

EF Hutton America, Inc.

UNAUDITED FINANCIAL STATEMENTS

For the quarter ended March 31, 2017

EF HUTTON AMERICA, INC.
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EF HUTTON AMERICA, INC.

CONDENSED BALANCE SHEET

March 31, 2017
(Unaudited)

Assets

| | |
|-----------------------------|---------------------|
| Current Assets | |
| Cash & Equivalents | \$1,093,978 |
| Prepaid Expenses | 2,356 |
| Due from Shareholder | 12,500 |
| Employee Advance | 6,000 |
| Total Current Assets | 1,114,834 |
| Fixed Assets | |
| Building & Property | 8,695,025 |
| Office & Media Equipment | 92,679 |
| Total Fixed Assets | 8,787,704 |
| Other Assets | |
| Loan Receivable | 240,250 |
| Accrued Interest Receivable | 12,045 |
| Deposits | 13,185 |
| Brand Assets | 10,025,000 |
| RIA License | 30,000 |
| Loan Origination Costs | 119,978 |
| Escrow | 70,000 |
| Total Other Assets | 10,510,458 |
| Total Assets | <u>\$20,412,996</u> |

Liabilities and Stockholders' Equity

| | |
|---|---------------------|
| Current Liabilities | |
| Advances from Related Parties | \$129,448 |
| Advance from Shareholder to be Settled in Stock | 50,000 |
| Real Estate Taxes Payable | 43,665 |
| Loans Payable | 3,645,070 |
| Senior Note | 7,500,000 |
| Accounts Payable | 152,453 |
| Payroll Taxes Payable | 26,304 |
| Total Current Liabilities | 11,546,940 |
| Stockholders' Equity | |
| Common Stock, \$0.001 Par Value; 90,000,000 Shares Authorized; 53,837,530 Shares Issued & Outstanding | 53,838 |
| Class B Common Stock, \$0.001 Par Value; 10,000,000 Shares Authorized; 5,797,000 Issued & Outstanding | 5,797 |
| Preferred Stock, \$0.001 Par Value; 10,000,000 Shares Authorized; 400,000 Issued & Outstanding | 400 |
| Additional Paid in Capital | 12,750,554 |
| APIC - Deferred Compensation | (3,625,439) |
| APIC - Stock Options Outstanding | 3,828,270 |
| Accumulated Deficit | (4,147,364) |
| Total Stockholders' Equity | 8,866,056 |
| Total Liabilities & Stockholders' Equity | <u>\$20,412,996</u> |

See accompanying notes to condensed financial statements

EF HUTTON AMERICA, INC.
CONDENSED STATEMENTS OF OPERATION
(Unaudited)

Quarter Ended
March 31, 2017

| | |
|--|----------------------|
| Revenue | \$66,579 |
| Operating Expenses | |
| Professional Fees | \$80,648 |
| Rent Expenses | 57,115 |
| General and Administrative | 1,157,515 |
| Total Operating Expenses | \$1,295,278 |
| Other Income/Expense | |
| Interest Income | \$1,584 |
| Taxes & Fees | (57,486) |
| Net Other Income/Expense | <u>(\$55,902)</u> |
| Loss from Operations (Net of Tax) | <u>(\$1,284,601)</u> |
| Loss per Common Share | |
| Loss from Operations | (\$0.02) |
| Net Loss Per Share - Basic | (\$0.02) |
| Weighted Average Number of Common Shares | |
| Outstanding - Basic (ordinary common) | 54,137,530 |

See accompanying notes to condensed financial statements

EF HUTTON AMERICA, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)
Quarter Ended March 31, 2017

OPERATING ACTIVITIES

Net Loss (\$1,284,601)

Adjustments to Reconcile Net Loss to Net Cash Provided by Operations

Employee Advances (5,226)

Due from Lessees - Electric (1,015)

Accounts Payable (85,234)

Payroll Tax Liabilities 27,437

Loan Payable-Related Parties (119,802)

Loan Payable-Superior Loan Svcs 3,000,000

Net Cash Provided by Operating Activities \$1,531,559

INVESTING ACTIVITIES

Leasehold Improvements (\$1,650)

Office Equipment (55,612)

Software (13,334)

Loan Origination Costs (99,663)

Loan Receivable-Liberty Venture (195,000)

Interest Receivable-Liberty (1,584)

Escrow - vendor (70,000)

Deposit - Columbia Gas (Tower) (1,186)

Net cash provided by Investing Activities (\$438,029)

Financing Activities 0

Net cash increase for period \$1,093,530

Cash at beginning of period 448

Cash at end of period \$1,093,978

See accompanying notes to condensed financial statements.

