MEMREG, INC.
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014

-UNAUDITED-

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MEMREG, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	December 31, 2014	December 31, 2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 769	$ 750
Accounts receivable	-	175
Prepaid expenses and other current assets	447	2,709
Total current assets	1,216	3,634
PROPERTY AND EQUIPMENT, NET	370	-
OTHER ASSETS, NET	-	129
	$ 1,586	$ 3,763
LIABILITIES AND SHAREHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable	$ 3,649	$ 2,766
Accrued salaries and payroll taxes	6,219	9,775
Accrued liabilities, related parties	10,654	-
Total current liabilities	20,522	12,541
LONG-TERM LIABILITIES:		
Notes payable, related parties	594,805	300,000
Total long-term convertible liabilities	594,805	300,000
Total liabilities	615,327	312,541
COMMITMENTS AND CONTINGENCIES (Note 12)	-	-
STOCKHOLDERS' DEFICIT		
Undesignated Preferred stock; 1,725,132 shares authorized	-	-
Series C Preferred stock; $1.00 liq. pref.; 775,000 shares authorized, 775,000 shares issued and outstanding	775,000	775,000
Series D Preferred stock; $1.00 liq. pref.; 2,500,000 shares authorized, no shares issued and outstanding	-	-
Common stock; $.001 par value, 190,000,000 shares authorized, 20,051,436 and 19,920,970 shares issued and outstanding, respectively	20,051	19,921
Additional paid-in-capital	2,629,111	2,603,148
Accumulated deficit	(4,037,903)	(3,706,847)
Total stockholders' deficit	(613,741)	(308,778)
	$ 1,586	$ 3,763

The accompanying notes are an integral part of these consolidated balance sheets.

MEMREG, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the year ended December 31, 2014	2013
REVENUES	$ 254	$ 48
OPERATING EXPENSES:		
Research and development	114,875	170,963
Sales and marketing expenses	12,040	1,656
General and administrative	116,060	115,569
Legal and professional	19,323	17,005
Depreciation and amortization	203	1,051
Total operating expenses	262,501	306,244
INCOME (LOSS) FROM CONTINUING OPERATIONS	(262,247)	(306,196)
OTHER INCOME (EXPENSE):		
Interest expense	(68,809)	(76,877)
Total other expense, net	(68,809)	(76,877)
OTHER NON-OPERATING INCOME (EXPENSE):		
Gain on sale of DynaSig subsidiary	-	570,426
Income (loss) from discontinued operations	-	10,913
Total other expense, net	-	581,339
NET INCOME (LOSS)	$ (331,056)	$ 198,266
NET INCOME (LOSS) ATTRIBUTABLE TO:		
Stockholders of MemReg, Inc.	$ (331,055)	$ 230,672
Non-controlling interest	-	(32,406)
Total other expense, net	$ (331,055)	$ 198,266
GAIN (LOSS) PER COMMON SHARE:		
Basic	$ (0.02)	$ 0.01
Diluted	$ (0.02)	$ 0.01
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:		
Basic	19,968,510	14,129,918
Diluted	19,968,510	14,129,918

The accompanying notes are an integral part of these consolidated financial statements.

MEMREG, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(Unaudited)
For the years ended December 31, 2013 and 2014

	Common Stock		Additional Paid-in	Series A Preferred	Series B Preferred	Series C Preferred	Accumulated	Total Stockholders'	Non-controlling	Total Stockholders' Equity
	Units	Amount	Capital	Stock	Stock	Stock	Deficit	Deficit	Interest	(Deficit)
Bal at Dec. 31, 2012	14,114,009	$ 14,114	$ 1,165,877	$ 1,302,998	$ 734,500	$ -	$ (4,249,678)	$ (1,032,189)	$ 711,278	$ (320,911)
Series A Preferred stock converted to common stock	4,013,869	4,014	704,564	(708,578)	-	-	-	-	-	-
Series A Preferred stock retired in sale of DynaSig subsidiary	-	-	-	(594,420)	-	-	-	(594,420)	-	(594,420)
Series B Preferred stock converted to common stock	1,793,092	1,793	732,707	-	(734,500)	-	-	-	-	-
Series C Preferred stock issued for non-controlling interest in MRC	-	-	-	-	-	775,000	312,159	1,087,159	(678,872)	408,287
Net loss	-	-	-	-	-	-	230,672	230,672	(32,406)	198,266
Bal at Dec. 31, 2013	19,920,970	19,921	2,603,148	-	-	775,000	(3,706,847)	(308,778)	-	(308,778)
Common stock issued upon exercise of warrants	130,466	130	25,963	-	-	-	-	26,093	-	26,093
Net loss	-	-	-	-	-	-	(331,056)	(331,056)	-	(331,056)
Bal at Dec. 31, 2014	20,051,436	$ 20,051	$ 2,629,111	$ -	$ -	$ 775,000	$ (4,037,903)	$ (613,741)	$ -	$ (613,741)

The accompanying notes are an integral part of these consolidated financial statements.

