

**SYCAMORE ENTERTAINMENT GROUP INC**

**BALANCE SHEETS**

**As of**

|                                                                                                                                                                                              | (unaudited)<br>September 30,<br>2012 | (unaudited)<br>December 31,<br>2011 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
|                                                                                                                                                                                              | <u>2012</u>                          | <u>2011</u>                         |
| <b>ASSETS</b>                                                                                                                                                                                |                                      |                                     |
| Current Assets                                                                                                                                                                               |                                      |                                     |
| Cash                                                                                                                                                                                         | \$ -                                 | \$ -                                |
| Accounts Receivable                                                                                                                                                                          | 59,383                               | -                                   |
| Total Current Assets                                                                                                                                                                         | <u>59,383</u>                        | <u>-</u>                            |
| Investment in subsidiary                                                                                                                                                                     | -                                    | 150,000                             |
| Other intangible asset                                                                                                                                                                       | 250,000                              | 250,000                             |
| <b>TOTAL ASSETS</b>                                                                                                                                                                          | <b><u>\$ 309,383</u></b>             | <b><u>\$ 400,000</u></b>            |
| <b>LIABILITIES</b>                                                                                                                                                                           |                                      |                                     |
| Accounts payable                                                                                                                                                                             | \$ 860,081                           | \$ 860,122                          |
| Accrued liabilities                                                                                                                                                                          | 2,303,098                            | 983,522                             |
| Notes payable                                                                                                                                                                                | 607,385                              | 417,500                             |
| Put liability                                                                                                                                                                                | 738,388                              | 738,388                             |
| Total Current Liabilities                                                                                                                                                                    | <u>\$ 4,508,952</u>                  | <u>\$ 2,999,532</u>                 |
| Related party loan payable                                                                                                                                                                   | 455,496                              | 428,400                             |
| Total Liabilities                                                                                                                                                                            | <u>\$ 4,964,448</u>                  | <u>\$ 3,427,932</u>                 |
| <b>STOCKHOLDERS' EQUITY</b>                                                                                                                                                                  |                                      |                                     |
| Common stock (Par value \$0.001, 715,000,000 shares authorized; 226,750,465 issued, 219,960,760 outstanding as of September 30, 2012; 167,857,608 issued and outstanding December 31, 2011.) | 226,750                              | 167,858                             |
| Additional paid-in capital                                                                                                                                                                   | 1,477,636                            | 1,364,529                           |
| Accumulated deficit                                                                                                                                                                          | (6,359,451)                          | (4,560,319)                         |
| Less: Treasury stock (7,142,857 shares at cost)                                                                                                                                              | -                                    | -                                   |
| Total Stockholders' Deficit                                                                                                                                                                  | <u>(4,655,065)</u>                   | <u>(3,027,932)</u>                  |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                                                                                                                            | <b><u>\$ 309,383</u></b>             | <b><u>\$ 400,000</u></b>            |

See accompanying notes to financial statements.

**SYCAMORE ENTERTAINMENT GROUP INC**  
**STATEMENTS OF OPERATIONS**

|                                 | (unaudited)<br>For the three<br>months ended<br>September 30<br>2012 | (unaudited)<br>For the nine<br>months ended<br>September 30<br>2012 |
|---------------------------------|----------------------------------------------------------------------|---------------------------------------------------------------------|
| <b>Revenues</b>                 | \$ 69,383                                                            | \$ 69,383                                                           |
| <b>Cost of Revenues</b>         | <u>63,757</u>                                                        | <u>63,757</u>                                                       |
| <b>Gross Profit</b>             | \$ 5,626                                                             | \$ 5,626                                                            |
| <b>Operating Expenses</b>       |                                                                      |                                                                     |
| General and administrative      | 482,214                                                              | 918,262                                                             |
| Impairment of goodwill          | <u>0</u>                                                             | <u>0</u>                                                            |
| Total Operating Expense         | <u>482,214</u>                                                       | <u>918,262</u>                                                      |
| Operating Income (Loss)         | <u>(476,588)</u>                                                     | <u>(912,636)</u>                                                    |
| <b>Other Income and Expense</b> |                                                                      |                                                                     |
| Interest Expense                | (1,101)                                                              | (3,703)                                                             |
| Loss on Investment              | (150,000)                                                            | (150,000)                                                           |
| Loss on Litigation              | (750,000)                                                            | (750,000)                                                           |
| Other Income                    | 2,458                                                                | 17,206                                                              |
| Total Other Income and Expense  | <u>(898,643)</u>                                                     | <u>(886,497)</u>                                                    |
| <b>Net Income (Loss)</b>        | <u><u>\$ (1,375,231)</u></u>                                         | <u><u>\$ (1,799,133)</u></u>                                        |