EF Hutton America, Inc.
Notes to Condensed Financial Statements
(Unaudited)

Note 1 – Nature of Operations

EF Hutton America, Inc. (the “Company”) was incorporated in the State of Colorado on March 8, 2007 under the name of Twentyfour/seven Ventures, Inc. The name of the Company was changed to EFH Group, Inc. on October 28, 2014. Effective April 24, 2015, the name of the Company was changed to EF Hutton America, Inc.

EF Hutton Financial Corp. (“EFHC”), a wholly owned subsidiary of the Company, is engaged in digital finance and investment services. The company offers innovative financial products such as the “no commission” investments and “no commission” online trade execution, including value-added services such as event-driven investing strategies. EFHC also provides services through its mobile platform which includes a branded phone and other wireless devices. EFHC provides financial products and services using advanced technology to better serve clients.

The following is a list of other active subsidiaries and affiliates.

- EF Hutton Investments LLC is an SEC-registered investment advisor offering investment services to individuals.
- EF Hutton Digital Services, Inc., a wholly owned subsidiary of the Company that is developing digital products and services.
- EF Hutton Media Group Inc., a wholly owned subsidiary of the Company that is developing media related products and services.
- EF Hutton Mobile Inc., a wholly-owned subsidiary of the company that is developing mobile services.

On November 25, 2014, the Company purchased certain assets of EFH Group, Inc., a Wyoming corporation (“EFH Wyoming”). The assets consist of various trademarks and license rights, rights to computer programming code and other intellectual property. Prior to the purchase, the Company engaged an independent expert to appraise the assets. Based on the fair value, the assets will be held on the balance sheet at value of \$57,970,000. The Company issued a total of 52,173,000 restricted common shares and 5,797,000 restricted Class B common shares as consideration for the EFH Wyoming asset purchase.

On November 23, 2014, the assets and liabilities of the Company were contributed at book value to Liberty Ventures, Inc., a wholly owned subsidiary of the Company. The common shares of EF Hutton Financial Corp., a wholly owned subsidiary of the Company were not included in the spin-off. Effective on November 25, 2014, the Company spun off Liberty Ventures, Inc. to its shareholders as of November 24, 2014.

Note 2 – Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with GAAP requires the Company to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of expenses during the periods presented.

The Company makes the estimate of the ultimate outcome for these items based on historical trends and other information available when the financial statements are prepared. Changes in estimates are recognized in accordance with the accounting rules for the estimate, which is typically in the period when new information becomes available. The Company believes that significant estimates, assumptions and judgments are reasonable, based upon information available at the time they are made. Actual results could differ from these estimates, making it possible that a change in these estimates could occur in the near term.

Cash and cash equivalents

The Company considers all highly liquid investments with an original maturity of three months or less as cash equivalents.

Property and equipment

Property and equipment are recorded at cost and depreciated under straight line methods over each item's estimated useful life, generally seven years for furniture and fixtures and five years for office equipment.

Revenue recognition

The Company recognizes revenue when upon receipt of the fees received for services rendered or upon subscription for services.

Income tax

The Company accounts for income taxes pursuant to ASC 740. Under ASC 740, deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. Net income (loss) per share. The net income (loss) per share is computed by dividing the net income (loss) by the weighted average number of shares of common outstanding.

Long-Lived Assets

In accordance with ASC 350, the Company regularly reviews the carrying value of intangible and other long-lived assets for the existence of facts or circumstances, both internally and externally, that suggest impairment. If impairment testing indicates a lack of recoverability, an impairment loss is recognized by the Company if the carrying amount of a long-lived asset exceeds its fair value.

New Accounting Standards

From time to time, the Financial Accounting Standards Board ("FASB") or other standards setting bodies issue new accounting pronouncements. Updates to the FASB Accounting Standards Codification ("ASC") are communicated through issuance of an Accounting Standards Update ("ASU"). Unless otherwise discussed, the Company believes that the impact of recently issued guidance, whether adopted or to be adopted in the future, is not expected to have a material impact on the condensed financial statements upon adoption.

