

ENCOUNTER CARE SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

December 31, 2016

ENCOUNTER CARE SOLUTIONS, INC. AND SUBSIDIARIES
DECEMBER 31, 2016

CONSOLIDATED FINANCIAL STATEMENTS

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To Management
Encounter Care Solutions Inc. and Subsidiaries
Palm Beach Gardens, FL

Management is responsible for the accompanying consolidated financial statements of Encounter Care Solutions Inc. (a corporation) and its subsidiaries, which comprise the consolidated balance sheet as of December 31, 2016, and the related consolidated statements of operations and changes in stockholders' deficit and cash flows for the period then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the consolidated financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these consolidated financial statements.

We are not independent with respect to Encounter Care Solutions Inc. and Subsidiaries.

Pybus & Company, P.A.

Pybus & Company, P.A.
North Palm Beach, FL
February 14, 2017

Encounter Care Solutions, Inc. and Subsidiaries
Consolidated Balance Sheet
December 31, 2016
(unaudited)

ASSETS

Current Assets

Cash	\$ 5,663
Accounts receivable	89,757
Inventory	38,550
Notes receivable	342,972
Prepaid expense	648
Total Current Assets	477,590

Property and Equipment, net of Depreciation

-

Other Assets

Deposits	1,845
Investment in joint venture	171,000
Marketable securities	405
Intangibles	610,025
Total Other Assets	783,275

TOTAL ASSETS

\$ 1,260,865

LIABILITIES & STOCKHOLDERS' DEFICIT

Current Liabilities

Accounts payable	\$ 47,390
Accrued expenses	27,080
Common stock issued in excess of authorized shares	19,501
Notes payable - related party	1,914,018
Total Current Liabilities	2,007,989

Long-Term Liabilities

Convertible notes payable - related party	237,889
Total Long-Term Liabilities	237,889

TOTAL LIABILITIES

2,245,878

COMMITMENTS & CONTINGENCIES

-

Stockholder's Deficit

Preferred stock, 100,000 authorized, par value \$.001, and 0 issued	-
Common stock, 75 million authorized, par value \$.001	
65,192,159 issued and outstanding December 31, 2016	45,691
Additional paid in capital	29,813,230
Common stock to be issued	1,144
Retained deficit	(30,845,078)
Total Stockholders' Deficit	(985,013)

TOTAL LIABILITIES & STOCKHOLDERS' DEFICIT

\$ 1,260,865

See accompanying notes

Encounter Care Solutions, Inc. and Subsidiaries
Consolidated Statement of Operations
Six Months Ended December 31, 2016
(unaudited)

Revenues	
Sales	\$ 177,777
Total Revenue	<u>177,777</u>
Cost of Goods Sold	
Cost of goods sold	<u>75,412</u>
Gross Profit	102,365
Expenses	
General and administrative	250,676
Payroll	78,424
Consulting	<u>198,727</u>
Total Expenses	527,827
Profit (Loss) from Operations	<u>(425,462)</u>
Other Income (Expenses)	
Interest expense	<u>(79,113)</u>
Total Other (Expense)	(79,113)
Net Profit (Loss) Before Provision for Income Tax	(504,575)
Provision for income taxes	-
Net Profit (Loss)	<u><u>\$ (504,575)</u></u>
Basic and Diluted Earning (Loss) per Share	(0.01)
Weighted average number of common shares - basic and diluted	<u>65,192,159</u>

See accompanying notes

Encounter Care Solutions, Inc. and Subsidiaries
Consolidated Statement of Changes in Stockholders' Deficit
For the Period Ended December 31, 2016
(unaudited)

	Preferred stock		Common stock		Common stock to be issued		Additional paid-in capital		retained deficit		Total stockholders' deficit
	Shares	Amount	Shares	Amount	Amount						
Balance for the year ended, June 30, 2016	-	\$ -	44,669,952	\$ 43,799	\$ 683	\$	29,239,465	\$	(30,340,502)	\$	(1,056,555)
Stock issued for cash			541,381	202	362		154,640				155,204
Stock issued for services - third party			400,000	400			131,600				132,000
Prior period shared to be issued that were issued				179	(179)						-
Contributed capital on noninterest bearing notes							39,059				39,059
Net loss for three months ended September 30, 2016									(311,496)		(311,496)
Balance for three months ended, Septmeber 30, 2016	-	\$ -	45,611,333	\$ 44,580	\$ 866	\$	29,564,764	\$	(30,651,998)	\$	(1,041,788)
Stock issued for cash			1,178,769	901	278		147,381				148,560
Stock issued for services - third party			210,757	211			62,805				63,016
Contributed capital on noninterest bearing notes							38,280				38,280
Net loss for three months ended December 31, 2016									(193,079)		(193,079)
Balance for six months ended, December 31, 2016	-	\$ -	47,000,859	\$ 45,691	\$ 1,144	\$	29,813,230	\$	(30,845,078)	\$	(985,013)

