



Quarterly Report

For the Quarterly Period ended September 30, 2014

Trading Symbol: **"CFSU"**

CUSIP Number: **204535108**

COMPLETE FINANCIAL SOLUTIONS INC.
QUARTERLY REPORT
For the Three-month Period Ended September 30, 2014

INDEX

	<u>Page</u>
Item 1. Name of Issuer and its Predecessors	1
Item 2. Address of Issuer's Principal Executive Offices	1
Item 3. Security Information	1
Item 4. Issuance History	2
Item 5. Financial Statements	3
• Consolidated Balance Sheets as of September 30, 2014 and December 31, 2013 (unaudited)	12
• Consolidated Statements of Operations for the nine months ended September 30, 2014 and 2013 (unaudited)	13
• Consolidated Statements of Cash Flows for the nine months ended September 30, 2014 and 2013 (unaudited)	14
• Notes to Consolidated Financial Statements (unaudited)	15
Item 6. Description of Business, Products and Services	3
Item 7. Description of Facilities	7
Item 8. Officers, Directors, and Control Persons	7
Item 9. Third Party Providers	10
Item 10. Issuer Certification	11
Supplemental Information	29

Item 1 Name of the Issuer and its Predecessors (if any)

Complete Financial Solutions Inc., a Nevada corporation (referred to as “CFSI” or the “Company”)

Item 2 Address of the Issuer’s Principal Executive Offices

Complete Financial Solutions Inc.
113 East Magnesium Rd., Suite D
Spokane, WA 99208
Telephone: 509-928-1123
Website: www.cfsi.biz

IR Contact:

Allen Ringer
Telephone: 866-928-1123, ext. (9236)
aringer@cfsi.biz

Item 3 Security Information

Trading Symbol:	CFSU
Title and class of securities outstanding:	Common Stock
CUSIP:	204535108
Par Value:	\$.001 per share
Total shares authorized:	75,000,000 as of September 30, 2014
Total shares outstanding: ⁽¹⁾	35,162,003 as of September 30, 2014

Additional classes of securities:

Trading Symbol:	None
Title and class of securities outstanding:	Series B Preferred Stock
CUSIP:	None
Par Value:	\$.001 per share
Total shares authorized:	2,000,000 as of September 30, 2014
Total shares outstanding	2,000,000 as of September 30, 2014

Trading Symbol:	None
Title and class of securities outstanding:	Series C Preferred Stock
CUSIP:	None
Par Value:	\$.001 per share
Total shares authorized:	3,000,000 as of September 30, 2014
Total shares outstanding	1,319,700 as of September 30, 2014

⁽¹⁾ Excludes 7,000,000 shares of common stock held by subsidiary ACMC which are not reflected as outstanding shares in the consolidated financial statements.

Transfer Agent:**Columbia Stock Transfer Company**

1869 E. Seltice Way, Suite 292

Post Falls, ID 83854

Phone: (208) 664-3544

Fax: (855) 664-3544

www.columbiastock.comIs the Transfer Company registered under the Exchange Act? Yes ☒ No ☐**List any restrictions on the transfer of security:**

Shares previously issued in private placements or through our employee stock incentive plan ("restricted securities"), and shares held by affiliates such as officers, directors or large shareholders ("control securities") are subject to the applicable resale conditions of Rule 144. Rule 144 requires a holding period for restricted and control securities of at least twelve (12) months after acquisition, before open market sales can be made. Affiliates are subject to additional requirements for market sales, including current public information, volume limitation on sales, manner of sale requirements, and the filing of a Form 144.

Describe any trading suspension orders issued by the SEC in the past 12 months: None**List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:** None**Item 4 Issuance History**

During the period from May 2013 to December 2013, the Company issued 1,768,600 restricted shares as equity incentive grants under the Company's 2006 Stock Incentive Plan to eligible recipients under the Plan, valued at an average grant date stock price of \$0.09 per share. Grants to employees have a service-based vesting period of three years from the date of grant. The recipients received restricted securities and appropriate legends were affixed to the certificates issued in the transaction. The securities were issued in compensatory circumstances under a written compensatory benefit plan, and the issuance was deemed to be exempt from registration under the Securities Act in reliance on Rule 701 promulgated thereunder.

During the period from September 2013 to December 2013, 1,250,000 shares were sold to three individuals upon the exercise of warrants for an aggregate consideration of \$125,000 (\$0.10 per share), payable in cash and by conversion of debt. During the quarter ended June 30, 2014, 50,000 shares were sold to two individuals upon the exercise of warrants for an aggregate consideration of \$5,000 (\$0.10 per share), payable in cash. During the quarter ended September 30, 2014, 117,500 shares were sold to two individuals upon the exercise of warrants for an aggregate consideration of \$11,750 (\$0.10 per share), payable in cash. The purchasers had long-standing business relationships with the Company, had access to all material information concerning the Company, and made representations to us as to their investment intent and financial sophistication. The purchasers received restricted securities and appropriate legends were affixed to the certificates issued in the transaction. The issuance was deemed to be exempt from registration under the Securities Act of 1933, as amended ("Securities Act") in reliance on Section 4(2) of the Securities Act.

Item 5 Financial Statements

The unaudited consolidated financial statements for the nine months ended September 30, 2014 and 2013 are attached, starting on page 12.

Item 6 Description of Business, Products and Services**a. Description of the issuer's business operations:**

Complete Financial Solutions Inc. is an emerging financial services company, currently primarily engaged in mortgage services. Through our subsidiary Acceptance Capital Mortgage Corporation ("ACMC"), we are currently licensed in 25 states to service the borrowing and refinancing needs of individual home buyers and owners. As an independent residential mortgage broker and lender, ACMC originates mortgages in approximately 60 branch offices utilizing about 160 employees. We have access to the products and services of over sixty lenders, including five mini-correspondent banking lines, and are eligible to underwrite loans in our own name. Although we currently focus on mortgage solutions, we are developing additional financial product and service offerings for our mortgage customers and the real estate community, such as insurance services, credit repair services, loan servicing and banking services.

b. Date and State (or Jurisdiction) of Incorporation:

Nevada; incorporated July 7, 2006

c. Issuer's primary and secondary SIC Codes:

The Standard Industrial Code for our principal line of business is: 6162

d. Issuer's fiscal year end date:

December 31

e. Principal products or services, and their markets:**Loan Originations**

We are an independent residential mortgage broker and lender. A significant portion of our originations are single-family mortgage loans that are eligible for FHA mortgage insurance, which represented about 47% of our originations in 2013. ACMC is an FHA Title II approved mortgage lender (mortgagee), with HUD Direct Endorsement approval, allowing it to underwrite, originate, fund, service and own FHA insured single-family mortgages. Qualified mortgage lenders are sometimes known as "Full-Eagles" (full-fledged FHA participating lenders) in the industry because they can perform any lender function on a FHA loans. ACMC is a "nonsupervised" lender, meaning it is not a financial institution (such as a bank, savings association, or a credit union) that is a member of the Federal Reserve System, or with accounts insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA). "Nonsupervised" mortgage lenders are regulated by the states. As a mortgage lender, we must acquire and maintain a license from each state in which we operate, obtain a separate agents' licenses where required, purchase bonds, and comply with state annual maintenance requirements.

Brokered Loans. Brokered loans do not involve the use of our own funds and rely on the lender to make the final funding decision. As a mortgage broker, we process and sell a lender's mortgage product to a borrower and receive an origination fee from either the borrower or the lender. If paid by the lender, the fee is typically fixed in advance of the transaction by the lender and is based on a percentage of the loan amount. If paid by the borrower the fee amount is more flexible. For FHA lending, originators can earn money based on the origination fee (maximum 1%) and discount points (maximum 2%) charged to the borrower. From the loan fee proceeds, we withhold an administration and a loan processing fee, and credit the balance to our originating branch office. Administration fees range from a low of \$250 to a \$1,000 cap on our largest brokered loans. Brokered loans represented 27% of our mortgage originations in 2013.

Correspondent Lender Loans. With correspondent loans we originate loans utilizing a warehouse line of credit from a lender, and then sell the loans after settlement in the secondary market. Typically, the lender makes the funding decision for the loan, based on the lender's underwriting criteria. The advantage of this type of loan origination is that it allows us to control the yield spread premium ("YSP"). YSP is the dollar amount, expressed as a percentage of the loan amount that a lender is willing to pay for a particular piece of business. YSP can range from 0% (par rate) to several percentage points. Three percent (3.0%) is a typical YSP in our case. The loan typically is assigned to the lender to be sold directly to the secondary market. A correspondent loan typically includes the right to service the loan and a "servicing release premium" (SRP) is collected by the lender upon resale of the mortgages to the final investor. The lender typically pays us a portion of the SRP, usually between .25% and .75% of the loan amount, which we receive in addition to our standard administration and loan processing fees. Correspondent loans represented 73% of our mortgage originations during 2013, and 93% of our mortgage originations during the nine months ended September 30, 2014.

ACMC Underwritten Loans. In February 2013, ACMC earned its HUD Direct Endorsement approval, allowing it to originate, underwrite, fund and close its own FHA loans. We have since secured warehouse line credit facilities that allow us to do this, and in March 2014, after completing our test-case phase with FHA, we began to underwrite our own loans in a measured approach for both FHA and USDA loans. Underwriting is largely managed by our Evansville regional office, a branch and operations center that we acquired earlier in 2014, and we have recently begun to accept loan origination from third party mortgage retailers (TPOs) providing them with wholesale underwriting and purchasing of loans.

ACMC Secondary Market Activity. As part of the acquisition of our Evansville regional office, we also entered into a management services agreement with an outside firm that specializes in the sale of mortgage loans into the secondary market. This firm, under contract with ACMC, provides best practices underwriting oversight to insure our mortgage loans meet the requirements for sale into the secondary market. In addition the firm manages warehouse lines that it uses to fund loans that are originated by both ACMC and TPOs. Finally, the firm has procured agreements with several companies that purchase our loans. As a result of this relationship, ACMC is now able to generate additional revenue from underwriting, funding, and selling its loans, as well as new revenues generated by the TPO relationships.

