Annual Report

For the Year ended December 31, 2016

Trading Symbol:	**“CFSU”**
CUSIP Number:	**204535108**

COMPLETE FINANCIAL SOLUTIONS INC.
ANNUAL REPORT
For the Year Ended December 31, 2016

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Item 1 Name of the Issuer and its Predecessors (if any)

Complete Financial Solutions Inc., a Nevada corporation (referred to as "CFSI" or the "Company")

Item 2 Address of the Issuer's Principal Executive Offices

Complete Financial Solutions Inc.
113 East Magnesium Rd., Suite D
Spokane, WA 99208
Telephone: 509-928-1123
Website: www.cfsi.biz

IR Contact:
Allen Ringer
Telephone: 866-928-1123
aringer@cfsi.biz

Item 3 Security Information

Trading Symbol:	**CFSU**
Title and class of securities outstanding:	**Common Stock**
CUSIP:	**204535108**
Par Value:	**$.001 per share**
Total shares authorized:	**75,000,000** as of December 31, 2016
Total shares outstanding	**54,501,756**[1] as of December 31, 2016

Additional classes of securities:

Trading Symbol:	**None**
Title and class of securities outstanding:	**Series B Preferred Stock**
CUSIP:	**None**
Par Value:	**$.001 per share**
Total shares authorized:	**2,000,000** as of December 31, 2016
Total shares outstanding	**2,000,000** as of December 31, 2016

Trading Symbol:	**None**
Title and class of securities outstanding:	**Series C Preferred Stock**
CUSIP:	**None**
Par Value:	**$.001 per share**
Total shares authorized:	**3,000,000** as of December 31, 2016
Total shares outstanding	**1,319,700** as of December 31, 2016

[1] Includes 20,000,000 shares held by subsidiary ACMC eliminated upon consolidation.

Transfer Agent:

Columbia Stock Transfer Company
1869 E. Seltice Way, Suite 292
Post Falls, ID 83854
Phone: (208) 664-3544
Fax: (855) 664-3544
www.columbiastock.com

Is the Transfer Company registered under the Exchange Act? Yes ☒ No ☐

List any restrictions on the transfer of security:

Shares previously issued in private placements or through our employee stock incentive plan ("restricted securities"), and shares held by affiliates such as officers, directors or large shareholders ("control securities") are subject to the applicable resale conditions of Rule 144. Rule 144 requires a holding period for restricted and control securities of at least twelve (12) months after acquisition, before open market sales can be made. Affiliates are subject to additional requirements for market sales, including current public information, volume limitation on sales, manner of sale requirements, and the filing of a Form 144.

Describe any trading suspension orders issued by the SEC in the past 12 months: None

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

None .

Item 4 Issuance History

During the quarter ended January 31, 2015, 468,753 shares were sold to two individuals for conversion of debt of $46,875 ($0.10 per share). During the quarter ended March 31, 2016, 6.0 million shares were sold to an affiliated entity for conversion of debt ($0.11 per share) and other consideration. On April 29, 2016, another 4.0 million shares were issued to the same affiliated entity for conversion of debt ($0.12 per share) and other consideration. The purchasers had long-standing business relationships with the Company, had access to all material information concerning the Company, and made representations to us as to their investment intent and financial sophistication. The purchasers received restricted securities and appropriate legends were affixed to the certificates issued in the transaction. The issuance was deemed to be exempt from registration under the Securities Act of 1933, as amended ("Securities Act") in reliance on Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

Item 5 Financial Statements

The unaudited consolidated financial statements for the years ended December 31, 2016 and 2015, are attached, starting on page 27.

Item 6 Description of Business, Products and Services

a. Description of the issuer's business operations:

Complete Financial Solutions Inc. is an emerging financial services company, currently primarily engaged in mortgage services. Through our subsidiary Acceptance Capital Mortgage Corporation ("ACMC"), we are currently licensed in 26 states to service the borrowing and refinancing needs of individual home buyers and owners. As an independent residential mortgage broker and lender, ACMC originates mortgages in approximately 45 branch offices utilizing about 175 employees. We have access to the products and services of eleven (11) correspondent lenders, including five mini-correspondent banking lines, and are eligible to underwrite loans in our own name. We also have a number of brokered lender relationships that we use primarily for niche products. Although we currently focus on mortgage solutions, we are developing additional financial product and service offerings for our mortgage customers and the real estate community, such as insurance services, credit repair services, loan servicing and banking services.

b. Date and State (or Jurisdiction) of Incorporation:

Nevada; incorporated July 7, 2006

c. Issuer's primary and secondary SIC Codes:

The Standard Industrial Code for our principal line of business is: 6162

d. Issuer's fiscal year end date:

December 31

e. Principal products or services, and their markets:

Loan Originations

We are an independent residential mortgage broker and lender. A significant portion of our originations are single-family mortgage loans that are eligible for FHA mortgage insurance, which represented about 47% of our originations in 2016. ACMC is an FHA Title II approved mortgage lender (mortgagee), with HUD Direct Endorsement approval, allowing it to underwrite, originate, fund, service and own FHA insured single-family mortgages. Qualified mortgage lenders are sometimes known as "Full-Eagles" (full-fledged FHA participating lenders) in the industry because they can perform any lender function on a FHA loans. ACMC is a "nonsupervised" lender, meaning it is not a financial institution (such as a bank, savings association, or a credit union) that is a member of the Federal Reserve System, or with accounts insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA). "Nonsupervised" mortgage lenders are regulated by the states. As a mortgage lender, we must acquire and maintain a license from each state in which we operate, obtain a separate agents' licenses where required, purchase bonds, and comply with state annual maintenance requirements.

Brokered Loans. Brokered loans do not involve the use of our own funds and rely on the lender to make the final funding decision. As a mortgage broker, we process and sell a lender's mortgage product to a borrower and receive an origination fee from either the borrower or the lender. If paid by the lender, the fee is typically fixed in advance of the transaction by the lender and is based on a percentage of the loan amount. If paid by the borrower the fee amount is more flexible. For FHA lending, originators can earn money based on the origination fee paid by either the broker lender or the borrower. By regulation, this fee cannot exceed 3% of the loan amount. From the loan fee proceeds, we withhold an administration and a loan processing fee, and credit the balance to our originating branch office. Administration fees range from a low of $350 to a $1,000 cap on our largest brokered loans. Brokered loans represented about 2% of our mortgage originations in 2016.

Correspondent Lender Loans. With correspondent loans, we originate loans utilizing a warehouse line of credit from a lender, and then sell the loans after settlement in the secondary market. Typically, the purchasing investor makes the funding decision for the loan, based on that investor's underwriting criteria. The advantage of this type of loan origination is that it allows us to control the yield spread premium ("YSP"). YSP is the dollar amount, expressed as a percentage of the loan amount that an investor is willing to pay for a particular piece of business. YSP can range from 0% (par rate) to several percentage points. Three-point-three percent (3.3%) is a typical YSP in our case. The loan typically is assigned to the investor to be sold directly to the secondary market. A correspondent loan typically includes the right to service the loan and a "servicing release premium" (SRP) is collected by the lender upon resale of the mortgages to the final investor. The lender typically pays us a portion of the SRP, usually between .75% and 1.00% of the loan amount, which we receive in addition to our standard administration and loan processing fees. Correspondent loans represented about 98% of our mortgage originations during 2016.

ACMC Underwritten Loans. In February 2013, ACMC earned its HUD Direct Endorsement approval, allowing it to originate, underwrite, fund and close its own FHA loans. We have since secured warehouse line of credit facilities that allow us to do this, and in March 2014, after completing our test-case phase with FHA, we began to underwrite our own loans in a measured approach for both FHA and USDA loans. Underwriting is largely managed by our Evansville Regional Office, a branch and operations center that we acquired in 2014, where we also accept loan origination from third party mortgage retailers (TPOs), providing them with wholesale underwriting and purchasing of loans.

ACMC Secondary Market Activity. As part of the acquisition of our Evansville regional office, we also entered into a management services agreement with an outside firm that specializes in the sale of mortgage loans into the secondary market. This firm, under contract with ACMC, provides best practices underwriting oversight to insure our mortgage loans meet the requirements for sale into the secondary market. In addition, the firm manages warehouse lines that it uses to fund loans that are originated by both ACMC and TPOs. Finally, the firm has procured agreements with several companies that purchase our loans. As a result of this relationship, ACMC is able to generate additional revenues from underwriting, funding, and selling its loans, as well as revenues generated by the TPO relationships.

Loan Products. We have the ability to offer a wide selection of mortgage products, including conventional, FHA-insured, fixed and adjustable rate mortgages, with different maturities. Like conventional mortgages, there are several different types of FHA mortgages, including both fixed rate and adjustable rate products. We offer these loan products for both conforming loans (loans of $424,100[2] or less) and non-conforming loans (loans over $424,100). We also offer a variety of other loan products, including second trust deed loans, as needed to effectively compete with other loan originators. All of our loan products are designed according to standards required either for participation in FHA mortgage insurance programs, or as required by secondary market investors to ensure liquidity. Our policy is not to engage in predatory lending or to provide high cost loans which feature either an interest rate or points and fees charged in connection with loans that exceed certain thresholds prescribed by federal or state law or local ordinances. We follow the Mortgage Bankers Associations' "Best Practices Statement" as part of our fair lending policy.

[2] Conforming loan limits can be higher in certain geographic regions.

Processing Services

Mortgage loans funded in the U.S. must be processed according to the lender's specifications ("underwriting conditions") in order to be approved and funded. Our loan processing services are provided by ACMC. Another subsidiary, AlliancePro Processing, Inc. provides the internally developed, proprietary technology platform for our business. The loan processing procedure includes gathering written verification of borrower's documentation and credit worthiness, reviewing conditions imposed by the lender to close the loan, ordering settlement services from third-party vendors (e.g. appraisal, flood and title reports and mortgage insurance), funding any impounds required (taxes and insurance) and paying closing costs, and submitting the completed loan package to the underwriting department of the chosen lender where it is either approved, rejected, or "approved with conditions." If the result is approval "with conditions," then the loan processor must work with the loan originator and the borrower to conform the application to the lender's underwriting conditions. The processing portion of the mortgage origination process can take as little as a week or as long as several months.

Ancillary Services

We are seeking revenue growth by developing additional financial product and service offerings for our mortgage customers and the real estate community. Ancillary services currently do not constitute a material portion of our total revenues.

Accounting Services. We intend to offer accounting services to our mortgage customers through our subsidiary, Accounting Solutions, Inc. In January 2015, we acquired the assets of Emery Accounting, and have integrated its team of six full time employees and two part-time associates. Accounting Solutions, Inc. offers personalized accounting, tax and bookkeeping services to individuals and small businesses in the U.S. and internationally.

Insurance Services. Currently inactive, Insurance Solutions Inc. offered several mortgage protection products on an agency basis from 2011 to 2014, including plans that provide return of premium, living benefits and cash to survivor, as well those that pay the balance of the mortgage upon death. We may utilize Insurance Solutions in the future to offer life and medical related insurance products to ACMC mortgage customers at the point of mortgage sale.

Credit Repair Services. Mortgage customers that need to rehabilitate their credit in order to qualify for a loan are currently referred to a reputable third-party credit restoration company. We may opt to offer this service in the future.

Loan Servicing. As we underwrite our own residential mortgage loans, we may retain the servicing rights. Loan servicing primarily involves the calculation, collection and remittance of principal and interest payments, the administration of mortgage escrow accounts, the collection of insurance claims, the administration of foreclosure procedures, the management of real estate owned (REO) property, and the disbursement of required protective advances. Loan servicers typically receive recurring, fee-based revenues based upon contractually established servicing fees, as well as interest income on amounts deposited in collection accounts and amounts held in escrow to pay property taxes and insurance.

Bank Affiliation. If we obtain adequate funding we will seek to affiliate with a federal or state charter commercial bank. The acquisition of a significant ownership interest in a bank may require us to become a bank holding company under the Bank Holding Company Act, and would be subject to the prior approval of the applicable federal or state banking regulators.

Mortgage Industry Background

Residential Mortgage Originations

Based on estimates provided by the Mortgage Bankers Association, there were $1.9 trillion, $1.6 trillion, and $1.3 trillion in loans originated for 1- to 4-family homes during the years ended December 31, 2016, 2015, and 2014, respectively.[3] In 2016, approximately 48% of the origination market was from refinancing activity rather than sales of new and existing homes, compared to 46% in 2015 and 40% in 2014. Refinancing activity primarily reflects efforts to lower payments in a low interest rate environment.