See accompanying notes

Encounter Care Solutions, Inc. and Subsidiaries
Consolidated Statement of Cash Flows
For Six Months Ended December 31, 2016
(unaudited)

Cash Flows from Operating Activities		
Net (loss)	\$	(504,575)
Adjustments to Reconcile Net Loss to Net Cash Used in Operations		
Contributed capital for non interest bearing notes payable		77,339
Stock based compensation		195,016
Accrued interest convertible notes payable - related parties		1,774
Changes in Operating Assets and Liabilities:		
(Increase) in accounts receivable		(3,253)
Increase in accounts payable		20,617
(Decrease) in accrued expenses		(19,227)
Net Cash Used in Operations		<u>(232,309)</u>
Cash Flows from Financing Activities		
Payments on notes payable - related parties		(65,682)
Proceeds from shares issued for cash		303,764
Proceeds from shares issued for convertible notes payable		-
Net Cash Provided by Financing Activities		<u>238,082</u>
Net Increase (decrease) in Cash		5,773
Cash - Beginning of Period		(110)
Cash - Ending of Period	<u>\$</u>	<u>5,663</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	\$	-
Cash paid for taxes	<u>\$</u>	<u>-</u>

See accompanying notes

ENCOUNTER CARE SOLUTIONS, INC. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)
December 31, 2016

Note 1. Organization and Significant Accounting Policies

Organization and Line of Business

Encounter Care Solutions, Inc. (“the Company”) is a Delaware corporation organized March, 2000 and is an integrated healthcare company that operates its business through two divisions: Healthcare Technology Division and the Healthcare Services Division. Encounter Care Solutions, Inc.’s operating businesses offer a broad range of proprietary healthcare technology, products and services that address several very sizeable and rapidly growing target markets, including: the Telemedicine Market, Healthcare Information Technology Market, and Home Healthcare Market.

In July 2012, a new subsidiary of Encountercare was formed and incorporated in the state of Delaware by the name of Cyber Fuels, Inc. This subsidiary enters the company into the alternative fuels market.

Joint Venture Termination

In June 2008 we formed a joint venture with Authentidate Holding Corp., called ExpressMD TM Solutions LLC to provide in-home patient vital signs monitoring systems and services. The company and Authentidate Holding Corp. each owned fifty percent of the joint venture and neither party had any special rights under the joint venture agreement. ExpressMD Solutions did not have any assets or liabilities and Authentidate Holding Corp. did not have any recourse to our general credit. ExpressMD Solutions was consolidated in Authentidate Holding Corp.’s financial statements because Authentidate Holding Corp. elected to provide the majority of funding for the joint venture and was deemed to be the primary beneficiary.

On November 21, 2011, the company entered into a definitive Joint Venture Termination Agreement (the “Agreement”) with Authentidate Holding Corp. (the “Buyer”), providing for the assignment and transfer to the company of all of the membership interests held by Seller in ExpressMD Solutions. At the closing on November 21, 2011, the joint venture agreement was terminated, ExpressMD Solutions became a wholly-owned subsidiary of Authentidate Holding Corp. and the company granted the company a license to use certain intellectual property. Pursuant to the Agreement, Authentidate Holding Corp. agreed to pay to the company \$1,000,000 in cash and deliver to the company 1,500,000 shares of restricted common stock of Authentidate Holding Corp. The cash payment is due as follows: \$50,000 was received prior to the date of the Agreement; \$475,000 was received at the closing; \$200,000 was received in April 2012; and \$275,000 is due on or prior to October 1, 2012. In addition, upon the closing Authentidate Holding Corp. forgave the company approximately \$800,000 for operating expenses advanced to the joint venture. The company recorded a gain on sale of equity method investment.