Loan Products. We have the ability to offer a wide selection of mortgage products, including conventional, FHA-insured, fixed and adjustable rate mortgages, with different maturities. Like conventional mortgages, there are several different types of FHA mortgages, including both fixed rate and adjustable rate products. We offer these loan products for both conforming loans (loans of \$417,000 or less) and non-conforming loans (loans over \$417,000). We also offer a variety of other loan products, including second trust deed loans, as needed to effectively compete with other loan originators. All of our loan products are designed according to standards required either for participation in FHA mortgage insurance programs, or as required by secondary market investors to ensure liquidity. Our policy is not to engage in predatory lending or to provide high cost loans which feature either an interest rate or points and

fees charged in connection with loans that exceed certain thresholds prescribed by federal or state law or local ordinances. We follow the Mortgage Bankers Associations' "Best Practices Statement" as part of our fair lending policy.

Processing Services

Mortgage loans funded in the U.S. must be processed according to the lender's specifications ("underwriting conditions") in order to be approved and funded. Our loan processing services are provided by ACMC. Another subsidiary, AlliancePro Processing, Inc. provides the internally developed, proprietary technology platform for our business. The loan processing procedure includes gathering written verification of borrower's documentation and credit worthiness, reviewing conditions imposed by the lender to close the loan, ordering settlement services from third-party vendors (e.g. appraisal, flood and title reports and mortgage insurance), funding any impounds required (taxes and insurance) and paying closing costs, and submitting the completed loan package to the underwriting department of the chosen lender where it is either approved, rejected, or "approved with conditions." If the result is approval "with conditions," then the loan processor must work with the loan originator and the borrower to conform the application to the lender's underwriting conditions. The processing portion of the mortgage origination process can take as little as a week or as long as several months.

Ancillary Services

We are seeking revenue growth by developing additional financial product and service offerings for our mortgage customers and the real estate community. Ancillary services currently do not constitute a material portion of our total revenues.

Insurance Services. Currently inactive, Insurance Solutions Inc. offered several mortgage protection products on an agency basis from 2011 to 2014, including plans that provide return of premium, living benefits and cash to survivor, as well those that pay the balance of the mortgage upon death. We intend to utilize Insurance Solutions in the future to offer life and medical related insurance products to ACMC mortgage customers at the point of mortgage sale.

Credit Repair Services. Mortgage customers that need to rehabilitate their credit in order to qualify for a loan are currently referred to a reputable third-party credit restoration company. We may opt to offer this service in the future.

Loan Servicing. As we underwrite our own residential mortgage loans, we may retain the servicing rights. Loan servicing primarily involves the calculation, collection and remittance of principal and interest payments, the administration of mortgage escrow accounts, the collection of insurance claims, the administration of foreclosure procedures, the management of real estate owned (REO) property, and the disbursement of required protective advances. Loan servicers typically receive recurring, fee-based revenues based upon contractually established servicing fees, as well as interest income on amounts deposited in collection accounts and amounts held in escrow to pay property taxes and insurance.

Bank Affiliation. Part of our plan of operation has been to acquire an interest in a commercial bank for several potential benefits, including potentially being exempt from state licensing, bonding, and reporting requirements, providing our loan originators with additional products, and providing a funding source for the loans we underwrite. On June 27, 2014, we acquired 23.3% of a state-chartered bank, and agreed to purchase the remaining equity after approval by the applicable federal banking regulators of our change in control application. See Note 4 — Investment in American Patriot Bank, included in the "Notes to Consolidated Financial Statements," Item 5 — Financial Statements.

Forward-Looking Statements

In addition to current and historical information, this Quarterly Report contains forward-looking statements. These statements relate to our future operations, prospects, potential products, services, developments, business strategies or our future financial performance. Forward-looking statements reflect our expectations and assumptions only as of the date of this report and are subject to risks and uncertainties. Actual events or results may differ materially. We have included a detailed discussion of certain risks and uncertainties that could cause actual results and events to differ materially from our forward-looking statements in the section titled “Risk Factors,” filed with our Annual Report, posted with the OTC Disclosure and News Service on May 27, 2014 (“Annual Report”). We undertake no obligation to update or revise publicly any forward-looking statement after the date of this report, whether as a result of new information, future events or otherwise.

Risk Factors

The above summary description of our business should be read in conjunction with the more extensive disclosure contained in Item 6 of our Annual Report, which contains additional information related to the mortgage industry, the mortgage origination process, recent industry trends, competition, and government regulation. In addition, material risk factors are contained in the Annual Report related to the industry and our business which may affect our future prospects, performance and results. Some of the risk factors that investors or potential investors in our securities should consider are summarized as follows:

- We need additional capital and may not be able to access financing sources on favorable terms, or at all, which could adversely affect our ability to implement and operate our business as planned
- Future revenue growth and profitability remain uncertain
- Mortgage lending volume is expected to be lower in 2014 due to various factors which could adversely affect our business.
- Events similar to, and lingering effects from, the extreme turmoil in the mortgage industry and mortgage credit market that occurred from 2007 to 2009 could adversely affect our business
- Deteriorating mortgage market conditions or a continued delay in recovery of the residential mortgage market may continue to have a material adverse effect on our earnings and financial condition
- The potential limitation or wind-down of, the role Ginnie Mae, Fannie Mae and Freddie Mac play in the residential mortgage industry could disrupt the mortgage market and have a material adverse effect on our business
- There is recent litigation in the mortgage industry related to securitizations against issuers, sellers, originators, underwriters and others that may adversely affect our business operations; We may become a defendant in lawsuits, and we may not prevail in these matters
- Competition in the residential mortgage industry is intense and may adversely affect our business operations and financial performance; the dominance of a limited number of companies may affect our ability to operate and compete effectively
- The mortgage industry is heavily regulated and changes in current legislation or new legislation could adversely affect our business
- Violation of various federal, state and local laws may result in financial losses
- Our long-term success is primarily dependent on our ability to increase our mortgage origination volumes and revenues and to a lesser extent develop our ancillary service revenues
- We depend on the accuracy and completeness of information about borrowers and counterparties and any misrepresented information could adversely affect our business, financial condition and results of operations
- Our business may be adversely affected if we lose our FHA-approved lender status

- Representations and warranties made by us in our loan origination, financing or sales agreements may subject us to liability or require us to repurchase mortgage loans
- We may be limited in the way in which we market our business or generate revenue by U.S. federal law prohibiting referral fees in real estate transactions, and if we are found to be in violation of such laws we would be subject to significant liability
- We may be unable to effectively manage our desired growth, which could ultimately strain our financial, personnel and technical resources
- We depend on key and highly skilled personnel to operate our business, and if we are unable to retain our current or hire additional personnel, our ability to develop and successfully market our business could be harmed
- Our business is subject to online security risks, including security breaches and identity theft; Our failure to protect the personal and financial information of borrowers could result in liability and harm our reputation
- Unplanned system interruptions or system failures could harm our business and reputation
- We do not expect to pay dividends in the foreseeable future and we may be restricted in paying dividends on our common stock.
- Our stock price may be volatile and the trading of our shares may be limited, which may make it difficult for you to sell shares when you want at prices you find attractive
- Issuances of additional shares of our common stock may adversely affect its market price and significantly dilute stockholders

Item 7 Description of Facilities

Our principal administrative facilities are located in approximately 4,000 square feet of office space in Spokane, Washington pursuant to a month-to-month rental agreement. Our branch offices are located throughout the 25 states in which we operate, and are comprised of a number of commercial lease locations and home offices. The Company is a party to approximately 32 commercial leases in branch locations and is obligated to make all lease payments. Management believes the commercial lease rates were competitive for the local commercial real estate market at the times of agreement. Management believes our facilities are adequate for our present needs.

Item 8 Officers, Directors, and Control Persons**A. Officers and Directors**

The following table sets forth certain information about our executive officers and directors as of September 30, 2014:

Name and Address⁽¹⁾	Age	Current Principal Occupation or Employment and Five-Year Employment History	Director Since
Allen Ringer	74	Chief Executive Officer and Chief Financial Officer (2012-present; and 2006-2009); former director of the Company (2006-2009); founder, President and Director of predecessor MortgageZone Inc., (2003-2007); President and Director of Mortgage Processor Plus Inc., (2000-2004), and Cheetah Settlement Services Inc. (2002-2008); founder, CEO and Director of LION, Inc., a public company providing wholesale mortgage information (1989-1999)	--
Franklin Taylor	52	Director and President (2009-present); President and Director of Acceptance Capital Mortgage Corporation (2007-present); founder and President of Taylor Made Mortgage Corp. (2004-2007)	2009
Craig Benson	56	Director, Secretary and Treasurer (2009-present); VP-Marketing of Insurance Solutions, Inc. (2011-present); Insurance Agent with All Medicare Solutions LLC (2008-present).	2009

⁽¹⁾ Except as noted above, the business address of the current directors and executive officers is c/o Complete Financial Solutions Inc., 113 East Magnesium Rd., Suite D, Spokane, WA 99208.

B. Legal/Disciplinary History.

During the last five years, none of the foregoing officers or directors has been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);
2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;
3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or
4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended or otherwise limited such person's involvement in any type of business or securities activities.

C. Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information that has been provided to the Company regarding the beneficial ownership as of September 30, 2014 of the Company's common stock by (a) each person who is known by the Company to be a beneficial owner of more than five percent of the outstanding common stock of the Company, (b) each director of the Company, (c) each of the executive officers, and (d) all directors and executive officers of the Company as a group.

