

Apple Rush Company, Inc. and Subsidiary

Consolidated Financial Statements

For the Three Months Ended

March 31, 2014 and 2013

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APPLE RUSH COMPANY, INC. AND SUBSIDIARY
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I hereby certify that the accompanying unaudited consolidated financial statements and related consolidated footnotes and supplementary information hereto are based on the best information currently available to the Company. To the best of my knowledge, this information presents fairly, in all material respects, the financial position and stockholders' equity of Apple Rush Company, Inc. and Subsidiary as of March 31, 2014 and December 31, 2013 and the results of its operations and cash flows for the three months ended March 31, 2014 and 2013, in conformity with accounting principles generally accepted in the United States of America.

/s/ Tony Torgerud
Tony Torgerud, President

Apple Rush Company, Inc. and Subsidiary
Consolidated Balance Sheets
March 31, 2014 and December 31, 2013
(Unaudited)

ASSETS		
	<u>3/31/2014</u>	<u>12/31/2013</u>
Fixed assets		
Product line artwork	\$ 50,995	\$ 50,995
Less: accumulated depreciation	<u>(23,215)</u>	<u>(22,365)</u>
Net fixed assets	<u>27,780</u>	<u>28,630</u>
Intangible assets		
Brand names and intellectual property	<u>288,235</u>	<u>288,235</u>
Total assets	<u>\$ 316,015</u>	<u>\$ 316,865</u>
LIABILITIES & STOCKHOLDERS' DEFICIT		
	<u>3/31/2014</u>	<u>12/31/2013</u>
Current liabilities		
Trade accounts payable	\$ 133,816	\$ 134,703
Accrued interest	968,905	925,230
Payroll taxes payable	1,422	1,422
Other payables	119,349	104,594
Short-term notes payable	100,000	100,000
Convertible notes payable	1,400,868	1,400,868
Derivative liability portion of convertible notes	<u>2,117,645</u>	<u>2,078,470</u>
Total current liabilities	4,842,005	4,745,287
Long-term debt		
Note payable	<u>232,114</u>	<u>232,114</u>
Total liabilities	<u>5,074,119</u>	<u>4,977,401</u>
Stockholders' deficit		
Preferred A stock (no par 10,000,000 authorized, and 10,000,000 issued and outstanding)	666,667	666,667
Common stock (no par 49,830,000,000 authorized, and 4,834,689,629 issued and outstanding)	9,623,495	9,623,495
Accumulated deficit	<u>(15,048,266)</u>	<u>(14,950,698)</u>
Total stockholders' deficit	<u>(4,758,104)</u>	<u>(4,660,536)</u>
Total liabilities and stockholders' deficit	<u>\$ 316,015</u>	<u>\$ 316,865</u>

See accompanying notes to financial statements.

Apple Rush Company, Inc. and Subsidiary
Consolidated Statements of Operations
For the Three Months Ended March 31, 2014 and 2013
(Unaudited)

	Three Months Ended <u>3/31/2014</u>	Three Months Ended <u>3/31/2013</u>
Sales	\$ -	\$ -
Operating expenses		
Depreciation	850	1,678
Professional fees	<u>13,868</u>	<u>-</u>
Total operating expenses	<u>14,718</u>	<u>1,678</u>
Other expenses		
Interest expense	43,675	43,675
Derivative liability value adjustment	<u>39,175</u>	<u>39,175</u>
Total other expenses	<u>82,850</u>	<u>82,850</u>
Net loss	<u><u>\$ (97,568)</u></u>	<u><u>\$ (84,528)</u></u>
Weighted average number of common shares outstanding	<u><u>4,834,689,629</u></u>	<u><u>4,834,689,629</u></u>
Net loss per share	<u><u>\$ (0.00)</u></u>	<u><u>\$ (0.00)</u></u>

See accompanying notes to financial statements.

Apple Rush Company, Inc. and Subsidiary
Consolidated Statement of Changes in Stockholders' Equity/(Deficit)
From December 31, 2012 to March 31, 2014
(Unaudited)

	<u>Common Stock</u>		<u>Preferred Stock</u>		<u>Accumulated</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>(Deficit)</u>	<u>Stockholders'</u>
						<u>Equity/(Deficit)</u>
Balance, December 31, 2012	4,834,689,629	\$ 9,623,495	10,000,000	\$ 666,667	\$ (14,612,587)	\$ (4,322,425)
Net loss January 1, 2013 to December 31, 2013					(338,111)	(338,111)
Balance, December 31, 2013	4,834,689,629	9,623,495	10,000,000	666,667	(14,950,698)	(4,660,536)
Net loss January 1, 2014 to March 31, 2014					(97,568)	(97,568)
Balance, March 31, 2014	<u>4,834,689,629</u>	<u>\$ 9,623,495</u>	<u>10,000,000</u>	<u>\$ 666,667</u>	<u>\$ (15,048,266)</u>	<u>\$ (4,758,104)</u>

See accompanying notes to financial statements.

