**HI SCORE CORPORATION AND SUBSIDIARY**
**NOTES TO FINANCIAL STATEMENTS**
**SEPTEMBER 30, 2013**
**(UNAUDITED)**

## 1. Organization

HI SCORE CORPORATION ("Hi Score" or the "Company"), a Florida corporation, was incorporated in Delaware on July 25, 1997.

The Company's principal business activity is a supplier of eco-friendly lighting products in the Western Hemisphere. HI Score offers its customers the fiscal and ecological practicality of utilizing safe, efficient, solid state green lighting as well as conventional fluorescent and incandescent bulbs. The Company offers the widest selection of high quality, long lasting Light Emitting Diode ("LED") lighting products that can replace existing incandescent, fluorescent and halogen bulbs as well as compact fluorescent lights. Additionally the Company offers compact fluorescent and halogen lighting under its branded labels. Hi Score sells its products directly to distributors, businesses and municipalities. The sale and distribution of LED specialty light bulbs offer a practical and cost efficient replacement for most incandescent, metal halide, high pressure sodium and fluorescent light bulbs.

In December 2010, the Company acquired all of the outstanding capital stock of DMD Lighting & Energy Control Systems, Inc. ("DMD").

Further, in January 2012, the Company sold its DMD subsidiary for a reduction in debt approximating $150,000 in order to further enhance its business plan. Terms of the sale, among other things, provide that the Company is entitled to 20% of the net profit of DMD (as defined in the agreement) from the buyer. In December 2012, the Company recorded an amount due from DMD of $28,978 in accordance with the terms of the agreement. At September 30, 2013 the amount due under the agreement is $28,298.

In August 2012, the Company resolved to explore acquisitions of other profitable private companies in the energy saving lighting industry as well as in the medical solutions and energy drinks industries.

## 2. Basis of Presentation

The accompanying condensed unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("USGAAP"); however, they do not include all of the information and footnotes required by USGAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included.

The consolidated financial statements presented herein include the accounts of Hi Score and its wholly owned subsidiary, after eliminating all significant inter - company accounts and transactions.

## 3. Going Concern

The accompanying consolidated unaudited financial statements have been prepared assuming that the Company will continue as a going concern. As of September 30, 2013, the Company has a retained deficit of $2,419,086. The Company's ability to continue as a going concern is dependent upon its ability to enhance its operations and to achieve a level of profitability sufficient to fund its working capital requirements.

Since inception, the Company has substantially financed its activities through the issuance of convertible debt, investor financing and the sale of its common stock. The Company intends on financing its future development activities and its working capital needs largely from the sale of public equity securities with some additional funding from other traditional financing sources, including term notes, until such time that funds provided by operations are sufficient to fund working capital requirements. The financial statements of the Company do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

## 4. Significant Accounting Policies

### Revenue Recognition

Sales are recorded at the time products are shipped to trade customers and when risk of ownership transfers. Net sales reflect units shipped at selling list prices reduced by sales returns and applicable discounts and allowances.

### Marketing Costs

The Company markets its products through advertising and other promotional activities. Advertising costs are included in selling expenses and are expensed as incurred. Advertising costs were minimal for the periods presented herein.

### Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

**Accounts Receivable**

The Company's accounts receivable are recorded when title passes to the customer. Credit is extended based on an evaluation of a customer's financial condition and collateral is not required. Accounts receivable are due at various times based on each customer's credit worthiness and selling arrangement. The outstanding balances are stated net of an allowance for doubtful accounts. The Company determines its allowance by considering a number of factors, including the length of time trade accounts receivable are past due, the customer's previous loss history, the customer's ability to pay its obligations, and the condition of the general economy and the industry as a whole. An account may be determined to be uncollectible if all collection efforts have been exhausted, the customer has filed for bankruptcy, and all recourse against the account is exhausted, or disputes are unresolved and negotiations to settle are exhausted. Uncollectible accounts are written off against the allowance. Payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

**Inventories**

Inventories are stated at the lower of cost or market and consist primarily of finished goods

**Fixed assets**

Property, plant and equipment are stated at cost. Depreciation is recorded using the straight line method in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Leasehold improvements are amortized over their expected useful life or the remaining life of the respective lease, whichever is shorter.

Maintenance and repairs are charged to expense and significant renewals or betterments are capitalized. When property is sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in operations for the period.

## 5. Inventory

The Company's inventory of $228,725 and $247,308 at September 30, 2013 and December 31, 2012, respectively, consists entirely of finished goods.