Note 3 – Going Concern

The Company's financial statements have been prepared on a going concern basis that assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company's ability to continue as a going concern depends on its ability to generate profitable operations in the future and, or, obtaining the necessary financing to meet its obligations and repay its liabilities when they come due. There is no assurance that these events will be satisfactorily completed.

Note 4 - Income Taxes

Deferred income taxes arise from the temporary differences between financial statement and income tax recognition of net operating losses and other items. Loss carryovers are limited under the Internal Revenue Code should a significant change in ownership occur. The Company accounts for income taxes pursuant to ASC 740. Income taxes at federal and state statutory rates have not yet been filed for 2016. The company has not had income for 2016 and therefore believes that income tax will not be material. The company has filed for an extension for federal and state taxes.

Note 5 – Fair Value of Financial Instruments

The Company has adopted the guidance of ASC 820, “Fair Value Measurement” which clarifies the definition of fair value, prescribes methods for measuring fair value, and establishes a fair value hierarchy to classify the inputs used in measuring fair value as follows:

Level 1-Inputs are unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date.

Level 2-Inputs are unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.

Level 3-Inputs are unobservable inputs which reflect the reporting entity’s own assumptions on what assumptions the market participants would use in pricing the asset or liability based on the best available information.

ASC 825, “Financial Instruments”, allows entities to voluntarily choose to measure certain financial assets and liabilities at fair value (fair value option). The fair value option may be elected on an instrument-by-instrument basis and is irrevocable, unless a new election date occurs. If the fair value option is elected for an instrument, unrealized gains and losses for that instrument should be reported in earnings at each subsequent reporting date. The Company has not elected to apply the fair value option to any outstanding instruments.

The Company’s financial instruments primarily consist of cash, due from shareholder, receivables, accounts payable, accrued expenses and advances and amounts due to related parties. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying amount of cash, accounts receivable, prepaid rent, customer deposits held, accounts and income taxes payable, accrued liabilities, customer deposits owed and deferred purchase agreement approximate fair value because of the short-term nature of these financial instruments. The carrying amounts of its advances and amounts due to related parties approximates fair value as of the condensed balance sheets dates presented, because interest rates on these instruments approximate market interest rates after consideration of stated interest rates.

Stock options are treated in accordance with ASC 718 “Compensation – Stock Compensation” which sets forth treatment for all equity related compensation including stock, options and rights. In general, the fair value of options and rights is calculated using one of three proscribed methods and then adjusted based on several criteria such as transferability restrictions, liquidity and dilutive effect of exercise. The applicable portion of value during the grantee’s expected service period is then expensed for the period using the straight-line method.

ASC 718 principally requires the use of the “fair-value-based method” for measuring the value of stock-based compensation. Employee stock options are not traded in the financial markets and also have features and restrictions that differ from those of publicly traded options. Those features and restrictions affect the fair value of employee stock options (e.g., nontransferability and nonhedgeability). Therefore, ASC 718 requires that, in applying the “fair-value-based method,” companies use an option-pricing model adjusted to accommodate the unique characteristics of employee stock options.

For the sake of convenience, however, ASC 718 generally refers to the required measure of stock-based compensation as fair value; that term also distinguishes the measure from other measures, such as intrinsic value and calculated value. In ASC 718 references to fair value mean the “fair-value-based measure” that is determined in accordance with the requirements of ASC 718, rather than the term “fair value” as used in ASC 820, *Fair Value Measurements and Disclosures*.

The value of stock options and rights for purposes of ASC 718, is determined by the Company using a binomial lattice model known as the Cox & Rubinstein model. The model is adjusted for various factors. The value is then amortized over the service life.

Note 6 – Intangible Assets

On November 25, 2014, the Company purchased certain assets of EFH Group, Inc., a Wyoming corporation. The assets consist of various trademarks and license rights, rights to computer programming code and other intellectual property. The Company issued a total of 52,173,000 restricted common shares and 5,797,000 restricted Class B common shares as consideration for the EFH Wyoming asset purchase.

Note 7 – Liabilities

Company short term obligations are those due within one year and include payables to vendors and payroll to employees and the current portion of long-term liabilities.

Long term liabilities include bonds and notes. The following table lists the long term liabilities.

Note 8 – Stockholders' Equity

Common stock

No stock was issued during the three months ended March 31, 2016.