MEMREG, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the year ended December 31, 2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (331,055)	$ 230,672
Adjustments to reconcile net income to net cash used in operating activities:		
Net loss - non-controlling interest	-	(32,406)
Net loss (income) from discontinued operations	-	(10,913)
Depreciation and amortization	203	1,051
Note issued to related party for services	9,000	18,000
Note issued for accrued interest	61,158	76,877
Gain on sale of Dynasig subsidiary	-	(570,426)
Changes in assets and liabilities:		
Decrease in accounts receivable	175	1,141
Decrease (increase) in prepaid expenses and other current assets	2,262	(1,915)
Increase in accounts payable	881	367
Increase (decrease) in accrued salaries and payroll taxes	(3,555)	3,516
Increase (decrease) in accrued liabilities, related parties	10,654	(6,000)
Net cash used in operating activities	(250,277)	(290,036)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(443)	-
Net cash used in investing activities	(443)	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Common stock sold	26,093	-
Borrowings on notes payable to related parties	224,646	290,650
Net cash provided by financing activities	250,739	290,650
NET CHANGE IN CASH	19	614
CASH AT BEGINNING OF PERIOD	750	136
CASH AT END OF PERIOD	$ 769	$ 750

(continued)

MEMREG, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the year ended December 31, 2014	2013
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest paid	$ -	$ -
Income taxes	$ -	$ -
SUPPLEMENTAL DISCLOSURE ON NON-CASH INVESTING AND FINANCING TRANSACTIONS:		
Notes issued for accrued interest	$ 61,158	$ 76,877
Note issued for services	$ 9,000	$ 18,000
Series A Preferred stock converted to common stock	$ -	$ 708,578
Series A Preferred stock retired in the sale of Dynasig subsidiary	$ -	$ 594,420
Series B Preferred stock converted to common stock	$ -	$ 734,500
Series C Preferred stock issued for non-controlling interest in MRC	$ -	$ 775,000

The accompanying notes are an integral part of these consolidated financial statements.

MEMREG, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) ORGANIZATION AND OPERATIONS

Background and history

MemReg, Inc. (the "Company" or "MRI") was originally incorporated in Arizona on September 3, 2004 under the name VT Gaming Services, Inc. On December 31, 2004, pursuant to an Exchange Agreement, the Company acquired all of the outstanding capital stock of DynaSig Corporation, an Arizona corporation ("DynaSig"). As a result, the former DynaSig stockholders held approximately 88.1% of the voting capital stock of the Company immediately after the Exchange Transaction. To reflect this change in business, the Company changed its name to Dynamic Biometric Systems, Inc. with DynaSig as a wholly owned subsidiary. As part of this acquisition, the Company changed its state of incorporation from Arizona to Nevada

In November 2009, the Company formed another wholly owned subsidiary, Memorabilia Registry Corp. ("MRC"). Upon formation of MRC, DynaSig transferred all the rights, preliminary development and all the intellectual property related to the memorabilia business to MRC. In December 2009, the Company determined that the DynaSig business was not viable as developed and changed its total emphasis to MRC's business. All assets related to the DynaSig business were written off except for a hardware patent which was held in DynaSig.

In April 2011, the Company changed its name to MemReg, Inc. reflecting its change of business. This name change was approved by the trading market regulators effective December 31, 2014.

On December 31, 2013, the Company was restructured to focus on MRC's business through a series of transactions (see Note 3). First, the Company sold all its ownership interest in DynaSig. Second, the Company's Series A and Series B Preferred stockholders converted their shares, at liquidation value, into shares of the Company's common stock. Third, the Company acquired all the non-controlling interest in MRC by issuing newly designated Series C Preferred stock, and lastly, the Company restructured its debt and arranged a new debt facility. As a result of these restructuring transactions, the Company owns 100% of MRC, which as of December 31, 2014, is its only operating subsidiary.