## 6. Property, Plant and Equipment

The Company's property, plant and equipment as of September 30, 2013 and December 31, 2012, respectively are comprised of the following:

| | **September 30, 2013** | **December 31, 2012** |
|---|---|---|
| Furniture and equipment | $5,733 | $5,733 |
| Computer equipment | 1,685 | 1,685 |
| | 7,418 | 7,418 |
| Less accumulated depreciation and amortization | (5,575) | (4,961) |
| **Property, plant and equipment, net** | **$1,843** | **$2,457** |

## 7. Goodwill

In December 2010, the Company purchased DMD for $16,000 in excess of the net assets acquired. This amount was increased in January 2011 by an additional $15,000 based on a final analysis of the acquisition. The Company has recorded accumulated amortization expense of $5,683 as of September 30, 2013. As a result, the goodwill recorded in the accompanying financial statements as of June 30, 2013 is $25,317.

Additionally, terms of the sale agreement provide that the Company is entitled to approximately 20% of the net profits of DMD as defined in the agreement. For the year ended December 31, 2012, the Company recorded $28,978 of income related to this agreement. As of September 30, 2013, the amount due under is $28,298.

Further, the Company plans to review its goodwill and other intangible assets for impairment at least annually in September of each year or whenever events or circumstances indicate that the carrying value amount of the asset may not be recoverable, pursuant to guidance established in ASC 360 – 10 – 35 – 15, “Impairment or Disposal of Long – Lived Assets”. An impairment loss will be recognized when the sum of expected undiscounted future cash flows is less than the carrying amount of the asset. The amount of impairment is measured as the difference between the asset’s estimated fair value and its book value.

As of September 30, 2013, the Company does not believe that there exists any impairment to goodwill.

## 8. Convertible Long Term Debt

At September 30, 2013 the Company had convertible debt outstanding of $669,388 and accrued interest thereon of $148,808 due to private investors after significant conversions of original debt into common stock of the Company and certain Company officers. The debt is due on demand, is unsecured and bears interest at various rates as defined in the individual agreements. Under the terms of the original agreements this debt is convertible into common stock of the Company at the discretion of the note holders. Details of the debt are as follows:

- From September 2009 through May 2010, the Company borrowed $442,500 from Green Streak Group, Inc. ("Green Streak") primarily for working capital purposes. The notes are unsecured, are due on demand and bear interest at the rate of 12% per annum. In September 2009 and March 2010, the Company repaid $275,000 of such notes together with all accrued interest thereon. Further, in the quarter ended September 30, 2012 the holder converted $10,796 of debt which was applied by the Company to accrued interest due on the debt. Additionally, in January of 2013, the note holder converted approximately 312 million shares in exchange for approximately $312 in debt. Therefore, as of September 30, 2013 the principal amount due on the Green Streak debt amounted to $167,188 and the accrued interest thereon, reflected in Accrued expenses on the accompanying Balance Sheet of the Company, as of such date amounted to $19,241;

- Further, in March 2011, the Company entered into a note payable agreement with a private investor in the amount of $200,000. The note, among other things, was secured by substantially all assets of the Company, bore interest at the rate of 24% per annum, payable monthly, and was due in September 2012. As a result of the sale of its DMD subsidiary, the Company transferred $150,000 of this note to the purchaser and the remaining $50,000 was converted into subordinated debt.

  Therefore, as a result, the principal balance on the note is $50,000 and the accrued interest thereon is $31,500 as of September 30, 2013.

- Further in July of 2012 through November of 2012 the Company received loans from Sonny Boyd Williams LLC. The loans became two (2) distinct long term convertible debt through promissory notes entered into between the Company and Sonny Boyd Williams LLC on August 12$^{th}$, 2012 and November 30$^{th}$, 2012 in the amounts of Nine Thousand, Five Hundred and Seventy Dollars ($9,570.00) and Four Thousand Nine Hundred and Eighty Five Dollars ($4,985.00) respectively. Each note bares interest in the amount of eighteen percent (18%). All except Three Thousand, Two Hundred and Sixty Four Dollars ($3,264.00) of the first of these two notes was sold and subsequently converted into common stock of the Company in the third quarter of 2013. All of the second note, Four Thousand

**Convertible Long Term Debt - continued**

- Nine Hundred and Eighty Five Dollars ($4,985.00) plus accrued interest of Seven Hundred and Eighty Four Dollars ($784.00) is still owed by the Company.

- Further, in September 2009, the Company issued a $25,000 term note to a former employee under the terms of an employee service agreement. This note was originally due on or before November 23, 2009. On the due date, the Company and the employee agreed to enter into a subordinated long term debt agreement whereby the employee had the right to convert the debt into common shares of the Company at the discretion of the employee. The debt is unsecured, bears interest at the rate of 12% per annum and is due on demand. Through December 31, 2012, the balance of the debt (inclusive of accrued interest thereon) amounted to $30,216 and the note holder converted $25,750 (inclusive of accrued interest) into common shares of the Company resulting in a balance due to the employee at September 30, 2013 of $4,986 in remaining principal and $4,758 of accrued interest.