Mortgage originators typically advise borrowers, process loan files, collect and verify the property and borrower data upon which lending decisions are based and, in the majority of cases, fund and close the mortgage loan. According to NMLS, which is the sole system of licensure for mortgage companies for state agencies and mortgage originators, there were approximately 562,837 state licensed or federally registered individuals and 26,186 licensed companies or federal institutions engaged in originating residential mortgages across the United States at December 31, 2016.[4] These individuals generally work for large commercial banks, non-depository mortgage banks, smaller commercial banks, thrifts and credit unions, or independent mortgage brokerages that originate loans for multiple mortgage lenders. ACMC acts as both mortgage lender and as a broker for a variety of mortgage lenders.

Mortgage Origination Process

Residential mortgage origination refers to the initiation and completion of the loan process, which begins when a borrower submits financial information to a bank or mortgage lender for loan processing. Depending on documentation type, a borrower will have to supply certain credit, income, asset, and employment information to initiate the underwriting process. If the loan is approved, a set of conditions will be released that need to be met before the loan can move to the lender's closing and funding department. Post-closing activities are performed by the lender's quality control department, including review, loan registry and establishment of servicing rights. Ultimately, the loan is delivered to the appropriate parties and funded. Originating a residential mortgage involves multiple parties and requires a series of transactions that must be handled accurately under time constraints. By the time a mortgage has been funded, a typical loan package can contain over a thousand pages of documents that come from over a dozen different entities. Much of the data used to prepare these documents has traditionally been gathered manually, rather than electronically, with documents exchanged among the many participants by facsimile, courier or mail.

FHA Mortgage Insurance

The Federal Housing Administration (FHA) insures home mortgages made by private lenders against the possibility of borrower default. If the borrower does not repay the mortgage, FHA pays the lender the remaining principal amount owed. By insuring lenders against borrower default, FHA intended to expand access to mortgage credit to households, such as those who are first-time, low- and moderate income borrowers. FHA traditionally insures more mortgages during periods when lenders and private mortgage insurers tighten their lending standards and reduce activity in response to market conditions, and it generally insures fewer mortgages at times when lenders and private mortgage insurers make mortgage credit more easily available. FHA loans carry no maximum household income limitation, and the high

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[3] Mortgage Bankers Association, MBA Annual Mortgage Origination Estimates as of March 2017, Copyright 2017. Total home sales include condos and co-ops.

[4] NMLS, *Mortgage Industry Report (2016 Quarter 4)*, Released February 6, 2017.

permissible LTV ratios permit refinance opportunities for many home owners whose home values dropped leaving them with minimal equity.

Recent Mortgage Industry Trends and Developments

The residential mortgage industry continues to evolve and has undergone significant changes since 2008, largely in response to the hundreds of billions of dollars of loan defaults and massive losses suffered by lenders and investors. The changes have significantly impacted the residential mortgage industry, and coupled with adverse economic conditions, have contributed to a reduction and consolidation of the mortgage broker segment of the industry. The small, midsized, and community-based, nondepository mortgage lenders are less able to handle the regulatory burdens and compliance costs imposed uniformly on both them and large banks and institutional lenders. There are several major trends that are currently impacting the residential mortgage industry:

Focus on Operational Efficiencies due to Increased Costs

The regulatory reforms enacted since 2008, combined with increased demands for loan quality, have significantly increased the cost of originating residential mortgages. Mortgage originators experienced a significant increase in the average total production cost per loan, from $3,685 in 2009 to $7,562 in the fourth quarter of 2016.[5] In the fourth quarter of 2016, independent mortgage banks made an average profit of $575 on each loan they originated.[5] We expect operational costs to continue to be a significant consideration due to the continuously changing regulatory environment and heightened quality standards. As a result, mortgage originators have sought to increase their efficiency and reduce expenses that are not tied to revenue generating activities.

Changes in Regulation Affecting Lenders and Investors

Mortgage lending regulations continue to change and many regulatory reforms have been introduced or proposed in recent years to promote increased underwriting standards and accountability by lenders and mortgage originators, ensure meaningful disclosures by lenders to borrowers, increase the transparency and objectivity of settlement services, and protect consumers in the mortgage market from unfair or abuse lending practices. Many of the significant changes in regulations were issued in 2014 and 2015 including legal changes resulting from the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, and associated regulations issued by the Consumer Financial Protection Bureau, or CFPB. These regulatory changes have complicated the mortgage origination process and increased the amount of documentation required to originate and fund residential mortgages.

Over the last several years, the FHA initiated changes such as increasing the insurance premiums that borrowers pay for FHA-insured mortgages, strengthening FHA's underwriting guidelines for its single-family program, increasing the required down payment for borrowers with lower credit scores, and placing limits on allowable seller contributions to closing costs. In addition, HUD increased the minimum net worth requirements for FHA-approved lenders, restricted the ability of mortgage brokers to originate FHA-insured loans, and required certain lenders that originate FHA-insured mortgages to indemnify FHA in cases of fraud or misrepresentation on the part of the lender or for insurance claims paid on mortgages that did not comply with FHA loan requirements. The government has considered implementing additional reforms relating to borrowers, lenders, and investors in the mortgage market, including eliminating over time the role of the FHA in guaranteeing mortgages and purchasing mortgage loans, reducing the maximum size of a

[5] Mortgage Bankers Association, *Independent Mortgage Bank Volumes Decrease, Production Profits Drop in 4th Quarter 2016,* March 21, 2017.

loan that the FHA can purchase, changing underwriting standards, increasing accountability and transparency in the securitization process, and limiting the amount of loans a company can sell to the FHA based upon the company's net worth.

Increased Quality Standards Imposed by Regulators, Lenders and Investors

Lenders have eliminated many high-risk loan product offerings and have significantly tightened underwriting and processing requirements. Similarly, investors seek higher-quality, lower-risk loans in which to invest. Consistent with these tightened standards, lenders and investors are demanding increased levels of documentation of the data upon which a lending decision will be based, increased use of third-party services to obtain unbiased and independent verification of borrowers' creditworthiness, greater proof of the adequacy of the collateral securing mortgages and strict compliance with regulatory requirements. This trend further increases the amount of documentation and number of services required to originate and fund residential mortgages.

Greater Focus on Data Security and Consumer Privacy

Recent high-profile data security incidents affecting banking institutions and their third-party service providers have resulted in an increased focus on data security by mortgage originators and regulators. We expect the industry focus on data security to continue to increase as companies generate greater amounts of data and as future data security incidents occur.

Sales and Marketing

We believe that a key component of our growth and profitability is increasing our mortgage origination volumes, which represent our core business. Our success will be dependent on many factors. These include increasing awareness of products and services, increasing purchase mortgage originations as loan refinancings decrease, increasing our loan origination operational capacities, attracting qualified employees, providing high quality service, maintaining our approvals with HUD and with investors, offering a competitive mortgage product portfolio, our ability to obtain adequate warehouse borrowing capacity, maintaining loan quality, managing the risk of losses from repurchases, and adapting to the changing regulatory environment for mortgage lending.

We provide our services to the public through our national branch and employee network. We hire employees with industry experience and provide them with marketing and support materials, ongoing training and promotion assistance. We provide tools for our employees to use in their sales efforts, such as pre-designed advertisements, brochures and sales presentations to offer a consistent look and message. We promote our products and services through our website, directories, newsletters, e mail, and other means. In addition, we pursue strategic affiliations with companies with access to potential customers and occasionally utilize regional and web-based advertising campaigns. Our ACMC employees are salaried and receive bonuses based on their mortgage origination volume, and are eligible for service-based equity compensation.

Competition and Mortgage Origination Market

The mortgage lending industry is highly competitive, and may become more competitive as a result of legislative, regulatory, economic, and technological changes, as well as consolidation. Our competitors include money center banks, regional and community banks, thrifts, credit unions, real estate brokerage firms, mortgage brokers, mortgage banking companies and other entities originating loans for residential mortgages. We also compete with some of the same entities to obtain correspondent loans and warehouse lines of credit. Most of these companies have larger scale organizations and greater financial resources than we do. We compete for business based on pricing, service, fees, underwriting features and other factors.

The origination market was approximately $1.75 trillion in each of 2012 and 2013 due both to home sales and high refinancing demand caused by low interest rates. In 2014 the origination market contracted to approximately $1.12 trillion, and expanded to $1.89 trillion in 2016. It is projected to contract to $1.6 trillion in 2017 according to MBA forecasts.[6] With the economic conditions experienced in the last few years, the Federal Reserve has kept interest rates low to spur economic growth. The resulting historically low interest rate environment drove significant refinance volumes in 2011 and 2012. According to MBA data, refinancing activity declined from approximately 71% of the origination market in 2012, to 48% in 2016.[6] MBA expects that purchase originations will increase slightly from $990 billion in 2016, to $1.1 trillion in 2017. In contrast, refinances are expected to decrease to $496 billion in 2017, from $901 billion in 2016.

Competitiveness has and will increase in this shrinking mortgage market, putting pressure on the market competitors to continue to shift from a refinance orientation to a purchase mortgage orientation, or to reduce pricing to sustain origination volumes and market share. We believe that the lower levels in forecasted residential mortgage loan volume in 2017 will require us to increase our market share or our revenues per loan in order to maintain and improve our financial performance. We cannot guarantee we will be successful in these efforts.

Historically, the processing of loan applications has been the responsibility of the loan originator, typically a mortgage broker or a retail lender. Many organizations fall within both categories, offering centralized lending services through small mortgage brokerage firms or regional offices. There continues to be an industry trend by certain originators to outsource the processing of the loan application. To our knowledge, no single competitor has been successful in its efforts to capture a significant portion of the processing industry. As with originations, we expect to face substantial competition in our efforts to develop into a nationwide processor of loan applications.

Government Regulation

The U.S. mortgage industry is heavily regulated. Our mortgage origination and banking operations, as well as our real estate processing services, are subject to federal, state and local laws that regulate and restrict the manner in which we operate in the residential mortgage industry. In addition, wholesale mortgage bankers, correspondents and investors from or to whom we purchase or sell loans are also subject to regulation, which may have an effect on our business and the mortgage loans we are able to fund or acquire. The mortgage banking business is subject to the rules and regulations of the Department of Housing and Urban Development (“HUD”), the Federal Housing Administration (“FHA”), the Veterans Administration (“VA”), FNMA, FHLMC, the Governmental National Mortgage Association (“GNMA”), and various state regulatory agencies with respect to originating, processing, underwriting, selling, securitizing, and servicing of mortgage loans. In addition, there are other federal and state statutes and regulations affecting our activities, such as those imposing licensing obligations, prohibiting discrimination, and establishing underwriting guidelines that include provisions for inspections and appraisals, require credit reports on prospective borrowers, establish eligibility criteria for mortgage loans, and fix maximum loan amounts.

[6] Mortgage Bankers Association, MBA Mortgage Finance Forecast, March 15, 2017, Copyright 2017.

Compliance with regulations in the mortgage industry requires us to incur costs and expenses in our operations. To the extent we, or others with which we conduct business, do not comply with applicable laws and regulations, we may be subject to fines, reimbursements and other penalties. The laws and regulations that we are subject to include the following:

- the Federal Truth-in-Lending Act (known as TILA) and Regulation Z promulgated thereunder, which require certain disclosures to the borrowers regarding the terms of the loans and require substantial changes in compensation that can be paid to brokers and loan originators;
- the Equal Credit Opportunity Act and Regulation B promulgated thereunder, which prohibit discrimination on the basis of age, race, color, sex, religion, marital status, national origin, receipt of public assistance or the exercise of any right under the Consumer Credit Protection Act, in the extension of credit;
- the Fair Housing Act, which prohibits discrimination in housing on the basis of race, color, national origin, religion, sex, familial status, or handicap, in housing-related transactions;
- the Fair Credit Reporting Act, which regulates the use and reporting of information related to the borrower's credit experience;
- the Fair and Accurate Credit Transaction Act, which regulates credit reporting and use of credit information in making unsolicited offers of credit;
- the Gramm-Leach-Bliley Act, which imposes requirements on all lenders with respect to their collection and use of nonpublic financial information and requires them to maintain the security of that information;
- the Real Estate Settlement Procedures Act (known as RESPA) and Regulation X, promulgated thereunder, which requires that consumers receive disclosures at various times and outlaws kickbacks that increase the cost of settlement services;
- the Home Mortgage Disclosure Act, which requires the reporting of public loan data;
- the Telephone Consumer Protection Act and the Can Spam Act, which regulate commercial solicitations via telephone, fax, and the Internet;
- the Depository Institutions Deregulation and Monetary Control Act of 1980, which preempts certain state usury laws;
- the Alternative Mortgage Transaction Parity Act of 1982, which preempts certain state lending laws which regulate alternative mortgage transactions;
- the Fair Debt Collection Practices Act, which prohibits unfair debt collection practices; and
- the Secure and Fair Enforcement for Mortgage Licensing Act of 2008, which establishes national minimum standards for mortgage licensees.