Apple Rush Company, Inc. and Subsidiary
Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2014 and 2013
(Unaudited)

	Three Months Ended <u>3/31/2014</u>	Three Months Ended <u>3/31/2013</u>
OPERATING ACTIVITIES		
Net loss	\$ (97,568)	\$ (84,528)
Adjustment to reconcile net loss to net cash used in operations:		
Depreciation	850	1,678
Derivative liability value adjustment	39,175	39,175
Trade accounts payable change	(887)	-
Accrued interest change	<u>43,675</u>	<u>43,675</u>
Net cash used in operating activities	<u>(14,755)</u>	<u>-</u>
INVESTING ACTIVITIES	<u>-</u>	<u>-</u>
FINANCING ACTIVITIES		
3rd Party Payments to Company Vendors	<u>14,755</u>	<u>-</u>
Net cash increase for the period	<u>-</u>	<u>-</u>
Cash at the beginning of period	<u>-</u>	<u>-</u>
Cash at the end of period	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Supplemental disclosures:		
Cash paid for interest	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

Apple Rush Company, Inc. and Subsidiary
Notes to Financial Statements

1. NATURE OF BUSINESS AND BASIS OF PRESENTATION

Basis of Presentation and Principles of Consolidation

The consolidated financial statements include the accounts of Apple Rush Company, Inc., (the “Company”) which is a Texas corporation and its wholly owned subsidiary, Garden Distributing, Inc. (“Garden”), which is an Illinois corporation that has been dissolved. All material inter-company balances and transactions have been eliminated in consolidation.

Nature of Business and Current Operations

The Company develops, bottles, markets, distributes and sells a variety of beverages and snacks to wholesale and retail clients throughout the United States. The Company has a branded product called Apple Rush which is a line of 100% organic sparkling juice blended beverages, with apple juice as the base.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

For the purpose of the statements of cash flows, all highly liquid investments with an original maturity of three months or less are considered to be cash equivalents. There were no cash equivalents as of March 31, 2014.

Trade Accounts Receivable

Trade accounts receivable is recorded at the amount the Company expects to collect on balances outstanding at the balance sheet date.

Fixed Assets

Fixed assets are recorded at cost, net of accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Repairs and maintenance are charged to expense as incurred. Expenditures for betterments and renewals are capitalized. The cost of fixed assets and the related accumulated depreciation are removed from the accounts upon retirement or disposal with any resulting gain or loss being recorded in operations.

Intangible Assets

Intangible assets are initially assessed for impairment upon purchase, with subsequent assessments required annually. When there is reason to suspect that their values have been diminished or impaired, a write-down is recognized as necessary.

Income Taxes

Deferred tax assets and liabilities are computed based upon the difference between the financial statement and income tax basis of assets and liabilities using the enacted marginal tax rate applicable when the related asset or liability is expected to be realized or settled. Deferred income tax expenses or benefits are based on the changes in the asset or liability each period. If available evidence suggests that it is more likely than not that some portion or all of the deferred tax assets will not be realized, a valuation allowance is required to reduce the deferred tax assets to the amount that is more likely than not to be realized. Future changes in such valuation allowance are included in the provision for deferred income taxes in the period of change.

Apple Rush Company, Inc. and Subsidiary
Notes to Financial Statements

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts could differ from those estimates.

Loss Per Share

Loss per share is computed by dividing net income by the weighted average number of common shares outstanding of 4,834,689,629 for the three months ended March 31, 2014, and 4,834,689,629 for the three months ended March 31, 2013. The computation of loss per share does not assume the exercise of warrants, options or convertible notes because that would have an anti-dilutive effect.

Accounting for Derivative Instruments

Statement of Financial Accounting Standard ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, requires all derivatives to be recorded on the balance sheet at fair value. In September 2000, the Emerging Issues Task Force ("EITF") issued EITF 00-19, "Accounting for Derivative Financial Instruments Indexed to and Potentially Settled in, a Company's Own Stock," ("EITF 00-19") which requires freestanding contracts that are settled in a company's own stock, including common stock warrants, to be designated as an equity instrument, asset or a liability. Under the provisions of EITF 00-19, a contract designated as an asset or a liability must be carried at fair value on a company's balance sheet, with any changes in fair value recorded in the company's results of operations.

