FLEXPOWER INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(UNAUDITED)

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

FLEXPOWER, INC. AND SUBSIDIARY
(FKA MONARC CORPORATION)
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2013 AND 2012
(UNAUDITED)

ASSETS	2013	2012
CURRENT ASSETS:		
Cash	$ 97,039	$ 8,702
Accounts receivable, net of allowance for doubtful accounts of $-0-	20,883	13,599
Inventories	18,720	34,321
TOTAL CURRENT ASSETS	136,642	56,622
TOTAL ASSETS	$ 136,642	$ 56,622
LIABILITIES AND STOCKHOLDERS' (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	$ 2,311	$ 17,151
Accrued expenses	24,597	19,500
Accrued interest payable	26,100	14,928
Derivative liability	197,370	—
Convertible note payable, net of debt discount of $177,554 at December 31, 2013	96,911	49,465
TOTAL CURRENT LIABILITIES	$ 347,289	$ 101,044
STOCKHOLDERS' (DEFICIT)		
Common stock ($.001 par value, 195,000,000 shares authorized; 19,677,460 shares issued and outstanding at December 31, 2013 and 2012, respectively)	19,677	19,677
Convertible Class B preferred stock ($001 par value, 5,000,000 shares authorized; 1,000,000 shares issued and outstanding at December 31, 2013 and 2012, respectively). Each share is convertible into ten common shares.	1,000	1,000
Additional paid in capital	2,347,095	2,247,095
Retained (deficit)	(2,578,419)	(2,312,194)
TOTAL STOCKHOLDERS' (DEFICIT)	(210,647)	(44,422)
TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT)	$ 136,642	$ 56,622

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

FLEXPOWER, INC. AND SUBSIDIARY
(FKA MONARC CORPORATION)
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(UNAUDITED)

		2013		2012
REVENUES:				
Sales		$179,489		$197,765
Cost of sales		(32,086)		(32,961)
Gross profit (loss)		147,403		164,804
EXPENSES:				
Advertising		4,392		8,061
Insurance		240		470
Salaries		71,259		94,470
Office supplies		14,840		15,401
Legal		4,392		13,158
Rent		26,128		28,819
Travel, meals and entertainment		14,136		19,522
New business expansion		22,253		5,545
Total operating expenses		157,640		185,446
Income (loss) from operations	$	(10,237)	$	(20,642)
OTHER (EXPENSE):				
Changes in derivative liability		5,787		—
Public listing expenses		(225,000)		—
Interest expense		(11,172)		(8,568)
Amortization of debt discount		(25,603)		
Total other (expense)	$	(255,988)	$	(8,568)
NET (LOSS)	$	(266,225)	$	(29,210)
Basic and fully diluted net (loss) per common share	$	(0.01)		**
Weighted average common shares outstanding		19,677,460		19,677,460

** Less than $.01

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

FLEXPOWER, INC. AND SUBSIDIARY
(FKA MONARC CORPORATION)
CONSOLIDATED STATEMENT OF STOCKHOLDERS' (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(UNAUDITED)

	Common Stock		Preferred Stock		Additional Paid-in	Retained	
	Shares	Amount	Shares	Amount	Capital	(Deficit)	Total
Balances, January 1, 2012	19,200,000	$ 19,200	—	$ —	$ 2,318,800	$ (2,282,984)	$ 55,016
Reorganization due to recapitalization	477,460	477	1,000,000	1,000	(71,705)		(70,228)
Net (loss) for the year ended December 31, 2012						(29,210)	(29,210)
Balances, December 31, 2012	19,677,460	$ 19,677	1,000,000	$ 1,000	$ 2,247,095	$ (2,312,194)	$ (44,422)
Shareholders contribution					100,000		100,000
Net (loss) for the year ended December 31, 2013						(266,225)	(266,225)
Balances, December 31, 2013	19,677,460	$ 19,677	1,000,000	$ 1,000	$ 2,347,095	$ (2,578,419)	$ (210,647)

