FLEXPOWER INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015

(UNAUDITED)

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FLEXPOWER, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2015 AND DECEMBER 31, 2014
(UNAUDITED)

ASSETS	September 30, 2015	December 31, 2014
CURRENT ASSETS:		
Cash	$ 18,771	$ 66,347
Accounts receivable, net of allowance for doubtful accounts of $-0-	19,121	17,301
Inventories	75,407	37,814
TOTAL CURRENT ASSETS	113,299	121,462
TOTAL ASSETS	$ 113,299	$ 121,462
LIABILITIES AND STOCKHOLDERS' (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	$ 12,100	$ 12,733
Accrued expenses	153,919	24,597
Accrued interest payable	88,842	53,331
Derivative liability	198,639	150,436
Convertible note payable, net of debt discount of $0 and $13,784 at September 30, 2015 and December 31, 2014, respectively	299,465	285,681
TOTAL CURRENT LIABILITIES	$ 752,965	$ 526,778
STOCKHOLDERS' (DEFICIT)		
Common stock ($.001 par value, 195,000,000 shares authorized; 29,865,530 and 25,304,531 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively).	29,866	25,304
Convertible Class B preferred stock ($.001 par value, 5,000,000 shares authorized; 3,700,000 and 1,000,000 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively, Each share is convertible into ten common shares.)	3,700	1,000
Common stock to be issued	4,163	3,600
Deferred compensation	(122,354)	-
Additional paid in capital	2,969,005	2,367,093
Accumulated deficit	(3,524,046)	(2,802,313)
TOTAL STOCKHOLDERS' (DEFICIT)	(639,666)	(405,316)
TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT)	$ 113,299	$ 121,462

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

FLEXPOWER, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014
(UNAUDITED)

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
REVENUES:				
Sales	$ 32,032	$ 29,223	$ 87,287	$ 82,433
Cost of sales	(26,417)	(5,140)	(39,620)	(15,652)
Gross profit (loss)	5,615	24,083	47,667	66,781
EXPENSES:				
Advertising	9,604	3,900	23,860	8,506
Commissions and fees	724	-	1,522	-
Dues and subscriptions	5,814	-	12,474	-
Insurance	18	324	18	2,002
Salaries	52,500	20,000	76,626	52,500
Stock based compensation	420,109	-	484,382	-
Office supplies	3,111	3,643	8,753	13,891
Transfer agent fees	1,271	2,669	3,495	4,538
Rent	8,910	8,317	24,507	24,055
Travel, meals and entertainment	4,781	3,270	16,807	11,602
New business/expansion	-	-	-	5,756
Legal	4,749	2,000	14,953	5,510
Total operating expenses	511,591	44,123	667,397	128,360
Income (loss) from operations	$ (505,976)	$ (20,040)	$ (619,730)	$ (61,579)
OTHER (EXPENSE):				
Changes in derivative liability	(7,418)	18,764	(48,203)	(97,952)
Interest expense	(15,517)	(6,781)	(40,016)	(20,123)
Amortization of debt discount	(1,554)	(51,207)	(13,784)	(151,951)
Total other (expense)	$ (24,489)	$ (39,224)	$ (102,003)	$ (270,026)
NET (LOSS)	$ (530,465)	$ (59,263)	$ (721,733)	$ (331,605)
Basic and fully diluted net (loss) per common share	($0.02)	**	($0.03)	($0.02)
Weighted average common shares outstanding	29,865,530	23,821,015	28,024,018	21,065,101
* Less than $0.01				

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

FLEXPOWER, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF STOCKHOLDERS' (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013, AND FOR THE PERIOD ENDED SEPTEMBER 30, 2015
(UNAUDITED)