Going concern and management's plans

The accompanying financial statements have been prepared assuming the Company will continue as a going concern, which contemplates, among other things, the realization of assets and satisfaction of liabilities in the normal course of business. The Company had an accumulated deficit of approximately $4,038,000 and $3,707,000 as of December 31, 2014 and 2013, respectively, had a net losses from operations of approximately, $331,000 and $383,000 for the years ended December 31, 2014 and 2013, respectively, and has notes payable to related parties of approximately $595,000 as of December 31, 2014. These matters, among others, raise substantial doubt about our ability to continue as a going concern.

While the Company is attempting to increase revenues, the Company's cash generation is unlikely to be adequate to support the Company's daily operations. If the Company is unable to obtain additional financing through the issuance of debt or equity, the Company may be unable to continue as a going concern. While the Company believes in the viability of its strategy to generate additional revenues and in its ability to raise additional funds, there can be no assurances to that effect. The financial statements do not include any adjustments relating to the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the Company be unable to continue as a going concern.

Current operations

The Company continues to focus all its efforts on developing MRC's business. MRC owns the site *memreg.com*. MRC was originally formed to exploit DynaSig software specially developed for capturing, tracking and maintaining the documentation for items autographed by celebrities, sports figures and historical figures. MRC extended the functionality of the "registry" related to any collectible item with or without an autograph generated by the DynaSig technology. The Registry is designed to provide complex search capability for unique, collectible items with related information and trusted third-party time-stamped history ("provenance") for all registered items and their supporting documentation. The memreg.com web site is fully operational. The Registry currently contains more than 132,000 unique items.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist the reader in understanding and evaluating the Company's financial statements. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles for financial information and reflect all adjustments which are, in the opinion of the Company's management, necessary for a fair presentation of the financial position and operating results as of and for the period December 31, 2014 and 2013. In the year ending December 31, 2014, the Company has elected to early adopt Accounting Standards Update ("ASU") No. 2014-10, Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements. The adoption of this ASU allows the Company to remove the inception to date information and all references to development stage.

Cash and cash equivalents

Cash and cash equivalents at December 31, 2014 and 2013 included cash on-hand. Cash equivalents are considered all accounts with a maturity date within 90 days.

Use of Estimates

The preparation of the financial statements in conformity with U.S. 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. The more significant estimates and assumptions made by management include depreciation of property and equipment, realizability of long lived assets and fair market value of equity instruments issued for goods or services. The current economic environment has increased the degree and uncertainty inherent in these estimates and assumptions.

Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and MRC. All material inter-company balances and transactions have been eliminated in consolidation.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and accounts receivables. The Company places its cash with high credit quality financial institutions. At times such amounts may exceed federally insured limits.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts payable and accrued expenses and shareholder loans. The carrying amount of these financial instruments approximates fair value due either to length of maturity or interest rates that approximate prevailing market rates unless otherwise disclosed in these financial statements.

Revenue Recognition and Presentation

The Company follows FASB Accounting Standards Codification ("FASB ASC") paragraph 605-10-S99-1 of the for revenue recognition. The Company will recognize revenue when it is realized or realizable and earned. The Company considers revenue realized or realizable and earned when all of the following criteria are met: (i) persuasive evidence of an arrangement exists, (ii) the product has been shipped or the services have been rendered to the customer, (iii) the sales price is fixed or determinable, and (iv) collectability is reasonably assured.

Property and equipment

Property and equipment consists primarily of computer equipment used in development activities, web site equipment and office furniture and equipment and are stated at cost. Depreciation is computed using the straight-line method based upon the estimated useful lives of the underlying assets, generally three years. Major renewals and betterments that extend the life of the property are capitalized. Expenditures for repairs and maintenance are expensed as incurred.

Long-lived Assets

The Company's long-lived assets consisted of property and equipment and are reviewed for impairment in accordance with the guidance of the FASB ASC 360, *Property, Plant, and Equipment*. The Company tests for impairment losses on long-lived assets used in operations whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Through December 31, 2014, the Company had not experienced impairment losses on its long-lived assets as management determined that there were no indicators that a carrying amount of the asset may not be recoverable.

Research and development

Research and development costs for the Company's complex software are charged to operations as incurred.