<u>Name and Address Of Beneficial Owner</u>	<u>Shares ⁽¹⁾ Beneficially Owned</u>	<u>Percent ⁽²⁾ of Voting Shares</u>
<i>Current Directors and Executive Officers:</i>		
Allen Ringer ⁽³⁾	30,996,707	49.6%
Franklin Taylor	1,374,828	2.2%
Craig Benson ⁽⁴⁾	692,500	1.1%
All current directors and executive officers as a group (4 persons)	33,064,035	52.9%
<i>Other Beneficial Owners:</i>		
Dennis Postma ⁽⁵⁾	5,485,000	8.8%
Acceptance Capital Mortgage Corp. ⁽⁶⁾	7,000,000	11.2%
Arlan Van Wyk ⁽⁷⁾	4,557,000	7.3%

- ⁽¹⁾ To our knowledge, except as indicated in the footnotes to this table and subject to applicable community property laws, the stockholders named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them.
- ⁽²⁾ Percentage of beneficial ownership is based upon the following voting shares outstanding as of September 30, 2014: 41,230,603 shares of common stock outstanding (including shares of unvested restricted stock and shares held by ACMC); 2,000,000 shares of Series B Preferred Stock outstanding (with 10 votes per share); and 1,319,700 shares of Series C Preferred Stock outstanding (with 1 vote per share), for a total of 62,550,303 voting shares. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options or warrants held by that person that are exercisable within 60 days of June 30, 2014 are deemed outstanding. These shares, however, are not deemed outstanding for purposes of computing the ownership of any other person.
- ⁽³⁾ Includes 2,000,000 shares of Series B Preferred Stock, representing 20,000,000 votes. Also included are 2,749,800 shares owned by Choctaw Development, Inc., for which Mr. Ringer serves as an officer and may be deemed to have voting or investment control; and 7,000,000 shares owned by ACMC, for which Mr. Ringer as principal shareholder may be deemed to have voting or investment control. Includes 1,201,500 shares owned by Dutchman Irrevocable Trust, of which his wife Marilyn Ringer serves as trustee, and 45,407 shares owned by his wife, as to which Mr. Ringer disclaims beneficial ownership.
- ⁽⁴⁾ Includes 17,500 shares underlying currently exercisable warrants.
- ⁽⁵⁾ Includes 125,000 shares underlying currently exercisable warrants. Includes 1,589,000 shares of common stock and 655,000 voting shares of Series C preferred stock owned by Dana LLC., for which Mr. Postma may be deemed to have voting or investment control.

- (6) These shares held by subsidiary ACMC are not reflected as outstanding shares in the consolidated financial statements.
- (7) Includes 663,700 voting shares of Series C preferred stock. Also includes 1,589,000 shares of common stock and 655,000 voting shares of Series C preferred stock owned by Dana LLC., for which Mr. Van Wyk may be deemed to have investment control.

Item 9 Third Party Providers

Legal Counsel

Stephen Tollefsen
Tollefsen Business Law PC
2825 Colby Avenue, Suite 304
Everett, Washington 98201
Telephone (425) 353-8883
Fax (425) 353-9415
Email: st@tbuslaw.com

Accountant or Auditor

Audit of principal subsidiary ACMC:

Thomas J. Harris
Certified Public Accountant
3901 Stone Way N.
Seattle, WA 98103
Telephone: (206) 547-6050
Fax: (206) 548-8132
Email: thomas@tjhcpa.com

Investor Relations Consultant

Richard Inza
RMJ Consulting LLC
2451 SW 126th Way
Miramar, FL 33027
(954) 251-0616
Email: richardinza@gmail.com

Item 10 Issuer Certification

CERTIFICATION OF CHIEF EXECUTIVE AND CHIEF FINANCIAL OFFICER:

I, Allen Ringer, certify that:

1. I have reviewed this quarterly report of Complete Financial Solutions Inc.
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: November 19, 2014

/s/ Allen Ringer
Allen Ringer
Chief Executive Officer
Chief Financial Officer

COMPLETE FINANCIAL SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
September 30, 2014 and December 31, 2013

	Unaudited 2014	Unaudited 2013
ASSETS		
Current assets:		
Cash	\$ 225,106	\$ 125,258
Accounts receivable	288,946	171,097
Loans held for sale	6,833,862	1,756,130
Available for sale security equities recorded at fair market value	123,520	868,500
Prepays	176,790	222,103
Total current assets	7,648,224	3,143,088
Property and equipment:		
Equipment	674,750	642,925
Furniture and fixtures	269,649	269,649
	944,399	912,574
Less accumulated depreciation	711,307	646,056
	233,092	266,518
Other assets:		
Investment in subsidiary	3,000,713	2,727,151
Investment in bank	45,000	125,000
Investment in American Patriot Financial Group	395,000	-
	3,440,713	2,852,151
	<u>\$ 11,322,029</u>	<u>\$ 6,261,757</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	68,373	385,065
Accrued payroll and payroll taxes	818,664	695,554
Accrued Stock based Compensation	173,177	173,177
Revolving Lines and Line of credit	29,547	38,723
Warehouse line of credit	6,833,862	1,756,130
Current portion of long term debt	68,605	15,000
Total current liabilities	7,992,228	3,063,649
Long-term debt, due after one year	724,539	208,661
Payable to branches	110,222	98,922
	834,761	307,583
Total Liabilities	8,826,989	3,371,232
Stockholders' equity:		
Common stock, \$0.001 par value, authorized 75,000,000		
Issued and outstanding, 35,162,003 and 34,180,603 shares	34,231	34,181
Series A preferred stock, \$1.00 par value, authorized 2,000,000		
none Issued and outstanding,	-	-
Series B preferred stock, \$0.001 par value, authorized 2,000,000		
Issued and outstanding, 2,000,000	2,000	2,000
Series C preferred stock, \$0.001 par value, authorized 2,500,000		
Issued and outstanding, 1,319,700 shares	1,320	1,320
Stock subscription receivable	(2,000)	(2,000)
Additional paid-in capital	8,983,471	8,728,908
Accumulated other comprehensive income	(2,404,780)	(1,659,800)
Retained earnings (deficit)	(4,119,202)	(4,214,084)
	2,495,040	2,890,525
	<u>\$ 11,322,029</u>	<u>\$ 6,261,757</u>

The accompanying notes are an integral
part of the financial statements.

COMPLETE FINANCIAL SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)
For the three and nine months ended September 30, 2014 and 2013

	unaudited Three months ended September 30, 2014	unaudited Three months ended September 30, 2013	unaudited Nine months ended September 30, 2014	unaudited Nine months ended September 30, 2013
Revenues	\$ 3,139,499	\$ 1,500,058	\$ 7,142,725	\$ 5,213,839
General and Administrative Expenses:				
Salaries and wages	2,040,942	835,645	4,136,022	2,859,971
Payroll taxes	154,710	78,537	338,767	311,043
Loan costs	299,752	223,883	776,276	710,486
Advertising costs	93,712	60,944	221,125	272,549
Insurance expense	29,825	26,865	94,182	85,135
Office expenses	78,328	29,589	178,546	81,471
Website expenses	79,080	41,887	163,069	117,205
Postage and delivery	11,878	4,772	29,712	31,524
Rent expense	110,672	73,772	247,563	234,021
Dues and subscriptions	1,676	754	4,611	1,029
Professional fees	307,837	66,131	453,888	219,199
Utilities	12,261	5,723	22,455	14,624
Taxes and licenses	35,119	17,884	47,030	33,374
Equipment rentals	2,563	4,488	10,724	16,795
Telephone expenses	38,942	36,529	100,463	103,346
Meals and entertainment	12,551	18,242	43,635	48,154
Travel expense	3,379	4,713	7,807	28,203
Depreciation expense	21,900	21,000	65,250	63,000
Other expenses	(303,059)	3,236	73,653	34,076
	<u>3,032,068</u>	<u>1,554,594</u>	<u>7,014,778</u>	<u>5,265,205</u>
Income (loss) from operations	<u>107,431</u>	<u>(54,536)</u>	<u>127,947</u>	<u>(51,366)</u>
Other income (expense):				
Other income	74,650	23,541	147,580	60,222
Other (expense)	-	-	(125,000)	-
Interest expense	(33,065)	(8,700)	(55,645)	(24,013)
	<u>41,585</u>	<u>14,841</u>	<u>(33,065)</u>	<u>36,209</u>
Income (loss) before income tax	149,016	(39,695)	94,882	(15,157)
Provision for income tax benefit (note 10)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net profit/(loss)	<u>\$ 149,016</u>	<u>\$ (39,695)</u>	<u>\$ 94,882</u>	<u>\$ (15,157)</u>
Weighted average earnings per share	<u>\$ 0.00</u>	<u>\$ (0.00)</u>	<u>\$ 0.00</u>	<u>\$ (0.00)</u>

The accompanying notes are an integral
part of the financial statements.

COMPLETE FINANCIAL SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the nine months ended September 30, 2014 and 2013

	2014	2013
Cash flows provided (used) by operating activities:		
Net income (loss)	\$ 94,882	\$ (15,157)
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation	65,250	63,000
Stock issued for Services and Compensation		-
Changes in operating assets and liabilities:		
(Decrease)/Increase in assets:		
Accounts receivable	(117,849)	314,080
Other assets	45,313	(44,898)
Increase (decrease) in liabilities:		
Accounts payable	(316,692)	(110,534)
Accrued payroll and payroll taxes	123,110	(487,827)
Payable to branches	11,300	26,384
Net cash provided (used) by operating activities	(94,686)	(254,952)
Cash flows provided (used) by investing activities:		
Investment in available for sale securities	(744,980)	-
Investment in bank	80,000	-
Investment in American Patriot Financial Group	(395,000)	-
Additions to property and equipment	(31,824)	(44,670)
Net cash provided (used) by investing activities	(1,091,804)	(44,670)
Cash flows provided (used) by financing activities:		
Checks written in excess of deposits		35,836
(Decrease)/Increase in notes payable	569,483	44,587
(Decrease)/Increase in revolving lines	(9,176)	4,697
Decrease/(Increase) in loans held for sale	(5,077,732)	-
(Decrease)/Increase in warehouse line of credit	5,077,732	-
Issuance of common stock	254,613	-
Other comprehensive income	744,980	-
(Increase)/Decrease in investment in subsidiary	(273,562)	(14,114)
Net cash provided (used) by financing activities	1,286,338	71,006
Increase (decrease) in cash	99,848	(228,616)
Cash, at beginning of year	125,258	228,616
Cash, at end of year	\$ 225,106	\$ -
Supplemental Disclosure of Non-cash Investing and Financing Activities:		
Change in Loans Held for Sale and Warehouse Line of Credit	\$ 5,077,732	\$ 4,902,384
Increase in Available for Sale Securities and Other Comprehensive Income	\$ -	\$ 246,700
Conversion of Long-Term Debt to Common Stock through exercise of warrants	\$ -	\$ 100,000

The accompanying notes are an integral
part of the financial statements.