	Common Stock		Preferred Stock		Common Stock to be Issued		Deferred	Paid-in	Retained	
	Shares	Amount	Shares	Amount	Shares	Amount	Compensation	Capital	(Deficit)	Total
Balances, December 31, 2012	19,679,531	$ 19,679	1,000,000	$ 1,000	-	$ -		$ 2,247,093	$ (2,312,194)	$ (44,422)
Shareholders contribution								100,000		100,000
Net (loss) for the year ended December 31, 2013									(266,225)	(266,225)
Balances, December 31, 2013	19,679,531	$ 19,679	1,000,000	$ 1,000	-	$ -		$ 2,347,093	$ (2,578,419)	$ (210,647)
Common stocks issued for debt converstion	5,625,000	5,625								5,625
Common Stock to be Issued					20,000	3,600				3,600
Intrinsic value due to beneficial conversion feature								20,000		20,000
Net (loss) for the period ended December 31, 2014									(223,894)	(223,894)
Balances, December 31, 2014	25,304,531	$ 25,304	1,000,000	$ 1,000	20,000	$ 3,600		$ 2,367,093	$ (2,802,313)	$ (405,316)
Common stocks issued for debt converstion	3,000,000	3,000				-				3,000
Common stocks issued for services	1,560,999	1,561				-	(122,354)	199,612		78,819
Preferred stocks issued for services			2,700,000	2,700		-		402,300		405,000
Common Stock to be Issued					25,000	563				563
Net (loss) for the period ended September 30, 2015									(721,733)	(721,733)
Balances, September 30, 2015	29,865,530	$ 29,866	3,700,000	$ 3,700	45,000	$ 4,163	$ (122,354)	$ 2,969,005	$ (3,524,046)	$ (639,666)

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

FLEXPOWER, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014
(UNAUDITED)

	For the Nine Months Ended	
	September 30, 2015	September 30, 2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (721,733)	$ (331,605)
Adjustments to reconcile net income (loss) to		
net cash (used in) operating activities:		
Amortization of discount to note payable	13,784	151,951
Changes in derivative liabilities	48,203	97,952
Stock based compensation	484,382	-
Changes in operating assets and liabilities:		
Accounts receivable	(1,820)	(6,643)
Inventory	(37,593)	(843)
Accounts payable	(633)	594
Accrued expenses	129,323	4,538
Accrued interest payable	38,511	20,123
NET CASH (USED IN) OPERATING ACTIVITIES	(47,576)	(63,933)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(47,576)	(63,933)
CASH AND CASH EQUIVALENTS:		
Beginning of period	66,347	97,039
End of period	$ 18,771	$ 33,106
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ -	$ -
Cash paid for interest	$ -	$ -
Supplemental disclosures of non-cash investing and financing activities:		
Stock issued to settle partial accrued interests	$ 3,000	$ 5,625

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

FLEXPOWER INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015
(Unaudited)

NOTE 1 – BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in the United States ("GAAP").

NOTE 2 – ORGANIZATION AND BUSINESS BACKGROUND

FlexPower, Inc. (F/K/A Monarc Corporation) (the "Company") was organized under the laws of the State of Nevada on October 11, 2000 as B Com, Inc. In February, 2008, the Company changed its name to Monarc Corporation. The Company was previously administratively abandoned in its former existence and reinstated in March, 2011 through a court appointed guardian - custodian. In April 2014, the Company filed another reinstatement with the Secretary of State of Nevada to bring its status current with the State and changed its corporate name to FlexPower, Inc. in May 2014 to reflect the acquisition of Flex-Power, Inc., its subsidiary organized and exiting under the laws of the State of California. The Company's common shares are quoted on the "Pink Sheets" quotation market under the symbol "FLXP".

On May 13, 2014, the Company entered into a Plan of Exchange with Flex-Power, Inc., a corporation organized and exiting under the laws of the State of California ("Flex-Power"), pursuant to which the Company acquired 100% of the Capital Shares of Flex-Power in exchange for an issuance by the Company of 19,200,000 shares of Common Stock to Flex-Power Shareholders, and/or their assigns. The above issuance gave Flex-Power Shareholders and/or their assigns a 'controlling interest' in the Company representing approximately 97.6% of the issued and outstanding shares of the Company's Common Stock. The transaction resulted in a change in control of the Company. The Company and Flex-Power were hereby reorganized, such that the Company acquired 100% of the Capital Shares of Flex-Power, and Flex-Power, Inc. became wholly-owned subsidiaries of the Company.