In addition, the Dodd-Frank Wall Street Reform and Consumer Protection Act is a sweeping overhaul of the financial regulatory system. The Dodd-Frank Act has increased, and will continue to increase, regulation of the mortgage industry, including: generally prohibiting lenders from making residential mortgage loans unless a good faith determination is made of a borrower’s creditworthiness based on verified and documented information; requiring the Consumer Financial Protection Bureau to enact regulations to help assure that consumers are provided with timely and understandable information about residential mortgage loans that protect them against unfair, deceptive and abusive practices; and requiring federal regulators to establish minimum national underwriting guidelines for residential mortgages that lenders will be allowed to securitize without retaining any of the loans’ default risk.

We are a HUD approved lender for our mortgage lending operations. As such, we are required to maintain net worth requirements, renew our HUD approval annually, and submit audited financial statements and supplementary reports. Our affairs are subject to examination by HUD and state regulatory agencies at any time to assure compliance with applicable regulations, policies and procedures. Also see below under "Risk Factors — The mortgage industry is heavily regulated and changes in current legislation or new legislation could adversely affect our business" for a further discussion of regulations that may affect us.

Seasonality and Revenue Fluctuation

The refinance portion of our mortgage banking business is not seasonal, but it is influenced by interest rates and federal monetary policy. Increases in mortgage interest rates can be expected to reduce the volume of new mortgages originated, in particular the volume of mortgage refinancings. On the other hand, our purchase mortgage business is generally subject to seasonal trends. Seasonality trends reflect the general pattern of housing sales, which typically peak during the spring and summer seasons. Our revenues and operating results have in the past varied and could in the future vary significantly from quarter-to-quarter and year-to-year because of various factors, many of which are outside our control.

Forward-Looking Statements

In addition to current and historical information, this Annual Report contains forward-looking statements. These statements relate to our future operations, prospects, potential products, services, developments, business strategies or our future financial performance. Forward-looking statements reflect our expectations and assumptions only as of the date of this report and are subject to risks and uncertainties. Actual events or results may differ materially. We have included a discussion of certain risks and uncertainties that could cause actual results and events to differ materially from our forward-looking statements in the section titled "Risk Factors" below. We undertake no obligation to update or revise publicly any forward-looking statement after the date of this report, whether as a result of new information, future events or otherwise.

RISK FACTORS

We need additional capital and may not be able to access financing sources on favorable terms, or at all, which could adversely affect our ability to implement and operate our business as planned

We reported a net loss for 2016 of $1,060,339, compared to a net loss of $4,592,652 during 2015. The net loss for 2016 comprised mainly the loss on the sale of a commercial bank and two settlements that were negotiated on foreclosed loans. The net loss for 2015 included the recognition of non-operating, non-recurring losses of $2,528,300 on an investment in securities and $2,043,300 in impairment losses. Cash flows from our financing activities funded our operating requirements during 2016. We have limited working capital and currently lack the funds to execute our business plan as fast as we would like or take advantage of strategic opportunities. We are required to meet certain net worth requirements to maintain our FHA-approved lender status and maintain our secured warehouse line of credit facilities. Significant additional funding is required to complete our bank affiliation strategy, or may be required to expand our operations, enter into a strategic transaction, or acquire competitors or other business to business enterprises. We do not currently have an available line of credit which will provide additional reserve capacity for general corporate and working capital purposes, and if necessary, enable us to make expenditures related to the growth and expansion of our business model. Future financing sources may include borrowings in the form of bank credit facilities (including term loans and revolving facilities), warehouse facilities, financing arrangements, public and private equity and debt issuances and derivative instruments, in addition to transactions or asset specific funding arrangements. If adequate capital is not available or is not available on acceptable terms at a time when we need it, our ability to execute our business plans, develop or enhance our services, maintain our FHA-approved lender status, develop our underwriting business, make acquisitions or respond to competitive pressures would be significantly impaired. This could have a material adverse effect on our financial condition and results of operations and we may be required to curtail our operations. We cannot be certain that we will be able to implement various financing alternatives or otherwise obtain required working capital when needed or desired.

Future revenue growth and profitability remain uncertain

For the year ended December 31, 2016, our revenue increased 19.9% compared to 2015, from $13.1 million to $15.7 million. We are working toward a goal of sustained revenue growth, which we believe can be achieved with continued improving conditions in the residential mortgage market. However, we will need to increase our purchase mortgage originations as the volume of loan refinancings decreases due to increased interest rates. Although we seek to increase revenues through organic growth and the development of new revenue streams, we cannot assure you that our revenues will increase in future quarters or future years. We may be unable to add revenue through acquisitions, either because of the absence of acquisition candidates, lack of financing, or unacceptable terms. Virtually all of our net revenues each quarter comes from mortgage transactions occurring during that quarter, and there can be no assurance that we will be able to generate transactional activity or attract new clients at rates sufficient to maintain a stable or growing revenue base. Our operating results in one or more future quarters may fall below expectations. We cannot assure you that we can be operated profitably, which depends on many factors, including the success of our development and expansion efforts, the control of expense levels and the success of our business activities. We may make investments in marketing, technology and further development of our operating infrastructure which entail long-term commitments. We may be unable to adjust our spending rapidly enough to compensate for any unexpected revenue shortfall, which may harm our profitability. Furthermore, the mortgage industry as a whole is adversely affected by challenging conditions, industry trends and economic factors. Despite our efforts to expand our revenues and sustain profitable operations, we may not be successful. Our future operating results will depend on a variety of factors, including those discussed in the other risk factors set forth below.

Mortgage lending volume may decrease in 2017 and future years, which would adversely affect our business.

Mortgage lending volume may decrease in 2017 and future years, which could materially adversely affect our business. Factors that adversely impact mortgage lending volumes include increasing mortgage interest rates, reduced consumer and investor demand for mortgages, more stringent underwriting guidelines, decreased liquidity in the secondary mortgage market, high levels of unemployment, high levels of consumer debt, lower consumer confidence, changes in tax and other regulatory policies, the number of existing mortgages eligible for refinancing and other macroeconomic factors.

Mortgage interest rates are influenced by a number of factors, including monetary policy. In December 2016, the Federal Reserve Bank raised the target federal funds rate from between 0.25% and 0.50% to between 0.50% and 0.75%, and signaled that the federal funds rate could be increased further over the next several years. This increase in the federal funds rate contributed to an increase in mortgage rates in the fourth quarter of 2016 and first quarter of 2017 and may result in future mortgage interest rate increases. Increases in mortgage interest rates could reduce the volume of new mortgages originated, in particular the volume of mortgage refinancings.

A decrease in residential mortgage volumes could materially adversely affect our business and operating results. The forecasted lower levels in residential mortgage loan refinance volume will require us to increase our market share or our revenues per loan processed by our customers in order to maintain our financial performance. Any additional decrease in residential mortgage volumes would heighten our need to increase these revenue drivers. We cannot guarantee we will be successful in these efforts, which could materially adversely affect our business.

Events similar to, and lingering effects from, the extreme turmoil in the mortgage industry and mortgage credit market that occurred from 2007 to 2009 could adversely affect our business

From 2007 to 2009, the worldwide credit market was severely disrupted by the global financial crisis due to the precipitous rise of sub-prime mortgage delinquencies and resulting failure of securities backed by mortgages, including these sub-prime mortgages. This crisis resulted in extreme turmoil in the mortgage industry and caused many mortgage originators and other mortgage industry participants to go out of business. If the mortgage industry were to experience another similar disruptive event, our business could be materially adversely affected.

The disruption in the capital markets and secondary mortgage markets also reduced liquidity and investor demand for mortgage loans and mortgage backed securities, while yield requirements for these products have increased. Continuing concerns about the declining real estate market, as well as inflation, energy costs, geopolitical issues and the availability and cost of credit, have contributed to increased volatility and diminished expectations for the economy and markets going forward. These disruptions and deterioration of the mortgage market have had, and may continue to have, an adverse effect on our results of operations and financial condition.

Deteriorating mortgage market conditions or a continued delay in recovery of the residential mortgage market may continue to have a material adverse effect on our earnings and financial condition

Our results of operations are materially affected by conditions in the mortgage and real estate markets, the financial markets and the economy generally. Beginning in 2007, the mortgage industry and the single-family residential housing markets were adversely affected as home prices declined and delinquencies and defaults significantly increased. Falling home prices resulted in higher loan-to-value ratios (LTVs), lower recoveries in foreclosure and an increase in loss severities. Borrowers have found it difficult to refinance due to home price depreciation and lenders tightened their underwriting guidelines, which has led to further increases in defaults and credit losses. Although our worst production year was 2011, we continue to be significantly and negatively affected by the deteriorated real estate market and the weak economic environment. While home prices have recently increased in most parts of the country, the housing market has not fully recovered from the economic crisis. Continued adverse economic conditions or continued deterioration or a delay in any recovery in the residential mortgage market may reduce the number of mortgages we originate, adversely affect our ability to sell mortgage loans originated by us or increase delinquency rates.

Potential structural changes in the U.S. residential mortgage industry, in particular plans to diminish the role of Fannie Mae and Freddie Mac, could disrupt the residential mortgage market and have a material adverse effect on our business

Fannie Mae and Freddie Mac play a very important role in providing liquidity, stability and affordability in the current U.S. residential mortgage market. In particular, they participate in the secondary mortgage market by purchasing mortgage loans and mortgage-related securities for investment and by issuing guaranteed mortgage-related securities. There have been numerous executive branch proposals as well as proposed federal legislation which may wind down or recapitalize Fannie Mae and Freddie Mac and/or eliminate or reduce the government's role in the housing market. Any significant structural change to the role of Fannie Mae and Freddie Mac or to the U.S. residential mortgage industry may cause significant disruption to the residential mortgage market. If we are unable to react effectively and quickly to changes in the residential mortgage industry or if such changes reduce the volume of mortgage lending, our business could be harmed.

There is continued litigation in the mortgage industry related to securitizations against issuers, sellers, originators, underwriters and others that may adversely affect our business operations; We may become a defendant in lawsuits, and we may not prevail in these matters

As a result of defaults, delinquencies, foreclosures, and losses in the real estate market, there have been multiple lawsuits by various investors, insurers, underwriters and others against various participants in securitizations, such as sponsors, depositors, underwriters, and loan sellers. Some lawsuits have alleged that the mortgage loans had origination defects, or that there were misrepresentations made about the mortgage loans and the parties failed to properly disclose the quality of the mortgage loans or repurchase defective loans or that there were other misrepresentations or lack of representations. There may be claims by third parties related to securitizations contending errors or misrepresentations in the securitization documents or process itself. With respect to risks faced by mortgage originators, there are individual and class action lawsuits and regulatory actions alleging improper marketing practices, abusive loan terms and fees, disclosure violations and other matters. Actions of this nature allege generally that the loan originator improperly charged fees in violation of various state lending or consumer protection laws in connection with mortgages, while others allege that a particular lending practice was a statutory violation, an unlawful business practice, an unfair business practice or a breach of a contract. Historically, we have sold mortgage loans to third parties that may have been deposited or included in pools for securitizations. We have been named in actions of this nature in the past and potentially could be named in the future. As a result, we may incur significant legal and other expenses in defending against claims and litigation and we may be required to pay settlement costs, damages, penalties or other charges which could adversely affect our financial results. We cannot assure you that the ultimate outcome of these or other actions will not have a material adverse effect on our financial condition or results of operations. In addition to the expense and burden incurred in defending any of these actions and any damages that we may suffer, our management's efforts and attention may be diverted from the ordinary business operations in order to address these claims. Plus, we may be deemed in default of our warehouse lines or our FHA approved lender status if a judgment for money that exceeds specified thresholds is rendered against us. If the final resolution of litigation is unfavorable to us, our financial condition, results of operations and cash flows could be materially adversely affected.

Competition in the residential mortgage industry is intense and may adversely affect our business operations and financial performance; the dominance of a limited number of companies may affect our ability to operate and compete effectively

Competition in the residential mortgage industry and real estate services business is intense, and may become more competitive as a result of legislative, regulatory, economic, and technological changes, as well as consolidation. Our competitors include banks, thrifts, credit unions, real estate brokerage firms, mortgage brokers, mortgage banking companies and other entities originating loans for residential mortgages. Many of our competitors enjoy advantages, including greater financial resources and access to capital, a wider geographic presence, more accessible branch office locations, more aggressive marketing campaigns, better brand recognition, the ability to offer a wider array of services or more favorable pricing alternatives, as well as lower origination costs. To compete effectively, we must have a very high level of operational, technological, and managerial expertise, as well as access to capital at a competitive cost. As a result of reduced access to capital, general housing trends, rising delinquencies and defaults and other factors, many mortgage and real estate services firms have recently experienced severe financial difficulty, with some exiting the business or filing for bankruptcy protection, resulting in a consolidation of companies in such industries. The dominance of a limited number of companies has created greater competition and to the extent that we cannot compete effectively, it may adversely affect our business operations and financial performance.

