

# **FUSIONPHARM, INC**

**Financial Statements**

**For The Periods Ended**

**December 31, 2013 and December 31, 2012 (Restated)**

**FUSIONPHARM, INC.**  
**BALANCE SHEETS**  
**(Unaudited)**

	Year Ended	
	December 31 2013	December 31 2012 (Restated)
<b><u>ASSETS</u></b>		
Current Assets		
Cash and cash equivalents	216,831	340
Accounts receivable	-	6,600
Inventories	101,264	6
Note receivable	42,000	-
Total current assets	360,095	6,946
Property, Plant and Equipment		
Property, plant and equipment	29,450	93,269
Less: accumulated depreciation	(11,809)	(25,614)
Property, plant and equipment, net	17,641	67,655
Other Assets		
Deposits	25,800	8,000
Licensing rights	-	8,480
Total other assets	25,800	16,480
Total Assets	403,536	91,080
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
Current Liabilities		
Accounts payable	80,605	39,572
Customer deposits	362,995	37,605
Accrued compensation	-	31,310
Accrued interest	59,051	36,176
Notes payable	120,158	31,055
Total current liabilities	622,809	175,718
Long Term liabilities		
Notes payable	-	263,547
Total long term liabilities	-	263,547
Total Liabilities	622,809	439,265
Stockholders' Equity		
Common Stock, \$.0001 per share par value	802	286
Preferred stock, \$.0001 per share par value	147	149
Additional paid in capital	690,486	520,008
Net loss	(42,080)	(234,787)
Accumulated deficit	(868,628)	(633,841)
Total Stockholders' Equity	(219,273)	(348,185)
Total Liabilities and Stockholders' equity	403,536	91,080

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

**FUSIONPHARM, INC.**  
**STATEMENTS OF OPERATIONS**  
**(Unaudited)**

	Period Ended	
	December 31 2013	December 31 2012 (Restated)
Revenue	594,397	308,398
Cost of sales	<u>473,895</u>	<u>222,723</u>
Gross Profit	120,502	85,675
Operating expenses	130,650	272,222
Operating income	<u>(10,148)</u>	<u>(186,547)</u>
Other income (expenses)		
Interest	(22,876)	(26,491)
Depreciation and amortization	(9,056)	(15,019)
Other	<u>-</u>	<u>(6,727)</u>
Total other income (expenses)	(31,932)	(48,237)
Net Income (Loss)	<u><u>(42,080)</u></u>	<u><u>(234,784)</u></u>

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

**FUSIONPHARM, INC.**  
**STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

	Period Ended	
	December 31 2013	December 31 2012 (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss) for period	(42,080)	(234,784)
Adjustments to reconcile net income (loss)		
Depreciation and amortization expense	9,056	15,019
Loss on disposal of fixed assets	43,050	-
Write-off of licensing rights	8,480	-
Changes in operating assets and liabilities		
Accounts receivable	6,600	(6,600)
Accounts payable	41,033	39,572
Inventories	(101,258)	18,392
Accrued compensation	(31,310)	33,498
Accrued interest	22,875	26,495
Common Stock pending issuance	-	(27,500)
Customer deposits	325,390	37,605
Other liabilities	-	(2,193)
Note receivable	(42,000)	-
Net cash provided (used) by operating activities	239,836	(100,496)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Property, plant and equipment purchases	(5,545)	(6,201)
Deposits	(17,800)	(5,000)
Other	-	2,502
Net cash provided (used) by investing activities	(23,345)	(8,699)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long-term borrowing	-	(1,400)
Proceeds from the issuance of common stock	-	81,400
Net cash provided (used) by financing activities	-	80,000
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>216,491</b>	<b>(29,195)</b>
Cash, beginning of period	340	29,535
Cash, end of period	216,831	340

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

**FUSIONPHARM, INC.**  
**Statement of Stockholders' Equity**  
**(Unaudited)**  
**From December 31, 2012 (Restated) to December 31, 2013**

	Preferred Stock		Common Stock		Additional	Accumulated	Total
	Shares	Amount	Shares	Amount	Paid-in Capital	Deficit	Stockholders' Equity
Balance December 31, 2012	1,487,330	\$ 149	2,861,926	\$ 286	\$ 520,008	\$ (868,628)	\$ (348,185)
Issuance of common stock on conversion of preferred stock	(20,000)	(2)	2,000,000	200	(200)		(2)
Issuance of common stock on conversion of promissory notes			3,157,265	316	170,678		170,994
Net Loss						(42,080)	(42,080)
Balance December 31, 2013	1,467,330	\$ 147	8,019,191	\$ 802	\$ 690,486	\$ (910,708)	\$ (219,273)

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

**FusionPharm, Inc.**  
**Notes To Financial Statements**  
**(Unaudited)**  
**December 31, 2013**

**Note 1 Organization**

FusionPharm, Inc., (the "Company"), was incorporated in the State of Nevada on November 6, 1998. The Company became Baby Bee Bright Corporation after completing a reverse merger with Sequoia Interests Corporation on June 6, 2006. On April 4, 2011, the Company changed its business plan and corporate direction and changed its name to FusionPharm, Inc.