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

FLEXPOWER, INC. AND SUBSIDIARY
(FKA MONARC CORPORATION)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(UNAUDITED)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (266,225)	$ (29,210)
Adjustments to reconcile net income (loss) to net cash (used in) operating activities:		
Amortization of discount to note payable	25,603	—
Changes in derivative liabilities	(5,787)	—
Changes in operating assets and liabilities:		
Accounts receivable	(7,284)	(5,056)
Inventory	15,601	(8,943)
Accounts payable	(14,840)	11,531
Accrued expenses	5,097	5,097
Accrued interest payable	11,172	8,568
NET CASH (USED IN) OPERATING ACTIVITIES	(236,663)	(18,013)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	225,000	—
Shareholders contribution	100,000	
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	325,000	—
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	88,337	(18,013)
CASH AND CASH EQUIVALENTS:		
Beginning of period	8,702	26,715
End of period	$ 97,039	$ 8,702
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ —	$ —
Cash paid for interest	$ —	$ —

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

FLEXPOWER, INC.
(FKA MONARC CORPORATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012
(Unaudited)

NOTE 1 – BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in the United States ("GAAP").

NOTE 2 – ORGANIZATION AND BUSINESS BACKGROUND

FlexPower, Inc. (F/K/A Monarc Corporation) (the "Company") was organized under the laws of the State of Nevada on October 11, 2000 as B Com, Inc. In February, 2008, the Company changed its name to Monarc Corporation. The Company was previously administratively abandoned in its former existence and reinstated in March, 2011 through a court appointed guardian - custodian. In April 2014, the Company filed another reinstatement with the Secretary of State of Nevada to bring its status current with the State and changed its corporate name to FlexPower, Inc. in May 2014 to reflect the acquisition of Flex-Power, Inc., its subsidiary organized and exiting under the laws of the State of California. The Company's common shares are quoted on the "Pink Sheets" quotation market under the symbol "FLXP".

On May 13, 2014, the Company entered into a Plan of Exchange with Flex-Power, Inc., a corporation organized and exiting under the laws of the State of California ("Flex-Power"), pursuant to which the Company acquired 100% of the Capital Shares of Flex-Power in exchange for an issuance by the Company of 19,200,000 shares of Common Stock to Flex-Power Shareholders, and/or their assigns. The above issuance gave Flex-Power Shareholders and/or their assigns a 'controlling interest' in the Company representing approximately 97.6% of the issued and outstanding shares of the Company's Common Stock. The transaction resulted in a change in control of the Company. The Company and Flex-Power were hereby reorganized, such that the Company acquired 100% of the Capital Shares of Flex-Power, and Flex-Power, Inc. became wholly-owned subsidiaries of the Company.

The reorganization between the Company and Flex-Power has been accounted for as a reverse acquisition and recapitalization of the Company whereby Flex-Power is deemed to be the accounting acquirer (legal acquiree) and the Company to be the accounting acquiree (legal acquirer). The accompanying consolidated financial statements are in substance those of Flex-Power, with the assets and liabilities, and revenues and expenses, of the Company being included effective from the date of stock exchange transaction. The Company is deemed to be a continuation of the business of Flex-Power. Accordingly, the accompanying consolidated financial statements include the following:

(1) The balance sheet consists of the net assets of the accounting acquirer at historical cost and the net assets of the accounting acquiree at historical cost;

(2) The financial position, results of operations, and cash flows of the accounting acquirer for all periods presented as if the recapitalization had occurred at the beginning of the earliest period presented and the operations of the accounting acquiree from the date of stock exchange transaction.

Flex-Power, Inc., and FlexPower, Inc. are hereinafter referred to as the "Company".

The Company, through its subsidiary, mainly engaged in the manufacture and sales of innovative pain relief products in the United States of America.

NOTE 3 – GOING CONCERN UNCERTAINTIES

The accompanying condensed consolidated financial statements have been prepared using the going concern basis of accounting, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has accumulated losses through December 31, 2013 of $2,578,419. The Company's continuation as a going concern is dependent on its ability to meet its obligations, to obtain additional financing as may be required and ultimately to attain profitability. These consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 4 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying condensed consolidated financial statements reflect the application of certain significant accounting policies as described in this note and elsewhere in the accompanying condensed consolidated financial statements and notes.

Use of estimates

In preparing these condensed consolidated financial statements, management makes estimates and assumptions that affect the reported amount of assets and liabilities in the balance sheets and revenues and expenses during the periods reported. Actual results may differ from these estimates.