See accompanying notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012

## **1. Organization, Business and Change in Control**

Effective May 14, 2010 (the "Effective Date"), ImaRx Therapeutics, Inc. ("ImaRx" or "Company") entered into an Agreement for the Purchase and Sale of Stock with Sycamore Films, Inc. and its shareholders (the "Stock Purchase Agreement") and an Agreement and Plan of Merger with Sycamore Films, Sweet Spot, and Sweet Spot's shareholders and principals (the "Merger Agreement"). Pursuant to the Merger Agreement, Sweet Spot merged with and into Sycamore Films and the shareholders of Sweet Spot became shareholders of Sycamore Films. Immediately following the closing of the Merger Agreement, the purchase and sale of stock between ImaRx and Sycamore Films ("Sycamore") and its shareholders was consummated.

Under the terms of the Stock Purchase Agreement, between ImaRx and Sycamore, ImaRx issued approximately 79,376,735 shares of its common stock to the Sycamore shareholders including the former shareholders of Sweet Spot. As a result, Sycamore Films became a wholly-owned subsidiary of ImaRx and the former shareholders of Sycamore hold, in the aggregate, approximately eighty-six percent (86%) of ImaRx's outstanding shares of common stock on a fully diluted basis. Former Sweet Spot shareholders ownership interest, on a fully-diluted basis, in ImaRx is approximately five percent (5%). The Company is a full-service distribution and marketing company specializing in acquisition, distribution, and the development of marketing campaigns for feature films.

The Merger Agreement between Sycamore Films and ImaRx was accounted for as a reverse acquisition in accordance with Accounting Standards Codification ("ASC") 805 Business Combinations. The Company determined for accounting and reporting purposes that Sycamore Films is the acquirer because of the significant holdings and influence of the control group of ImaRx Therapeutics and Sweet Spot after the acquisition.

## **2. Summary of Significant Accounting Policies**

### *Unaudited Financial Information*

The accompanying balance sheets and statements of operations, are unaudited and have been prepared in the opinion of management to reflect all adjustments necessary for fair representation. The financial data and other information disclosed in these notes to the financial statements are also unaudited.

### *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 and the disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the

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reporting period. Actual results could differ from those estimates. Assets and liabilities which are subject to significant judgment and use of estimates include the estimated of fair value of convertible debt, valuation allowances with respect to recoverability of long-lived assets, useful lives associated with property and equipment, and potential tax liabilities. On an ongoing basis, management evaluates its estimates compared to historical experience and trends, which form the basis for making judgments about the carrying value of assets and liabilities.

*Film Rights*

The cost of film rights are capitalized when obligated. In accordance with U.S. GAAP, film costs are amortized using the “individual-film-forecast” method. Under this accounting method, film costs for each film are amortized based on the following ratio:

Revenue earned by title in the current period

Estimated total future revenues that will be earned by title

The Company regularly reviews its revenue estimates on a title-by-title basis and revises them when necessary. The review will generally take into account estimated future revenues from international distribution, on-theatrical channels and other potential revenues that a film may generate. This review may result in a change in the rate of amortization and/or a write-down of the film asset to its estimated fair value. Results of operations in future years depend upon the amortization of the Company’s film costs. Periodic adjustments in amortization rates may significantly affect these results. In addition, the Company is required to expense film advertising costs as incurred.