- Further, the Company was indebted to certain of its officers for unpaid salaries and other benefits. In June 2013, the Company and the officers agreed to convert this debt into convertible debt. The debt bears interest at the rate of 12% per annum, is unsecured and is due on demand.

  As of September 30, 2013, the amount due to the officers is $295,728 and the accrued interest thereon is $28,780.

- In July and August of 2013, the Company borrowed $12,880 from a private investor, Sonny Boyd Williams, LLC, primarily for working capital purposes. This debt is unsecured, bears interest at the rate of 18% per annum and is due on demand. As of September 30, 2013, the principal amount due is $12,880 and the accrued interest thereon is $229.

- In September 2013, the Company borrowed $15,343 from a private investor, Corporate Excellence Consulting, Inc., primarily for working capital purposes. The note is unsecured, bears interest at the rate of 12% per annum and is due on demand. As of September 30, 2013, the principal amount due is $15,343 and the accrued interest thereon is $94.

- Additionally, at September 30, 2013, the Company is indebted to other investors under individual subordinated debt agreements in the amount of $123,263 and the accrued interest thereon is $64,206. These notes are unsecured, bear interest at 18% per annum and are due on demand.

It is expected that the note holders will continue to convert the debt into common shares of the Company in the future as they have in the past thereby resulting in a complete conversion of the debt without the need for the Company to expend working capital funds.



## 9. Income Taxes

Deferred income taxes are recorded for all existing temporary differences in the Company's assets and liabilities for income tax and financial reporting purposes. Due to the valuation allowance for deferred tax assets, as noted below, there was no net deferred tax benefit or expense for the periods presented.

There is no current or deferred income tax expense or benefit allocated to continuing operations for the periods presented due to the uncertainty of their realization.

The benefit from income taxes is different from that which would be obtained by applying the statutory federal income tax rate to the loss before income taxes.

Due to the uncertainty of the Company's operations, management has not recorded any benefit for future income tax benefits.

## 10. Stock Option Plan

In January 2010, The Company adopted a stock option plan for the purpose of attracting, retaining and motivating persons who are expected to make important contributions to the Company. The granting of options is at the sole discretion of the Company's Board of Directors and is based on employee performance and the profitability of the Company. As of September 30, 2013, no options have been granted under this plan.

## 11. Equity

The Company has two classes of securities, preferred stock at a par value of $0.0001 and common stock at a par value of $0.000001.

Hi Score is authorized to issue 10 million shares of preferred stock of which 1 million shares are designated as Series A Preferred Stock. As of September 30, 2013 and

December 31, 2012, respectively, the Company has issued and outstanding 1 million shares of the Series A Preferred Stock.

Holders of the Series A Preferred Stock are entitled to vote on all matters submitted to a vote of the stockholders of the Company and shall have 10,000 votes for every one share of Series A Preferred Stock held. The holders of the Series A Preferred Stock are entitled to receive dividends in parity with the common stockholders and represent a control block.



**11. Equity - continued**

As to common stock, the Company is authorized to issue 6 billion shares of which approximately 2.3 million shares (after giving effect to the reverse stock split described below) and 3.9 billion shares are issued and outstanding as of September 30, 2013 and December 31 2012, respectively. Holders of the Company's common stock are entitled to one vote for each share held on all matters submitted to a vote of the stockholders of the Company.

During the nine months ended September 30, 2013, the Company issued approximately 712 million shares of its common stock in exchange for approximately $712 of convertible debt.

Further, on July 25, 2013, the Company's Board of Directors authorized a reverse stock split whereby each holder of the Company's common stock received one share for each 2,000 shares held. In accordance with applicable regulations, the Company elected to maintain the $0.000001 par value; therefore, the effect of this reverse stock split was recorded in the accompanying financial statements as an offset to paid in capital in the approximate amount of $4,598.

**12. Recent Accounting Pronouncements**

The Company has reviewed the implemented and proposed accounting pronouncements issued by the various regulatory authorities as of September 30, 2013 and has determined that the guidance provided therein is either not applicable to the Company nor will they have a significant impact on the financial statements presented herein.

**13. Subsequent Event**

On October 15, 2013, the company completed the acquisition of Next Dimension Marketing, Inc. ("NDMI"), a privately held company incorporated in the state of Indiana.

NDMI is primarily engaged in the assembly and exclusive distribution of hydrogen converters in the United States of America.

Among other things as outlined in the agreement, terms of the transaction were that NDMI was acquired as a wholly owned subsidiary of the Company in exchange for the payment by the Company of 100 shares of its Series B convertible preferred stock.