Basis of consolidation

The condensed consolidated financial statements include the accounts of the Company and its subsidiary, Flex-Power, Inc. All significant inter-company balances and transactions within the Company have been eliminated upon consolidation.

Cash and cash equivalents

Cash and cash equivalents are carried at cost and represent cash on hand, demand deposits placed with banks or other financial institutions and all highly liquid investments with an original maturity of three months or less as of the purchase date of such investments.

NOTE 4 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Valuation of long-lived assets

In accordance with the provisions of Accounting Standards Codification ("ASC") Topic 360-10-5, " *Impairment or Disposal of Long-Lived Assets* ", all long-lived assets such as plant and equipment and construction in progress held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is evaluated by a comparison of the carrying amount of assets to estimated discounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the fair value of the assets. There has been no impairment charge for the periods presented.

Allowance for doubtful accounts

The Company establishes an allowance for doubtful accounts based on managements' assessment of the trade receivables collectibles. Judgment is required in assessing the amount of the allowance. The Company considers the historical level of credit losses and applies percentages to different receivables categories. The Company makes judgments about the creditworthiness of each customer based on ongoing credit evaluations, and monitors current economic trends that might impact the level of credit losses in the future. If the consolidated financial condition of the customers were to deteriorate, resulting in their inability to make payments, a larger allowance may be required.

Based on the above assessment, during the reporting periods, management establishes the general provisioning policy to make an allowance equivalent to a percentage of the gross amount of trade receivables, if needed. Additional specific provision is made against trade receivables to the extent which they are considered to be doubtful.

Bad debts are written off when identified. The Company does not accrue interest on trade receivables.

Historically, losses from uncollectible accounts have not significantly deviated from the general allowance estimated by management and no significant additional bad debts have been written off directly to net income. There were no changes in the general provisioning policy in the past since establishment and management considers that the aforementioned general provisioning policy is adequate, not excessive and does not expect to change this established policy in the near future.

Inventories

Inventories (finished goods, work in process, raw materials and packaging materials) are stated at the lower of cost or market. Cost is determined on a first in first out basis which includes an appropriate share of production overheads based on normal operating capacity and includes all expenditures incurred in bringing the goods to the point of sale and putting them in a saleable condition. In assessing the ultimate realization of inventories, management makes judgments as to future demand requirements compared to current or committed inventory levels. The Company estimates the demand requirements based on market conditions, forecasts prepared by its customers, sales contracts and orders in hand.

NOTE 4 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories (continued)

In addition, the Company estimates net realizable value based on intended use, current market value and contract terms. The Company writes down the inventories for estimated obsolescence, slow moving or unmarketable inventories equal to the difference between the cost of inventories and the estimated market value based upon assumptions about future demand and market conditions.

Revenue recognition

In accordance with ASC Topic 605, " *Revenue Recognition* ", the Company recognizes revenue when persuasive evidence of an arrangement exists, transfer of title has occurred or services have been rendered, the selling price is fixed or determinable and collectibility is reasonably assured. Cost of goods sold consists primarily of material costs which are directly attributable to the manufacture of products.

Income taxes

Income taxes are determined in accordance with ASC Topic 740, " *Income Taxes* " ("ASC 740"). Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Any effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

ASC 740 prescribes a comprehensive model for how companies should recognize, measure, present, and disclose in their financial statements uncertain tax positions taken or expected to be taken on a tax return. Under ASC 740, tax positions must initially be recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. Such tax positions must initially and subsequently be measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and relevant facts.

For the years ended December 31, 2013 and 2012, the Company did not have any interest and penalties associated with tax positions. As of December 31, 2013, the Company did not have any significant unrecognized uncertain tax positions.

NOTE 4 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value of financial instruments

The Company measures its financial and non-financial assets and liabilities, as well as makes related disclosures, in accordance with FASB Accounting Standards Codification No. 820, *Fair Value Measurement* ("ASC 820"), which provides guidance with respect to valuation techniques to be utilized in the determination of fair value of assets and liabilities. Approaches include, (i) the market approach (comparable market prices), (ii) the income approach (present value of future income or cash flow), and (iii) the cost approach (cost to replace the service capacity of an asset or replacement cost). ASC 820 utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3: Unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one more significant inputs or significant value drivers are unobservable.