The mortgage industry is heavily regulated and changes in current legislation or new legislation could adversely affect our business

Changes in the regulations that govern borrowers and industry participants could affect our ability to expand our mortgage operations and adversely affect our business.

The U.S. mortgage industry is heavily regulated. Federal and state governments and agencies could enact legislation or other policies that could negatively impact our business. Any changes to existing laws or regulations or adoption of new laws or regulations that increase restrictions on the residential mortgage industry may decrease residential mortgage volume, adversely affecting our financial performance.

Changes in current legislation or new legislation may increase our costs by requiring us to update our products and services.

Changes to existing laws or regulations or adoption of new laws or regulations relating to the residential mortgage industry could require us to incur significant costs to update our products and services. For example, our origination and processing services must comply with consumer protection laws and institutionally mandated compliance policies and must continually be updated to incorporate changes to such laws and policies. The Dodd-Frank Wall Street Reform and Consumer Protection Act, or Dodd-Frank Act, has caused and will cause us to make similar updates to address, among other things, regulations that protect consumers against unfair, deceptive and abusive practices by lenders. These updates may cause us to incur significant expense.

Unlike competitors that are banks, we are subject to state licensing and operational requirements that result in substantial compliance costs

Because we are not a depository institution, we do not benefit from a federal exemption from state mortgage banking, licensing and regulatory requirements. We must comply with state licensing requirements and varying compliance requirements in each state in which we operate, and we are sensitive to regulatory changes that may increase our costs through stricter licensing laws, disclosure laws or increased fees or that may impose conditions to licensing that we or our personnel are unable to meet. In addition, we are subject to periodic examinations by state regulators, which can result in refunds to borrowers of certain fees earned by us, and we may be required to pay substantial penalties imposed by state regulators due to compliance errors. Future state legislation and changes in existing regulation may significantly increase our compliance costs or reduce the amount of ancillary fees that we may charge to borrowers. This could make our business cost-prohibitive in the affected state or states and could materially affect our business.

Violation of various federal, state and local laws may result in financial losses

We are subject to federal, state and local laws and regulations related to the mortgage industry that generally regulate interest rates and other charges, require certain disclosure, and require applicable licensing. In addition, other state and local laws, public policy and general principles of equity relating to the protection of consumers, unfair and deceptive practices and debt collection practices may apply to the origination, servicing and collection of our loans. Violations of certain provisions of these federal and state laws and regulations may limit our ability to collect all or part of the principal of or interest on the loans and in addition could subject us to damages and could result in the mortgagors rescinding the loans whether held by us or subsequent holders of the loans. In addition, such violations could cause us to be in default under credit lines and could result in the loss of licenses held by us.

Additionally, the Dodd-Frank Wall Street Reform and Consumer Protection Act contains the Mortgage Reform and Anti-Predatory Lending Act ("Mortgage Act"), which imposes a number of additional requirements on lenders and servicers of residential mortgage loans, by amending certain existing provisions and adding new sections to TILA, RESPA, and other federal laws. It also broadly prohibits unfair, deceptive or abusive acts or practices, and knowingly or recklessly providing substantial assistance to a covered person in violation of that prohibition. The penalties for noncompliance with these laws are also significantly increased by the Mortgage Act, which could lead to an increase in lawsuits against mortgage lenders and servicers.

Our long-term success is primarily dependent on our ability to increase our mortgage origination volumes and revenues and to a lesser extent develop our ancillary service revenues

We believe that a key component of our growth and profitability will be increasing our mortgage origination volumes, which represent our core business. Our success will be dependent on many factors. These include increasing purchase mortgage originations as loan refinancings decrease, increasing our loan origination operational capacities, providing high quality service, maintaining our approvals with HUD and with investors, offering a competitive mortgage product portfolio, our ability to obtain adequate warehouse borrowing capacity, maintaining loan quality, managing the risk of losses from repurchases, and adapting to the changing regulatory environment for mortgage lending.

Realizing income from our self-underwritten loan originations will be dependent on cost of funds, our ability to securitize and sell our loans promptly, minimizing indemnification claims, market interest rates and various secondary market factors. The ability to generate revenues from our ancillary service segments will be based on our ability to continue to provide mortgage origination services, and locate opportunities to provide services to unrelated third parties. If we are unable to generate net income and cash flows from our mortgage lending operations and ancillary services, we may be unable to satisfy our future operating costs and liabilities, including repayment of our debt obligations.

We depend on the accuracy and completeness of information about borrowers and counterparties and any misrepresented information could adversely affect our business, financial condition and results of operations

In deciding whether to extend credit or to enter into other transactions with borrowers and counterparties, we may rely on information furnished to us by or on behalf of borrowers and counterparties, including financial statements and other financial information. We also may rely on representations of borrowers and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. We additionally rely on representations from public officials concerning the licensing and good standing of certain entities through which we do business. While we have a practice of independently verifying the borrower information that we use in deciding whether to extend credit or to agree to a loan modification, including employment, assets, income and credit score, if any of this information is intentionally or negligently misrepresented and such misrepresentation is not detected prior to loan funding, the value of the loan may be significantly lower than expected. In certain cases, as with streamlined FHA refinancings, we must rely on representations of the previous originator as to the accuracy and completeness of certain information. Whether a misrepresentation is made by the loan applicant, a previous originator or mortgage broker, or one of our employees, we generally bear the risk of loss associated with the misrepresentation. We have controls and processes designed to help us identify misrepresented information in our loan originations operations. We, however, may not have detected or may not detect all misrepresented information in our loan originations or from our clients. Any such misrepresented information could adversely affect our business, financial condition and results of operations.

Our business may be adversely affected if we lose our FHA-approved lender status

HUD requires FHA-insured lenders to have a net worth of $1 million plus an additional 1% of the volume of FHA-insured loans originated, underwritten, purchased, or serviced by the lender in the previous fiscal year, up to a maximum net worth requirement of $2.5 million. If we cannot meet these requirements, we will be unable to maintain our HUD Direct Endorsement approval. In this event, we would be limited to originating FHA mortgage loans as a third-party originator (TPO) through association with a sponsoring FHA-approved lender. In this limited capacity, we would not be able to underwrite in our own name, service or own FHA-insured mortgages. Although at such time as we meet the net worth requirements, we will be eligible to apply for reinstatement of our Direct Endorsement authority, the permanent or temporary loss of this status could adversely affect our business, financial condition and results of operations.

Representations and warranties made by us in our loan origination, financing or sales agreements may subject us to liability or require us to repurchase mortgage loans

Our loan sale agreements, and to certain extent our broker and correspondent agreements, may generally provide for recourse by the purchaser against us in the event of a breach of one of our representations or warranties, any fraud or misrepresentation during the mortgage origination process, or upon early default on such mortgage. For loan sales into the secondary mortgage market, transferees may have recourse to us with respect to the breach of the representations, and warranties made by us at the time such mortgages are transferred. Those representations and warranties may include issues such as the validity of the lien, the absence of liens or delinquent taxes, the validity of the appraisal obtained in conjunction with the loan, the truthfulness of information used in the loan approval process, the loan's compliance with all local, state and federal laws, the delivery of all documents required to perfect title to the lien, the loan meeting all underwriting criteria and the selection process used to include the loans in any particular transaction. As a result of the current market environment, many purchasers of residential mortgage loans are particularly aware of the conditions under which originators must indemnify or repurchase loans and would benefit from enforcing any repurchase remedies they may have. Along with others in the industry, we may be subject to repurchase claims. Theoretically, our exposure to repurchases under our representations and warranties could include the current unpaid balance of all loans we have sold. We have not recorded a reserve on our financial statements to recognize potential loan repurchase or indemnification losses. As home values continue to increase and home equity appreciates, our risk from losses due to loan repurchases and indemnifications should decrease. There is a risk that we may be required to repurchase mortgage loans that we originate and sell, which would adversely affect our business, financial condition and results of operations.

We may be limited in the way in which we market our business or generate revenue by U.S. federal law prohibiting referral fees in real estate transactions, and if we are found to be in violation of such laws we would be subject to significant liability

RESPA generally prohibits the payment or receipt of fees or any other thing of value for the referral of business related to a residential real estate settlement service and prohibits fee shares or splits or unearned fees in connection with the provision of such services. We utilize payment methods that are not currently prohibited by the restrictions under RESPA. Nonetheless, RESPA may restrict our ability to enter into marketing and distribution arrangements with third parties for existing or newly developed products and services, particularly to the extent that such arrangements may be characterized as involving payments for the referral of residential real estate settlement service business. Additionally, any amendments to RESPA or court opinions interpreting the provisions of RESPA that result in restrictions on our current payment methods, or any determination that our payment methods have been and currently are subject to the restrictions under RESPA, could have a material adverse effect on our business. If we were found to be in violation of RESPA rules, we would be exposed to significant potential liability that could have a material adverse effect on our reputation and business.

We may be unable to effectively manage our desired growth, which could ultimately strain our financial, personnel and technical resources

We intend to expand our level of operations and will need an effective planning and management process to implement our business plan successfully. For our operations to continue to grow in size, scope and complexity, we will need to further develop and enhance our products and services, and improve and upgrade our systems and infrastructure to meet the demands and maintain efficiency of our business. Depending on the amount and timing of any increase in business, this expansion could place a strain on our management, administrative, operational and financial resources. To accommodate growth, if any, we may be required to improve our management, operating and financial systems, procedures and controls on a timely basis and to recruit, train and retain skilled personnel. If we are unable to scale our operations and achieve the necessary level of productivity in our organization as it grows, our business would be harmed and our ability to compete for new business may be adversely affected.

If we fail to maintain an effective system of internal controls, we may not be able to detect fraud or report our financial results accurately, which could cause current and potential stockholders to lose confidence in our financial reports and have an adverse effect on our stock price

Effective internal controls are necessary for us to provide reliable financial reports and to detect and prevent fraud. Performing assessments of internal controls, implementing necessary changes, and maintaining an effective internal controls process requires considerable management attention. Internal control systems are designed in part upon assumptions about the likelihood of future events, and all such systems, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. We face the risk that the design of our controls and procedures may prove to be inadequate or that our controls and procedures may be circumvented, thereby causing delays in detection of errors or inaccuracies in data and information. It is possible that any lapses in the effective operations of controls and procedures could materially affect earnings, that we could suffer losses, that investors could lose confidence in our reported financial information and our reputation, that we could be subject to litigation, that our operating results could be harmed, or that we could fail to meet our reporting obligations, which could have a negative effect on the trading price of our common stock.

We depend on key and highly skilled personnel to operate our business, and if we are unable to retain our current or hire additional personnel, our ability to develop and successfully market our business could be harmed

We depend on the diligence, skill and experience of our executives and key members of management, as well as our technical, administrative, compliance and marketing personnel. We believe that our future results will also depend in part upon retaining and attracting highly skilled and qualified personnel. All of our officers and other employees are at-will employees, which means they may terminate their employment relationship with us at any time, and their knowledge of our business and industry would be extremely difficult to replace. Although we have awarded restricted stock grants as long-term retention incentives, in our present financial condition we have limited ability to retain personnel through increased salaries, bonuses and other financial incentives. The loss of our senior executives and key members of management may be disruptive to our business. We may be unable to attract and retain suitably qualified individuals who are capable of meeting our sales, operational and managerial requirements, or may be required to pay increased compensation in order to do so. If we are unable to attract and retain the qualified personnel we need to succeed, our business will suffer.

Our business is subject to online security risks, including security breaches and identity theft; Our failure to protect the personal and financial information of borrowers could result in liability and harm our reputation

We maintain certain personal and financial information relating to our borrowers as part of the loan origination process. We take a number of measures to ensure the security of our hardware and software systems and confidential client information, but our security measures may not detect or prevent security breaches. These security measures may be breached as a result of third-party action, including intentional misconduct by computer hackers, employee error, malfeasance or otherwise. Our servers may also be vulnerable to computer viruses, break-ins and similar disruptions from unauthorized tampering with our computer systems, which could result in someone obtaining unauthorized access to our customers' data or our data, including our intellectual property and other confidential business information. Because the techniques used to obtain unauthorized access to, or to sabotage, systems change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. The possession and use of personal information in conducting our business subject us to legislative and regulatory burdens that may require notification to customers of a security breach, restrict our use of personal information and hinder our ability to acquire new customers or market to existing customers.