The reorganization between the Company and Flex-Power has been accounted for as a reverse acquisition and recapitalization of the Company whereby Flex-Power is deemed to be the accounting acquirer (legal acquiree) and the Company to be the accounting acquiree (legal acquirer). The accompanying consolidated financial statements are in substance those of Flex-Power, with the assets and liabilities, and revenues and expenses, of the Company being included effective from the date of stock exchange transaction. The Company is deemed to be a continuation of the business of Flex-Power. Accordingly, the accompanying consolidated financial statements include the following:

(1) The balance sheet consists of the net assets of the accounting acquirer at historical cost and the net assets of the accounting acquiree at historical cost;

(2) The financial position, results of operations, and cash flows of the accounting acquirer for all periods presented as if the recapitalization had occurred at the beginning of the earliest period presented and the operations of the accounting acquiree from the date of stock exchange transaction.

Flex-Power, Inc., and FlexPower, Inc. are hereinafter referred to as the "Company".

The Company, through its subsidiary, mainly engaged in the manufacture and sales of innovative pain relief products in the United States of America.

NOTE 3 – GOING CONCERN UNCERTAINTIES

The accompanying condensed consolidated financial statements have been prepared using the going concern basis of accounting, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has accumulated losses through September 30, 2015 of $3,524,046. The Company's continuation as a going concern is dependent on its ability to meet its obligations, to obtain additional financing as may be required and ultimately to attain profitability. These consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 4 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying condensed consolidated financial statements reflect the application of certain significant accounting policies as described in this note and elsewhere in the accompanying condensed consolidated financial statements and notes.

Use of estimates

In preparing these condensed consolidated financial statements, management makes estimates and assumptions that affect the reported amount of assets and liabilities in the balance sheets and revenues and expenses during the periods reported. Actual results may differ from these estimates.

Basis of consolidation

The condensed consolidated financial statements include the accounts of the Company and its subsidiary, Flex-Power, Inc. All significant inter-company balances and transactions within the Company have been eliminated upon consolidation.

Cash and cash equivalents

Cash and cash equivalents are carried at cost and represent cash on hand, demand deposits placed with banks or other financial institutions and all highly liquid investments with an original maturity of three months or less as of the purchase date of such investments.

Valuation of long-lived assets

In accordance with the provisions of Accounting Standards Codification ("ASC") Topic 360-10-5, " *Impairment or Disposal of Long-Lived Assets* ", all long-lived assets such as plant and equipment and construction in progress held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is evaluated by a comparison of the carrying amount of assets to estimated discounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the fair value of the assets. There has been no impairment charge for the periods presented.

NOTE 4 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for doubtful accounts

The Company establishes an allowance for doubtful accounts based on managements' assessment of the trade receivables collectibles. Judgment is required in assessing the amount of the allowance. The Company considers the historical level of credit losses and applies percentages to different receivables categories. The Company makes judgments about the creditworthiness of each customer based on ongoing credit evaluations, and monitors current economic trends that might impact the level of credit losses in the future. If the consolidated financial condition of the customers were to deteriorate, resulting in their inability to make payments, a larger allowance may be required.

Based on the above assessment, during the reporting periods, management establishes the general provisioning policy to make an allowance equivalent to a percentage of the gross amount of trade receivables, if needed. Additional specific provision is made against trade receivables to the extent which they are considered to be doubtful.

Bad debts are written off when identified. The Company does not accrue interest on trade receivables.

Historically, losses from uncollectible accounts have not significantly deviated from the general allowance estimated by management and no significant additional bad debts have been written off directly to net income. There were no changes in the general provisioning policy in the past since establishment and management considers that the aforementioned general provisioning policy is adequate, not excessive and does not expect to change this established policy in the near future.