Series A Preferred Stock

On August 31, 2016, the Board of Directors approved the designation of 400,000 Series A preferred shares, par value \$0.001. The rights, preferences, privileges, and restrictions granted to and imposed on the Series A preferred shares are as follows:

A. Redemption Rights. After a period of two years, the Company may redeem the Series A Preferred Stock at \$3.98 per Series A preferred share, an amount equal to 106% of the liquidation preference of \$1,335,000, which declines by 0.50% semi-annually, though it cannot decline less than the par value of the Series A Preferred Stock. After a period of two years, a holder may redeem the Series A Preferred Stock, with sixty days written notice, at \$3.56 per Series A preferred share, an amount equal to 95% of the liquidation preference of \$1,335,000 ("Redemption Price"). The redemption demand shall be declined if the closing price of the common stock is more than 200% of the Redemption Price for any 20 of 30 consecutive trading days prior to the redemption demand.

B. Relative Seniority. In respect to the right to receive dividends, the Series A Preferred Stock shall rank senior to the common stock of the Company and shall be subordinated to any debt obligations.

C. Dividend Provisions. The Series A Preferred Stock dividend is cumulative and accruing as follows: zero dividend for first year, 1.00% per annum thereafter commencing on the first anniversary of the issuance of the Series A Preferred Stock. Thereafter, dividends are payable quarterly in arrears on the first day of every August, November, February and May. No dividend may be paid on common shares so long as the Series A Preferred Stock dividend is outstanding.

D. Conversion. The Series A preferred shares are convertible into common shares at 150% of the average closing price for the ten days immediately prior to conversion.

E. Preemptive Rights. The holders of Series A Preferred Stock will not be entitled to any preemptive rights to purchase of stock in future stock offerings of the Company.

F. Piggyback Registration Rights. The holders of the Series A Preferred Shares shall have the right to register his or her unregistered common stock received from the conversion of Series A Preferred Stock when either the Company or another investor initiates a registration of the Company's securities.

G. Voting Rights. The holders of the Series A Preferred Shares shall not be entitled to any voting rights.

H. Right of Co-Sale (Tag Along). The Series A Preferred Shareholders shall have the right of co-sale. If a majority shareholder sells his or her stake, the Series A Preferred Shareholders shall have the right to join the transaction and sell his or her minority stake in the Company.

I. Forced Co-Sale (Drag Along). The Series A Preferred Shareholders will not be required to sell all of their Series A Preferred Shares on the same terms or conditions of a co-sale by a majority shareholder.

J. Right of First Refusal. If any of the Series A Preferred Shareholders wish to sell, transfer or otherwise dispose of any or all of his/her Series A Preferred Shares, the other Series A Preferred Shareholders shall not have a prior right to buy such Series A Preferred Shares.

K. Anti-Takeover Provisions. There are no anti-takeover provisions that may have the effect of delaying or preventing a change in control.

On September 1, 2016, the Company two purchased commercial properties in Springfield Ohio for a purchase price of \$8,845,000. The properties consist of a 150,000 sf class A office building and a 21,950 sf theater. The total consideration paid for both properties was in the form of a senior note with principal amount of \$7,500,000 and 400,000 Series A preferred stock valued at \$1,345,000.

Additional Paid In Capital (APIC) is adjusted by \$3,828,270 to reflect the value of stock options and rights grants. These options and grants are amortized over the service life on a straight-line basis in accordance with ASC 718 and for the third-quarter 2016, the company expensed \$202,831.50.

Note 9 – Related Party Transactions

In return for personal guarantees relating to a promissory note dated June 30, 2016 in the principal amount of \$600,000 by both Stanley Hutton Rumbough, our chairman, and Christopher. Daniels, our chief executive officer, Messrs. Rumbough and Daniels each received options to purchase 1,800,000 shares of ordinary common stock at an exercise price of \$0.26 per share. The options expire on June 30, 2021.

In return for personal guarantees relating to a promissory note dated September 1, 2016 in the principal amount of \$7,500,000 by both Stanley Hutton Rumbough, our chairman, and Christopher. Daniels, our chief executive officer, Messrs. Rumbough and Daniels each received options to purchase 30,000,000 shares of ordinary common stock at an exercise price of \$0.15 per share. The options expire on September 1, 2021.