Stock-based compensation

The Company accounts for stock-based compensation to employees in accordance with FASB ASC 718. Stock-based compensation to employees is measured at the grant date, based on the fair value of the award, and is recognized as expense over the requisite employee service period. The Company accounts for stock-based compensation to other than employees in accordance with FASB ASC 505-50. Equity instruments issued to other than employees are valued at the earlier of a commitment date or upon completion of the services, based on the fair value of the equity instruments and is recognized as expense over the service period. The Company estimates the fair value of stock-based payments using the Black-Scholes option-pricing model for common stock options and warrants and the latest fair market price of the Company's common stock for common share issuances. As of December 31, 2014, a total of 1,700,000 options have been granted and all these options are fully vested (see Note 7).

Income Tax Provision

The Company accounts for income taxes under FASB ASC Section 740-10-30, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are based on the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the fiscal year in which the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance to the extent management concludes it is more likely than not that the assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the fiscal years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the Statements of Income and Comprehensive Income in the period that includes the enactment date.

The estimated future tax effects of temporary differences between the tax basis of assets and liabilities are reported in the accompanying consolidated balance sheets, as well as tax credit carry-backs and carry-forwards. The Company periodically reviews the recoverability of

deferred tax assets recorded on its consolidated balance sheets and provides valuation allowances as management deems necessary.

Management makes judgments as to the interpretation of the tax laws that might be challenged upon an audit and cause changes to previous estimates of tax liability. In addition, the Company operates within multiple taxing jurisdictions and is subject to audit in these jurisdictions. In management's opinion, adequate provisions for income taxes have been made for all years. If actual taxable income by tax jurisdiction varies from estimates, additional allowances or reversals of reserves may be necessary.

Commitment and Contingencies

The Company follows FASB ASC subtopic 450-20 to report accounting for contingencies. Certain conditions may exist as of the date the consolidated financial statements are issued, which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's consolidated financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, and an estimate of the range of possible losses, if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed. Management does not believe, based upon information available at this time, that these matters will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows. However, there is no assurance that such matters will not materially and adversely affect the Company's business, financial position, and results of operations or cash flows.

Net Income (Loss) per Common Share

Net income (loss) per common share is computed pursuant to FASB ASC section 260-10-45. Basic net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. Diluted net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of shares of common stock and potentially outstanding shares of common stock during the period to reflect the potential dilution that could occur from common shares issuable through stock options and warrants. There were no potentially outstanding dilutive securities as of December 31, 2014 or 2013.

Recently Issued Accounting Pronouncements

Management does not believe that any recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying financial statements.

(3) THE RESTRUCTURING TRANSACTIONS

On December 31, 2013, the Company was restructured to focus on MRC's business through a series of transactions.

Sale of ownership interest in DynaSig

The Company sold all of its ownership interest in DynaSig to Aztoré Capital Corp. ("ACC"), a related party (see Note 10) for $1,000,000. ACC paid for this purchase by a $405,580 reduction of short-term debt and the surrender of 339,669 shares of Series A Preferred stock with a liquidation preference of $594,420. The net revenues and expenses are reflected on the accompanying consolidated statements of operations as gain on discontinued operations. As part of this transaction, ACC renewed its Secured Lending Agreement ("SLA") for $400,000 and agreed that all notes issued under the SLA would be long-term in exchange for conversion rights of any notes into shares of Series D Preferred stock (see Note 6).

Series A and Series B Preferred stockholders convert into common stock

The Company's Series A and Series B Preferred stockholders voted to convert their shares, at liquidation value, into shares of the Company's common stock in accordance with the terms of their respective Certificates of Designation. The Company issued 4,013,868 shares of common stock to the Series A stockholders and 1,793,092 shares of common stock to the Series B holders. The Company committed to return any authorized but unissued Series A and Series B Preferred stock back into the status of undesignated (see Note 12).

The Company acquires the non-controlling interests in MRC

The Company acquired all the non-controlling interests in MRC by issuing 775,000 of newly designated shares of Series C Preferred stock, on a one-for-one basis, for all outstanding Series A Preferred stock issued directly by MRC. As a result of this transaction, the Company owns 100% of MRC, which is now its only operating subsidiary

The Company restructures its debt and arranged a new debt facility

ACC agreed to convert all its remaining liabilities, totaling $300,000 as of December 31, 2013, to long-term in exchange for conversion rights into a newly designated Series D Preferred stock (see Note 5). Michael S. Williams, a related party, agreed to enter into a long-term SLA covering loans from Mr. Williams and his affiliates for up to $600,000. Any notes issued under the SLAs would be convertible into Series D Preferred stock.