Inventories

Inventories (finished goods, work in process, raw materials and packaging materials) are stated at the lower of cost or market. Cost is determined on a first in first out basis which includes an appropriate share of production overheads based on normal operating capacity and includes all expenditures incurred in bringing the goods to the point of sale and putting them in a saleable condition. In assessing the ultimate realization of inventories, management makes judgments as to future demand requirements compared to current or committed inventory levels. The Company estimates the demand requirements based on market conditions, forecasts prepared by its customers, sales contracts and orders in hand.

In addition, the Company estimates net realizable value based on intended use, current market value and contract terms. The Company writes down the inventories for estimated obsolescence, slow moving or unmarketable inventories equal to the difference between the cost of inventories and the estimated market value based upon assumptions about future demand and market conditions.

Revenue recognition

In accordance with ASC Topic 605, " *Revenue Recognition* ", the Company recognizes revenue when persuasive evidence of an arrangement exists, transfer of title has occurred or services have been rendered, the selling price is fixed or determinable and collectibility is reasonably assured. Cost of goods sold consists primarily of material costs which are directly attributable to the manufacture of products.

NOTE 4 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes

Income taxes are determined in accordance with ASC Topic 740, "Income *Taxes*" ("ASC 740"). Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Any effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

ASC 740 prescribes a comprehensive model for how companies should recognize, measure, present, and disclose in their financial statements uncertain tax positions taken or expected to be taken on a tax return. Under ASC 740, tax positions must initially be recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. Such tax positions must initially and subsequently be measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and relevant facts.

For the nine months ended September 30, 2015, the Company did not have any interest and penalties associated with tax positions. As of September 30, 2015, the Company did not have any significant unrecognized uncertain tax positions.

Fair value of financial instruments

The Company measures its financial and non-financial assets and liabilities, as well as makes related disclosures, in accordance with FASB Accounting Standards Codification No. 820, *Fair Value Measurement* ("ASC 820"), which provides guidance with respect to valuation techniques to be utilized in the determination of fair value of assets and liabilities. Approaches include, (i) the market approach (comparable market prices), (ii) the income approach (present value of future income or cash flow), and (iii) the cost approach (cost to replace the service capacity of an asset or replacement cost). ASC 820 utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3: Unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one more significant inputs or significant value drivers are unobservable.

NOTE 4 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value of financial instruments (continued)

Our financial instruments include cash, accounts receivable, inventories, accounts payable, accrued liabilities, convertible note payable, and derivative liabilities.

The carrying values of the Company's cash, accrued liabilities approximate their fair value due to their short-term nature.

The Company's convertible note payable are measured at amortized cost.

The derivative liabilities are stated at their fair value as a level 3 measurement. The Company used a Black-Scholes model to determine the fair values of these derivative liabilities. See Note 5 for the Company's assumptions used in determining the fair value of these financial instruments.

Convertible note payable

The Company accounts for convertible note payable in accordance with the FASB Accounting Standards Codification No. 815, *Derivatives and Hedging*, since the conversion feature is not indexed to the Company's stock and can't be classified in equity. The Company allocates the proceeds received from convertible note payable between the liability component and conversion feature component. The conversion feature that is considered embedded derivative liabilities has been recorded at their fair value as its fair value can be separated from the convertible note and its conversion is independent of the underlying note value. The Company has also recorded the resulting discount on debt related to the conversion feature and is amortizing the discount using the effective interest rate method over the life of the debt instruments.

Derivative liabilities

The Company accounts for derivative liabilities in accordance with the FASB Accounting Standards Codification No. 815, *Derivatives and Hedging* ("ASC 815"). ASC 815 requires companies to recognize all derivative liabilities in the balance sheet at fair value, and marks it to market at each reporting date with the resulting gains or losses shown in the Statement of Operations.