The Company's primary focus is to commercialize its patent pending PharmPods™ line of hydroponic cultivation systems. Fusion Pharm, Inc. is the creator and manufacturer of the PharmPods hydroponic cultivation container system. PharmPods are constructed of standard ISO steel shipping containers that are repurposed for use in indoor plant cultivation and are equipped with specialty lighting, irrigation systems, climate-control systems and ventilation for a grow-ready, self-contained portable agricultural solution. PharmPods allow users to precisely control what a plant receives, grow crops densely, avoid using pesticides and herbicides, increase yields and automatically water plants. Based on the concept of Controlled Environment Agriculture (CEA) used extensively in greenhouse cultivation for decades, the PharmPod cultivation container is the ultimate evolution of the CEA concept. The Company's PharmPods are used for agricultural cultivation by urban farming companies and other specialty growers.

Plants are typically grown in various growing mediums using a mineral nutrient solution. Nutrient solutions contain substantially all of the minerals that plants normally would get from the soil in a more concentrated form. Growing mediums aerate and support a plant's root system while channeling the nutrient solution. Consequently, the root system is exposed to more oxygen, which stimulates root growth and nutrient absorption. Since plants do not have to use energy to search for the nutrients they require, the saved energy is used to grow faster and produce a greater yield. For example, leafy green vegetables such as lettuce and spinach typically require as much as 65 days to mature outdoors. In a PharmPod, using a perfectly controlled environment and providing the perfect light spectrum for 18 hours per day, that production time can be cut to 24 days.

We sell our products through a combination of direct sales and independent distributors.

**Note 2 Going Concern**

The Company operates in an industry that is subject to rapid change. The Company's operations will be subject to significant risk and uncertainties including financial, operational, technological, regulatory and other risks, including the potential risk of business failure.

The ability of the Company to continue as a going concern is dependent on the successful execution of Management's plans, which include sales of its PharmPods and produce products, further implementation of its business plan and continuing to raise funds through debt or equity financings. The Company will likely need to rely upon debt or equity financing in order to ensure the continuing existence of the business.

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

**FusionPharm, Inc.**  
**Notes To Financial Statements**  
**(Unaudited)**  
**December 31, 2013**

**Note 3 Basis of Presentation and Summary of Significant Accounting Policies**

The accompanying unaudited financial statements have been prepared in accordance with U.S. GAAP. The summary of significant accounting policies presented below is designed to assist in understanding our financial statements. Such financial statements and accompanying notes are the representation of our management, who are responsible for their integrity and objectivity. Certain prior year amounts have been reclassified to conform to the current year presentation.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash Equivalents**

We consider all highly liquid investments purchased with an original maturity of less than three months at the date of purchase to be cash equivalents.

**Inventories**

Inventories are stated at the lower of cost or market and are accounted for on a first-in, first-out basis. Inventory consists of finished goods, raw shipping containers, pod control equipment, lighting ballasts and hoods. At yearend, we had approximately \$28,000 in finished goods and \$73,264 in other inventory.

**Property and Equipment**

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the life of the lease. Maintenance and repairs are charged to expense when incurred and the cost of additions, replacements, and improvements is capitalized.

**Revenue**

Revenue is recognized on the sale our PharmPods when the product is delivered, risk and collection of the sale proceeds is reasonably assured. In connection with each sale we generally require a 50% deposit at the time of order and the balance at delivery.

**Warranty Costs**

Estimated future warranty obligations are provided by charges to operations in the period in which the related revenue is recognized. As of December 31, 2013 and December 31, 2012, there was no warranty reserve required.

**Advertising Costs**

Advertising costs are expensed as incurred and are included in general and administrative expenses in the amount of \$7,547 and \$5,029, for the years ended December 31, 2013 and 2012, respectively.

**Earnings Per Share (EPS)**

Basic earnings (loss) per share is computed by dividing net income (loss) by weighted average number of shares of common stock outstanding during each period. Diluted earnings (loss) per share is computed by

**FusionPharm, Inc.**  
**Notes To Financial Statements**  
**(Unaudited)**  
**December 31, 2013**

dividing net income (loss) by the weighted average number of shares of common stock, common stock equivalents and potentially dilutive securities outstanding during the period.

Basic EPS for the years ended December 31, 2013 and 2012 was (\$0.007) and (\$0.092), respectively.

Diluted EPS for the years ended December 31, 2013 and 2012 was (\$0.000) and (\$0.001), respectively.