COMPLETE FINANCIAL SOLUTIONS INC AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE 1 – *Organization of Business:*

Complete Financial Solutions Inc. and Subsidiaries (the Company) was incorporated under the laws of the State of Nevada on July 7, 2006. The Company is a financial services holding company that owns and operates a broker residential mortgages company and a mortgage processing company that maintains offices throughout the United States of America.

NOTE 2 – *Summary of Significant Accounting Policies:*

Basis of presentation - The accompanying financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America and reflect all adjustments, consisting of normal recurring adjustments, which management believes are necessary to fairly present the interim consolidated statements of financial position of the Company as of September 30, 2014 and December 31, 2013, and the related interim consolidated results of operations, changes in equity and cash flows for the nine months ended September 30, 2014 and 2013.

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 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents - The Company considers all highly liquid debt securities purchased with original or remaining maturities of three months or less to be cash equivalents. The carrying value of cash equivalents approximates fair value.

Accounts Receivable - The Company considers its receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded. If amounts become uncollectible, they will be charged to operations when that determination is made.

Comprehensive income - Comprehensive income includes net profits as currently reported by the Company adjusted for other comprehensive income, net of comprehensive losses. Other comprehensive income for the Company consists of unrealized gains and losses related to the Company's equity securities accounted for available-for-sale with changes in fair value recorded through stockholders' equity.

Fair value of financial instruments - The Company's financial instruments include cash, accounts receivable, accounts payable, and notes payable. All instruments are accounted for on a historical cost basis, which, due to the short maturity of these financial instruments, approximates fair value at September 30, 2014 and December 31, 2013. The Company did not engage in any transaction involving derivative instruments.

Stock Based Compensation - The Company recognizes stock-based compensation in accordance with ASC Topic 718 "Stock Compensation", which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors including employee stock options and employee stock purchases related to an Employee Stock Purchase Plan based on the estimated fair values.

For non-employee stock-based compensation, we have adopted ASC Topic 505 "Equity-Based Payments to Non-Employees", which requires stock-based compensation related to non-employees to be accounted for based on the fair value of the related stock or options or the fair value of the services on the grant date, whichever is more readily determinable in accordance with ASC Topic 718.

COMPLETE FINANCIAL SOLUTIONS INC AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

Income Taxes – The Company provides for income taxes in accordance with Accounting Standards Codification No. 740 using an asset and liability based approach. Deferred income tax assets and liabilities are recorded to reflect the tax consequences on future years of temporary differences of revenue and expense items for financial statement and income tax purposes.

The Company has incurred net operating losses over the past several years. As of December 31, 2013, the Company had a net operating loss carryforward available to offset future taxable income for federal and state income tax purposes.

ASC No. 740 requires the Company to recognize income tax benefits for loss carryforwards that have not previously been recorded, the tax benefits recognized must be reduced by a valuation loss if it is more likely than not that loss carryforwards will expire before the Company is able to realize their benefit, or that future deductibility is uncertain. For financial statement purposes, the deferred tax asset for loss carryforwards has been fully offset by a valuation allowance since it is uncertain whether any future benefit will be realized.

Net Income Per Share of Common Stock - We have adopted Accounting Standards Codification regarding Earnings per Share, which requires presentation of basic and diluted EPS on the face of the income statement for all entities with complex capital structures and requires a reconciliation of the numerator and denominator of the basic EPS computation to the numerator and denominator of the diluted EPS computation. In the accompanying financial statements, basic earnings per share of common stock is computed by dividing net income by the weighted average number of shares of common stock outstanding during the period. We do not have a complex capital structure requiring the computation of diluted earnings per share.

Property and Equipment - All property and equipment is recorded at cost and depreciated over ten years using the straight-line method. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is recorded.

Repairs and maintenance charges that do not increase the useful lives of the assets are charged to operations as incurred.

Depreciation expense for the nine months ended September 30, 2014 and 2013 were \$65,250 and \$63,000, respectively.

Internal Website Development Costs - Under ASC350-50, Website Development Costs, costs and expenses incurred during the planning and operating stages of the Company's website are expensed as incurred. Under ASC 350-50, costs incurred in the website application and infrastructure development stages are capitalized by the Company and amortized to expense over the website's estimated useful life or period of benefit.

Impairment of Long-Lived Assets - The Company evaluates the recoverability of long-lived assets and the related estimated remaining lives at each balance sheet date. The Company records an impairment or change in useful life whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or the useful life has changed.

Deferred Offering and Acquisition Costs - The Company defers as other assets the direct incremental costs of raising capital until such time as the offering is completed. At the time of the completion of the offering, the costs are charged against the capital raised. Should the offering be terminated, deferred offering costs are charged to operations during the period in which the offering is terminated.

COMPLETE FINANCIAL SOLUTIONS INC AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

Advertising costs – The Company expenses all costs of advertising as incurred. The advertising costs included in general and administrative expenses for the three months ended September 30, 2014 and 2013 were \$93,712 and \$60,944, respectively. The advertising cost for the nine months ended September 30, 2014 and 2013 were \$ 221,125 and \$272,549, respectively.

Recently Issued Accounting Pronouncements - As of and for the periods ended September 30, 2014 and 2013, the Company does not expect any of the recently issued accounting pronouncements to have a material impact on its financial condition or results of operations.

NOTE 3 – Revolving Lines and Line of Credit:

The Company had a secured line of credit in the amount of \$50,000. The balance of this line of credit was \$ 29,547 on September 30, 2014 and \$38,723 on December 31, 2013 with interest rates of 1.99% to 24.99%.

NOTE 4 – Investment in American Patriot Bank:

On June 27, 2014 the Company acquired a 23.3% interest in the common stock of American Patriot Bank (the “Bank”), a subsidiary of American Patriot Financial Group, Inc. The Company paid \$245,000 to purchase 700,000 shares of common stock and agreed to purchase an additional 1,600,000 shares of Bank common stock for \$560,000 within thirty days of approval by the applicable federal banking regulators of the Company’s change in control application, and an additional 1,400,000 shares for \$490,000 within nine months of receipt of such approval. In connection with the purchase of Bank common stock, the Company also reached an agreement with a third-party lender (the “Lender”), subject to receipt of any requirement regulatory approvals, to acquire for \$150,000 a promissory note (the “Note”) held by Lender in the original amount of \$1,000,000. The Note is secured by all of the shares of common stock of the Bank outstanding prior to the issuance of shares to the Company. At September 30, 2014, the Company had a balance of \$150,000 in escrow with a law firm.

On September 30, 2014, the Company entered into an agreement with the Bank to purchase 200 shares of its Series A Preferred Stock for \$200,000, payable by a 30-day promissory note which is due on or before October 30, 2014.

NOTE 5 – Investment in Northern Star Bank:

On September 30, 2014, the Company entered into a letter of intent to acquire the common stock of Northern Star Bank, and purchased an initial 24% interest for \$45,000. Under the terms of the letter of intent, the Company had the right to acquire 100% ownership of Northern Star Bank upon approval of a change in control application from the appropriate bank regulators.

COMPLETE FINANCIAL SOLUTIONS INC AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE 6 - Long-term Debt:

Long-term debt at September 30, 2014 is summarized as follows:

	Due Within One Year	Due After One Year	Totals 9/30/2014
Note payable with no set monthly Payments with accrued interest at 12%	\$ 8,605	\$ 149,946	\$ 158,551
Note payable with no set monthly Payments with accrued interest at 6%	-	-	-
Note payable with no set monthly Payments with accrued interest at 8%	60,000	564,843	624,843
Note payable with no set monthly Payment and no set interest rate	-	9,750	9,750
	<u>\$ 68,605</u>	<u>\$ 724,538</u>	<u>\$ 793,144</u>

Future maturities of long-term debt are as follows:

December 31, 2014	\$ 68,605
December 31, 2015	12,000
December 31, 2016	67,000
2017 and beyond	645,538
	<u>\$ 793,144</u>

COMPLETE FINANCIAL SOLUTIONS INC AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE 7 - Warehouse line of credit:

The Company has three warehouse lines of credit, two for \$5,000,000 and the other for \$2,000,000. Each line bears interest at the Note rate of the loans on the line. The lines of credit are secured by the mortgages loans held for sale. Principal and interest payments are due as mortgage loan sales close. At September 30, 2014 and December 31, 2013 there were \$ 6,833,862 and \$1,756,130 outstanding under these warehouse lines. All of these loans on the warehouse lines were sold in the normal course of business shortly after the end of the period.

NOTE 8— Prior Investment in Bank

In October 2007, the Company tendered \$100,000 to a federal charter commercial bank simultaneous with signing a definitive agreement for the purchase of the bank. On May 23, 2008, the Company tendered an additional \$25,000 to the bank in exchange for additional time to complete the transaction. The agreement expired on December 31, 2008, with the Company losing its rights under the purchase agreement. However, discussions continued regarding a possible acquisition. During the first quarter of 2014, the purchase opportunity expired. The Company wrote off this investment and recognized a loss of \$125,000.

NOTE 9 – Investments

The following is a summary of the investments in available-for-sale securities classified as current assets at September 30, 2014:

Available-for-sale Securities	Cost	Unrealized Gain (Loss)	Gross Value	Estimated Fair Market Value
Equity securities	\$2,528,300	\$(2,404,780)	\$ 123,520	\$ 123,520

The following is a summary of the investments in available-for-sale securities classified as current assets at December 31, 2013:

Available-for-sale Securities	Cost	Unrealized Gain (Loss)	Gross Value	Estimated Fair Market Value
Equity securities	\$2,528,300	\$(1,659,800)	\$868,500	\$868,500

The Company owned 1,930,000 shares of Hipcricket, Inc. stock on September 30, 2014.