Net income (loss) per share

Net income (loss) per common share is computed pursuant to section 260-10-45 of the FASB Accounting Standards Codification. Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. If applicable, diluted earnings per share assume the conversion, exercise or issuance of all common stock instruments such as options, warrants and convertible securities, unless the effect is to reduce a loss or increase earnings per share. Convertible debentures and preferred stock conversions are not considered in the calculations, as the impact of the potential common shares would be to decrease the loss per share. Therefore no diluted loss per share figure is presented.

NOTE 4 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

The Company follows subtopic 850-10 of the FASB Accounting Standards Codification for the identification of related parties and disclosure of related party transactions.

Pursuant to Section 850-10-20 the related parties include a. affiliates of the Company; b. Entities for which investments in their equity securities would be required, absent the election of the fair value option under the Fair Value Option Subsection of Section 825–10–15, to be accounted for by the equity method by the investing entity; c. trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management; d. principal owners of the Company; e. management of the Company; f. other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests; and g. Other parties that can significantly influence the management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

The consolidated financial statements shall include disclosures of material related party transactions, other than compensation arrangements, expense allowances, and other similar items in the ordinary course of business. However, disclosure of transactions that are eliminated in the preparation of consolidated or combined financial statements is not required in those statements. The disclosures shall include: a. the nature of the relationship(s) involved; b. a description of the transactions, including transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which income statements are presented, and such other information deemed necessary to an understanding of the effects of the transactions on the financial statements; c. the dollar amounts of transactions for each of the periods for which income statements are presented and the effects of any change in the method of establishing the terms from that used in the preceding period; and d. amounts due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement.

Advertising

Advertising is expenses as incurred. The Company does not incur any direct-response costs.

Uncertain tax positions

Company did not take any uncertain tax positions and had no adjustments to unrecognized income tax liabilities or benefits pursuant to the provisions of Section 740-10-25 of the FASB Accounting Standards Codification for the nine months ended September 30, 2015.

Subsequent events

The Company adopted FASB Accounting Standards Codification 855 *"Subsequent Events"* ("ASC 855") to establish general standards of accounting for and disclosure of events that occur after the balance sheet date, but before the financial statements are issued or available to be issued.

NOTE 4 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent accounting pronouncements

In September 2014, the FASB issued ASU 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern.* This ASU describes how an entity should assess its ability to meet obligations and sets disclosure requirements for how this information should be disclosed in the financial statements. The standard provides accounting guidance that will be used with existing auditing standards. The amendments in this ASU are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. The adoption of this guidance will be examined for the year ended December 31, 2016, and if applicable at that time, will require management to make the appropriate disclosures.

In April 2015, the FASB issued Accounting Standards Update No. 2015-03, *Interest—Imputation of Interest (Topic 835-30): Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"). ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs is not affected by ASU 2015-03. ASU 2015-03 is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted. Upon adoption, the Company will reclassify debt issuance costs from prepaid expenses and other current assets and other assets as a reduction to debt in the condensed consolidated balance sheets. The Company is not planning to early adopt ASU 2015-03 and does not anticipate that the adoption of ASU 2015-03will materially impact its condensed consolidated financial statements.

In July 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory* ("ASU 2015-11"), which applies guidance on the subsequent measurement of inventory. ASU 2015-11 states that an entity should measure inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonable predictable costs of completion, disposal and transportation. The guidance excludes inventory measured using last-in, first-out or the retail inventory method. ASU 2015-11 is effective for interim and annual reporting periods beginning after December 15, 2016. Early adoption is permitted. The Company is not planning to early adopt ASU 2015-11 and is currently evaluating ASU 2015-11 to determine the potential impact to its condensed consolidated financial statements and related disclosures.

Other pronouncements issued by the FASB or other authoritative accounting standards groups with future effective dates are either not applicable or are not expected to be significant to the Company's financial position, results of operations or cash flows.

NOTE 5 – CONVERTIBLE NOTES PAYABLE

At September 30, 2015, the total carrying value of the Company's convertible notes payable was $299,465 and the debt discount was $0. No collateral exists on any of the note instruments. See below for a detailed discussion of these notes comprising the above recorded amounts.