(4) PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	December 31, 2014	December 31, 2013
Computer equipment and purchased software	$ 2,955	$ 2,512
Less: accumulated depreciation	(2,585)	(2,512)
	$ 370	$ -

Depreciation expense totaled $73 and $778 for the years ended December 31, 2014 and 2013, respectively.

(5) LONG TERM NOTES PAYABLE, RELATED PARTIES

Notes payable to related parties consisted of the following:

	December 31, 2014	December 31, 2013
ACC	$ 321,103	$ 300,000
Williams Affiliates (see Note 10)	273,702	-
	$ 594,805	$ 300,000

All notes payable are due to related parties (see Note 10) and are pursuant to SLAs directly with the Company. These notes are secured by all Company assets. Proceeds from the loans facilitate the continued development of MRC's business. Notes issued under the SLAs accrue interest at 15% per annum and are convertible into shares of Series D Preferred stock (see Note 6). Sufficient shares of Series D Preferred stock have been reserved to cover the potential conversion and are reviewed and adjusted quarterly. Under the terms of the promissory notes, accrued interest each month is transferred to notes payable principal each month. During the years ended December 31, 2014 and 2013, $68,809 and $76,877 of accrued interest is included in the notes payable principal balances.

Pursuant to the Restructuring Transactions discussed in Note 3, ACC converted and extinguished debt leaving a balance of $300,000 as of December 31, 2013. ACC further agreed to renew and reset its SLA to $400,000 in exchange for conversion rights of any notes into shares of Series D Preferred stock (see Notes 6 and 12).

(6) STOCKHOLDERS' EQUITY

Authorized capital

The Company's original authorized capital in Nevada consisted of 190,000,000 shares of common stock, $.001 par value, and 10,000,000 shares of preferred stock. Such preferred stock was undesignated and the Company's board of directors, in its sole discretion, could establish par

value, divide the shares of preferred stock into series, and fix and determine the dividend rate, designations, preferences, privileges, and ratify the powers, if any, and determine the restrictions and qualifications of any series of preferred stock so established.

The Company's board of directors originally designated 2,500,000 shares as Series A Preferred stock; 2,500,000 shares as Series B Preferred stock; 775,000 shares as Series C Preferred stock and 2,500,000 shares as Series D Preferred stock. Pursuant to the Restructuring Transactions discussed in Note 3, 1,302,998 shares of Series A Preferred were converted into common stock leaving 1,198,002 shares of Series A Preferred stock authorized, with none issued; 774,500 shares of Series B Preferred stock were converted into common stock leaving 1,765,500 shares of Series B Preferred stock authorized, with none issued. The Company committed to not issue any additional shares of Series A Preferred and Series B Preferred stock and return these unissued shares to the status of undesignated. Subsequent to year-end, the Company withdrew the Series A Preferred and the Series B Preferred stock designations and returned the 2,963,502 unissued shares to the status of undesignated (see Note 12).

Common Stock

At December 31, 2014, the Company has 20,051,436 shares of common stock outstanding. In addition, a total of 50,500,709 shares of common stock have been reserved for conversion of the Company's preferred stock (see below), the Company's stock option plan (see Note 7) and the exercise of Plan Warrants (see Note 8). The adequacy of this reserve is reviewed and adjusted as necessary quarterly.

Series C Preferred stock

The Company's Series C Preferred stock was issued to acquire the Series A Preferred stock of MRC. The Series C Preferred stock bears a 19.5% cumulative dividend and has a per share liquidation preference equal to $1.00 plus any unpaid dividends including the Special Dividend defined below ("Liquidation Preference"). The Series C Preferred stock has a forced early conversion special dividend (the "Special Dividend") expiring on December 31, 2019 equal to 30% of the initial liquidation value which is included in the Liquidation Preference. The Liquidation Preference of each share of the Series C Preferred stock is convertible into 4.00 shares of the Company's common stock, or $.25 per share. Shares of Series C Preferred stock automatically convert if the bid price on an established market for the Company's common stock is more than $2.50 for 90 consecutive trading days. As of December 31, 2014, 775,000 shares of Series C Preferred stock were outstanding and potential dividends total $383,625.

