

SYSTEMS AMERICA, INC.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2012

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SYSTEMS AMERICA, INC.
Condensed Consolidated Balance Sheets (Unaudited)
For the period ended June 30, 2012

ASSETS

	June 30, 2012
Current assets	
Cash	\$ 540,955
Accounts receivable	84,430
Prepaid expenses and other current assets	104,505
Total current assets	729,890
Property and equipment, net	24,091
Goodwill	1,589,815
Intangible assets, net	165,315
Total assets	\$ 2,509,112

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

Current liabilities	
Accounts payable	\$ 261,249
Accrued liabilities	213,550
Accrued interest	2,594
Related party convertible promissory note to stockholder, current portion	99,286
Total current liabilities	576,679
Total liabilities	576,679
Stockholders' equity (deficit)	
Preferred stock, \$0.0001 par value; 5,000,000 shares authorized at June 30, 2012 ; no shares issued and outstanding at June 30, 2012	-
Common stock, \$0.0001 par value; 500,000,000 shares authorized at June 30, 2012 ; 81,182,219 shares issued and outstanding at June 30, 2012	8,241
Additional paid-in capital	13,154,716
Accumulated deficit	(11,230,525)
Total stockholders' equity (deficit)	1,932,432
Total liabilities and stockholders' equity (deficit)	\$ 2,509,112

SYSTEMS AMERICA, INC.
Condensed Consolidated Statements of Operations (Unaudited)
For Three Months Ended June 30, 2012

	<u>Three Months Ended June 30, 2012</u>
Revenues	\$ 421,810
Cost of revenues	<u>215,014</u>
Gross Profit	206,797
Operating Expenses	129,614
Income from operations	<u>77,183</u>
Net Income	<u>\$ 77,183</u>

SYSTEMS AMERICA, INC.
Consolidated Statement of Stockholders' Equity
For the three months Ended June 30, 2012

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>			
Balance, March 31, 2012	71,889,239	7,412	14,593,628	(19,930,205)	(5,329,165)
Issuance of common stock in connection with acquisition of Mile5 Solutions	9,000,000	900	79,100	-	80,000
Issuance of common stock in consideration for the legal services to be provided	292,980	29	15,971	-	16,000
Net Profit	-	-	-	77,183	77,183
Balance, June 30, 2012	<u>81,182,219</u>	<u>8,341</u>	<u>14,688,699</u>	<u>(19,853,022)</u>	<u>(5,155,982)</u>

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

SYSTEMS AMERICA, INC.
Condensed Consolidated Statements of Cash Flow (Unaudited)
For Three Months Ended June 30, 2012

	For the Three Months <u>June 30, 2012</u>
Cash flows from operating activities	
Net Profit	\$ 77,183
Changes in assets or liabilities	
Prepaid expenses and other current assets	(104,505)
Accounts receivable	(84,430)
Accounts payable	261,249
Accrued liabilities	213,550
Total Adjustments	<u>\$ 88,023</u>
Net cash (used in) provided by operating activities	<u>165,206</u>
Cash flows from investing activities	<u>(203)</u>
Net cash used in investing activities	<u>(203)</u>
Cash flows from financing activities	
Common Stock	829
Additional Paid in Capital	95,171
Repayments on related party convertible promissory note to stockholder	<u>(40,746)</u>
Net cash provided by (used in) financing activities	<u>55,254</u>
Net increase in cash	124,256
Cash, beginning of period	<u>416,699</u>
Cash, end of the period	<u><u>\$ 540,955</u></u>

SYSTEMS AMERICA, INC.
Notes to Consolidated Financial Statements
June 30, 2012

1. Summary of Significant Accounting Policies

Nature of business

Systems America, Inc. ("the Company" or "Systems America") is a vertically led global cloud and mobile application services organization and a leading provider of diversified cloud computing and information technology solutions. Systems America delivers superior cloud computing, information technology consulting services, and systems and integration services to hundreds of clients worldwide. Systems America provides end to end services including advisory, implementation, testing and application management and support services of cloud and mobile application solutions.