We cannot guarantee that our security measures will prevent security breaches. Any such compromise of our security could damage our reputation and brand and expose us to a risk of loss or litigation and potential liability, which would substantially harm our business and operating results. We may need to expend significant resources to protect against and remedy any potential security breaches and their consequences. Furthermore, changes in federal and state regulatory requirements could result in more stringent requirements and could result in a need to change our business practices. Establishing systems and processes to achieve compliance with these new requirements may increase our costs and could have a material adverse effect on our business and financial condition.

Unplanned system interruptions or system failures could harm our business and reputation

Any interruption in the availability of our transactional processing services due to hardware and operating system failures will reduce our revenues and profits. Our revenue depends on employees using our processing services. Any unscheduled interruption in our services results in an immediate, and possibly substantial, loss of revenues. Frequent or persistent interruptions in our services could cause current or potential customer to believe that our systems are unreliable, leading them to switch to our competitors or to avoid our websites or services, and could permanently harm our reputation.

Although our systems have been designed around industry-standard architectures to reduce downtime in the event of outages or catastrophic occurrences, they remain vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunication failures, terrorist attacks, computer viruses, computer denial-of-service attacks, and similar events or disruptions. Some of our systems are not fully redundant, and our disaster recovery planning may not be sufficient for all eventualities. Our systems are also subject to break-ins, sabotage, and intentional acts of vandalism. Despite any precautions we may take, the occurrence of a natural disaster, a decision by any of our third-party hosting providers to close a facility we use without adequate notice for financial or other reasons, or other unanticipated problems at our hosting facilities could cause system interruptions, delays, and loss of critical data, and result in lengthy interruptions in our services. Our business interruption insurance may not be sufficient to compensate us for losses that may result from interruptions in our service as a result of system failures.

Our principal shareholder owns a significant percentage of our voting shares and is able to exercise significant influence over our corporate decisions

As a result of our issuance of 2,000,000 shares of Series B Preferred Stock to founder and CEO Allen Ringer in 2006, which carry enhanced voting privileges, Mr. Ringer currently owns approximately 50% of our outstanding voting shares and together with affiliates constitutes our largest shareholder. As a result, Mr. Ringer has the ability to significantly influence the outcome of matters requiring approval of our shareholders, including the election of directors; mergers, consolidations and acquisitions; the sale of all or substantially all of our assets and other decisions affecting our capital structure; the amendment of its certificate of incorporation and our bylaws; and its winding up and dissolution. This concentration of ownership may delay, deter or prevent acts that would be favored by other stockholders.

We do not expect to pay dividends in the foreseeable future and we may be restricted in paying dividends on our common stock.

We do not anticipate paying any dividends on our common stock in the foreseeable future and we intend to retain any future earnings for funding growth. We may also be restricted in paying dividends on our common stock. For example, any future warehouse facilities may contain covenants prohibiting dividend payments upon an occurrence of a default or otherwise. Furthermore, under the terms of our preferred stock we are required to pay dividends on the preferred stock, and will be prohibited from paying dividends on our common stock until such preferred stock dividends are paid. As a result, you should not rely on an investment in our stock with any expectation of dividend income. Capital appreciation, if any, of our stock may be your sole source of gain for the foreseeable future.

Our stock price may be volatile and the trading of our shares may be limited, which may make it difficult for you to sell shares when you want at prices you find attractive

Our stock trades on the OTC Pink marketplace with information made available through the OTC Disclosure & News Service. The trading price of our common stock may be subject to wide fluctuations and volatility that is unrelated to our operating performance. Furthermore, the trading of our shares may be limited. There can be no assurance that an active and liquid trading market for our common stock will be developed or maintained, or that shares may be resold at their original price or at any other price.

Issuances of additional shares of our common stock may adversely affect its market price and significantly dilute stockholders

In order to support our business objectives, we may raise capital through the sale of equity. We may also issue shares of common stock to settle outstanding obligations and liabilities, or in conversion of outstanding preferred shares. We do not know the actual or perceived effect of these issuances, the timing of any offerings or issuances of securities, the potential dilution of the book value or earnings per share of our securities then outstanding, or the effect on the market price of our securities.

If we are forced to liquidate, we may have few unpledged assets for distribution to unsecured creditors or equity holders

In the event we are forced to liquidate, we expect the majority of our assets will be either collateral for specific borrowings or pledged as collateral for secured liabilities. We may have few remaining assets available for unsecured creditors and equity holders.

Alliances, mergers and acquisitions could result in operating difficulties, dilution and other harmful consequences

We expect to continue to evaluate and consider potential bank affiliation transactions and other strategic transactions, including business combinations, acquisitions and dispositions of businesses, technologies, services, products and other assets and strategic investments. At any given time we may be engaged in discussions or negotiations with respect to one or more of these types of transactions. Any of these transactions could be material to our financial condition and results of operations. Our exploration of strategic alternatives may not result in any agreements or transactions, or ensure that, if completed, any agreements or transactions will be successful, on attractive terms or would enhance shareholder value. It is possible that nothing may result from our exploration and that in consummating or further exploring such avenues, we may incur additional costs.

If we do consummate any of these transactions, the process of affiliating with a bank or integrating an acquired company, business or technology may create unforeseen operating difficulties and expenditures and is risky. The areas where we may face difficulties include:

- Diversion of management time, as well as a shift of focus from operating the businesses to challenges related to integration and administration;
- Challenges associated with integrating employees from the acquired company into the acquiring organization. These may include declining employee morale and retention issues resulting from changes in, or acceleration of, compensation, or changes in management, reporting relationships, future prospects, or the direction of the business;
- The need to integrate each company’s accounting, management, information, human resource and other administrative systems to permit effective management, and the lack of control if such integration is delayed or not implemented;
- The need to implement controls, procedures and policies appropriate companies that prior to acquisition had lacked such controls, procedures and policies;
- The need to transition operations, members, and customers onto our existing platforms; and

- Liability for activities of the acquired company before the acquisition, including violations of laws, rules and regulations, commercial disputes, tax liabilities and other known and unknown liabilities.

The expected benefit of any of these strategic relationships may not materialize and the cost of these efforts may negatively impact our financial results. Future alliances, mergers or acquisitions or dispositions could result in potentially dilutive issuances of our equity securities, the expenditure of our cash or the incurrence of debt, contingent liabilities or amortization expenses, or write-offs of goodwill, any of which could adversely affect our results of operations and dilute the economic and voting rights of our stockholders. Future acquisitions may require us to obtain additional equity or debt financing, which may not be available on favorable terms or at all.

Item 7 Description of Facilities

Our principal administrative facilities are located in approximately 4,000 square feet of office space in Spokane, Washington pursuant to a month-to-month rental agreement. Our branch offices are located throughout the 26 states in which we operate, and are comprised of a number of commercial lease locations and home offices. The Company is a party to approximately 22 commercial leases in branch locations and is obligated to make all lease payments. Management believes the commercial lease rates were competitive for the local commercial real estate market at the times of agreement. Management believes our facilities are adequate for our present needs.

Item 8 Officers, Directors, and Control Persons

A. Officers and Directors

The following table sets forth certain information about our executive officers and directors as of December 31, 2016:

Name and Address[1]	Age	Current Principal Occupation or Employment and Five-Year Employment History	Director Since
Allen Ringer	77	Chief Executive Officer and Chief Financial Officer (2012-present; and 2006-2009); former director of the Company (2006-2009); founder, President and Director of predecessor MortgageZone Inc., (2003-2007); President and Director of Mortgage Processor Plus Inc.), (2000-2004), and Cheetah Settlement Services Inc. (2002-2008); founder, CEO and Director of LION, Inc., a public company providing wholesale mortgage information (1989-1999)	--
Franklin Taylor	54	Director and President (2009-present); President and Director of Acceptance Capital Mortgage Corporation (2007-present); founder and President of Taylor Made Mortgage Corp. (2004-2007)	2009
Craig Benson	58	Director, Secretary and Treasurer (2009-present); VP-Marketing of Insurance Solutions, Inc. (2011-present); Insurance Agent with All Medicare Solutions LLC (2008-present).	2009

(1) Except as noted above, the business address of the current directors and executive officers is c/o Complete Financial Solutions Inc., 113 East Magnesium Rd., Suite D, Spokane, WA 99208.

B. **Legal/Disciplinary History.**

During the last five years, none of the foregoing officers or directors has been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);
2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;
3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or
4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended or otherwise limited such person's involvement in any type of business or securities activities.

C. Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information that has been provided to the Company regarding the beneficial ownership as of December 31, 2016 of the Company's common stock by (a) each person who is known by the Company to be a beneficial owner of more than five percent of the outstanding common stock of the Company, (b) each director of the Company, (c) each of the executive officers, and (d) all directors and executive officers of the Company as a group.

Name and Address Of Beneficial Owner	**Shares (1) Beneficially Owned**	**Percent (2) of Voting Shares**
Current Directors and Executive Officers:		
Allen Ringer (3)	43,501,207	57.4.%
Franklin Taylor	1,391,828	1.8%
Craig Benson	863,599	1.1%
All current directors and executive officers as a group (4 persons)	45,756,634	60.3%
Other Beneficial Owners:		
Dennis Postma (4)	5,305,750	7.0%
Acceptance Capital Mortgage Corp. (5)	20,000,000	26.4%
Arlan Van Wyk (6)	4,507,000	5.9%

(1) To our knowledge, except as indicated in the footnotes to this table and subject to applicable community property laws, the stockholders named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them.

(2) Percentage of beneficial ownership is based upon the following voting shares outstanding as of December 31, 2016: 54,501,756 shares of common stock outstanding (including shares of unvested restricted stock and shares held by ACMC); 2,000,000 shares of Series B Preferred Stock outstanding (with 10 votes per share); and 1,319,700 shares of Series C Preferred Stock outstanding (with 1 vote per share), for a total of 75,821,456 voting shares.

(3) Includes 2,000,000 shares of Series B Preferred Stock, representing 20,000,000 votes. Also included are 2,749,800 shares owned by Choctaw Development, Inc., for which Mr. Ringer serves as an officer and may be deemed to have voting or investment control; and 20,000,000 shares owned by ACMC, for which Mr. Ringer as principal shareholder may be deemed to have voting or investment control. Includes 676,000 shares owned by Dutchman Irrevocable Trust, of which his wife Marilyn Ringer serves as trustee, and 75,407 shares owned by his wife, as to which Mr. Ringer disclaims beneficial ownership.

(4) Includes 1,539,000 shares of common stock and 655,000 voting shares of Series C preferred stock owned by Dana LLC., for which Mr. Postma may be deemed to have voting or investment control.

(5) These shares held by subsidiary ACMC are not reflected as outstanding shares in the consolidated financial statements.

(6) Includes 663,700 voting shares of Series C preferred stock. Also includes 1,539,000 shares of common stock and 655,000 voting shares of Series C preferred stock owned by Dana LLC., for which Mr. Van Wyk may be deemed to have investment control.

