, in the United States District Court for the Northern District of California for rescission of the February 28, 2014 co-operative funding agreement with Bhang, seeking return of the $1,500,000 investment the Company made in Bhang. See Note 5.

Loans commitment fee receivable

In March 2013, the Company paid $621,200, which represented 1.75% of the loans' amount, in refundable fees paid for credit default insurance to a third party as required by the lender on an international loan facility. The lender was unable to fund the loan and a cooperative exit from the loan commitment was agreed to by the parties on June 12, 2014. The lender has released the requirement for credit default insurance and the insurance company has agreed to return the fee, however the refund has not yet been received. On September 5, 2014, the Company filed suit in San Mateo County Superior Court against Wm. E. Fielding and Associates, Inc. for conversion and fraud seeking return of the $621,200 in fees. The $621,200 in fees was expensed as loan costs in the consolidated statement of operations, pending the outcome of the suit.