Our financial instruments include cash, accounts receivable, inventories, accounts payable, accrued liabilities, convertible note payable, and derivative liabilities.

The carrying values of the Company's cash, accrued liabilities approximate their fair value due to their short-term nature.

The Company's convertible note payable are measured at amortized cost.

The derivative liabilities are stated at their fair value as a level 3 measurement. The Company used a Black-Scholes model to determine the fair values of these derivative liabilities. See Note 5 for the Company's assumptions used in determining the fair value of these financial instruments.

Convertible note payable

The Company accounts for convertible note payable in accordance with the FASB Accounting Standards Codification No. 815, *Derivatives and Hedging,* since the conversion feature is not indexed to the Company's stock and can't be classified in equity. The Company allocates the proceeds received from convertible note payable between the liability component and conversion feature component. The conversion feature that is considered embedded derivative liabilities has been recorded at their fair value as its fair value can be separated from the convertible note and its conversion is independent of the underlying note value. The Company has also recorded the resulting discount on debt related to the conversion feature and is amortizing the discount using the effective interest rate method over the life of the debt instruments.

NOTE 4 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative liabilities

The Company accounts for derivative liabilities in accordance with the FASB Accounting Standards Codification No. 815, *Derivatives and Hedging* ("ASC 815"). ASC 815 requires companies to recognize all derivative liabilities in the balance sheet at fair value, and marks it to market at each reporting date with the resulting gains or losses shown in the Statement of Operations.

Net income (loss) per share

Net income (loss) per common share is computed pursuant to section 260-10-45 of the FASB Accounting Standards Codification. Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. If applicable, diluted earnings per share assume the conversion, exercise or issuance of all common stock instruments such as options, warrants and convertible securities, unless the effect is to reduce a loss or increase earnings per share. Convertible debentures and preferred stock conversions are not considered in the calculations, as the impact of the potential common shares would be to decrease the loss per share. Therefore no diluted loss per share figure is presented.

Related parties

The Company follows subtopic 850-10 of the FASB Accounting Standards Codification for the identification of related parties and disclosure of related party transactions.

Pursuant to Section 850-10-20 the related parties include a. affiliates of the Company; b. Entities for which investments in their equity securities would be required, absent the election of the fair value option under the Fair Value Option Subsection of Section 825–10–15, to be accounted for by the equity method by the investing entity; c. trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management; d. principal owners of the Company; e. management of the Company; f. other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests; and g. Other parties that can significantly influence the management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

The consolidated financial statements shall include disclosures of material related party transactions, other than compensation arrangements, expense allowances, and other similar items in the ordinary course of business. However, disclosure of transactions that are eliminated in the preparation of consolidated or combined financial statements is not required in those statements.

NOTE 4 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (continued)

The disclosures shall include: a. the nature of the relationship(s) involved; b. a description of the transactions, including transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which income statements are presented, and such other information deemed necessary to an understanding of the effects of the transactions on the financial statements; c. the dollar amounts of transactions for each of the periods for which income statements are presented and the effects of any change in the method of establishing the terms from that used in the preceding period; and d. amounts due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement.

Advertising

Advertising is expenses as incurred. The Company does not incur any direct-response costs.

Uncertain tax positions

Company did not take any uncertain tax positions and had no adjustments to unrecognized income tax liabilities or benefits pursuant to the provisions of Section 740-10-25 of the FASB Accounting Standards Codification for the years ended December 31, 2013 or 2012.

Subsequent events

The Company adopted FASB Accounting Standards Codification 855 *"Subsequent Events"* ("ASC 855") to establish general standards of accounting for and disclosure of events that occur after the balance sheet date, but before the financial statements are issued or available to be issued.

Recent accounting pronouncements

The Company has reviewed all recently issued, but not yet effective, accounting pronouncements up to ASU 2014-08, and does not believe the future adoption of any such pronouncements may be expected to cause a material impact on its consolidated financial condition or the consolidated results of its operations.

NOTE 5 – CONVERTIBLE NOTES PAYABLE

At December 31, 2013 and 2012, the total carrying value of the Company's convertible notes payable was $96,911 and $46,965, respectively and the debt discount was $177,554 at December 31, 2013. No collateral exists on any of the note instruments. See below for a detailed discussion of these notes comprising the above recorded amounts.