Item 9 Third Party Providers

Legal Counsel

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Audit of principal subsidiary ACMC:

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Investor Relations Consultant

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Item 10 Issuer Certification

CERTIFICATION OF CHIEF EXECUTIVE AND CHIEF FINANCIAL OFFICER:

I, Allen Ringer, certify that:

1. I have reviewed this annual report of Complete Financial Solutions Inc.
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: April 13, 2017

/s/ Allen Ringer
Allen Ringer
Chief Executive Officer
Chief Financial Officer

COMPLETE FINANCIAL SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(Unaudited)

	December 31, 2016	December 31, 2015
ASSETS		(restated)
Current Assets:		
Cash	$ 536,827	$ 100,416
Accounts Receivable	$ 95,303	$ 134,186
Loans Held for Sale	$ 12,999,339	$ 12,932,472
Available for Sale Security Equities recorded at Fair Market	$ -	$ -
Notes Receivable	$ 73,448	$ -
Prepaids	$ 54,676	$ 357,720
Other	$ 131,551	
Total Current Assets	$ 13,891,144	$ 13,524,794
Property and Equipment		
Equipment	$ 730,462	$ 728,014
Furniture and Fixtures	$ 282,824	$ 269,649
	$ 1,013,286	$ 997,663
Less Accumulated Depreciation	$ (945,322)	$ (795,571)
	$ 67,964	$ 202,092
Other Assets		
Deferred Tax Assets	$ -	$ 98,089
Investment in Bank	$ -	$ 770,000
Related Party Receivable	$ 31,100	$ 31,100
Goodwill	$ 2,649,310	$ 2,649,310
	$ 2,680,410	$ 3,548,499
Total Assets	$ 16,639,518	$ 17,275,385
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Accounts Payable	$ 150,222	$ 200,777
Accrued Payroll and Payroll Taxes	$ 336,302	$ 1,102,255
Accrued Stock based Compensation	$ 184,115	$ 184,115
Revolving Lines and Line of Credit	$ 36,244	$ 36,619
Loan Holdback Payable	$ -	$ 20,733
Warehouse Line of Credit	$ 12,903,186	$ 12,078,445
Settlement Payable	$ 177,500	
Current Portion of Long Term Debt	$ 234,744	$ 126,000
Total Current Liabilities	$ 14,022,313	$ 13,748,944
Long Term Debt due after one year	$ 1,710,665	$ 1,412,320
Accrued Taxes	$ 23,997	
Payable to Branches	$ -	$ 176,890
	$ 1,734,662	$ 1,589,210
Total Liabilities	$ 15,756,975	$ 15,338,154
Stockholders Equity		
Common Stock, $0.001 Par Value, Authorized 75,000,000 Issued and Outstanding, 34,501,756 and 34,180,603 shares, respectively	$ 44,502	$ 34,502
Series A Preferred Stock, $1.00 par value, authorized 2,000,000, none issued and outstanding	$ -	$ -
Series B Preferred Stock, $0.001 par value; authorized 2,000,000; issued and outstanding 2,000,000	$ 2,000	$ 2,000
Series C Preferred Stock, $0.001 par value; authorized 2,500,000; issued and outstanding 1,319,700	$ 1,320	$ 1,320
Stock Subscription Receivable	$ 150,000	$ 150,000
Additional Paid-in Capital	$ 10,212,764	$ 10,217,115
Accumulated other Comprehensive Income	$ -	$ -
Retained Earnings (deficit)	$ (9,528,044)	$ (8,467,706)
Total Stockholders Equity	$ 882,542	$ 1,937,231
Total Liabilities and Stockholders Equity	$ 16,639,517	$ 17,275,385

These financial statements were not subjected to an audit, review, or compilation engagment, and, accordingly, no opinion or conclusion is expressed, nor any assurance provided on them.

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

COMPLETE FINANCIAL SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
(Unaudited)

	Year ended December 31, 2016	2015 (restated)
Revenues	$ 15,737,292	$ 13,112,417
General and Administrative Expenses		
Salaries and Wages	$ 10,315,941	$ 7,703,177
Payroll Taxes	$ 664,883	$ 620,613
Loan costs	$ 3,641,861	$ 2,726,228
Advertising Costs	$ 205,852	$ 390,983
Insurance Expense	$ 69,706	$ 70,423
Office expense	$ 331,094	$ 205,798
Website Expense	$ 196,663	$ 222,188
Postage and Delivery	$ 43,866	$ 51,691
Rent Expense	$ 450,162	$ 358,024
Dues and Subscriptions	$ 8,099	$ 6,720
Professional Fees	$ 478,071	$ 306,135
Settlement Expenses	$ 340,000	$ -
Utilities	$ 27,310	$ 18,684
Taxes and Licenses	$ 314,236	$ 141,084
Equipment Rentals	$ 8,042	$ 28,427
Telephone Expense	$ 142,194	$ 144,273
Meals and Entertainment	$ 17,688	$ 14,905
Travel Expense	$ 66,696	$ 74,777
Depreciation Expense	$ 149,751	$ 24,495
Other Expenses	$ 19,558	$ 88,729
Total General and Administrative Expenses	$ 17,491,673	$ 13,197,354
Income (loss) from Operations	$ (1,754,381)	$ (84,937)
Other Income (expense)		
Other Income	$ (361,375)	$ 187,446
Other Expense	$ 1,373,536	$ -
Interest Expense	$ (318,119)	$ (123,561)
Loss on available for sale securities	$ -	$ (2,528,300)
Impairment Losses	$ -	$ (2,043,300)
	$ 694,042	$ (4,507,715)
Income (loss) before Income tax	$ (1,060,339)	$ (4,592,652)
Provision for income tax benefit (note 10)	$ -	0
Net Profit/(loss)	$ (1,060,339)	$ (4,592,652)
Weighted average earnings per share	$ (0.02)	$ (0.13)

These financial statements were not subjected to an audit, review, or compilation engagment, and, accordingly, no opinion or

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

COMPLETE FINANCIAL SOLUTIONS, INC.
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (DEFICIT)
FOR THE YEAR ENDED DECEMBER 31, 2015
(Unaudited)

	Common Stock		Preferred Class A		Preferred Class B		Preferred Class C		Stock Subscription Receivable	Capital in Excess of Par Value	Comprehensive Income/(Loss)	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount					
Balances, December 31, 2014, Unaudited	34,033,003	$ 34,033	-	$ -	2,000,000	$ 2,000	1,319,700	$ 1,320	$ (2,000)	$ 8,172,406	$ (2,464,610)	$ (3,875,053)	$ 1,868,096
Issuance of Common Stock for Debt Reduction	468,753	$ 469								$ 46,407			$ 46,876
Comprehensive Income-Loss on disposition of available for sale securities											$ 2,464,610		$ 2,464,610
Correction of capital in excess of par value due to share issuance										$ 1,998,302			$ 1,998,302
Shaes designated as stock subscription for purchase of Accounting Solutions									$ 152,000				$ 152,000
Net Loss												$ (4,592,652)	$ (4,592,652)
Balances, December 31, 2015, Restated and Unaudited	34,501,756	$ 34,502	-	$ -	2,000,000	$ 2,000	1,319,700	$ 1,320	$ 150,000	$ 10,217,115	$ -	$ (8,467,705)	$ 1,937,232
Issuance of Common Stock for Debt Reduction	10,000,000	$ 10,000	-	$ -	-	$ -	-	$ -	$ -	$ -	$ -	$ -	$ 10,000
Prior Period Adjustment											$ (4,351)		$ (4,351)
Net Loss												$ (1,060,338)	$ (1,060,338)
Balances, December 31, 2015, Restated and Unaudited	44,501,756	$ 44,502	-	$ -	2,000,000	$ 2,000	1,319,700	$ 1,320	$ 150,000	$ 10,217,115	$ (4,351)	$ (9,528,043)	$ 882,543

These financial statements were not subjected to an audit, review or compilation engagement, and, accordingly, no opinion or conclusion is expressed, nor any assurance provided on them.

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

COMPLETE FINANCIAL SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	Year ended December 31, 2016	2015 (restated)
Cash flows provided (used) by operating activities:		
Net Income (Loss)	$ (1,060,338)	$ (4,284,530)
Adjustments to reconcile net income to net cash provided (used) by		
Depreciation	$ 149,751	$ 24,495
Stock issued for Services and Compensation	$ -	$ 10,930
Prior Period Adjustment	$ -	$ (473)
Other	$ (1)	$ (54)
Loss on Available for Sale Securities	$ -	$ 2,528,300
Impairment Losses	$ -	$ 1,735,178
Changes in operating assets and liabilities		
Decrease/(Increase) in assets:		
Accounts Receivable	$ 38,883	$ 121,273
Prepaids	$ 303,044	$ 156,702
Other	$ (131,551)	
Notes Receivable	$ (73,448)	
Related Party Receivables	$ -	$ (31,100)
Increase/(decrease) in liabilities:		
Accounts Payable	$ (50,555)	$ 86,091
Accrued Payroll and Payroll Taxes	$ (765,953)	$ (197,782)
Settlement	$ 177,500	
Current Portion LTD	$ 108,744	
Payable to branches	$ (176,890)	$ 66,468
Net cash provided (used) by operating activities	$ (1,480,814)	$ 215,498
Cash flows provided (used) by investing activities:		
Investment in Bank	$ -	$ -
Investment in American Patriot Bank	$ 770,000	$ (130,000)
Additions to Property and Equipment	$ (15,623)	$ (32,168)
Net Cash provided (used) by investing activities	$ 754,377	$ (162,168)
Cash flows provided (used) by financing activities:		
(Decrease)/Increase in Long Term Debt	$ 298,345	$ 49,725
(Decrease)/Increase in Revolving Lines	$ (375)	$ 1,750
(Decrease)/Increase in Loans Held for Sale	$ (66,867)	$ (5,004,764)
(Decrease)/Increase in Warehouse line of credit	$ 824,743	$ 4,501,233
Increase in Loan Holdback	$ (20,733)	$ (34,739)
Decrease/(Increase) in Deferred Taxes	$ 98,089	$ -
Increase in Accrued Taxes	$ 23,997	
(Decrease)/Increase in Paid in Capital	$ (4,351)	
Issuance of Common Stock	$ 10,000	$ -
Net Cash provided (used) by financing activities	$ 1,162,848	$ (486,795)
Increase (decrease) in cash	$ 436,411	$ (433,465)
Cash at beginning of year	$ 100,416	$ 533,881
Cash at end of year	$ 536,827	$ 100,416

Supplemental Disclosure of Non-Cash Investing and Financing Activities:

Change in Loans Held for Sale and Warehouse Line of Credit	$ 757,874	$ 99,987
Increase in Available for Sale Securities and Other Comprehensive Income	$ -	$ -

These financial statements were not subjected to an audit, review, or compilation engagment, and, accordingly, no opinion or conclusion is expressed, nor any

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

NOTE 1 – Organization of Business*:*

Complete Financial Solutions Inc. ("CFSI," the "Company," "we" or "us") was incorporated in July 2006 under the laws of the State of Nevada. We are a financial services holding company primarily engaged in mortgage services. Our subsidiary Acceptance Capital Mortgage Corporation ("ACMC") is a residential mortgage broker, lending and processing company that operates and maintains offices throughout the United States.

NOTE 2 – Summary of Significant Accounting Policies*:*

***Unaudited Financial Information* -** The accompanying consolidated financial statements were not subjected to an audit, review, or compilation engagement, and, accordingly, no opinion or conclusion is expressed, nor any assurance provided on them. In the opinion of management, the accompanying consolidated financial statements include all adjustments, consisting of normal recurring adjustments and accruals necessary for a fair presentation in all material respects of our consolidated balance sheets, operating results, and cash flows for the periods presented. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP") have been omitted.

Principles of Consolidation – The consolidated financial statements include the accounts of Complete Financial Solutions Inc. and its wholly-owned subsidiaries Acceptance Capital Mortgage Corporation ("ACMC"), Accounting Solutions, Inc., Insurance Solutions Inc., and AlliancePro Processing, Inc. All inter-company accounts and transactions have been eliminated in consolidation.

Use of estimates – The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Changes in these estimates and assumptions may have a material impact on our financial statements and notes. Actual results may vary from estimates and assumptions that were used in preparing the financial statements.

Cash and cash equivalents – We consider all highly liquid debt securities purchased with original or remaining maturities of three months or less to be cash equivalents. The carrying value of cash equivalents approximates fair value.

***Accounts Receivable* -** We assess the collectability of accounts receivable based on past collection history and current events and circumstances. Accordingly, we adjust the allowance on accounts receivable to reflect net receivables that we ultimately expect to collect. We consider our current receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded. If amounts become uncollectible, they will be charged to operations when that determination is made.

Fair value of financial instruments - The financial instruments recognized in our balance sheet include cash, accounts receivable, accounts payable, and notes payable. All instruments are accounted for on a historical cost basis, which, due to the short maturity of these financial instruments, approximates fair value at December 31, 2016 and December 31, 2015. We did not engage in any transaction involving derivative instruments.

Stock Based Compensation – We account for share-based compensation to our employees, contractors and directors and measure the amount of compensation expense for all stock-based awards at fair value on the date of grant and recognition of compensation expense over the service period for awards expected to vest. Restricted stock awards issued to employees, contractors and directors are measured based on the fair market values of the underlying stock on the dates of grant.

Income Taxes – The Company provides for income taxes in accordance with Accounting Standards Codification No. 740 using an asset and liability based approach. Deferred income tax assets and liabilities are recorded to reflect the tax consequences on future years of temporary differences of revenue and expense items for financial statement and income tax purposes.

We have incurred net operating losses over the past several years. As of December 31, 2016, we had a net operating loss carry forward available to offset future taxable income for federal and state income tax purposes.

Net Income Per Share of Common Stock - We prepare our financial statements on the face of the income statement for both basic and diluted earnings per share. Basic earnings per share excludes potential dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. As of December 31, 2016, we had no contracts to issue common stock.

Property and Equipment - All property and equipment is recorded at cost and depreciated using the straight-line method. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is recorded. Repairs and maintenance charges that do not increase the useful lives of the assets are charged to operations as incurred.

Depreciation expense for the twelve months ended December 31, 2016 and 2015 was $149,751 and $24,495, respectively. An error occurred in 2015 whereby certain items were not properly depreciated. An adjusting entry of $51,000 was made in 2016.

Internal Website Development Costs - Under ASC 350-50, website development costs, costs and expenses incurred during the planning and operating stages of our website are expensed as incurred. Under ASC 350-50, costs incurred in the website application and infrastructure development stages are capitalized by the Company and amortized to expense over the website's estimated useful life or period of benefit.