As a result of the acquisition, Michael Zoyes CEO resigned his positions with the Company and William White, president of NDMI, was appointed the new CEO of the Company.

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## Management's Discussion and Analysis and Plan of Operation

### Forward Looking Statements

The foregoing statements and the following Management's Discussion and Analysis and Plan of Operation and comments included herein may contain "forward looking statements" within the meaning of Rule 175 under the Securities Act of 1933, as amended, and Rule 3b-6 under the Securities Act of 1934, as amended, or may be amended, including statements regarding, among other items, business strategies, continued growth in markets, projections, and anticipated trends in business and the industry in which it operates. The words "believe," "expect," "anticipate," "intends," "forecast," "project," and similar expressions identify forward-looking statements. These forward – looking statements are based largely on expectations and are subject to a number of risks and uncertainties, certain of which are beyond management's control. The Company cautions that these statements are further qualified by important factors that could cause actual results to differ materially from those in the forward looking statements, including, among other things, reduced or lack of increase in demand for products, competitive pricing pressures, expense management conditions, the successful integration of future acquisitions into the Company's business plan and capital availability. In light of these risks and uncertainties, there can be no assurance that the forward-looking information contained herein will in fact transpire or prove to be accurate. We disclaim any intent or obligation to update "forward looking statements.

### 1. Revenues and Gross Margin

The Company reported net sales of $37,165 and $128,856 for the nine months ended September 30, 2013 and September 30, 2012, respectively. The sale of the Company's DMD subsidiary in January of 2012 amounted to $90,027 in sales; therefore, the actual decrease in sales of the Company amounted to $1,664. The decrease is insignificant due to customer demand for product on a seasonally adjusted basis.

Gross margin for the nine months ended September 30, 2013 was 50.0% as compared to 35.2% for the nine months ended September 30, 2012. The increase in gross margin is a result of the higher margin sales of the Company as compared to the lower margin sales of its former DMD subsidiary.

For the three months ended September 30, 2013, the Company recorded net sales of $3,850 as compared to $17,069 for the three months ended September 30, 2012. The decrease is minimal and principally reflects timing differences related to customer orders.

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**Management's Discussion and Analysis and Plan of Operation - continued**

Gross margin for the three months ended September 30, 2013 and September 30, 2012 amounted to 50% reflecting the Company's higher margin sales as compared to the lower margin DMD business.

**2. Operating Expenses**

Operating expenses for the nine months ended September 30, 2013 amounted to $165,552 as compared to $242,683 for the nine months ended September 30, 2012. Operating expenses in the 2012 period for the former DMD subsidiary amounted to approximately $26,000; therefore the actual decrease in the 2013 period of approximately $51,131 relates primarily to a reduction in salaries, professional fees and general and administrative costs as the Company continues to control these expenses.

Operating expenses for the three months ended September 30, 2013 amounted to $56,359 as compared to $87,270 for the three months ended September 30, 2012. The decrease of $30,911 relates principally to salaries, professional fees and general and administrative expenses as the Company continues to implement cost control procedures.

**3. Depreciation, Amortization, and Interest**

Depreciation and amortization expense for the nine months ended September 30, 2013 amounted to $2,164 as compared to $2,730 for the nine months ended September 30, 2012. This decrease is principally the result of the sale of assets connected with the DMD subsidiary.

Interest expense for the nine months ended September 30, 2013 amounted to $70,238 as compared to $95,898 for the nine months ended September 30, 2012 and is again reflective of the sale of the Company's former DMD subsidiary offset by an increase in debt from the conversion of amounts due to certain officers of the Company.

**3. Net Loss**

As a result of the above, the Company experienced a net loss of $219,372 for the nine months ended September 30, 2013 as compared to a loss of $296,079 for the nine months ended September 30, 2012.



**Management's Discussion and Analysis and Plan of Operation – continued**

**4. Working Capital**

Cash used in operations for the nine months ended September 30, 2013 was $22,228 as compared to a cash use of $67,217 for the nine months ended September 30, 2012. This change principally reflects the decrease in the net loss of the Company, together with a decrease in inventory, accounts payable and accrued expenses offset by an increase in accounts receivable.

For the nine months ended September 30, 2013 and September 30, 2012, there was no effect on cash from investment or financing activities.

For the nine months ended September 30, 2013, cash flows provided by financing activities amounted to $28,223 as compared to $52,056 for the nine months ended September 30, 2012. The decrease is primarily the result of the sale of the Company's DMD subsidiary and a decrease in the sale of equity securities.

Working capital as of September 30, 2013 amounted to $516 compared to a deficit of $106,225 as of December 31, 2012. The increase in working capital principally reflects the conversion of accounts payable and accrued expenses into convertible long term debt offset by an increase in accrued expenses.