NOTE 5 – CONVERTIBLE NOTES PAYABLE (CONTINUED)

On November 15, 2013, the Company entered into an 8% convertible promissory note with an unrelated entity in the amount of $225,000. The note is due on November 15, 2014. Subsequent to year-end, this note was partially assigned to two other unrelated entities in addition to this note holder subject to a signed Loan Participation and Servicing Agreement. The three holders of this Note collectively may, at their option, convert all or any portion of the accrued interest and unpaid principal balance of this Note into fully paid and non-assessable shares of common stock of the Company or his successors, at the conversion ratio of 60% or a 40% discount of the then current bid price for an average of five days. This gives rise to derivative liability accounting related to this Note since the conversion ratio is considered floorless.

Notes that are convertible at a discount to market are considered embedded derivatives.

Under Financial Accounting Standard Board ("FASB"), U.S. GAAP, Accounting Standards Codification, "Derivatives and Hedging", ASC Topic 815 ("ASC 815") requires that all derivative financial instruments be recorded on the balance sheet at fair value. Fair values for exchange traded securities and derivatives are based on quoted market prices. Where market prices are not readily available, fair values are determined using market based pricing models incorporating readily observable market data and requiring judgment and estimates.

The Company's convertible notes have been evaluated with respect to the terms and conditions of the conversion features contained in the notes to determine whether they represent embedded or freestanding derivative instruments under the provisions of ASC 815. The Company determined that the conversion features contained in this Note for $225,000 carrying value represents a freestanding derivative instrument that meets the requirements for liability classification under ASC 815. As a result, the fair value of the derivative financial instrument in the note is reflected in the Company's balance sheet as a liability. The fair value of the derivative financial instrument of the convertible note was measured using the Black-Scholes valuation model at the inception date of the Note and will do so again on each subsequent balance sheet date. Any changes in the fair value of the derivative financial instruments are recorded as non-operating, non-cash income or expense at each balance sheet date.

The table below sets forth the assumptions for Black-Scholes valuation model on December 31, 2014 and September 30, 2015, respectively. For nine months ended September 30, 2015, the Company increased the derivative liability of $150,436 by $48,203 resulting in a derivative liability of $198,639 at September 30, 2015.

Reporting Date	Fair Value	Term (Years)	Assumed Conversion Price	Market Price on Issuance Date	Volatility Percentage	Risk-free Rate
12/31/14	$150,436	0.003	$0.11	$0.18	100%	0.0003
09/30/15	$198,639	0.003	$0.008	$0.013	931%	0.0000

NOTE 5 – CONVERTIBLE NOTES PAYABLE (CONTINUED)

As of September 30, 2015, the carrying values of this Note was $225,000 and the debt discount was $0. The Company recorded interest expense related to this Note in amount of $10,208 and $30,292 during the three and nine months ended September 30, 2015, respectively. The interest expense of $30,292 has been included under accrued liabilities.

The Notes

Proceeds	$	225,000
Less derivative liabilities on initial recognition		(203,157)
Value of the Notes on initial recognition		21,843
Add accumulated accretion expense		203,157
Balance as at September 30, 2015	$	225,000

This Note was in default and due on demand since November 15, 2014. In accordance with the terms and conditions in this Convertible Promissory Note, if the Company defaults in the payment of principal or interest due on the Promissory Note or subject to other conditions occurring with the Company, the three holders of the Convertible Promissory Note shall be entitled to receive and the Company agreed to pay the default interest at a rate of 18% per annum, plus all reasonable costs of collection incurred by holder, including, without limitation, reasonable attorney's fees for consultation and suit. In the event of default hereunder, the entire unpaid balance hereof shall become due and payable upon demand and automatically convert into common shares of the Company at the ten effective conversion rate previously discussed. All costs and fees (including reasonable fees and disbursements of legal counsel) incurred by the holders as the result of any default by anyone liable hereunder or as the result of any collection effort by the holders shall also be due and owing to the holders. Failure to exercise any right shall not be deemed a waiver of the right to exercise the same at any subsequent date, or event.