NOTE 5 – CONVERTIBLE NOTES PAYABLE (CONTINUED)

On November 15, 2013, the Company entered into an 8% convertible promissory note with an unrelated entity in the amount of $225,000. The note is due on November 15, 2014. Subsequent to year-end, this note was partially assigned to two other unrelated entities in addition to this note holder subject to a signed Loan Participation and Servicing Agreement. The three holders of this Note collectively may, at their option, convert all or any portion of the accrued interest and unpaid principal balance of this Note into fully paid and non-assessable shares of common stock of the Company or his successors, at the conversion ratio of 60% or a 40% discount of the then current bid price for an average of five days. This gives rise to derivative liability accounting related to this Note since the conversion ratio is considered floorless. In addition, the Company had nominal trading volume for its stock on the date of issuance and no beneficial conversion was recorded.

Notes that are convertible at a discount to market are considered embedded derivatives.

Under Financial Accounting Standard Board (“FASB”), U.S. GAAP, Accounting Standards Codification, “Derivatives and Hedging”, ASC Topic 815 (“ASC 815”) requires that all derivative financial instruments be recorded on the balance sheet at fair value. Fair values for exchange traded securities and derivatives are based on quoted market prices. Where market prices are not readily available, fair values are determined using market based pricing models incorporating readily observable market data and requiring judgment and estimates.

The Company’s convertible notes have been evaluated with respect to the terms and conditions of the conversion features contained in the notes to determine whether they represent embedded or freestanding derivative instruments under the provisions of ASC 815. The Company determined that the conversion features contained in this note for $225,000 carrying value represents a freestanding derivative instrument that meets the requirements for liability classification under ASC 815. As a result, the fair value of the derivative financial instrument in the note is reflected in the Company’s balance sheet as a liability.

The fair value of the derivative financial instrument of the convertible note was measured using the Black-Scholes valuation model at the inception date of the note and will do so again on each subsequent balance sheet date. Any changes in the fair value of the derivative financial instruments are recorded as non-operating, non-cash income or expense at each balance sheet date.

The table below sets forth the assumptions for Black-Scholes valuation model on the initial date and December 31, 2013, respectively. For the period from the issuance date to December 31, 2013, the Company decreased the derivative liability of $203,157 by $5,787 resulting in a derivative liability of $197,370 at December 31, 2013.

Reporting Date	Fair Value	Term (Years)	Assumed Conversion Price	Market Price on Issuance Date	Volatility Percentage	Risk-free Rate
11/15/13	$203,157	1.00	$0.60	$1.00	100%	0.0013
12/31/13	$197,370	0.87	$0.60	$1.00	100%	0.0019

NOTE 5 – CONVERTIBLE NOTES PAYABLE (CONTINUED)

As of December 31, 2013, the carrying values of the Notes were $47,446, net of debt discounts of $177,554. The Company recorded interest expense related to the Notes of $2,268 and amortization of debt discounts in amount of $25,603 during the year ended December 31, 2013. The interest expense of $2,268 has been included under accrued liabilities.

The Notes		2013
Proceeds	$	225,000
Less derivative liabilities on initial recognition		(203,157)
Value of the Notes on initial recognition		21,843
Add accumulated accretion expense		25,603
Balance as at December 31	$	47,446

In accordance with the terms and conditions in this Convertible Promissory Note, if the Company defaults in the payment of principal or interest due on the Promissory Notes or subject to other conditions occurring with the Company, the three holders of the Convertible Promissory Notes (the “holder”) shall be entitled to receive and the Company agreed to pay all reasonable costs of collection incurred by holder, including, without limitation, reasonable attorney’s fees for consultation and suit. In the event of default hereunder, the entire unpaid balance hereof shall become due and payable upon demand and automatically convert into common shares of the Company at the ten effective conversion rate previously discussed. All costs and fees (including reasonable fees and disbursements of legal counsel) incurred by the holder as the result of any default by anyone liable hereunder or as the result of any collection effort by the holder shall also be due and owing to the holder. Failure to exercise any right shall not be deemed a waiver of the right to exercise the same at any subsequent date, or event.