The trading price of this stock was \$0.064 on September 30, 2014 and \$0.45 on December 31, 2013.

COMPLETE FINANCIAL SOLUTIONS INC AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE 10 - Provision for Income Taxes:

The Company provides for income taxes in accordance with Accounting Standards Codification No. 740 using an asset and liability based approach. Deferred income tax assets and liabilities are recorded to reflect the tax consequences on future years of temporary differences of revenue and expense items for financial statement and income tax purposes.

The Company has incurred net operating losses over the past several years. As of December 31, 2009 the Company had a net operating loss carryforward available to offset future taxable income for federal and state income tax purposes.

ASC No. 740 requires the Company to recognize income tax benefits for loss carryforwards that have not previously been recorded. The tax benefits recognized must be reduced by a valuation allowances of it more likely than not that the loss carryforwards will expire before the Company is able to realize their benefit, or that future deductibility is uncertain. For financial statement purposes, the deferred tax asset for loss carryforwards has been fully offset by a valuation allowance since it is uncertain whether any future benefit will be realized.

The provision for refundable Federal income tax consists of the following:

	2012	2013
Refundable Federal income tax attributable to:		
Current operations	\$(171,622)	\$(11,488)
Less, Nondeductible expenses	-0-	-0-
-Less, Change in valuation allowance	171,622	11,488
Net refundable amount	-	-

The cumulative tax effect at the expected rate of 34% of significant items comprising our net deferred tax amount is as follows:

	2012	2013
Deferred tax asset attributable to:		
Net operating loss carryover	\$1,340,321	\$1,351,809
Less, Valuation allowance	(1,340,321)	(1,351,809)
Net deferred tax asset	-	-

At December 31, 2013 the Company has loss carry forwards that total \$3,975,907 that begin to expire in 2016.

COMPLETE FINANCIAL SOLUTIONS INC AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE 11 – Operating Leases:

The Company conducts its operation from various leased facilities under short-term operating leases that expire at various dates. Aggregate rent for the nine months ended September 30, 2014 was \$247,563 and \$234,021 for the period ending September 30, 2013.

The Company is lessee of office equipment and furniture under various operating leases, which expire through October 30, 2015. Equipment rent for the nine months ended September 30, 2014 was \$ 10,724 and \$ 16,795 for the nine months ended September 30, 2013.

Future minimum lease payments under the leases are as follows:

	Facility <u>Leases</u>	Equipment <u>Leases</u>
December 31, 2014	\$ 33,356	\$8,903
December 31, 2015	0	0
December 31, 2015	0	0
December 31, 2015	0	0
Thereafter	0	0
	\$ <u>33,356</u>	<u>\$ 8903</u>

NOTE 12 – Preferred Stock:

The Company has authorized three classes of Preferred Stock.

SERIES A PREFERRED STOCK. The Company issued 1.5 million shares of Series A Preferred Stock to the selling shareholders of Acceptance Capital Mortgage Corp and 250,000 shares to a cash investor, at price of \$1.00 per share. The shares were convertible to common shares, at the option of the shareholder, after 18 months, at the rate of two common shares for each share of Series A Preferred Stock.

The selling shareholders converted all their Series A preferred into common shares on or before April 1, 2009. The remaining 250,000 issued and outstanding shares of Series A Preferred Stock were converted into shares of Series C Preferred Stock in February 2011.

SERIES B PREFERRED STOCK. In 2001 the Company granted its founder the option to purchase 2 million shares of Series B Preferred Stock at the purchase price of \$0.10 per share. On Dec 31, 2008, the shares were issued in a cashless exercise of the option and subsequently assigned by the founder to Choctaw Development Inc, an affiliated entity.

The Series B Preferred shares have the right to 10 votes for each share, on all matters to come before the shareholders for a vote.

The Series B Preferred shares are convertible to common shares, at the option of the holder, at the rate of one common share for each preferred share converted.

SERIES C PREFERRED STOCK. 480,000 shares at \$5.00 per share were issued in December 2010 in exchange for 400,000 common shares of Hipcricket, Inc. At December 31, 2010, the Hipcricket, Inc. shares had a market value of \$2.94 per share.

COMPLETE FINANCIAL SOLUTIONS INC AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

At the option of the holder the Series C Preferred shares can be converted into common shares at a value discount of 50% of the public market value on or after the date 18 months following issuance.

SERIES C PREFERRED: In 2011, four tranches of Series-C preferred shares were issued.

- 213,700 shares at \$5.00 per share were issued for debt conversion and the retirement of the remaining Series-A preferred shares.
- 125,000 shares at \$5.00 per share were for 100,000 shares of Hipcricket, Inc. stock that had a market value of \$425,000 on the date of issue.
- 1,000 shares at \$5.00 per share were issued for an operational expense.
- 50,000 shares at \$5.00 per share were issued for 80,000 shares of Hipcricket, Inc. stock that had a market value of \$100,800 on the date of issue

SERIES C PREFERRED: In 2012, two tranches of Series-C preferred shares were issued.

- 150,000 shares at \$5.00 per share were issued for 250,000 shares of Hipcricket, Inc. stock that had a market value of \$447,500 on the date of issue.
- 300,000 shares at \$5.00 per share were issued for 1,200,000 shares of Hipcricket, Inc. stock that had a market value of \$873,600 on the date of issue.

At September 30, 2014 and December 31, 2013 there were 1,319,700 shares of Series C Preferred Stock outstanding.

NOTE 13– Common Stock:

During 2007, the Company issued 1,423,000 shares at an average price of \$0.15. These shares are restricted from trading for a minimum of 12 months.

During 2008, the Company issued 4,330,690 shares at par value in an attempt to raise funds for current operations. These shares are restricted from trading for a minimum of 12 months.

During 2009, the Company issued 6,047,700 shares at an average price of \$0.31 per share. These shares also included the conversion of 1,500,000 Preferred A shares from the purchase of subsidiary. These shares are restricted from trading for a minimum of 12 months.

During 2010, the Company issued 5,135,525 shares at an average price of \$0.04 per share. These shares are restricted from trading for a minimum of 12 months.

During 2011, the Company issued 5,743,252 shares at an average price of \$0.28 per share. These shares are restricted from trading for a minimum of 12 months.

During 2012, the Company issued 4,629,300 shares at an average price of \$0.07 per share. These shares are restricted from trading for a minimum of 12 months.

During 2013, the Company issued 6,018,600 shares at an average price of \$0.09 per share. These shares are restricted from trading for a minimum of 12 months.

In the second quarter 2014, the Company issued 50,000 shares of stock with an average price of \$0.10 per share. These shares were issued via a warrant exercise. These shares are restricted from trading for a minimum of 12 months.

COMPLETE FINANCIAL SOLUTIONS INC AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

In the third quarter 2014, the Company issued 117,500 shares of stock with an average price of \$0.10 per share. These shares were issued via warrant exercises. These shares are restricted from trading for a minimum of 12 months.

NOTE 14 – Warrants:

The company has warrants outstanding for the exercise of common stock as follows:

- There are warrants exercisable into 2,250,000 shares of common at an average price of \$0.11 per share that expire in 2013. In 2013 1,250,000 warrants were exercised at an average price of \$0.10 per share.
- There are warrants exercisable into 1,545,000 shares of common at an average price of \$0.10 per share that expire in 2014.
- There are warrants exercisable into 100,000 shares of common at an average price of \$0.10 per share that expire in 2015.
- There are warrants exercisable into 250,000 shares of common at an average price of \$0.10 per share that expire in 2016.

Any exercised shares issued will be restricted from trading for a minimum of 12 months.

COMPLETE FINANCIAL SOLUTIONS INC AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

Note 15 – Consolidated Statements

Following are the subsidiary statements:

Complete Financial Solutions, Inc.
Consolidated Statement of Condition
September 30, 2014