The Company also entered into an 18% convertible promissory note originally dated June 1, 2010 with an unrelated entity in the amount of $82,000. The note was originally due on December 31, 2012. On March 25, 2014, this note was partially assigned in the amount of $49,465 to three unrelated entities subject to a signed Debt Purchase Agreement dated March 25, 2014. The three holders of this note collectively may, at their option, convert all or any portion of the accrued interest and unpaid principal balance of this Note into fully paid and non-assessable shares of common stock of the Company or his successors, at the conversion price of $.001 per common share. This does not give rise to derivative liability accounting related to this Note since the conversion ratio is not considered floorless. In addition, the Company had nominal trading volume for its stock on the date of issuance and no beneficial conversion was recorded. The Company recorded interest expense related to this Note in amount of $2,244 and $6,659 during the three and nine months ended September 30, 2015, respectively. The interest expense of $6,659 has been included under accrued liabilities. During the nine months ended September 30, 2015, the holders of this Note submitted conversion notices to convert a portion of the accrued interest of $3,000 into 3,000,000 shares of the Company; thereby reducing the accrued interest liability by $3,000.

NOTE 5 – CONVERTIBLE NOTES PAYABLE (CONTINUED)

The Company also entered into a 10% convertible promissory note originally dated September 17, 2014 and funded November 25, 2014, with an unrelated entity in the amount of $25,000. The note is due on September 17, 2015. The holder of this note may, at their option, convert all or any portion of the accrued interest and unpaid principal balance of this Note into fully paid and non-assessable shares of common stock of the Company or his successors, at the conversion price of $0.10 per common share. This does not give rise to derivative liability accounting related to this Note since the conversion ratio is not considered floorless. However, the Company has determined that there is a beneficial conversion feature since the conversion price was lower than the market price at the note issuance date. As a result, the Note was discounted in the amount of $20,000 due to the intrinsic value of the beneficial conversion option. The entire interest expense of $2,500 was recorded at the year ended December 31, 2014 and during the three and nine months ended September 30, 2015, the Company recorded amortization of debt discounts in amount of $1,554 and $13,784, respectively.

The Note is currently in default and bears a default interest rate of 18% per annum and a late charge equal to 5% of the amount of any unpaid principal plus any interest accrued as of the due date. Accordingly, the Company recorded default interest and late fee related to this Note in amount of $1,560 during the nine months ended September 30, 2015, which had been included under accrued liabilities.

NOTE 6 – DERIVATIVE LIABILITIES

As of September 30, 2015, the Company's derivative liabilities are embedded derivatives associated with the Company's convertible note payable (see Note 5). Due to the Notes' conversion feature, the actual number of shares of common stock that would be required if a conversion of the note as described in Note 5 was made through the issuance of the Company's common stock cannot be predicted. As a result, the conversion feature requires derivative accounting treatment and will be bifurcated from the note and "marked to market" each reporting period through the statement of operations.

The Company measured the fair value of the derivative liabilities as $150,436 on December 31, 2014, and remeasured the fair value as $198,639 on September 30, 2015, and recorded the change of fair value of $48,203 in the statements of operations for the nine months ended September 30, 2015.

NOTE 7 – CAPITAL STOCK

As of September 30, 2015, the Company was authorized to issue 195,000,000 shares of common stock, par value $.001 per share, and 5,000,000 shares of convertible Class B preferred stock, par value $.001 per share. As of September 30, 2015, there were 3,700,000 shares of preferred stock and 29,865,530 shares of common stock issued and outstanding.

During the nine months ended September 30, 2015, the holders of certain Convertible Promissory Note, dated June 1, 2010, submitted conversion notices to convert a portion of the accrued interest of $3,000 into 3,000,000 shares of the Company. The conversion was approved by the Board of Directors of the Company.