Dividends must be declared by the board of directors to become payable. If cash dividends were to be paid, the Series C Preferred stock is pari passu with the Series D shares but would have preference in payment of dividends over the common stock and any other series of preferred stock later designated by the Company. The Series C Preferred stock have anti-dilution rights whereby the Conversion Price will be adjusted if there are dilutive issuances. Such issuances exclude the exercise of Plan Warrants at $.20 or more and up to 6,000,000 shares issued as options under a properly designated employee stock option plan. Shares may be converted at any time at the election of the holders. Shares of Series C Preferred stock will automatically convert if (a) there is a public market for the common stock and (b) the price of such common stock is at least ten times the then Conversion Price (i.e., $2.50) for a period of at least 60 consecutive trading days.

At such conversion, any accumulated but unpaid dividends, including the Special Dividend, will also be converted at the Conversion Price. Anytime starting one year after issuance, the Company may redeem the Shares upon 30 days' notice, subject to prior conversion at any time, at an amount equal to the Liquidation Preference which must be paid in cash.

Other attributes of the Series C Preferred stock are; priority of class and liquidation preference, anti-dilution protection and adjustment, right of first refusal to the holders, and voting rights on an as converted basis. The Series C Preferred stock is pari passu with the Series D Preferred stock. In the event of the Company's liquidation, after the Preference Amount plus accrued dividends have been paid on all outstanding Preferred Shares, any remaining funds and assets of the Company legally available for distribution to other Stockholders will be distributed ratably among such Stockholders in accordance with their holdings on an "as converted" basis. Each share of Series C Preferred stock votes with the shares of the Company's common stock as a single class on all matters except for matters that affect the rights of the Series C Preferred stock, in which case the Series C Preferred stock votes separately as a single class.

Series D Preferred stock

Pursuant to the Restructuring Transactions discussed in Note 3, the Company authorized 2,500,000 shares of Series D Preferred stock. As of December 31, 2014, no shares of Series D Preferred stock have been issued, however, shares of Series D Preferred stock have been reserved for conversion of the Company's long-term debt plus anticipated interest (see Note 5). The Series D Preferred stock bears a 15% cumulative dividend and has a per share liquidation preference equal to $1.00 plus any unpaid dividends ("Liquidation Preference"). Dividends must be declared by the board of directors to become payable. If cash dividends were to be paid, the Series D Preferred stock would rank pari-passu with the Series C Preferred stock and have preference in payment of dividends over the common stock and any other series of preferred stock later designated by the Company.

Each dollar of Series D Preferred stock and any accumulated dividends are initially convertible into four (4) shares of the Company's common stock, or $.25 per share (the "Conversion Price"). Excluding the exercise of Plan Warrants at $.20 or more and up to 6,000,000 shares under the 2009 EIP, the Conversion Price will be adjusted if there are dilutive issuances. Shares may be converted at any time at the election of the holders. Shares of Series D Preferred stock will automatically convert if (a) there is a public market for the common stock and (b) the price of such common stock is at least ten times the then Conversion Price (i.e., $2.50) for a period of at least 60 consecutive trading days. At such conversion, any accumulated but unpaid dividends will also be converted at the Conversion Price. Anytime starting one year after issuance, the Company may redeem the shares upon 30 days' notice, subject to prior conversion at any time, at an amount equal to the liquidation preference plus accrued dividends which must be paid in cash.

Other attributes of the Series D Preferred stock are; priority of class and liquidation preference, anti-dilution protection and adjustment, right of first refusal to the holders, and voting rights on an as converted basis. In the event of the Company's liquidation, the Series D Preferred stock is pari-passu with the Series C Preferred stock. After Preference Amounts plus accrued dividends have been paid on all outstanding Preferred series, any remaining funds and assets of the Company legally available for distribution to other Shareholders will be distributed ratably among such Shareholders in accordance with their holdings on an "as converted" basis. Each

share of Series D Preferred stock votes with the shares of the Company's common stock as a single class on all matters except for matters that affect the rights of the Series D Preferred stock, in which case the Series D Preferred stock votes separately as a single class.