STATEMENT OF CONDITION

	CFSI	ACMC	AlliancePro	Allpro AMC Inc	Insurance Solutions	Eliminations	Consolidated
ASSETS:							
Current Assets:							
Cash	\$ 217,764	\$ (944)	\$ 6,981	\$ -	\$ 1,305	\$ -	\$ 225,106
Accounts Receivable	-	266,701	22,245	-	-	-	288,946
Notes Receivable	-	6,833,862	-	-	-	-	6,833,862
Available for Sale Securities	-	1,453,520	-	-	-	(1,330,000)	123,520
Investment in ACMC	5,567,953	-	-	-	-	(2,567,240)	3,000,713
Investment in Bald Eagle	-	-	-	-	-	-	-
Investment in AlliancePro/Insurance Solut.	5,162	-	-	-	-	(5,162)	-
Investment in AC Funding	-	-	-	-	-	-	-
Investment in Northern Star Bank	45,000	-	-	-	-	-	45,000
Investment in American Patriot Financial Group	395,000	-	-	-	-	-	395,000
Other Current Assets	451	176,339	-	-	-	-	176,790
Total Current Assets	6,231,330	8,729,477	29,226	-	1,305	(3,902,402)	11,088,937
Fixed Assets, net of Accumulated Depreciation	-	233,092	-	-	-	-	233,092
Other Assets:							
Receivables - Intercompany	(490,350)	498,989	3,700	(161)	(24,422)	12,244	-
Trust Account	-	-	-	-	-	-	-
Total Other Assets	(490,350)	498,989	3,700	(161)	(24,422)	12,244	-
TOTAL ASSETS	\$ 5,740,980	\$ 9,461,558	\$ 32,926	\$ (161)	\$ (23,117)	\$ (3,890,158)	\$ 11,322,028
	-	-	-	-	-	-	-
LIABILITIES AND OWNERS EQUITY							
Current Liabilities:							
Accounts Payable	\$ 40,261	\$ 28,112	\$ -	\$ -	\$ -	\$ -	\$ 68,373
Checks issued in excess of deposits	-	-	-	-	-	-	-
Warehouse Line of Credit	-	6,833,862	-	-	-	-	6,833,862
Accrued Payroll	-	397,105	-	-	-	-	397,105
Payroll Liabilities	-	591,994	2,622	-	120	-	594,736
Accrued Benefits	-	-	-	-	-	-	-
Equipment Loan and Leases	-	-	-	-	-	-	-
Loans/Lines of Credit	-	29,547	-	-	-	-	29,547
Trust Account Payable	-	-	-	-	-	-	-
Accrued Interest Payable	-	-	-	-	-	-	-
Current Portion of Long-Term Debt	68,605	-	-	-	-	-	68,605
Total Current Liabilities	108,866	7,880,620	2,622	-	120	-	7,992,229
Long-Term Liabilities							
Intercompany	10,506	-	1,738	-	-	(12,244)	-
Payable to branches	-	110,222	-	-	-	-	110,222
Long-Term Debt	717,789	6,750	-	-	-	-	724,539
Total Long-Term Debt	728,295	116,972	1,738	-	-	(12,244)	834,761
	837,161	7,997,592	4,360	-	120	-	8,826,989
OWNERS EQUITY:							
Common Stock	38,231	9,950	950	-	-	(14,900)	34,231
Preferred Stock	-	-	-	-	-	-	-
Series A preferred stock	-	-	-	-	-	-	-
Series B preferred stock	2,000	-	-	-	-	-	2,000
Series C preferred stock	1,320	-	-	-	-	-	1,320
Stock subscription Receivable	(2,000)	-	-	-	-	-	(2,000)
Paid in Suplus	8,983,471	3,562,220	-	-	-	(3,562,220)	8,983,471
Other Comprehensive Income	-	(1,594,780)	-	-	-	(810,000)	(2,404,780)
Retained Earnings	(4,119,202)	(513,425)	27,616	(161)	(23,237)	509,206	(4,119,202)
	-	-	-	-	-	-	-
Total Owners Equity	4,903,819	1,463,965	28,566	(161)	(23,237)	(3,877,914)	2,495,039
TOTAL LIABILITIES AND OWNERS EQUITY	\$ 5,740,980	\$ 9,461,558	\$ 32,926	\$ (161)	\$ (23,117)	\$ (3,890,158)	\$ 11,322,028

COMPLETE FINANCIAL SOLUTIONS INC AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

Complete Financial Solutions, Inc.
Consolidated Statement of Income/(Loss)
Nine Months Ended September 30, 2014

STATEMENT OF INCOME/(LOSS)

	CFSI	ACMC	AlliancePro	Allpro AMC	Insurance Solutions	Eliminations	Consolidated
Revenue	\$ -	\$ 7,103,575	\$ 39,150	\$ -	\$ -		\$ 7,142,725
General and Administrative Expenses:							
Salaries and wages	10	4,102,820	33,193	-	-		4,136,022
Payroll taxes	-	338,767	-	-	-		338,767
Loan costs/CGS	-	776,276	-	-	-		776,276
Advertising costs	7,360	213,765	-	-	-		221,125
Insurance expense	-	94,182	-	-	-		94,182
Office expenses	1,408	175,745	1,393	-	-		178,546
Website expenses	951	161,820	299	-	-		163,069
Postage and delivery	-	29,712	-	-	-		29,712
Rent expense	-	247,563	-	-	-		247,563
Dues and subscriptions	2,930	1,680	-	-	-		4,611
Professional fees	198,485	255,403	-	-	-		453,888
Utilities	-	22,455	-	-	-		22,455
Taxes and licenses	967	45,992	71	-	-		47,030
Equipment	-	10,724	-	-	-		10,724
Telephone expenses	-	100,463	-	-	-		100,463
Meals and entertainment	38,330	5,305	-	-	-		43,635
Travel expense	-	7,807	-	-	-		7,807
Depreciation expense	-	65,250	-	-	-		65,250
Miscellaneous Expenses	1,475	71,740	440	-	-		73,655
Total General and Administrative Expenses	251,915	6,727,468	35,395	-	-	-	7,014,778
Other Income/(Expenses)							
Other Income	522,857	147,580	-	-	-	(522,857)	147,580
Other Expense	(125,000)	-	-	-	-		(125,000)
Interest Expense	(51,059)	(4,586)	-	-	-		(55,645)
Loss on sale of securities	-	-	-	-	-		-
Net Other Income/(Expense)	346,797	142,994	-	-	-	(522,857)	(33,065)
Net Income/(Loss) before Income Taxes	94,882	519,101	3,755	-	-	(522,857)	94,882
Corporate Income Tax	-	-	-	-	-		-
Net Income/(Loss)	\$ 94,882	\$ 519,101	\$ 3,755	\$ -	\$ -	\$ (522,857)	\$ 94,882

COMPLETE FINANCIAL SOLUTIONS INC AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

Complete Financial Solutions, Inc.
Consolidated Statement of Condition
For Year Ended Dec 31, 2013

STATEMENT OF CONDITION

	CFSI	ACMC	AlliancePro	Allpro AMC Inc	Insurance Solutions	Eliminations	Consolidated
ASSETS:							
Current Assets:							
Cash	\$ (4,378)	\$ 128,169	\$ 162	\$ -	\$ 1,305		\$ 125,258
Accounts Receivable	-	144,352	26,745	-	-		171,097
Notes Receivable	-	1,756,130	-	-	-		1,756,130
Available for Sale Securities	-	1,850,430	-	-	-	(981,930)	868,500
Investment in ACMC	5,156,489	-	-	-	-	(2,429,338)	2,727,151
Investment in Bald Eagle	-	-	-	-	-		-
Investment in AlliancePro/Insurance Solut.	10,506	-	-	-	-	(10,506)	0
Investment in AC Funding	-	-	-	-	-		-
Other Current Assets	248,603	98,500	-	-	-		347,103
Total Current Assets	5,411,221	3,977,580	26,907	-	1,305	(3,421,774)	5,995,238
Fixed Assets, net of Accumulated Depreciation	-	266,518	-	-	-		266,518
Other Assets:							
Receivables - Intercompany	(236,422)	6,160	3,700	(161)	(24,422)	251,144	(0)
Trust Account	-	-	-	-	-		-
Total Other Assets	(236,422)	6,160	3,700	(161)	(24,422)	251,144	(0)
TOTAL ASSETS	\$ 5,174,799	\$ 4,250,258	\$ 30,607	\$ (161)	\$ (23,117)	\$ (3,170,630)	\$ 6,261,756
	-	-	-	-	-	-	-
LIABILITIES AND OWNERS EQUITY							
Current Liabilities:							
Accounts Payable	\$ 244,658	\$ 140,407	\$ -	\$ -	\$ -		\$ 385,065
Checks issued in excess of deposits	-	-	-	-	-		-
Warehouse Line of Credit	-	1,756,130	-	-	-		1,756,130
Accrued Payroll	-	164,166	-	-	-		164,166
Payroll Liabilities	-	700,387	4,058	-	120		704,565
Accrued Benefits	-	-	-	-	-		-
Equipment Loan and Leases	-	-	-	-	-		-
Loans/Lines of Credit	-	38,723	-	-	-		38,723
Trust Account Payable	-	-	-	-	-		-
Accrued Interest Payable	-	-	-	-	-		-
Current Portion of Long-Term Debt	15,000	-	-	-	-		15,000
Total Current Liabilities	259,658	2,799,812	4,058	-	120	-	3,063,649
Long-Term Liabilities							
Intercompany	10,506	-	1,738	-	-	(12,244)	-
Payable to branches	-	98,922	-	-	-		98,922
Long-Term Debt	198,910	9,750	-	-	-		208,661
Total Long-Term Debt	209,417	108,672	1,738	-	-	(12,244)	307,583
	469,075	2,908,484	5,796	-	120		3,371,231
OWNERS EQUITY:							
Common Stock	38,181	9,950	950	-	-	(14,900)	34,181
Preferred Stock	-	-	-	-	-		-
Series A preferred stock	-	-	-	-	-		-
Series B preferred stock	2,000	-	-	-	-		2,000
Series C preferred stock	1,320	-	-	-	-		1,320
Stock subscription Receivable	(2,000)	-	-	-	-		(2,000)
Paid in Suplus	8,978,521	3,562,220	-	-	-	(3,811,832)	8,728,909
Other Comprehensive Income	-	(1,197,870)	-	-	-	(461,930)	(1,659,800)
Retained Earnings	(4,312,297)	(1,032,526)	23,861	(161)	(23,237)	1,130,276	(4,214,084)
Total Owners Equity	4,705,724	1,341,774	24,811	(161)	(23,237)	(3,158,386)	2,890,525
TOTAL LIABILITIES AND OWNERS EQUITY	\$ 5,174,799	\$ 4,250,258	\$ 30,607	\$ (161)	\$ (23,117)	\$ (3,170,630)	\$ 6,261,756

COMPLETE FINANCIAL SOLUTIONS INC AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

Complete Financial Solutions, Inc.
Consolidated Statement of Income/(Loss)
For Year Ended Dec 31, 2013

STATEMENT OF INCOME/(LOSS)