NOTE 7 – CAPITAL STOCK (CONTINUED)

On October 14, 2014, the Company entered into a consulting service agreement with a Consultant for marketing, management and financial strategies in exchange for 1,000,000 shares of Common Stock of the Company. The agreement had a term of three years effective from October 14, 2014 ending October 14, 2017. The fair value of this stock issuance was determined by the fair value of the Company's Common Stock on the grant date, at a price of approximately $0.18 per share. Accordingly, the Company calculated the stock based compensation of $180,000 at its fair value and booked pro rata within the relative service periods. For the three and nine months ended September 30, 2015, the Company recognized $15,109 and $57,646, respectively, to the consolidated statements of operations and recorded unrecognized compensation of $122,354 related to this agreement as of September 30, 2015.

During the nine months ended September 30, 2015, the Company issued total 295,999 shares of Common Stock of the Company to different athletes to endorse the Company's products. The fair value of the stock issuance was determined by the fair value of the Company's Common Stock on the grant dates, or $13,023 in total. Accordingly, the Company recognized stock based compensation of $13,023 to the consolidated statements of operations for the nine months ended September 30, 2015.

During the nine months ended September 30, 2015, the Company issued total 265,000 shares of Common Stock of the Company to different consultants for public relations, communications, advisory and consulting services. The fair value of the stock issuance was determined by the fair value of the Company's Common Stock on the grant dates, or $8,150 in total. Accordingly, the Company recognized stock based compensation of $8,150 to the consolidated statements of operations for the nine months ended September 30, 2015.

On July 1, 2015, the Company entered into an employment agreement with Rasheen Smith, President of the Company, pursuant to which the Company agreed to issue Mr. Smith 2,500,000 shares of the Company's Convertible Class B Preferred Stock upon signing the agreement, which were equivalent to 25,000,000 shares of common stock after the conversion. The fair value of this stock issuance was determined by the fair value of the Company's Common Stock on the grant date, at a price of approximately $0.015 per share. Accordingly, the Company calculated the stock based compensation of $375,000 and recorded it in the consolidated statements of operations for the nine months ended September 30, 2015.

On July 1, 2015, the Company entered into an employment agreement with Tanya Clark, Vice President of the Company, pursuant to which the Company agreed to issue Ms. Clark 200,000 shares of the Company's Convertible Class B Preferred Stock upon signing the agreement, which were equivalent to 2,000,000 shares of common stock after the conversion. The fair value of this stock issuance was determined by the fair value of the Company's Common Stock on the grant date, at a price of approximately $0.015 per share. Accordingly, the Company calculated the stock based compensation of $30,000 and recorded it in the consolidated statements of operations for the nine months ended September 30, 2015.

Common stock to be issued

As of September 30, 2015, the Company had common stock to be issued in amount of $4,163, increased by $563 compared to the balance as of December 31, 2014, of which $3,600 was related to 20,000 shares of common stock to an athlete pursuant to an endorsement agreement and $563 was related to 25,000 shares of common stock to a consultant pursuant to a consulting agreement. The shares have not been issued as of the date of this report.

NOTE 8 – CONTINGENCIES

The Company had no contingencies existing at September 30, 2015.

NOTE 9 – RELATED PARTY TRANSACTIONS

The Company had no material related party transactions carried out with its related parties during the three and nine months ended September 30, 2015.

NOTE 10 – SEGMENTS

The Company determined that it did not operate in any material, separately reportable operating segments as of September 30, 2015.

NOTE 11 – SUBSEQUENT EVENTS

In accordance with ASC Topic 855-10, the Company has analyzed its operations subsequent to September 30, 2015 to the date these financial statements were issued, and has determined that it does not have any material subsequent events to disclose in these financial statements.

I, Rasheen Smith certify that:

1. I have reviewed the unaudited Consolidated Financial Statements for the three and nine months ended September 30, 2015 of FlexPower, Inc.

2. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference hereto, 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 hereto.

Date: February 1, 2016

/s/: Rasheen Smith
Rasheen Smith
President