(7) EMPLOYEE STOCK OPTION PLANS

In 2005, the Company's stockholders approved an equity incentive plan ("2005 EIP") for employees, non-employee directors and other service providers covering 3,000,000 shares of common stock. The Company issued 950,000 options but other than 200,000 options they all expired unexercised. These 200,000 options expire in October 2015. With the formation of MRC in 2009, the Company's stockholders approved an additional equity incentive plan ("2009 EIP") for employees, non-employee directors and other service providers covering an additional 6,000,000 shares of common stock. At that time, the remaining 2,800,000 options under the 2005 EIP were cancelled.

Any options to be granted under either the 2009 EIP could be either "incentive stock options," as defined in Section 422A of the Internal Revenue Code, or "nonqualified stock options," subject to Section 83 of the Internal Revenue Code. Such election would be at the discretion of the board of directors and as reflected in the terms of the written option agreement. Option prices shall not be less than 100% of the fair market value of the optioned common stock on the date the option is granted. The option price shall not be less than 110% of the fair market value of the optioned common stock for an optionee holding, at the time of grant, more than 10% of the total combined voting power of all classes of stock of the Company. Options become exercisable based on the discretion of the board of directors and must be exercised within ten years of the date of grant.

The Company measures stock-based compensation cost at the grant date based on the fair value of the award and recognize it as expense over the vesting or service period, as applicable, of the stock award (generally four to five years) using the straight-line method. The Company has not computed or recognized any expense for the fair value of stock options granted through December 31, 2014, however, the Company's management believes any such expense would not be material.

A summary of stock option activity for the fiscal years ended December 31, 2014 and 2013 is as follows:

	Number	Weighted Average Exercise price
Options outstanding December 31, 2012	1,700,000	$ .13
Exercised	-	
Forfeited	-	
Options outstanding December 31, 2013	1,700,000	$ .13
Exercised	-	
Forfeited	-	
Options outstanding December 31, 2014	1,700,000	$ .13
Options available for grant as of December 31, 2014	4,500,000	
Options exercisable as of December 31, 2014	1,750,000	$ .13

All outstanding options are vested as of December 31, 2014. The 200,000 options under the 2005 EIP have an average exercise price of $.75. These options will expire unless exercised on October 15, 2015. At that time, the available option pool will also be reduced to the maximum under the 2009 EIP, or 6,000,000 options. Of those options, 1,500,000 have been awarded with a $.05 exercise price.

(8) STOCK PURCHASE WARRANTS

The Company has five series of common stock purchase warrants outstanding allowing holders to purchase additional shares of common stock ("Plan Warrants"). Each Plan Warrant provides for the purchase of one share of common stock and is callable at any time by the Company for a price of $.0001 per warrant. The Plan Warrants are governed by a Warrant Agreement. Currently, the Company is acting as the Warrant Agent but has the right to appoint an alternative Warrant Agent in accordance with the Warrant Agreement. The Board of Directors can extend the expiration date of the Plan Warrants or reduce the exercise price of any Plan Warrant on a temporary or permanent basis. A summary of the Plan Warrants outstanding is as follows:

	Series B Warrants	Series C & D Warrants	Series E & F Warrants
Warrants outstanding, December 31, 2012	8,423,491	16,846,982	16,846,982
Exercised	-	-	-
Expired	-	-	-
Warrants outstanding, December 31, 2013	8,423,491	16,846,982	16,846,982
Exercised	130,466	-	-
Expired	-	-	-
Warrants outstanding, December 31, 2014	8,293,025	16,846,982	16,846,982
Exercise price	$ 2.00	$ 3.00	$ 4.00
Expiration date	Dec. 31, 2015	Dec. 31, 2015	Dec. 31, 2015

Pursuant to the Plan and the Warrant Agreement, without Company approval, a holder may not exercise Plan Warrants which when combined with current beneficial ownership would increase such holder's ownership in the Company above 5%.

Between June 1 and August 31, 2014, the Company lowered the exercise price of all the Plan Warrants to $.20 per warrant. In September 2014, a total of 130,466 Plan Warrants were exercised at this Special Exercise Price. On September 1, 2014, the Plan Warrant exercise price reverted to all the original exercise prices.

(9) INCOME TAXES

The Company provides for income taxes under FASB ASC Topic 740 which requires the use of an asset and liability approach in accounting for income taxes. Deferred tax assets and liabilities

are recorded based on the differences between the financial statement and tax bases of assets and liabilities and the tax rates in effect currently.