Principles of Consolidation

The consolidated financial statements for years ended December 31, 2016 includes the accounts of Encountercare, Inc. and its wholly owned subsidiaries; Building Block Pediatric Home Health Services, Inc. and Cyber Fuels Inc. Significant intercompany accounts and transactions have been eliminated in consolidation.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the year. Estimates include the valuation allowance on deferred tax assets and valuation of stock issued for services. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid temporary cash investments with an original maturity of twelve months or less to be cash equivalents. At December 31, 2016, the Company had no cash equivalents. The Company at times has cash in banks in excess of FDIC insurance limits. At December 31, 2016, cash balance exceeded these limits by none. The Company’s cash balance totaled \$5,663 as of December 31, 2016.

ENCOUNTER CARE SOLUTIONS, INC. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)
December 31, 2016

Note 1. Organization and Significant Accounting Policies- Cont.

Inventory

The Company's inventory is stated at the lower of cost or market using the FIFO costing method. Inventory on hand totaled \$38,550 at December 31, 2016. Inventory consisted of components and finished goods available and ready for sale in the Cyber Fuels subsidiary.

Revenue Recognition

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

Property and Equipment

Property and equipment are stated at cost and depreciated on the straight line method over the estimated life of the asset, which is 5 years.

Intangible Assets

In accordance with ASC No. 350, Intangibles, Goodwill and Other, the Company requires that intangible assets with a finite life be amortized over their life and requires that goodwill and intangible assets be reviewed for impairment annually or more frequently if impairment indicators arise.

The intangible asset of \$610,025 at December 31, 2016 represents software of \$491,111 in Encountercare, Inc. and \$118,914 of patents assigned to Cyber Fuels Inc. a wholly owned subsidiary.

Investment in subsidiary

In 2008, the Company acquired Building Blocks Pediatric Home Health Services, Inc. by obtaining interest in exchange for 4,000,000 shares of the Company's stock at a fair value of \$0.07 per share. The total consideration paid for the acquisition was \$280,000 (See Notes 3 and 6).

Bond Deposit

On November 22, 2013 the company was awarded a temporary injunction order. As a result the company paid \$51,044. On January 16, 2015 the company considered the matter resolved and the bond deposit was returned to the company for the full amount of \$51,044.

Shipping and Handling Costs

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

Advertising

The costs incurred for producing and communicating advertising are charged to operations as incurred. Advertising expense for the period then ended December 31, 2016 was \$2,220.

Research and Development

The Company is not currently engaged in research and development activities. Research and development costs are charged as operating expense of the Company as incurred. For the period then ended December 31, 2016, the Company expensed \$0, towards research and development costs.

ENCOUNTER CARE SOLUTIONS, INC. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)
December 31, 2016

Note 1. Organization and Significant Accounting Policies- Cont.

Fair Value of Financial Instruments

The carrying amounts reported in the balance sheet for accounts receivable, deposits, accounts payable, accrued expenses, is the approximate fair value based on the short-term maturity of these instruments.

Income Taxes

The Company accounts for income taxes under FASB Codification Topic 740-10-25 ("ASC 740-10-25") Income Taxes. Under ASC 740-10-25, 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 bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under ASC 740-10-25, the 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.

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

	<u>December 31, 2016</u>
Deferred Tax Liability	<u>\$ -</u>
Deferred tax asset	
Net operating Loss Carry Forward	24,351,640
Valuation Allowance	<u>(24,351,640)</u>
Net Deferred Tax asset	<u>\$ -</u>
Net Deferred Tax Liability	<u><u>\$ -</u></u>

The provision for income taxes has been computed as follows:

	<u>December 31, 2016</u>
Expected income tax recovery (expense) at the statutory rate of 35% - Federal	\$ 176,601
Expected income tax recovery (expense) at the statutory rate of 8.7% - State	43,898
Tax effect of expenses that are not deductible for income tax purposes	(119,019)
Change in valuation allowance	<u>(101,480)</u>
Provision for income taxes	<u><u>\$ -</u></u>

The valuation allowance was established to reduce the deferred tax asset to the amount that will more likely than not be realized. This is necessary due to the Company's continued operating losses and the uncertainty of the Company's ability to utilize all of the net operating loss carry forwards before they will expire through the year 2036.

The net change in the valuation allowance for the period then ended December 31, 2016 was a decrease of \$101,480.

ENCOUNTER CARE SOLUTIONS, INC. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
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Note 1. Organization and Significant Accounting Policies- Cont.