	CFSI	ACMC	AlliancePro	Allpro AMC	Insurance Solutions	Eliminations	Consolidated
Revenue	\$ -	\$ 6,734,361	\$ 60,660	\$ -	\$ -	-	\$ 6,795,021
General and Administrative Expenses:							
Salaries and wages	-	3,883,594	50,847	-	4,141	-	3,938,582
Payroll taxes	-	379,495	-	-	-	-	379,495
Employee benefits	-	-	-	-	-	-	-
Loan costs/CGS	-	901,871	-	-	-	-	901,871
Advertising costs	42,164	302,670	-	-	-	-	344,834
Insurance expense	-	123,506	-	-	-	-	123,506
Office expenses	2,455	107,602	1,554	-	-	-	111,611
Website expenses	5,726	129,493	8,010	-	-	-	143,229
Postage and delivery	-	37,621	-	-	-	-	37,621
Rent expense	-	288,951	-	-	-	-	288,951
Dues and subscriptions	4,200	996	275	-	-	-	5,471
Professional fees	210,098	77,419	2,130	-	-	-	289,647
Utilities	-	18,809	1,303	-	-	-	20,112
Taxes and licenses	-	45,134	-	-	817	-	45,951
Equipment	446	20,376	-	-	-	-	20,822
Telephone expenses	-	136,242	-	-	-	-	136,242
Meals and entertainment	36,720	14,914	-	-	-	-	51,634
Travel expense	-	31,619	-	-	-	-	31,619
Depreciation expense	-	87,675	-	-	-	-	87,675
Miscellaneous Expenses	45,687	106,205	544	131	-	-	152,568
Total General and Administrative Expenses	347,496	6,694,192	64,663	131	4,959	-	7,111,441
Other Income/(Expenses)							
Other Income	271,390	73,805	-	-	-	(271,390)	73,805
Other Expense	-	-	-	-	-	-	-
Interest Expense	(22,680)	(6,669)	-	-	-	-	(29,349)
Loss on sale of securities	-	-	-	-	-	-	-
Net Other Income/(Expense)	248,710	67,137	-	-	-	(271,390)	44,456
Net Income/(Loss) before Income Taxes	(98,787)	107,306	(4,003)	(131)	(4,959)	(271,390)	(271,964)
Corporate Income Tax	-	-	-	-	-	-	-
Net Income/(Loss)	\$ (98,787)	\$ 107,306	\$ (4,003)	\$ (131)	\$ (4,959)	\$ (271,390)	\$ (271,964)

NOTE 16 – Legal Proceedings and Litigation Contingencies:

In December 2012, a lawsuit was filed against our subsidiary ACMC by the assignee of a loan funded in 2004 by a third-party bank for which ACMC acted as mortgage broker (*Lehman Brothers Holding Incorporated v. Acceptance Capital Mortgage Corporation*, U.S. District Court for the State of Arizona, Case No. 4:12cv00900). Plaintiff alleged breach of contract by ACMC for failing to properly prequalify the borrower and/or repurchase the loan upon assignee's demand. Plaintiff sought damages in an amount to be proven at trial plus costs and attorneys' fees. On September 29, 2014, a settlement was completed and a judgment dismissing the lawsuit with prejudice was issued by the Court. The settlement did not have a material adverse effect on the financial condition of the Company.

In April 2014, a lawsuit was filed against our subsidiary ACMC by Flagstar Bank, a mortgage lender for whom ACMC acted as correspondent lender (*Flagstar Bank, FSB, a Federally Chartered Savings Bank v. Acceptance Capital Mortgage Corporation*, Circuit Court for the State of Michigan, Case No. 2014-140319-CK). Plaintiff sought to have ACMC indemnify it from losses plaintiff suffered from a loan originated in 2008 which was subsequently foreclosed, based on the allegation that the loan applicant had undisclosed financial obligations. Plaintiff sought damages in the amount of \$92,675.20, plus interest, costs and attorneys' fees. This matter was subsequently settled and a judgment dismissing the lawsuit with prejudice was issued by the Court on November 12, 2014. The settlement did not have a material adverse effect on the financial condition of the Company.

COMPLETE FINANCIAL SOLUTIONS INC AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

Management has regular litigation reviews, including updates from outside counsel, to assess the need for accounting recognition or disclosure of contingencies relating to pending lawsuits. The Company accrues an undiscounted liability for those contingencies where the incurrence of a loss is probable, and the amount can be reasonably estimated. The Company does not record liabilities when the likelihood that the liability has been incurred is probable but the amount cannot be reasonably estimated or when the liability is believed to be only reasonably possible or remote. For contingencies where an unfavorable outcome is reasonably possible and which are significant, the Company discloses the nature of the contingency and, where feasible, an estimate of the possible loss. For purposes of our litigation contingency disclosures, “significant” includes material matters as well as other items which management believes should be disclosed.

Management judgment is required related to contingent liabilities and the outcome of litigation because both are difficult to predict. Litigation is subject to inherent uncertainties and unfavorable rulings could occur. Although management currently believes resolving the foregoing proceeding will not have a material adverse impact on our financial statements, management’s view of these matters may change in the future. A material adverse impact on our financial statements could occur for the period in which the effect of an unfavorable final outcome becomes probable and reasonably estimable.

From time to time we are subject to a variety of claims and litigation incurred in the ordinary course of business. In our opinion, the outcome of other pending legal proceedings, individually or in the aggregate, will not have a material adverse effect on our business operations, results of operations, cash flows or financial condition.

NOTE 17 – Subsequent Events:

On October 20, 2014, the Company completed the purchase of the \$1,000,000 Note from Lender for \$150,000, acquired in connection with the purchase of common stock of American Patriot Bank. On October 25, 2014, the Company completed the purchase of 200 shares of Series A Preferred Stock for \$200,000, completed as part of a capital contribution to American Patriot Bank. See Note 4 — Investment in American Patriot Bank.

Supplemental Information

Management's Discussion and Analysis or Plan of Operation

Overview

The following summarizes our operational and financial highlights for the quarter and our outlook:

- **Comparative Results.** For the three-months ended September 30, 2014, as compared to the three-months ended September 30, 2013, our revenue increased 109%, from \$1,500,058 to \$3,139,499. For the nine-months ended September 30, 2014, compared to the 2013 nine-month period, our revenue increased 37%, from \$5,213,839 to \$7,142,725. We reported net income for three-month period ended September 30, 2014, of \$149,016, compared to a net loss of (\$39,365) for the three-months ended September 30, 2013. For the nine-month period net income was \$94,882, compared to a net loss of (\$15,157) in 2013.
- **Revenue Sources.** Revenues from ACMC mortgage services represented 99% of our total consolidated revenues for the nine-months ended September 30, 2014. Our loan origination revenues include processing revenue, which is a function of ACMC mortgage services. Other services consisting of appraisal and insurance products were not a material portion of our total revenues.
- **Branch Offices.** We currently have approximately 60 branch offices located in 25 states. We depend on the ability of the employees in our branch offices to locate new customers, grow our transactional volume, manage customer relationships, provide customers with information about our products and services, and assure the payment of our fees. Many employees operate out of home-based offices. We maintain leases on more than 50% of our branch offices.
- **Revenue Trends and Growth.** Our overall increase in revenue in 2014 was due to a number of factors: higher volume of mortgage originations resulting from the acquisition of new branches; expanded underwriting of our own loans; and the funding and selling of our loans into the secondary market. We originated \$54,678,398 in the third quarter of 2014, compared to \$40,505,337 in the comparable quarter in 2013. Our average loan size decreased by \$15,181 and our volume of new originations increased by 116 units. We believe that we have weathered the storm in the industry which began in 2007, but we cannot assure you that this is the case. While home prices have recently increased in many parts of the country, the housing market has not fully recovered from the economic crisis. The U.S. mortgage loan origination market, which was approximately \$1.75 trillion in 2013 is projected to contract by 39% to \$1.07 trillion in 2014, according to industry forecasts. With the expected rise in interest rates, refinancing activity is projected to decline from approximately \$1.1 trillion in 2013 to \$419 billion in 2014, a drop of 62%.¹ The forecasted lower levels in residential mortgage loan volume in 2014 and 2015, as compared to 2013 levels, and in particular the lower volume of mortgage refinancings, will require us to increase our relative percentage of purchase mortgage originations or our revenues per loan processed by our customers in order to achieve revenue growth. Our product mix is evolving to include more purchase mortgage originations than refinancings. Purchases comprised 79% of our originations in the nine months ending September 30, 2014, compared to 51% for the same time period in 2013. We continue to increase our revenues by:
 - increasing our mortgage origination volumes;

¹ Mortgage Bankers Association, MBA Mortgage Finance Forecast, April 8, 2014, Copyright 2014.

- adding new branches and hiring additional qualified loan officers;
 - increase our revenues from expanded underwriting services;
 - adding ancillary revenue streams such as the secondary market sale of our loans;
 - increasing our ownership interest in one or more state charter commercial banks
- ***Geographical expansion.*** We currently operate in 25 states through our branch offices. We seek to expand our national presence with qualified employees as financially and administratively feasible. As an originator of mortgage loans, we must acquire and maintain a license from each state in which we operate. In addition, in most states our individual agent must also acquire a separate agent's license. The qualification process involves the purchase of bonds for each state, an annual audit at each state's discretion, and the cost of annual maintenance. On average these annual licensing costs can run from \$7,000 to \$10,000 per state.
 - ***Financial Position.*** At September 30, 2014, we had \$225,106 in cash, compared to \$125,258 at December 31, 2013. Our operating activities used \$94,686 in net cash during the nine-months ended September 30, 2014, compared to \$254,952 for the comparable period for the previous year. Proceeds from investor loans funded our bank acquisition activities during 2014. We have limited working capital and thus limited ability to execute our business plan or take advantage of strategic opportunities as fast as we would like. We need to meet enhanced net worth requirements for FHA-approved lenders in order to maintain our HUD Direct Endorsement approval.

Results of Operations

- ***Three Months and Nine Months ended September 30, 2014 and 2013.*** For the three-months ended September 30, 2014, as compared to the three-months ended September 30, 2013, our revenue increased 109%, from \$1,500,058 to \$3,139,499. For the nine-months ended September 30, 2014, compared to the 2013 nine-month period, our revenue increased 37%, from \$5,213,839 to \$7,142,725. We reported net income for three-month period ended September 30, 2014, of \$149,016, compared to a net loss of (\$39,365) for the three-months ended September 30, 2013. For the nine-month period net income was \$94,882, compared to a net loss of (\$15,157) in 2013.