*Development-Stage Company*

On December 29, 2010, the Company entered into the development stage with its intended new business, which currently does not generate revenues. Management expects to sustain losses from operations until such time it can generate sufficient revenues sufficient to meet its anticipated cost structure. The Company is considered a development-stage company in accordance with Accounting Standards Codification 915 – “Development-Stage Entities.” Upon the acquisition of equity interests in third party companies, the Company will exit the development stage. The nature of our operations is highly speculative, and there is consequently a risk of loss of investment. The success of our plan of operation will depend to a great extent on the operations, financial condition, and management of the identified business opportunity.

*Conversion Features and Convertible Debt*

The Company's derivative financial instruments consist of embedded derivatives related to the issuance of convertible notes. These embedded derivatives include a conversion feature. As of the inception date of the agreement the debt was not considered conventional as defined Accounting Standards Codification (“ASC”) No. 815, “Derivatives and Hedging”. The accounting treatment of derivative financial instruments requires that the Company record the conversion feature at their fair values then

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record them at fair value as of each subsequent balance sheet date. Any change in fair value is to be recorded as non-operating, non-cash income or expense at each reporting date.

*Fair Value of Financial Instruments*

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants as of the measurement date. Applicable accounting guidance provides an established hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the factors that market participants would use in valuing the asset or liability. There are three levels of inputs that may be used to measure fair value:

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Include other inputs that are directly or indirectly observable in the marketplace.

Level 3 - Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Derivative instruments include the embedded conversion feature issued with convertible notes payable (Level 2). Derivative instruments are valued using standard calculations/models that are primarily based on observable inputs, including volatilities and interest rates. Therefore, derivative instruments are included in Level 2.

Fair-value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of June 30, 2011. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values. These financial instruments include cash, accounts payable, accrued liabilities and the put liability. Fair values for these items were assumed to approximate carrying values because of their short-term in nature or they are payable on demand.

As of December 31, 2011, the Company did not have Level 1, or 3 financial assets or liabilities.

*Income Taxes*

The Company makes certain estimates and judgments in determining its income tax provision expense. These estimates and judgments are used in the determination of tax credits, benefits and deductions, and the calculation of certain tax assets and liabilities which are a result of differences in the timing of the recognition of revenue and expense for tax and financial statement purposes. The Company also uses estimates and judgments in determining interest and penalties on uncertain tax positions.

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Significant changes to these estimates could result in a material change to the Company's tax provision in subsequent periods.

The Company is required to evaluate the likelihood that it will be able to recover its deferred tax assets. If the Company's evaluation determines that the recovery is unlikely, it would be required to increase the provision for taxes by recording a valuation allowance against the deferred tax assets equal to the amount that is not expected to be recoverable. The Company currently estimates that there is sufficient likelihood that its net operating loss carryforwards and deferred tax assets are unlikely to be realized and therefore it has fully reserved against this figure to report no deferred tax asset or liability. The calculation of the Company's tax liabilities involves dealing with uncertainties in the application of tax regulations. The Company adopted the provisions of ASC 740 "Income Taxes". ASC 740 contains a two-step approach to recognizing and measuring uncertain tax position liabilities. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement. This process is based on various factors including, but not limited to, changes in facts and circumstances, changes in tax law, settlement of issues under audit, and new audit activity. Changes to these factors and the Company's estimates regarding these factors could result in the recognition of a tax benefit or an additional charge to the tax provision.

### 3. Acquisitions

The consideration paid by Sycamore in connection with its acquisition of Sweet Spot consists of the following:

Consideration Paid:

|                                                     |                |
|-----------------------------------------------------|----------------|
| Issuance of common stock put right to Sweet Spot    | \$ 571,513     |
| Issuance of convertible notes payable to Sweet Spot | <u>400,000</u> |
|                                                     | \$ 971,513     |

The value assigned to the common stock put right was based on the contractual obligation of Sycamore Films to repurchase the stock pursuant to the Plan of Merger.