3. GOING CONCERN

As shown in the accompanying financial statements, the Company has incurred cumulative losses of \$15,048,266 since inception. These conditions raise substantial doubt as to the Company's ability to continue as a going concern. In order to meet its upcoming continuing obligations, additional financing or new revenue growth will be needed. The financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

4. INCOME TAXES

The Company has incurred significant losses since inception and no provision for income taxes has been recorded. In addition, no benefit for income taxes has been recorded due to the uncertainty of the realization of any tax assets. At March 31, 2014, the Company had approximately \$15,048,266 of federal and state net operating losses. The net operating loss carryforwards, if not utilized, will begin to expire in 2027.

Apple Rush Company, Inc. and Subsidiary
Notes to Financial Statements

5. INTANGIBLE ASSETS

Upon formation of the Company, one stockholder contributed licensing rights to the brand name, Apple Rush, and all related intellectual property. The fair value of this asset was determined to be \$288,235 based on the value of other cash purchases of stock.

Management believes that the remaining intangible assets have no determinable life. Therefore, no amortization is reflected in the financial statements.

6. SHORT-TERM NOTES PAYABLE

The Company entered into two notes payable that came due in September of 2009. Interest is payable monthly at 12.63% on the \$95,000 note and 18% on the \$100,000 note. The \$100,000 note is collateralized by the Company's inventory and is now past due. The \$95,000 note was sold and changed to a convertible note.

7. CONVERTIBLE NOTE PAYABLE AND DERIVATIVE LIABILITY

There are currently convertible note agreements with five investors. A \$220,000 note came due on September 27, 2008 and has an interest rate of 10% per annum. This note has been in default since November 1, 2012. Another note in the amount of \$917,493 came due on September 30, 2010 and has an interest rate per month at the higher of 1% (per month), or 0.2% of the first \$1,500,000 of gross monthly sales, plus 0.3% of the next \$500,000 of gross monthly sales, plus 0.4% of the next \$500,000 of gross monthly sales, plus 0.5% of any monthly sales beyond that. This percentage of sales calculation is then multiplied by 9.17493, which is the number of \$100,000 of outstanding principle balance of the note. The third note in the amount of \$70,000 came due on December 30, 2009 and has an interest rate of 10% per annum, payable quarterly starting on April 1, 2009. The note and interest are currently past due. The Company has the option of making any payments in the Company's stock rather than cash for all of the notes. The lenders have the option to convert the notes into the Company's common stock. The conversion price for the \$220,000 note is the lesser of \$0.00001 per share or 50% of the market price of the stock. The conversion price for the \$917,493 note is the lesser of \$0.10 per share or 50% of the market price of the stock. The conversion price for the \$70,000 note is the lesser of \$0.05 per share or 50% of the market price of the stock. This conversion formula also applies to payments of interest and principle by the Company if the Company chooses to pay in shares rather than cash. The holder of the fourth note purchased a \$95,000 note and exchanged that for a convertible note on December 9, 2010. It is convertible into common stock at \$0.0001 per share. The fifth note totaling \$150,000 is related to a consulting service contract. It is convertible at the lesser of 40% of the current market price or \$0.0001 per share.

8. LONG-TERM DEBT

There is a note payable that came about from the asset purchase of Garden Beverage, Inc. and A1 Beverage, Inc. (the "Former Garden"). Payments of \$11,810 were payable monthly. Major disagreements between the Company and Former Garden caused the Company to stop making further payments against this note. No payments have been made since 2009. The Company is not sure whether this note will not have to be repaid. Due to these issues, the note will no longer accrue interest and the balance will not be adjusted until either a settlement is reached or a likely settlement amount becomes known.

Apple Rush Company, Inc. and Subsidiary
Notes to Financial Statements

9. DISCONTINUATION OF SUBSIDIARY

In 2012, the Company wrote off all assets of Garden and all liabilities that the Company is not legally obligated to pay. This caused a gain of \$488,850 in 2012 on disposal mainly due to the write-off of old payables.

10. STOCKHOLDERS' EQUITY

Preferred Stock

The Company is authorized to issue 10,000,000 shares of preferred A stock. 10,000,000 shares are issued and outstanding as of the balance sheet date.

Common Stock

The Company is authorized to issue 49,830,000,000 shares of common stock. 4,834,689,629 shares are issued and outstanding as of the balance sheet date.

11. SUBSEQUENT EVENTS

On April 7, 2014 the Company issued 824 shares to settle some rounding problems with the transfer agent that were the result of a reverse stock split from 2011.

No other significant events have occurred subsequent to the balance sheet date.