***Impairment of Long-Lived Assets* -** We evaluate the recoverability of long-lived assets and the related estimated remaining lives at each balance sheet date. We record an impairment or change in useful life whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or the useful life has changed.

***Deferred Offering and Acquisition Costs* -** We defer as other assets the direct incremental costs of raising capital until such time as the offering is completed. At the time of the completion of the offering, the costs are charged against the capital raised. Should the offering be terminated, deferred offering costs are charged to operations during the period in which the offering is terminated.

Advertising costs – We expense all costs of advertising as incurred. The advertising costs included in general and administrative expenses for the twelve months ended December 31, 2016 and 2015 were $205,852 and $390,983, respectively.

***Recently Issued Accounting Pronouncements* -** As of December 31, 2016 and December 31, 2015, none of the recently issued accounting standards and interpretations are expected to have a material impact on our consolidated financial position, operations or cash flows.

NOTE 3 – Restatement:

During the conduct of the audit of ACMC, the consolidated balance sheets and consolidated statements of cash flows as of December 31, 2015, were revised to correct an error in accounting for the Company’s various balance sheet accounts, including: accounts receivable, related party receivable, accounts payable, accrued payroll and payroll taxes, and loan holdback payable. In accordance with applicable GAAP, we calculated and recognized adjustments accordingly.

	2015	
	Restated	**Original**
Accounts Receivable	$ 134,186	$ 165,286
Related Party Receivable	31,100	-
Accounts Payable	200,777	189,690
Accrued payroll and payroll taxes	794,133	552,870
Loan Holdback Payable	20,733	241,266
Long Term Debt	1,412,320	1,444,137
Retained Earnings (deficit)	(8,467,706)	(8,159,584)
Impairment Losses	2,043,300	1,735,178
Net Profit (Loss)	(4,592,652)	(4,264,530)
Weighted Average Earnings Per Share	(0.13)	(0.12)

NOTE 4 – Revolving Lines and Line of Credit:

We have a secured line of credit in the amount of $50,000. The balance of this line of credit was $36,244 on December 31, 2016 and $36,619 on December 31, 2015 with interest rates of 1.99% to 24.99%. Accounting Solutions has a line of credit with a current outstanding balance of $69,135 with interest rates of 1.99% to 24.99%.

NOTE 5 – Investment in American Patriot Bank:

On June 27, 2014, we purchased a 23.3% interest in American Patriot Bank (the "Bank"), a subsidiary of American Patriot Financial Group, Inc. We paid initial consideration of $395,000. We made additional capital infusions in the Bank, consisting of $200,000 on September 30, 2014, $55,000 on December 31, 2014, $120,000 on March 31, 2015, and $20,000 on September 30, 2016. As of September 30, 2016, our aggregate investment in American Patriot Bank was $790,000. In November 2016, we sold our interest in the Bank to a third party for $225,000. The incurred loss on the sale was $565,000 and reflected in the financial statements.

NOTE 6 - Long-term Debt:

Long-term debt at December 31, 2016 is summarized as follows:

	Due Within One Year	Due After One Year	Totals 12/31/2016
Note payable with no set monthly Payments with accrued interest at 12%	6,000	137,468	143,468
Note payable with no set monthly Payments with accrued interest at 6%	-	-	-
Note payable with no set monthly Payments with accrued interest at 8%	228,744	1,563,447	1,792,191
Note payable with no set monthly Payment and no set interest rate	-	9,750	9,750
	234,744	1,710,665	1,945,409

Future maturities of long-term debt are as follows:

December 31, 2017	126,000
December 31, 2018	126,000
December 31, 2019	126,000
2020 and beyond	1,332,665
	1,945,409

NOTE 7 - Warehouse line of credit:

We have five warehouse lines of credit totaling $16.5M. Each line bears interest at the Note rate of the loans on the line. The lines of credit are secured by the mortgages loans held for sale. Principal and interest payments are due as mortgage loan sales close. At December 31, 2016 and December 31, 2015, there were $12,999,339 and $12,932,472, respectively, outstanding under these warehouse lines. All of these loans on the warehouse lines on those dates were sold in the normal course of business shortly after the end of the period.

NOTE 8 – Investments

We owned 1,930,000 shares of Hipcricket, Inc. stock on December 31, 2015, which were originally purchased at a cost of $2,528,300. As the estimated fair market value deteriorated, the value of the stock was reduced through recognition of Other Comprehensive Income (Loss). Hipcricket filed for Chapter 11 bankruptcy protection in 2015, and during the quarter ended December 31, 2015, the remaining total loss of $2.4 million was recognized as part of the 2015 Net Income (Loss).

NOTE 9 – Operating Leases:

We conduct our operations from various leased facilities under short-term operating leases that expire at various dates. Aggregate rent for the twelve months ended December 31, 2016 was $450,162, and for the twelve months ended December 31, 2015 was $358,024.

We are lessee of office equipment and furniture under various operating leases, which have all expired. Equipment rent for the year ended December 31, 2016 was $8,042, and for the year ended December 31, 2015 was $28,428. There are currently no equipment leases outstanding.

The Company does not have any long term rental leases for premises or equipment as of December 31, 2016.

NOTE 10 – Preferred Stock:

We have authorized two classes of Preferred Stock.

SERIES B PREFERRED STOCK. In 2001, we granted our founder the option to purchase 2 million shares of Series B Preferred Stock at the purchase price of $0.10 per share. On Dec 31, 2008, the shares were issued in a cashless exercise of the option and subsequently assigned by the founder to Choctaw Development Inc, an affiliated entity.

The Series B Preferred shares have the right to 10 votes for each share, on all matters to come before the shareholders for a vote.

The Series B Preferred shares are convertible to common shares, at the option of the holder, at the rate of one common share for each preferred share converted.

SERIES C PREFERRED STOCK. 480,000 shares at $5.00 per share were issued in December 2010 in exchange for 400,000 common shares of Hipcricket, Inc. At December 31, 2010, the Hipcricket, Inc. shares had a market value of $1,176,000.

At the option of the holder the Series C Preferred shares can be converted into common shares at a value discount of 50% of the public market value on or after the date 18 months following issuance.

In 2011, four tranches of Series-C preferred shares were issued.

- 213,700 shares at $5.00 per share were issued for debt conversion and the retirement of the remaining Series-A preferred shares.
- 125,000 shares at $5.00 per share were for 100,000 shares of Hipcricket, Inc. stock that had a market value of $425,000 on the date of issue.
- 1,000 shares at $5.00 per share were issued for an operational expense.
- 50,000 shares at $5.00 per share were issued for 80,000 shares of Hipcricket, Inc. stock that had a market value of $100,800 on the date of issue

In 2012, two tranches of Series-C preferred shares were issued.

- 150,000 shares at $5.00 per share were issued for 250,000 shares of Hipcricket, Inc. stock that had a market value of $447,500 on the date of issue.
- 300,000 shares at $5.00 per share were issued for 1,200,000 shares of Hipcricket, Inc. stock that had a market value of $873,600 on the date of issue.

At September 30, 2016 and December 31, 2015, there were 1,319,700 shares of Series C Preferred Stock outstanding.

NOTE 11– Common Stock:

During 2015, we issued 468,753 shares at an average price of $0.10 per share for debt reduction of $450,000. These shares are restricted from trading for a minimum of 12 months.

In the first quarter of 2016, we issued 10,000,000 shares at an average price of $0.11 per share for debt reduction of $390,532 and other consideration. These shares are restricted from trading for a minimum of 12 months.

NOTE 12 – Warrants:

We had no warrants outstanding as of December 31, 2016.

NOTE 13– Legal Proceedings and Litigation Contingencies:

In May 2015, a lawsuit was filed against ACMC by the FDIC as receiver for BankUnited FSB (Federal Deposit Insurance Corporation as Receiver for BankUnited, F.S.B v. Acceptance Capital Mortgage Corporation, U.S. District Court for the Southern District of Florida, Case No. 15cv21884). The lawsuit alleged that ACMC breached its agreement with BankUnited by providing incomplete, inaccurate, false or misleading information regarding a mortgage loan sold or assigned to BankUnited. The loan in question was originated April 2007 and subsequently defaulted. During the third quarter of 2016 this action was settled for a total of $280,000 which has been recognized in the financial statements. A payment of $140,000 occurred in the third quarter, and a subsequent final payment of $140,000 was paid in January 2017.

In the third quarter of 2016, ACMC also settled a new lawsuit which arose in connection with a mortgage loan originated and sold several years earlier. Settlement was for a total of $50,000, payable in four equal installments of $12,500 on January 31, 2017, March 31, 2017, May 31, 2017, and July 31, 2017. The settlement has been recorded as a liability and was expensed during the quarter ended September 30, 2016.

From time to time we are subject to a variety of claims and litigation incurred in the ordinary course of business. In our opinion, the outcome of our pending legal proceedings, individually or in the aggregate, will not have a material adverse effect on our business operations, results of operations, cash flows or financial condition.

Management has regular litigation reviews, including updates from outside counsel, to assess the need for accounting recognition or disclosure of contingencies relating to pending lawsuits. The Company accrues an undiscounted liability for those contingencies where the incurrence of a loss is probable, and the amount can be reasonably estimated. The Company does not record liabilities when the likelihood that the liability has been incurred is probable but the amount cannot be reasonably estimated or when the liability is believed to be only reasonably possible or remote. For contingencies where an unfavorable outcome is reasonably possible and which are significant, the Company discloses the nature of the contingency and, where feasible, an estimate of the possible loss. For purposes of our litigation contingency disclosures, “significant” includes material matters as well as other items which management believes should be disclosed.

Management judgment is required related to contingent liabilities and the outcome of litigation because both are difficult to predict. Litigation is subject to inherent uncertainties and unfavorable rulings could occur. Although management currently does not believe resolving any pending proceeding will have a material adverse impact on our financial statements, management’s view of these matters may change in the future. A material adverse impact on our financial statements could occur for the period in which the effect of an unfavorable final outcome becomes probable and reasonably estimable.

NOTE 14 – Impairment Analysis:

The Company conducted an impairment analysis on the carrying value of its wholly-owned subsidiary ACMC as of December 31, 2015. Management determined that an impairment totaling $2,043,300 was necessary which brought the carrying value in line with the book value of ACMC. The impairment was recorded as an expense. Analysis of impairment as of December 31, 2016 indicated no further action was required.

NOTE 15 – Subsequent Events:

None.

Supplemental Information

Management's Discussion and Analysis or Plan of Operation

The following discussion is provided as a supplement to the accompanying consolidated financial statements and notes (refer to Item 5 – Financial Information) and is intended to help provide information we believe is relevant to an assessment and understanding of our results of operations and financial condition. In addition to our consolidated financial statements and notes, it should be read in conjunction the section entitled "Risk Factors" and the cautionary statement regarding forward-looking information on page 12.

Overview

The following summarizes our operational and financial highlights for the year and our outlook:

- ***Comparative Results***. For the year ended 2016, as compared to 2015, our revenue increased 19.9%, from $13,112,417 to $15,737,292. We reported a net loss for 2016 of $1,060,339, compared to a net loss of $4,592,652 during 2015. The net loss for 2016 was comprised primarily from the sale of a commercial bank and the settlement of two foreclosed loans. The net loss for 2015 included the recognition of non-operating, non-recurring losses of $2,528,300 on an investment in securities and $2,043,300 in impairment losses. The operating loss was $1,754,381 in 2016, and $84,937 in 2015.

- ***Revenue Sources.*** Revenues from ACMC mortgage services represented 98% of our total consolidated revenues in 2016. Our loan origination revenues include processing revenue, which is a function of ACMC mortgage services. Other services consisting of accounting, appraisal and insurance products were not a material part of our total revenues in 2016.

- ***Branch Offices***. We currently have approximately 45 branch offices located in 27 states. We depend on the ability of the employees in our branch offices to locate new customers, grow our transactional volume, manage customer relationships, provide customers with information about our products and services, and assure the payment of our fees. Many employees operate out of home-based offices. We maintain leases on approximately 40% of our branch offices.

- ***Revenue Trends and Growth.*** We attribute our increase in revenue in 2016 to stable conditions in the residential mortgage market coupled with a continued low interest rate environment; as well as new revenues from originations, underwriting and secondary market activity. We funded $229,642,693 in mortgage loans in 2016, compared to $240,329,750 in 2015, a decrease of 4.2%.