The Company also entered into an 18% convertible promissory note originally dated June 1, 2010 with an unrelated entity in the amount of $82,000. The note was originally due on December 31, 2012. Subsequent to year-end, this note was partially assigned in the amount of $49,465 to three unrelated entities subject to a signed Debt Purchase Agreement dated March 25, 2014. The three holders of this note collectively may, at their option, convert all or any portion of the accrued interest and unpaid principal balance of this Note into fully paid and non-assessable shares of common stock **of** the Company or his successors, at the conversion price of $.001 per common share. This does not give rise to derivative liability accounting related to this Note since the conversion ratio is not considered floorless. In addition, the Company had nominal trading volume for its stock on the date of issuance and no beneficial conversion was recorded. The Company recorded interest expense related to this Note in amount of $8,904 and $8,568 during the years ended December 31, 2013 and 2012, respectively. The interest expense of $8,904 and $8,568 have been included under accrued liabilities as of December 31, 2013 and 2012, respectively.

NOTE 6 – DERIVATIVE LIABILITIES

As of December 31, 2013, the Company's derivative liabilities are embedded derivatives associated with the Company's convertible note payable (see Note 5). Due to the Notes' conversion feature, the actual number of shares of common stock that would be required if a conversion of the note as described in Note 5 was made through the issuance of the Company's common stock cannot be predicted. As a result, the conversion feature requires derivative accounting treatment and will be bifurcated from the note and "marked to market" each reporting period through the statement of operations.

The Company measured the fair value of the derivative liabilities as $203,157 on issuance date (November 15, 2013), and remeasured the fair value as $197,370 on December 31, 2013, and recorded the change of fair value of $5,787 in the statements of operations for the year ended December 31, 2013.

NOTE 7 – INCOME TAXES

At December 31, 2013 the Company had federal and state net operating loss carry forwards of approximately $2,600,000 that expire in various years through the year 2028.

Due to operating losses, there is no provision for current federal or state income taxes for the years ended December 31, 2013 and 2012.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for federal and state income tax purposes.

The Company's deferred tax asset at December 31, 2013 consists of net operating loss carry forwards calculated using federal and state effective tax rates equating to approximately $1,014,000 less a valuation allowance in the amount of approximately $1,014,000. Because of the Company's lack of earnings history, the deferred tax asset has been fully offset by a valuation allowance. The valuation allowance increased (decreased) by approximately $74,000 and $9,000 for the years ended December 31, 2013 and 2012, respectively.

The Company's total deferred tax asset as of December 31, 2013 is as follows:

Net operating loss carry forwards	$ 1,014,000
Valuation allowance	(1,014,000)
Net deferred tax asset	$ --

NOTE 7 – INCOME TAXES (CONTINUED)

The reconciliation of income taxes computed at the federal and state statutory income tax rate to total income taxes for the years ended December 31, 2013 and 2012 is as follows:

Income tax computed at the federal statutory rate	34%
Income tax computed at the state statutory rate	5%
Valuation allowance	(39%)
Total deferred tax asset	0%

No provision for deferred tax assets or liabilities has been made, since the Company has no material temporary difference between the tax bases of assets and liabilities and their carrying amounts.

NOTE 8 – CONTINGENCIES

The Company had no contingencies existing at December 31, 2013 and 2012.

NOTE 9 – RELATED PARTY TRANSACTIONS

The Company had no material related party transactions carried out with its related parties during the years ended December 31, 2013 and 2012.

NOTE 10 – SEGMENTS

The Company determined that it did not operate in any material, separately reportable operating segments as of December 31, 2013 and 2012.

NOTE 11 – SUBSEQUENT EVENTS

In accordance with ASC Topic 855-10, the Company has analyzed its operations subsequent to December 31, 2013 to the date these financial statements were issued. In addition to the transactions disclosed below, the Company does not have any material subsequent events to disclose in these financial statements.

The Company's security symbol will change to FLXP on June 9, 2014.

The Company enacted a 1 for 10,000 reverse stock split on May 12, 2014. These consolidated statements are retroactively restated herein to account for it.

I, Rasheen Smith certify that:

1. I have reviewed the Consolidated Financial Statements for the years ended December 31, 2013 and 2012 of FlexPower, Inc.

2. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference hereto, 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 hereto.

Date: June 10, 2014

/s/: Rasheen Smith
Rasheen Smith
President