Liquidity

The Company incurred net income of \$77,183 for the three months ended June 30, 2012 and had an accumulated deficit of \$11.23 million on June 30, 2012. Since 2007, the Company has primarily relied on debt and equity financing to fund its operations. Management believes that with ongoing efforts to control costs and plans for increasing revenue, that the Company will be able to sustain operations until positive cash flows are achieved.

The consolidated financial statements have been presented on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or the amount and classification of liabilities or any adjustments that might be necessary should the Company be unable to continue as a going concern.

Organization

The Company was originally incorporated on May 17, 1984 under the name 133166 Canada, Inc. and after a series of name changes became Receptagen, Ltd. on July 12, 1993. On July 12, 2001, the stockholders of Receptagen approved an exchange of common stock of the Company for all of the outstanding common stock of Spantel Communications, Inc. ("BVI"), a company incorporated on September 9, 1999 in the British Virgin Islands. BVI carried on its business through Spantel 2000 S.A. ("Spantel S.A."), a company incorporated in Spain. On October 30, 2001, BVI changed its name to Spantel Communications, Inc. ("Spantel") and completed its domestication and incorporation in the State of Florida, transferring its charter from Canadian Federal jurisdiction.

On January 20, 2010, Spantel changed its name to Systems America, Inc. ("Systems America") and filed an amendment to its articles in the State of Florida. On June 10, 2010, Systems America entered into a share exchange agreement with Systems America, Inc., a Delaware Corporation, ("Systems America Delaware") whereby Systems America exchanged 21,000,000 shares of restricted common stock for all the outstanding common stock of Systems America Delaware.

Under the share exchange agreement, Systems America entered into a spin off agreement whereby it agreed to transfer 100% of its interest in Spantel S.A. to Almond, Inc. ("Almond").

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For accounting purposes, the acquisition has been treated as a recapitalization of Systems America Delaware with Systems America Delaware as the acquirer (reverse acquisition). The historical financial statements prior to June 10, 2010, are those of Systems America Delaware and exclude the results of Spantel. As part of the transaction, the consolidated entity assumed a convertible promissory note issued by Spantel to Almond for the principal amount of \$208,000.

Certain significant risks and uncertainties

The Company participates in a dynamic, high technology industry and believes that changes in any of the following areas could have a material adverse effect on the Company's future financial position: results of operations or cash flows, advances and trends in new technologies and industry standards, pressures resulting from new offerings by competitors, changes in certain strategic relationships or customer relationships, litigation or claims against the Company based on intellectual property, patent, product, regulatory or other factors, risk associated with changes in domestic and international economic or political conditions or regulations, availability of necessary product components, and the Company's ability to attract and retain employees necessary to support its growth.

Principles of consolidation and basis of presentation

The consolidated financial statements include the accounts of the Company, and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The Company's subsidiaries were acquired during 2010, 2011 and, therefore, the results of operations of these businesses have been consolidated since the date of acquisition.

Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, and reported amounts of revenues and expenses during the reporting period.

Significant estimates and assumptions made by management include the assessment of recoverability of long-lived assets and their estimated useful lives, the determination of the fair value of assets acquired and liabilities assumed for business acquisitions, and the measurement of current and deferred income tax assets and liabilities. Actual results could differ from those estimates.

Revenue recognition

The Company generates revenue from professional services rendered to customers. Revenue is recognized under the Company's contracts generally when persuasive evidence of an arrangement exists, the sales price is fixed or determinable and collectability is reasonably assured. The majority of the Company's revenue is generated under time-and-material contracts whereby costs and revenue are recognized as services are performed, with the corresponding cost of providing those services reflected as cost of revenue. The majority of customers are billed on an hourly or

SYSTEMS AMERICA, INC.
Notes to Consolidated Financial Statements
June 30, 2012

daily basis whereby actual time is charged directly to the customer. Such method is expected to result in reasonably consistent profit margins over the contract term. The Company establishes billing terms at the time project deliverables are agreed, and continually monitors timely payments from customers and assesses collection issues.