Revenue, Costs and Expenses

The following table summarizes our selected consolidated financial information for the three-months ended September 30, 2014 and 2013, with amounts expressed as a percentage of total revenues (in thousands):

Three-months Ended September 30
2014 2013

	Amount	Percent of Revenue	Amount	Percent of Revenue
Revenue:				
Mortgage service revenue and other revenue	\$ 3,139	100%	\$ 1,500	100%
Costs and expenses:				
Loan costs	300	10%	224	15%
Salaries, wages and employee benefits	2,196	70%	914	61%
Selling, general and administrative	514	16%	396	26%
Depreciation and amortization	22	1%	21	1%
	<u>3,032</u>	<u>97%</u>	<u>1,555</u>	<u>104%</u>
Income (loss) from operations	107	3%	(55)	-4%
Other income, net	<u>42</u>	<u>1%</u>	<u>15</u>	<u>1%</u>
Income (loss) before income taxes	149	5%	(40)	-3%
Income tax expense (benefit)	-	-	-	-
Net income (loss)	<u>\$ 149</u>	<u>5%</u>	<u>\$ (40)</u>	<u>-3%</u>

Revenue

Revenue for the three-months ended September 30, 2014, increased 109%, from \$1,500,058 to \$3,139,499. We attribute our increase in revenue in 2014 to a higher volume of mortgage originations in the residential mortgage market (356 loans in 2014 versus 240 loans in 2013), along with new revenue streams from underwriting and secondary market selling. The 240 loans closed during the three-months ended September 30, 2013 was also lower than anticipated due an increase in mortgage interest rates that took place at this time. Revenues are still largely generated by mortgage origination activities and primarily consist of origination fees paid by borrower or Investor (broker), the yield spread premium offered by an investor, the service release premium paid by an investor and loan processing fees. Loan origination revenue includes processing revenue, which is a function of APMC mortgage services.

Costs and Expenses

Cost of revenue

Loan costs for the three-months ended September 30, 2014, as compared to the corresponding period ended September 30, 2013, increased by \$75,869 or 34%, reflective of a higher number of loan originations in 2014. As a percentage of total revenue, loan costs were approximately 10% for the third quarter of 2014, compared to 15% in the third quarter of 2013. Loan costs represent third-party fees paid to service vendors and suppliers to complete a loan transaction as well as administration and loan processing fees.

Corporate Salaries, Wages and Employee Benefits

Corporate salaries, wages and employee benefits expenses, including payroll taxes, increased by \$1,281,470 for three-months ended September 30, 2014, or 140% over the third quarter of 2013. As a percentage of total revenue, compensation-related costs increased by 9% for three-months ended September 30, 2014, compared to the third quarter of 2013. Salaries are paid to branch employees based on compensation agreements with the Company. Licensed loan originators are compensated according to rules established by Regulation Z and the Consumer Finance Protection Bureau. Loan processors receive a flat fee paid from each closed and funded loan, and can earn bonuses based on the compliant origination of loans in their individual pipelines. Corporate employees are paid a salary and may earn a bonus based on the pre-tax profitability of the company.

Selling, General and Administrative Expenses

Selling, general and administrative expenses (SG&A), include consulting, legal and professional services, as well as expenses for rent and utilities, marketing, insurance, licensing, bad debts, sales tax and other taxes, and other costs. Aggregate rent expense for the quarter ended September 30, 2014 was \$110,672 and \$73,772 for the quarter ended September 30, 2013. Advertising costs included in SG&A for the quarter ended September 30, 2014 and September 30, 2013 were \$93,712 and \$60,944, respectively. Total SG&A expenses increased by approximately \$118,000 for the third quarter ended 2014 compared to the third quarter of 2013. As a percentage of total revenue, SG&A expenses increased by 30% during the quarter ended September 30, 2014. SG&A expenses include many fixed costs needed to maintain our retail mortgage origination locations and to provide the necessary tools for our business. Each state in which we conduct business requires that we have a business license, one or more origination licenses, branch licenses in some cases, and licenses for each loan originator. Most states require that we purchase and deliver a surety bond on an annual basis and require errors and omissions insurance. Every office that is licensed to conduct FHA business must also meet minimum premises and equipment requirements.

Depreciation and Amortization

Depreciation and amortization expenses include depreciation on our fixed assets and amortization of our intangible assets. Depreciation and amortization for the three months ended September 30, 2014 increased slightly compared to the comparable 2013 period.

Other Income (expense)

Other income (expense) includes interest paid on promissory notes and gains and losses on sale of assets. There was income of \$41,585 for the three months ended September 30, 2014, compared to income of \$14,841 during the comparable period in 2013.

Interest expense is paid primarily on our notes payable. Our long-term debt totaled \$724,539 at September 30, 2014 compared to \$208,661 at December 31, 2013. The increase is attributable to debt financing of the bank acquisition.

Recoverability of Deferred Tax Assets

Deferred tax assets on our balance sheet primarily include federal and state net operating loss carry forwards (collectively "NOLs") which are expected to result in future tax benefits. Realization of these NOLs assumes that we will be able to generate sufficient future taxable income to realize these assets. Deferred

tax assets also include temporary differences between the financial reporting basis and the income tax basis of our assets and liabilities at enacted tax rates expected to be in effect when such assets or liabilities are realized or settled. As of December 31, 2013, we had approximately \$3,975,907 of NOLs available to offset future taxable income that begin to expire in 2016. We periodically assess the realizability of our available NOLs to determine whether we believe we will generate enough future taxable income to utilize substantially all of the available NOLs.

Financial Condition

Our total assets were \$11,322,029 and \$6,261,757 at September 30, 2014 and December 31, 2013 respectively. The increase in asset base is primarily due to the increase in the amount of loans held for sale as a result of warehouse lines of credit. At September 30, 2014 and December 31, 2013 there was \$6,833,862 and \$1,756,130 outstanding under these warehouse lines. Working capital decreased from \$79,439 on December 31, 2013 to (\$344,004) on September 30, 2014. This decrease is due to the change in value of available for sale security equities.

Our cash totaled \$225,106 on September 30, 2014 compared to \$125,258 at December 31, 2013, representing an increase of \$99,848. Our cash flow activity is described in more detail below (see "Liquidity and Capital Resources").

Accounts receivable balances were \$288,946 and \$171,097 as of September 30, 2014 and December 31, 2013 respectively, representing an increase of \$117,849. Accounts receivable are primarily influenced by loans we have closed but that have not funded (not yet paid). There is a direct correlation between accounts receivables and loans held for sale. Our total current liabilities were \$7,992,228 and \$3,063,649 at September 30, 2014 and December 31, 2013 respectively, representing an increase of \$4,928,579. The increase is primarily due to increases in warehouse lines of credit usage.

Our stockholders' equity decreased to \$2,495,040 at September 30, 2014 from \$2,890,525 at December 31, 2013.

Liquidity and Capital Resources

Our operating activities used \$94,686 in net cash during the nine-months ended September 30, 2014, compared to using \$254,952 during the comparable 2013 period. Our cash balance as of September 30, 2014 was \$225,106. During the nine-months ended September 30, 2014, we utilized \$206,158 in net cash for the reduction of accounts payable, compared to the 2013 period.

The following table presents a summary of our cash flows for the nine months ended September 30, 2014 and 2013 respectively (in thousands):

	Six-months ended June 30	
	2014	2013
Net cash provided by (used) in operating activities	\$ (95)	\$ (255)
Net cash used in investing activities	(1,092)	(45)
Net cash provided by financing activities	1,286	71
Increase (decrease) in cash and cash equivalents	<u>\$ 99</u>	<u>\$ (229)</u>

Our current assets are primarily used to fund our minimum net worth requirements for our HUD designation. We do not currently have a line of credit facility to provide additional reserve capacity for general corporate and working capital purposes, or to make expenditures related to the growth and

expansion of our business model. Our warehouse lines of credit are reserved for our loan products. Significant additional funding will be required to complete our bank affiliation strategy. We continue to be required to meet enhanced net worth requirements to maintain our FHA-approved lender status.

As part of our future expansion activities and our evaluation of strategic alternatives and opportunities, we may seek to acquire certain competitors or other business enterprises, or consider partnering or other collaboration agreements, or a bank affiliation transaction or other strategic transaction. Such alliances, mergers or acquisitions or dispositions could result in potentially dilutive issuances of our equity securities, the expenditure of our cash or the incurrence of debt or contingent liabilities. We may seek to finance a portion of the acquisition cost.

Inflation has not had a material impact on our business during the last two fiscal years. Inflation affecting the U.S. dollar is not expected to have a material effect on our operations in the foreseeable future.

Operating Activities

For the nine-month period ended September 30, 2014, net cash used by operating activities was \$94,686 compared to using \$254,952 during the comparable 2013 period.

The difference between our net income and our net cash used by operating activities was attributable to non-cash expenses included in net income, and changes in the operating assets and liabilities, as presented below (in thousands):

	Nine months ended September 30	
	2014	2013
Net Income (loss)	\$ 95	\$ (15)
Add: non-cash expenses	65	63
Add: changes in operating assets and liabilities	(255)	(303)
Net cash provided by operating activities	<u>\$ (95)</u>	<u>\$ (255)</u>

Non-cash expenses are associated with the amortization of intangible assets, depreciation and amortization of property and equipment, and stock-based compensation expense.

Changes in operating assets and liabilities primarily reflect changes in working capital components of the balance sheet apart from cash and cash equivalents. Net cash provided by operating activities also reflects changes in some non-current components of the balance sheet, such as liabilities to branch offices.

Investing Activities

For the nine months ending September 30, 2014, net cash used by investing activities was (\$1,091,804) as compared to (\$44,670) used during the comparable 2013 period. The difference is primarily due to a reduced valuation in equities held and the investment in American Patriot Financial Group.

Financing Activities

For the nine months ending September 30, 2014, net cash provided by financing activities was \$1,286,338, compared to \$71,006 provided during the comparable 2013 period. Our net cash generated by financing activities consists primarily of increase in notes payable and proceeds from the issuance of common stock, including common stock issued for conversion of debt.

Legal Proceedings

See Note 16 — “Legal Proceedings and Litigation Contingencies” included in the “Notes to Unaudited Consolidated Financial Statements.”

Defaults upon Senior Securities

Not applicable.

Other Information

Not applicable.

Exhibits

Not applicable.