The acquisition of Sweet Spot by Sycamore Films was accounted for in accordance Accounting Standards Codification No. 805, "Business Combinations", whereby the purchase price has been allocated to the net assets acquired based upon consideration paid and the estimated fair values at the date of acquisition. Due to the lack of projected revenues generated to be generated there were no intangible

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assets identified and the resulting goodwill was deemed impaired and accordingly expensed on the date of the acquisition.

The following table summarizes the allocation of the purchase price to the estimated fair values of the net assets acquired on the date of the acquisition:

|                      |                  |
|----------------------|------------------|
| Cash                 | \$ 61,451        |
| Other assets         | 11,383           |
| Goodwill             | 1,884,468        |
| Accounts payable     | (188,541)        |
| Accrued liabilities  | (58,860)         |
| <u>Put liability</u> | <u>(738,388)</u> |
|                      | \$ 971,513       |

The acquisition of Sycamore by ImaRx has been accounted for as a reverse acquisition, whereby the assets and liabilities of Sycamore are reported at their historical cost since Sycamore was issued common stock equal to 85% of the total outstanding shares immediately after the transaction. The assets and liabilities of Sweet Spot are recorded at their historical cost basis on the date immediately preceding the transaction.

#### 4. Accounts Receivable

The Accounts Receivable of \$59,383 was earned in September of 2012 from the release of its property, *The Eye of the Storm*, and is due to the Company from the theatres that showed the film. The film currently is being shown on Video on Demand and DVD and is expected to generate future revenues.

#### 5. Convertible Notes Payable

In connection with the acquisition of Sweet Spot, the Company issued \$400,000 of convertible notes payable ("Notes"). The Notes bear interest at 7% and became due on October 14, 2010. The Notes are secured by a first priority perfected pledge of 50% of the shares of stock of Sycamore Films. The holders of the Notes have the right to convert all or any portion of the Notes into fully paid and non-assessable shares of common stock of the Company every thirty (30) days following the closing date with respect to all or any portion of the obligations under these promissory notes, but not less than \$20,000 at a time.

The conversion rate is based on the

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average of three (3) trading prices for the prior three (3) trading days immediately preceding the conversion date. On May 28, 2010, the Notes were converted into common stock at a conversion price of \$0.00783 per share.

#### **6. Put Liability**

In connection with the acquisition of Sweet Spot, Sycamore issued 4,614,926 shares of common stock to selling shareholders of Sweet Spot whereby beginning on November 14, 2010 through November 14, 2012, the Company is obligated purchase up to 25% of their shares of the total 4,614,926 shares common stock received by each of them under the Stock Purchase Agreement at a price of \$0.16 per share ("Put Option"). These shareholders may exercise this put right, in whole or in part, at any time or from time to time during the two year period. If during any 90-day period either or both of these shareholders elect not to exercise the put right with respect to any of 25% of the shares which they are entitled to put, such shares may be put during the following 90-day period in addition to 25% of the shares that they are entitled to put during such 90-day period. As of March 31, 2012, the holders had not exercised their Put Option. In the 3<sup>rd</sup> quarter 2012, one shareholder exercised his option, but the Company has not yet satisfied the obligation.

#### **7. Commitments and Contingencies**

On the Effective Date, the Company assumed a lease agreement dated January 1, 2010. The lease is for the Company's corporate office in Los Angeles, California consisting of approximately 1,229 square feet that expires on December 31, 2012. The minimum monthly lease payments for the years ended December 31, 2010, and 2011, are \$2,458, and \$0, respectively. Rent expense for the 3 months ended September 30, 2012 and the year ended December 31, 2011 was \$7,374 and \$16,992, respectively.

In the 3<sup>rd</sup> quarter of 2012, the Company received an adverse arbitration ruling in the amount of \$900,000, of which \$150,000 was already paid. The Company wrote this investment down to zero in the current quarter and recognized an additional liability of \$750,000 based on this adverse ruling. Additionally, the Company plans to countersue, for damages, a third party, that it considers breached its contract related to this transaction.

#### **8. Stockholders' Equity**

The Company has engaged in the following stock transaction in the 1<sup>st</sup> and second quarters of 2012:

On January 3, 2013 the Company issued 12,500,000 shares of common stock for \$50,000 to one investor in a private placement.