The Company has the following potentially dilutive securities:

	December 31, 2013	December 31, 2012
Convertible Notes Payable (i)	\$93,953	\$263,547
Series A Convertible Preferred Stock (ii)	1,467,330	1,487,330

(i) These notes are convertible, at the option of the holder thereof, at any time into Common Stock at \$0.01 per share. In other words every \$1.00 of note payable converted will equal 100 shares of Common stock. Total potential conversion impact of 9,395,300 common shares as of December 31, 2013.

(ii) Each share of Preferred Stock shall be convertible, at the option of the holder thereof, at any time. The conversion ratio is 100 to 1. In other words every one share of Preferred Stock converted will equal 100 shares of Common Stock. Total potential conversion impact of 146,733,000 common shares as of December 31, 2013.

**Note 4 2012 Restatement**

In connection with the finalization of our 2013 financial statements, we have restated our 2012 financial statements to reverse \$500,000 of the \$750,000 in revenue that was recognized during 2012 for the previously reported exclusive licensing arrangement with VertiFresh LLC ("VertiFresh") for the use of PharmPods growing technologies for agricultural products. The restatement was based on reevaluating the arrangement with VertiFresh which required \$250,000 be paid during 2012 for the licensing of the Colorado territory (on a nonrefundable basis), and the remaining \$500,000 to be due in equal installments of \$250,000 during 2013 and 2014 for the rights to two additional territories. The initial \$250,000 was paid during 2012 and was reflected as earned revenue. The remaining \$500,000 was set up as an accounts receivable and was reflected as earned revenue in error under US GAAP as the formal agreement was never finalized the amounts due were for future territories and therefore not earned during 2012 and collection of this amount was never reasonably assured given the startup nature of VertiFresh. No further payments are anticipated.



**FusionPharm, Inc.**  
**Notes To Financial Statements**  
**(Unaudited)**  
**December 31, 2013**

**Note 5 Notes Payable**

Notes Payable consists of the following as of:

	December 31, 2013	December 31, 2012
Convertible Unsecured Promissory Note payable to Bayside Realty Holdings, LLC. Originally due May 2, 2013 – extended to March 31, 2014. This note bears interest at a rate of 10% and is convertible into common stock at \$0.01 per share.	\$30,703	\$175,547
Convertible Unsecured Promissory Note payable to Meadpoint Venture Partners, LLC. Originally due June 15, 2013 – extended to June 30, 2014. This note bears interest at a rate of 10% and is convertible into common stock at \$0.01 per share.	\$63,250	\$88,000
Unsecured Promissory Note. Due on demand. Non-interest bearing.	\$26,205	\$26,205
<b>Total Notes Payable</b>	<b>\$120,158</b>	<b>\$289,752</b>
Current Notes Payable	\$120,158	\$26,205
Long Term Notes Payable	\$0	\$263,547

**Note 6 Shareholders' Equity**

The Company has authorized 500,000,000 shares of capital stock, par value \$.0001 per share. 495,000,000 shares have been designated as Common Stock of which 8,019,191 shares were issued and outstanding at December 31, 2013; and 5,000,000 shares have been designated as Series A Convertible Preferred Stock of which 1,467,330 shares were issued and outstanding at December 31, 2013.

**Common Stock**

During the year ended December 31, 2013, we issued 3,157,265 shares of our common stock in connection with the conversion of \$170,994 in debt payable to Bayside Realty Holdings, LLC (\$146,244) and Meadpoint Venture Partners, LLC (\$24,750).

During the year ended December 31, 2012, we had the following activity: we raised \$68,000 from the sale of 68,000 shares of our common stock to various investors in a private placement; and we issued 12,000 shares of restricted common stock in exchange for professional services for which we recognized \$12,000 of professional fee expense related to the issuance at the per share subscription price of our private placement then in effect.

**Preferred Stock**

During March of 2013, we issued 2,000,000 shares of common stock in connection with the conversion of 20,000 shares of Series A Convertible Preferred Stock. During 2012 we issued 619,000 shares of our common stock for the conversion of 6,190 shares of our preferred stock.

**FusionPharm, Inc.**  
**Notes To Financial Statements**  
**(Unaudited)**  
**December 31, 2013**

**Note 7 Contingencies**

From time to time, the Company may become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm its business. The Company has no pending or threatened legal proceedings or administrative actions either by or against the Company that could have a material effect on the Company's business, financial condition, or operations and any current, past or pending trading suspensions by a securities regulator.

**Note 8 Subsequent Events**

During the first quarter of 2014, we raised an additional \$1,010,000 in equity through the sale of 681,667 shares of Restricted Common Stock.

Additionally, we issued 1,890,687 shares of our common stock in connection with the conversion \$60,200 of debt payable.

**Note 9 Backlog**

As of December 31, 2013 we had \$804,548 of signed contracts under construction and had received \$362,995 in deposits for the same. This represents a total of 30 PharmPod containers. As described in our Significant Accounting Policies, in accordance with U.S. GAAP, the Company recognizes revenue when pods are delivered, as such, revenue for these sales will be reflected in subsequent financial statements.