The components of income tax expense related to continuing operations are as follows:

	<u>December 31, 2016</u>
Federal	
Current	-
Deferred	\$ -
	<u>-</u>
State and Local	
Current	-
Deferred	-
	<u>\$ -</u>

Basic and Diluted Net Loss per Common Share

Net Loss per Common Share is computed pursuant to FASB Accounting Standards Codification No. 260, *Earnings per Share*. Basic net loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. Diluted net loss per share is computed by dividing net loss by the weighted average number of shares of common stock and potentially outstanding shares of common stock during each period.

Recent Accounting Pronouncements

In December 2011, FASB issued Accounting Standards Update 2011-11, Balance Sheet - Disclosures about Offsetting Assets and Liabilities” to enhance disclosure requirements relating to the offsetting of assets and liabilities on an entity's balance sheet. The update requires enhanced disclosures regarding assets and liabilities that are presented net or gross in the statement of financial position when the right of offset exists, or that are subject to an enforceable master netting arrangement. The new disclosure requirements relating to this update are retrospective and effective for annual and interim periods beginning on or after January 1, 2013. The update only requires additional disclosures, as such; we do not expect that the adoption of this standard will have a material impact on our results of operations, cash flows or financial condition.

Note 2. Accounts Receivable

At December 31, 2016, the Company had the following accounts receivable:

	<u>As of</u> <u>December 31, 2016</u>
Accounts receivable	\$ 97,821
Less: Allowance for doubtful accounts	8,064
Accounts receivable, net	<u>\$ 89,757</u>

Note 3. Notes Receivable

At December 31, 2016, the Company had notes receivable in the aggregate amount of \$342,972 due from various parties. The notes are due at various times and bear no stated interest rate.

\$275,000 of the note receivable is from the joint venture see note 1 for further information. The remainder of the note receivable in the amount of \$67,972 is due from a former consultant.

ENCOUNTER CARE SOLUTIONS, INC. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)
December 31, 2016

Note 4. Acquisition

Effective 2008, Encounter Care Solutions, Inc. acquired Building Blocks Pediatric Home Health Services, Inc. The following details the acquisition:

Upon the acquisition of Building Blocks Pediatric Home Health Services, Inc., the Company issued 4,000,000 common stock shares at a price of \$0.07 per share to acquire 100% of the Building Blocks Pediatric Home Health Services, Inc. units at a fair value of \$280,000. The total consideration paid for the acquisition of \$280,000.

Note 5. Property and equipment

Property and equipment is summarized as follows at December 31, 2016:

	<u>December 31, 2016</u>
Office and Medical Equipment	\$ 422,984
Furniture	37,461
Automobile	<u>20,552</u>
	480,997
Depreciation	<u>(480,997)</u>
Net	<u>\$ -</u>

Depreciation and Amortization expense for the period ended December 31, 2016 was \$0.

Note 6. Convertible notes payable and notes payable

Convertible Note – Related Parties

The company entered into a convertible note agreement dated July 1, 2012 with a related party for the sum of \$225,000. The note has a stated interest rate of 1.5% which is being accrued to the note. The note is convertible at any time determinable by the holder. The note has an outstanding balance at December 31, 2016 of \$237,889.

Technology was assigned to Cyber Fuels in exchange for this convertible note - related party. As part of the agreement Cyber Fuels pays for all expenses associated with the patented technology. (See note 1 Bond Deposit)

See note 7

Notes Payable – Related Parties

A note payable with a related party was entered into by the Company with an Officer of the Company for an amount of \$3,350,000, with no stated interest. An 8% interest rate was imputed. Interest is contributed to additional paid in capital rather than accrued of \$77,339 for the period then ended December 31, 2016. The loan is renewed on an annual basis. During the period then ended December 31, 2016 the loan was deducted from in the amount of \$65,680.

	Balance		Balance
	6/30/2016	Deductions	9/30/2016
Total	<u>\$ 1,979,698</u>	<u>(26,754)</u>	<u>\$ 1,952,944</u>
	Balance		Balance
	9/30/2016	Deductions	12/31/2016
Total	<u>\$ 1,952,944</u>	<u>(38,926)</u>	<u>\$ 1,914,018</u>

ENCOUNTER CARE SOLUTIONS, INC. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)
December 31, 2016

Note 7. Stockholders' deficit

The company has 75,000,000 shares of common stock authorized with 65,192,159 outstanding with a par value of .001 as of December 31, 2016. There are currently no dividend or preemptive rights. Each outstanding share of common stock is entitled to one vote on corporate matters requiring a vote. Certain corporate matters, such as normal business operations are conducted by the officers of the corporation acting under direction of the board of directors. There are no other material rights of common shareholders. There are no provisions in the Company's bylaws that would delay, defer or prevent a change in control of the Issuer. The company also has 100,000 shares of preferred stock at a par value of .001 with none issued.