Reimbursements for out-of-pocket expenses received from customers have been included as part of revenues.

Cash and cash equivalents

Cash and cash equivalents include cash balances and highly liquid investments with an original maturity of three months or less.

Property and equipment

Property and equipment are stated at cost net of accumulated depreciation. Depreciation on property and equipment is calculated on the straight-line basis over the estimated useful lives of the assets, generally three to five years. Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Goodwill

Goodwill is tested for impairment at the reporting unit level on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. There was no impairment of goodwill for the period ended June 30, 2012.

Intangible assets

Intangible assets are reported at cost less accumulated amortization and accumulated impairment loss, if any. Amortization is recognized on a straight-line basis over the estimated useful lives. The Company periodically evaluates its intangible assets for indications of impairment. If this evaluation indicates that the value of the intangible assets may be impaired, the Company makes an assessment of the recoverability of the net carrying value of the asset over its remaining useful life, based on the estimated undiscounted future cash flows of the asset. If this assessment indicates that the intangible asset is not recoverable, the Company reduces the net carrying value of the related intangible asset to fair value and may adjust the remaining amortization period. The estimated future cash flow assumptions are derived from judgments and expectations based on management's experience in the industry. In addition to the recoverability assessment, the Company routinely reviews the remaining estimated lives of its intangible assets. Any reduction in the useful life assumption will result in increased amortization expense in the period when such determination is made, as well as in subsequent periods. There was no impairment of intangible assets or changes in estimated useful lives during year for period ended June 30, 2012.

Income taxes

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The Company accounts for income taxes in accordance with the liability method of accounting for income taxes. Under the liability method, deferred assets and liabilities are recognized based upon anticipated future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases. The provision for income taxes is comprised of the current tax liability and the changes in deferred tax assets and liabilities. The Company establishes a valuation allowance to the extent that it is more likely than not that deferred tax assets will not be recoverable against future taxable income.

The Company recognizes the effect of uncertain income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

2. Property and Equipment

Property and equipment consisted of the following as of June 30, 2012:

Furniture and equipment	\$19,154
Computer equipment	7,507
Less: accumulated depreciation	<u>(2,570)</u>
Property and equipment, net	<u>\$24,091</u>

Depreciation expense totaled \$2,570 for the three months period ended June 30, 2012.

3. Acquisitions

On June 29, 2012, the Company entered into a Unit Purchase Agreement with Mile5 Solutions LLC unit holders to acquire all of the outstanding Units of Mile5 Solutions, LLC, a Delaware Limited Liability Company, in exchange for 9,000,000 shares of the Company's restricted common stock and 9,000,000 warrants to purchase the Company stock. Mile5 Solutions is an SAP channel partner that provides proven business improvement solutions exclusively for the small and medium enterprise (SME) market. Utilizing a proprietary, five-step delivery system called M5 Expressway™, an SAP Business All-in-One solution, the company offers a manageable, fixed-price, scalable solution with rapid implementation in as little as three months. The company offers consulting and customer support services including implementations, application support, hosting and training, to help SMEs maximize their investments in SAP Business All-in-One solutions. Mile5 Solutions offers on-premise or hosted model solutions in addition to leasing options.

4. Stockholders' Equity (Deficit)

The Company does not currently have any stock option plans. The Company's common stock is considered restricted common stock pursuant to Rule 144 under the Securities Act of 1933.