For the nine months ended September 30, 2016, the following stock options were awarded to Christopher Daniels:

First, as part of a three year employment agreement commencing January 15, 2016; Mr. Daniels received an option with the right to purchase up to 15,000,000 shares for an exercise price of \$.50 per share and vesting schedule in accordance with the 2015 Stock Awards Plan. The option terms provide for an adjustment in the event of additional equity issuance. As of September 30, the adjustment increases the number of share eligible for purchase by 9,500,000,

Second, on January 29, 2017, the Company amended Mr. Daniel's Employment Agreement. Mr. Daniels is to be paid an additional bonus based on number of accounts opened by March 1, 2020. If less than 300,000 customer accounts or if any of the present bridge loans are outstanding. \$500,000 – then bonus is \$0. If at least 300,000 customer accounts = \$500,000 bonus and option to buy 500,000 shares of at \$0.50 per class A common share and expiring 3/1/2023. For every 100,000 accounts over 300,000, an additional \$25,000 and option to buy 100,000 class A common shares at \$0.50 per share, expiring in 3/1/2023. Milestone bonus payable at 5 million accounts and for each additional 5 million accounts,

\$1,000,000 plus an option to buy 1,000,000 class A common shares at \$0.50 per share, expiring in 3/1/2023. Given the extraordinary conditions attached to these stock options, a traditional model to calculate fair value is not appropriate. The Company assigned an estimated Fair Value of 12,000.

On or about April 15, 2016, the following stock options were awarded to directors Messrs. Craig Marshak, Stanley Rumbough and Dennis White, officers and directors and John Daniels, a former officer and director. They each received 2015 Directors compensation in the form of stock options to purchase up to 300,000 shares for an aggregate total of 1,200,000 ordinary shares at an exercise price of \$0.50 per share. These options were to replace shares that were previously provided as compensation tendered and cancelled (J. Daniels shares had not yet been issued and therefore their pending issuance was simply cancelled). White elected to tender 200,000 ordinary shares, Rumbough and Marshak did not tender any shares. J. Daniels decided to forego issuance of 200,000 ordinary shares owed to him and to accept the option on 300,000 shares.

For the nine months ended September 30, 2016, the following stock options were awarded to directors Messrs. Craig Marshak, Stanley Rumbough and Dennis White. They each received 2016 Directors compensation in the form of stock options to purchase up to 200,000 shares for an aggregate total of 600,000 shares at an exercise price of \$.40 per share and vesting schedule in accordance with the 2015 Stock Awards Plan.

For the nine months ended September 30, 2016, as part of an employment agreement effective July 1, 2016 and terminating on December 31, 2016; Mr. John Daniels, brother of our chief executive officer, received \$20,000 per month with a right for the Company to defer half of the compensation for one year and to replace the other half by providing Mr. John Daniels an option with the right to purchase up to 2,000,000 shares for an exercise price of \$.50 per share and vesting schedule in accordance with the 2015 Stock Awards Plan. The Company elected to issue the option and thereby waive payment of half of the amount due and defer payment of the remaining amount.

In return for a personal guaranty of a June 30, 2016 Note by Mr. S.H. Rumbough, our chairman, and Mr. Daniels, our chief executive officer, the Company provided an option to each to purchase 1,800,000 shares of ordinary common stock at a price of \$0.26 per share, which option expires on June 30, 2021.

On September 1, 2016, EF Hutton Financial Corp, a subsidiary of the Company, leased the full 150,000 sf office property on a NNN basis at \$9.15 psf for a term of 5 years with two options to extend. EF Hutton Financial Corp. is subletting approximately 25,000 sf of office space to third parties on a month to month basis and, as of March 1, 2017, Lessee is using itself, or subletting to affiliates, approximately 15,000 sf.

On September 1, 2016, EF Hutton Media Group Inc. a subsidiary of the Company, leased the full approximately 21,950 sf South Fountain Street property on a NNN basis at \$2.71 /sf for a term of five years with two options to extend and two percent annual rent escalation. The building is to be used as a multimedia center.

On September 28, 2016, Dennis White was removed as director on grounds of breaching his fiduciary duty. The removal voided all unvested stock options. The removal was effected by unanimous vote by the board of directors to adopt a resolution of removal and a vote of shareholders by unanimous consent.

Note 10 – Subsequent Events

On May 8, 2017, Christopher Daniels, an officer and director, purchased 2,000,000 shares of ordinary common stock pursuant to his employment agreement. As provided for in that agreement, the purchase was made with a balloon note that is due in May 2022.