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On January 26, 2012 the Company issued 7,142,857 shares of stock in anticipation of consummation of a private placement. The transaction was never consummated and the Company is holding these shares in Treasury on the cost method of accounting.

On April 3, 2012, the Company issued 11,000,000 shares of common stock for \$40,000 to one investor in a private placement.

On April 9, 2012, the Company issued 9,500,000 shares of common stock for \$50,000 to one investor in a private placement.

On May 10, 2012, the Company issued 14,250,000 shares of common stock for \$25,000 to one investor in a private placement.

#### **9. Related Party Transaction**

Company director, Edward Sylvan, has periodically lent funds to the Company from inception to the current balance sheet date. The balance due has no specific repayment terms and the Company may repay this note at any time, in whole or in part, without penalty or additional interest. The balance as of September 30, 2012 and December 31, 2011 was \$455,496 and \$428,400 respectively.

#### **10. Notes Payable**

A loan of \$10,000 made to the predecessor company, Sycamore Films, Inc. in 2008 was never booked. This was booked and expensed to general and administrative expense in 2011. The note calls for simple interest at 9% per annum. The note originally was convertible into common stock, but the note holder waived this right effective December 30, 2011.

On March 31, 2011, a stockholder loaned the Company \$50,000. The balance due has no specific repayment terms and the Company may repay this note at any time, in whole or in part, without penalty or additional interest.

On May 30, 2011, an individual loaned the Company \$100,000. The balance due has no specific repayment terms and the Company may repay this note at any time, in whole or in part, without penalty or additional interest.

On January 6, 2012, the Company entered into a promissory note with an individual in the amount of \$50,000. The note bears an annual interest rate of 9% and called for repayment by February 6, 2012. The payment has not yet been made.

On February 23, 2012, the Company borrowed \$20,000 from one lender. The balance due has no specific repayment terms and the Company may repay this note at any time, in whole or in part, without penalty or additional interest.

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On June 18, 2012 an individual loaned the Company \$20,000. The balance due has no specific repayment terms and the Company may repay this note at any time, in whole or in part, without penalty or additional interest.

On June 18, 2012 an individual loaned the company \$38,800. This same individual agreed to loan an additional 60,000 CAD, upon which he will be entitled to an equity bonus of 1,000,000 shares of stock.

In August and September of 2012, one individual loaned the Company \$227,385, of which \$90,000 was paid back.

#### **11. Intangible Asset**

On December 16, 2011, the Company signed an exclusive agreement to distribute an Australian made film entitled *The Eye of the Storm* in the United States. There has been no impairment of this asset since signing.

#### **12. Investment in Subsidiary**

The Company paid \$150,000 to a joint venture partner to create a financing entity for film production and print & advertising for the film industry. The investment was written off as a loss in the third quarter of 2012 due to the impairment of the investment. (See Note 7).

#### **13. Print and Advertising Agreement**

The Company entered into a Print & Advertising agreement with a financier to assist and support its marketing efforts for *The Eye of the Storm*. In the third quarter of 2012, the Company received two payments totaling \$200,000 and the balance due was booked into Accrued Liabilities in the current period. The repayment terms are as follows:

Financier shall be entitled to payment by SEGI of an amount equal to the Gross Receipts of the Picture (as defined below) in accordance with the following:

(a) First, SEGI shall pay to the Financier an amount equal to remaining Gross Receipts, until Financier has recouped an amount equal to the Financier contribution to the P&A Financing (i.e. \$150,000.00);

(b) Second, SEGI shall pay to Financier an amount equal to 50% of the Gross Receipts then remaining until Financier has recouped an amount equal to 20% of the Financier contribution to the P&A Financing (i.e. \$30,000.00);

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(c) Third, SEGI shall pay to Financier an amount equal to 2% of the Gross Receipts then remaining for the life of the license.

**14. Subsequent Events**

There are no material subsequent events to be disclosed after the balance sheet date of September 30, 2012.