The excess shares issued of 19,501,745 are currently being classified under current liabilities as common stock issued in excess of authorized shares. Therefore the equity transactions listed below are not contained in the consolidated statement of changes in the stockholders' deficit.

In October 2012, The Articles of incorporation were amended with the state of Delaware to increase the authorized shares of common stock from 30,000,000 to 75,000,000. In addition to increasing the authorized shares to 75,000,000 the company is seeking through the state chancellery board to retroactively amend the articles of incorporation.

Shares Issued for Cash

Shares were issued in exchange for cash. The total common shares issued in exchange for cash were 1,281,673 for the period then ended December 31, 2016.

Shares Issued for Services

Shares were issued in exchange for professional services and consulting. The total common shares issued in exchange for services were 610,757 for the period then ended December 31, 2016.

Shares to be Issued

As of December 31, 2016 there were shares to be issued for cash yet to be issued. The total number of shares to be issued totaled 1,143,880.

Note 8. Commitments and contingencies

Employment Agreements

The Company has an employment agreement with the president/Chief Executive Officer. No expenses or accruals are shown from this agreement.

Lease Agreement

In April 2012, the Company entered into a lease agreement for an office space in California for a term beginning on May 1, 2012 through April 30, 2016. Through April 30, 2016, the monthly rent expense is \$1,724 per month.

In June 2013, the Company entered into a lease agreement for an office space in Massachusetts for a term beginning on July 1, 2013 through June 30, 2015. Through June 30, 2015, the monthly rent expense is \$700.00 per month.

Rent expense for the period then ended December 31, 2016 was \$46,423.

Note 9. Related Party Transactions

A note payable with a related party was entered into by the Company with an Officer of the Company for an amount of \$3,350,000, with no stated interest. An 8% interest rate was imputed. Interest is contributed to additional paid in capital rather than accrued of \$77,339 in the period ended December 31, 2016. The loan is renewed on an annual basis. During the period then ended December 31, 2016 the loan was deducted from in the amount of \$65,680.

The company entered into a convertible note agreement dated July 1, 2012 with a related party for the sum of \$225,000. The note has a stated interest rate of 1.5% which is being accrued to the note. The note is convertible at any time determinable by the holder.

ENCOUNTER CARE SOLUTIONS, INC. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)
December 31, 2016

Note 10. Investments in marketable securities and fair value

As of December 31, 2016, the Company has investments in marketable securities, as a result of the joint venture see Note 1. The following table summarizes the amortized cost, fair value and weighted-average yield of securities.

	As of December 31, 2016	Fair Value	Yield
Marketable Securities	\$ 405	\$ 203	-100%

ASC 820 defines fair value, establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measurements. Under GAAP, fair value of such securities is determined based upon a hierarchy that prioritizes the inputs to valuation techniques used to measure fair values into three broad levels.

The fair value of the Company's financial assets and liabilities reflects the Company's estimate of amounts that it would have received in connection with the sale of the assets or paid in connection with the transfer of the liabilities in an orderly transaction between market participants at the measurement date. In connection with measuring the fair value of its assets and liabilities, the

Company seeks to maximize the use of observable inputs (market data obtained from sources independent from the Company) and to minimize the use of unobservable inputs (the Company's assumptions about how market participants would price assets and liabilities).

The following fair value hierarchy is used to classify assets and liabilities based on the observable inputs and unobservable inputs used in order to value the assets and liabilities:

Level 1: Quoted prices in active markets for identical assets or liabilities. An active market for an asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Observable inputs other than Level 1 inputs. Examples of Level 2 inputs include quoted prices in active markets for similar assets or liabilities and quoted prices for identical assets or liabilities in markets that are not active.

Level 3: Unobservable inputs based on the Company's assessment of the assumptions that market participants would use in pricing the asset or liability.

	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Quoted Prices in Inactive Markets for Identical Assets	Level 3: Significant Unobservable Inputs	Total at December 31, 2016
Marketable Securities	\$ 405	-	-	\$ 405

Note 11. Subsequent events

In preparing the financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through February 14, 2017, the date the financial statements were available to be issued.