As of June 30, 2012, the Company was authorized to issue 5,000,000 shares of preferred stock. There are no shares issued and outstanding as of June 30, 2012. The rights, preferences and privileges of preferred stock are as follows:

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Dividends

The holders of shares of preferred stock are entitled to receive dividends when and as declared by the Board of Directors of the Company (the "Board of Directors") at such rate per share, if any, and at such time and in such manner, as shall be determined and fixed by the Board of Directors in the Articles of Amendment authorizing the series of preferred stock of which such shares are a part.

Liquidation

In the event of any voluntary or involuntary liquidation, dissolution, or winding up of the Company, the holders of the outstanding shares of preferred stock shall be entitled to receive such amount, if any, for each share of preferred stock, as the Board of Directors shall determine and fix in the Articles of Amendment authorizing the series of preferred stock of which such shares of preferred stock are a part, and no more.

If the assets of the Company are not sufficient to pay to all holders of preferred stock the amounts to which they would be entitled in the event of voluntary or involuntary liquidation, dissolution or winding up of the Company, then the holders of record of each series of preferred stock which is entitled to share in the assets of the Company in any such event shall be entitled to share in the assets of the Company to the extent, if any, and in the manner, determined by the Board of Directors in the Articles of Amendment authorizing the series of preferred stock of which such shares are a part, and no more. In any such case, the holders of record of shares of preferred stock of the same series shall be entitled to share ratably in accordance with the number of shares of preferred stock of the series so held of record by them to the extent, if any, that the series is entitled to share in the assets of the Company in such event.

No payment shall be made to the holders of shares of common stock of the Company in the event of the voluntary or involuntary liquidation, dissolution, or winding up of the Company unless the holders of record of shares of preferred stock have been paid the full amount to which they are entitled in such event or unless a sufficient amount has been set aside for such payment.

Conversion

Each share of preferred stock is convertible, at the right and option of the stockholder, at any time after the date of issuance of such shares, into such number of fully paid and non-assessable shares of common stock as is determined by dividing each share by its respective conversion price per share, determined as hereafter provided, in effect on the date the certificate is surrendered for conversion. The conversion price is subject to adjustment for certain dilutive issuances, splits, and combinations.

Voting rights

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Each stockholder of preferred stock is entitled to the number of votes as determined by the Board of Directors in the Articles of Amendment authorizing the series of preferred stock of which such shares are a part, and no more.

5. Commitments and Contingencies

Operating leases

The Company leases office space and corporate housing expiring in 2012. Approximate future minimum obligations under these lease agreements at June 30, 2012 are \$49,297.03 for 2012.

Rent expense for the three months ended in June 30, 2012 totaled \$26,858.92.

Legal proceedings

From time to time, the Company is involved in various legal proceedings and receives claims, arising from the normal course of business activities. In the Company's opinion, resolution of these matters is not expected to have a material adverse impact on its consolidated results of operations, cash flows or financial position.

6. Related Party Transactions

On August 21, 2007, the Company issued a Convertible Promissory Note to its CEO and majority stockholder.

In January 2011, the Company acquired Nexent Ventures LLC, a Delaware Limited Liability Company owned by a related party to the Company's CEO. In 2012, These shares has been returned to the Company and cancelled. This transaction was cancelled in 2012 and shares issued has been returned to the Company and cancelled.

7. Income Taxes

The Company has had continuous losses providing loss carry-forwards and there is no assurance that there will be future taxable income that the loss carry-forwards might offset. As such, no provision for income taxes has been included in the financial statements other than minimum state franchise taxes.

Based on the cumulative operating losses to date, management believes that it is more likely than not that the deferred tax assets will not be utilized, such that a full valuation allowance has been recorded.

The Company's effective tax rate as a percentage of net loss before income tax benefit differs from the statutory federal income tax rate of 34% primarily due to uncertainty over the utilization of net operating loss carry-forwards.

The Company has Federal and California net operating loss carry-forwards. These amounts were generated in the period from inception to June 30, 2012 and can be carried forward twenty years

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for federal and California tax purposes. The federal and state carry-forwards begin to expire in 2030.