Since inception, the Company incurred losses. As of December 31, 2014, the Company estimates $1,400,000 in gross deferred tax assets resulting from net operating loss carry-forwards. A valuation allowance has been recorded to fully offset these deferred tax assets because the Company's management believer future realization of the related income tax benefits is uncertain. Accordingly, the net provision for income taxes is zero for the year ended December 31, 2014. As of December 31, 2014, the Company has federal net operating loss carry forwards of $4,300,000, available to offset future taxable income through 2024.

(10) RELATED PARTIES

Aztoré Capital Corp. ("ACC")

ACC is a Phoenix, Arizona-based investment company which holds various interests in companies and provides corporate restructuring and consulting services. ACC wholly owned the Company at its formation in 2004. Two officers and directors of the Company are also officers and directors of ACC. ACC receives an ongoing administrative fee for accounting and advisory services of $1,000 per month. These liabilities accumulate in the outstanding ACC notes payable (see Note 5).

Since the Company's inception, ACC has provided funding to the Company and its subsidiaries. Many of these loans were converted into Series A and Series B Preferred stock. Pursuant to the Restructuring Transactions discussed in Note 3, ACC paid for the purchase of Dynasig by a $405,580 reduction of short-term debt and the surrender of 339,669 shares of Series A Preferred stock. All the remaining shares of Series A and Series B Preferred stock owned by ACC were converted into common stock.

As of December 31, 2014, ACC owned 6,489,021 shares of common stock plus had the right to convert its debt into Series D Preferred stock and then into 1,300,756 shares of common stock. Considering these conversions, ACC is the beneficial owner of 36.5 % of the Company as of December 31, 2014.

Richard C. Kim

Richard C. Kim, Ph.D., is the largest common stockholder of the Company and is an officer and director of the Company and MRC. Dr. Kim owns 8,954,325 shares of the Company's common stock, and 1,000,000 employee stock options with an exercise price of $.05. All of these options were vested as of December 31, 2014. Dr. Kim is the beneficial owner of approximately 45.9% of the Company. The Company has a $2 million key-man life insurance policy on Dr. Kim. The beneficiary of this policy is the Company, and under a Use of Proceeds Agreement, the proceeds under this policy will be used first to pay off all outstanding debt, then to redeem the Series C and D Preferred stockholders and any remaining amount to the Company for operations.

Williams Entities

Michael S. Williams is an officer and director of the Company and MRC. As of December 31, 2014, Mr. Williams and other related entities that he controls (the "Williams Entities") own 116,153 shares of common stock; 725,000 shares of Series C Preferred stock and $273,702 of debt (see Note 5). The Liquidation Preference of the Series C Preferred stock is $1,083,875 and is convertible into 4,335,500 shares of common stock. The debt due to the Williams Entities is convertible into Series D Preferred stock and then into 1,109,076 shares of common stock. Considering these conversions, the Williams Entities are the beneficial owner of 21.8 % of the Company as of December 31, 2014.

(11) COMMITMENTS AND CONTINGENCIES

In the normal course of its business, the Company may be subject to certain contractual obligations and litigation. In management's opinion there is no current or threatened litigation that will materially affect the Company's financial position or results of operations.

(12) SUBSEQUENT EVENTS

As of July 23, 2015, the date these financial statements were available to be issued, there are no subsequent events that are required to be recorded or disclosed in the accompanying financial statements as of and for the period ended December 31, 2014 other than those listed below:

Cancelation of the Series A & B Designations

On March 16, 2015, the Company filed with the State of Nevada to formally withdraw the unissued Series B Preferred stock and return them to the status of undesignated. On July 23, 2015, the Company filed with the State of Nevada to formally withdraw the unissued Series A Preferred stock and return them to the status of undesignated. This increased the pool of undesignated preferred stock to 3,049,632 shares.

Series D Certificate of Designation

Pursuant to the Restructuring Transactions discussed in Note 3, the Company committed to file a Certificate of Designation covering 2,500,000 shares of Series D Preferred stock. The purpose of the Series D Preferred stock is for debt conversion. As of December 31, 2014, no debt has been converted. The formal Certificate of Designation was filed on July 23, 2015.

Offering plans

When the Company can meet the requirements of a Regulation A, Tier II Offering including, without limitation, developing a qualification document to file with the SEC, having timely interim financial statements and having its annual financial statements audited for 2013 and 2014, the Company intends to pursue a Reg A+ Offering.