  We believe that we have weathered the storm in the industry which began in 2007, but we cannot assure you that this is the case. While home prices have recently increased in many parts of the country, the housing market has not fully recovered from the economic crisis. The U.S. mortgage loan origination market, which was approximately $1.75 trillion in each of 2012 and 2013, contracted to approximately $1.12 trillion in 2014 and expanded to $1.63 trillion in 2015. It is projected to contract to $1.52 trillion in 2016 according to industry forecasts.[7] According to MBA data, refinancing activity declined from approximately 71% of the origination market in 2012, to 39.8% in 2014 and 46% in 2015,[8] and is expected to decline to approximately 36% of the origination market in 2016. The lower levels in residential mortgage loan volume projected for 2016, as compared to 2013 levels, and in particular the

[7] Mortgage Bankers Association, MBA Mortgage Finance Forecast, March 17, 2016, Copyright 2016.

[8] Mortgage Bankers Association, MBA Mortgage Finance Forecast, March 22, 2013, Copyright 2013.

lower volume of mortgage refinancings, will require us to increase our relative percentage of purchase mortgage originations or our revenues per loan processed by our customers in order to achieve revenue growth. We seek to increase our revenue by:

- o increasing our purchase mortgage origination volumes;
- o adding new branches and hiring additional qualified loan officers;
- o increase our revenues per loan by adding underwriting services;
- o adding ancillary financial product and service offerings;
- o affiliating with a federal or state charter commercial bank

- ***Geographical expansion.*** We currently operate in 27 states through our branch offices. We seek to expand our national presence with qualified employees as financially and administratively feasible. As an originator of mortgage loans, we must acquire and maintain a license from each state in which we operate. In addition, in most states our individual agent must also acquire a separate agent's license. The qualification process involves the purchase of bonds for each state, an annual audit at each state's discretion, and the cost of annual maintenance. On average these annual licensing costs can run from $7,000 to $10,000 per state.

- ***Financial Position.*** On December 31, 2016, we had $536,827 in cash, compared to $100,416 at December 31, 2015. Our operating activities used $1,480,814 in net cash during 2016, compared to generating $215,498 during the previous year. We have limited working capital and currently lack the funds to execute our business plan as fast as we would like or take advantage of strategic opportunities. We are required to meet certain net worth requirements to maintain our FHA-approved lender status and maintain our secured warehouse line of credit facilities. Significant additional funding is required to complete our bank affiliation strategy. We need to meet enhanced net worth requirements for FHA-approved lenders in order to maintain our HUD Direct Endorsement approval.

Results of Operations

- ***Year ended December 31, 2016 and 2015***. Revenue for the year ended December 31, 2016, increased by $2,624,875 or 19.9%, to $15,737,292 from $13,112,417 during the prior year. Revenues from ACMC mortgage services represented 98% of our total consolidated revenues in 2016. We reported a net loss for 2016 of $1,060,339 compared to a net loss in 2015 of $4,592,652. The net loss for 2016 resulted from the sale of a commercial bank and the settlement of two foreclosed loans. The net loss for 2015 included the recognition of non-operating, non-recurring losses of $2,528,300 on an investment in securities and $2,043,300 in impairment losses. The operating loss was $1,754,381 for 2016, compared to $84,937 for 2015.

Revenue, Costs and Expenses

The following table summarizes our selected consolidated financial information for the years ended December 31, 2016 and 2015 (in thousands) (unaudited):

	Year Ended December 31	
	2016	2015
Revenue:	$ 15,737	$ 13,112
Costs and expenses:		
Loan costs	3,642	2,726
Salaries, wages and employee benefits	10,981	8,324
Selling, general and administrative	2,719	2,123
Depreciation and amortization	150	24
	17,492	13,197
Income (loss) from operations	(1,754)	(85)
Other income (loss), net	694	(4,508)
Income (loss) before income taxes	(1,060)	(4,593)
Income tax expense (benefit)	0	0
Net income (loss)	$ (1,060)	$ (4,593)

Revenue

Revenue for the year ended 2016 increased by $2,624,875 or 19.9% compared to 2015. We attribute our increase in revenue in 2016 to stable conditions in the residential mortgage market, as well as generating new revenues from originations, underwriting and secondary market activity. Revenues from mortgage origination activities primarily consist of origination fees paid by either the broker lender or the borrower, the yield spread premium offered by an investor, the service release premium collected on mortgage resales, and administration and loan processing fees. Loan origination revenue includes processing revenue, which is a function of ACMC mortgage services.

Costs and Expenses

Cost of revenue

Loan costs for the year ended 2016, as compared to the year ended 2015, increased by $916,000, or 34%. As a percentage of total revenue, loan costs increased by 3% from 20% in 2015 to 23% for the year ended 2016. Loan costs represent third-party fees paid to service vendors and suppliers to complete a loan transaction as well as administration and loan processing fees.

Corporate Salaries, Wages and Employee Benefits

Corporate salaries, wages and employee benefits expenses, including payroll taxes, increased by $2,657,034 for the year ended December 31, 2016, or 32% over the year ended 2015. As a percentage of total revenue, compensation-related costs grew to 70% compared to 64% in 2015. Salaries are paid to branch employees based on compensation agreements with the Company. Licensed loan originators are compensated according to rules established by Regulation Z and the Consumer Finance Protection Bureau. Loan processors receive a flat fee paid from each closed and funded loan. Corporate employees are paid a salary and may earn a bonus based on the pre-tax profitability of the company.

Selling, General and Administrative Expenses

Selling, general and administrative expenses, SG&A, include consulting, legal and professional services, as well as expenses for rent and utilities, marketing, insurance, licensing, bad debts, sales tax and other taxes, and other costs. Aggregate rent for the year ended December 31, 2016 was $450,162, compared to $358,024 for the year ended December 31, 2015. Advertising costs included in SG&A for the year ended December 31, 2016 and 2015 were $205,852 and $390,983, respectively. Total SG&A expenses increased by approximately $596,000 for the year ended 2016 compared to 2015. As a percentage of total revenue, SG&A expenses increased by 1.1% from 16.2% in 2015 to 17.3% in 2016. SG&A expenses include many fixed costs needed to maintain our retail mortgage origination locations and to provide the necessary tools for our business. Each state in which we conduct business requires that we have a business license, one or more origination licenses, branch licenses in some cases, and licenses for each loan originator. Most states require that we purchase and deliver a surety bond on an annual basis and require errors and omissions insurance. Every office that is licensed to conduct FHA business must also meet minimum premises and equipment requirements.

Depreciation and Amortization

Depreciation and amortization expenses include depreciation on our fixed assets and amortization of our intangible assets. Depreciation and amortization was $149,751 in 2016, and $24,495 for the year ended 2015.

Other Income (expense)

Other income (expense) includes interest paid on promissory notes and gains and losses on sale of assets. For 2016, Other Income (expense) was comprised primarily of reimbursement of expenses from a branch of ACMC. Other expense included non-operating, non-recurring adjustments which significantly affected our net results in 2015. These included a $2,528,300 write off of an investment and a $2,043,300 write down of impairment.

Interest expense is paid primarily on our notes payable. Our long-term debt totaled $1,710,665 at December 31, 2016, compared to $1,412,320 at December 31, 2015.

Recoverability of Deferred Tax Assets

Deferred tax assets on our balance sheet primarily include federal and state net operating loss carry forwards (collectively “NOLs”) which are expected to result in future tax benefits. Realization of these NOLs assumes that we will be able to generate sufficient future taxable income to realize these assets. Deferred tax assets also include temporary differences between the financial reporting basis and the income tax basis of our assets and liabilities at enacted tax rates expected to be in effect when such assets or liabilities are realized or settled. As of December 31, 2015, we had approximately $98,099 of NOLs available to offset future taxable income. These expired in 2016. We periodically assess the realizability of our available NOLs to determine whether we believe we will generate enough future taxable income to utilize substantially all of the available NOLs.

Financial Condition

Our total assets were $16,639,518 and $17,275,385 at December 31, 2016 and December 31, 2015 respectively. The decrease in asset base is primarily due to the sale of an investment we held in a state chartered bank, and the related loss on that investment of $565,000. At December 31, 2016 and December 31, 2015 there was $12,999,339 and $12,932,472 outstanding under our warehouse lines of credit. Working capital (net of offsetting entries of loans held for sale and warehouse lines of credit) decreased from $146,889 at December 31, 2015 to ($131,169) on December 31, 2016.

Our cash totaled $536,827 on December 31, 2016 compared to $100,416 at December 31, 2015, representing an increase of $436,411. Our cash flow activity is described in more detail below (see "Liquidity and Capital Resources").

Accounts receivable balances were $95,303 and $134,186 as of December 31, 2016 and 2015 respectively, representing a decrease of $38,883. Accounts receivable are primarily influenced by loans we have closed but that have not funded (not yet paid). There is a direct correlation between accounts receivables and loans held for sale. Our total current liabilities were $14,022,313 and $13,748,944 at December 31, 2016 and 2015 respectively, representing an increase of $273,369. The increase is primarily due to a Settlement Payable of $177,500.

Our stockholders' equity decreased by $1,054,689 to $882,542 at December 31, 2016, from $1,937,231 at December 31, 2015.

Liquidity and Capital Resources

Our operating activities used $1,480,814 in net cash during 2016, compared to generating $215,498 the previous year.

The following table presents a summary of our cash flows for the years ended 2016 and 2015 respectively (in thousands) (unaudited):

	Year ended December 31			
	2016			2015
Net cash provided by (used) in operating a	$	(1,481)	# $	215
Net cash provided by (used) in investing a		754		(162)
Net cash provided (used) by financing acti		1,163		(487)
Increase (decrease) in cash and cash equiv	$	436	$	(434)

Our current assets are primarily used to fund our minimum net worth requirements for our HUD designation. We do not currently have a line of credit facility to provide additional reserve capacity for general corporate and working capital purposes, or to make expenditures related to the growth and expansion of our business model. Our warehouse lines of credit are reserved for our loan products. Significant additional funding would be required for our bank affiliation strategy. We are required to meet enhanced net worth requirements to maintain our FHA-approved lender status.

As part of our future expansion activities and our evaluation of strategic alternatives and opportunities, we may seek to acquire certain competitors or other business enterprises, or consider partnering or other collaboration agreements, or a bank affiliation transaction or other strategic transaction. Such alliances, mergers or acquisitions or dispositions could result in potentially dilutive issuances of our equity securities, the expenditure of our cash or the incurrence of debt or contingent liabilities. We may seek to finance a portion of the acquisition cost.

Inflation has not had a material impact on our business during the last two fiscal years. Inflation affecting the U.S. dollar is not expected to have a material effect on our operations in the foreseeable future.

Operating Activities

For the year ended December 31, 2016, net cash used by operating activities was $1,480,814 compared to the provision of $215,498 in the year ended December 31, 2015.

The difference between our net income and our net cash used by operating activities was attributable to non-cash expenses included in net income, and changes in the operating assets and liabilities, as presented below (in thousands) (unaudited):

	Year ended December 31			
		2016		2015
Net income (loss)	$	(1,060)	$	(4,285)
Add: non-cash expenses		150		24
Add: changes in operating assets and liabiliti		(571)		4,476
Net cash provided (used) by operating activi	$	(1,481)	$	215

Non-cash expenses are associated with the amortization of intangible assets, depreciation and amortization of property and equipment, and stock-based compensation expense.

Changes in operating assets and liabilities primarily reflect changes in working capital components of the balance sheet apart from cash and cash equivalents. Net cash provided by operating activities also reflects changes in some non-current components of the balance sheet, such as liabilities to branch offices.

Investing Activities

For the year ended December 31, 2016, net cash provided by investing activities was $754,377, compared with $162,168 used by investing activities in 2015. In both years, the net cash for investing activities number is primarily attributable to an investment in a commercial bank.

Financing Activities

Financing activities provided $1,162,848 of net cash in 2016. This change resulted from the usage of warehouse lines in 2016. The net cash of $486,795 used by financing activities in 2015 consisted primarily of proceeds from the issuance of notes payable.

Legal Proceedings

See Note 16 — “Legal Proceedings and Litigation Contingencies” included in the “Notes to Unaudited Consolidated Financial Statements.”

Defaults upon Senior Securities

Not applicable.

Other Information

Not applicable.

Exhibits

Exhibit No.	Exhibit Description	Incorporated by Reference OTC Disclosure and News Service Form	Exhibit No.	Posting Date	Posted Herewith
Item 18: Material Contracts					
1	2006 Stock Incentive Plan	Annual Report	1	7-22-13	
2	Form of Restricted Stock Agreement	Annual Report	2	7-22-13	
Item 19: Articles of Incorporation and Bylaws					
3	Amended and Restated Articles of Incorporation	Annual Report	3	7-22-13	
4	Certificate of Designation of Series C Preferred Stock	Annual Report	4	7-22-13	
5	Amended and Restated Bylaws	Annual Report	5	7-22-13	