

MyECheck, Inc.

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

AND

DECEMBER 31, 2013

Contents

Page

Consolidated Balance Sheets September 30, 2014 and December 31, 2013	FS - 1
Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2014 and 2013	FS - 2
Consolidated Statements of Cash Flows for the Three and Nine Months Ended September 30, 2014 and 2013	FS - 3
Notes to Consolidated Financial Statements for the Three and Nine Months Ended September 30, 2014 and 2013	FS – 4 - 16

MyECheck, Inc.
CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2014 AND DECEMBER 31, 2013

	<u>September 30, 2014</u> (Unaudited)	<u>December 31, 2013</u> (Audited)
<u>ASSETS</u>		
Current Assets		
Cash	\$ 51,810	\$ 65
Accounts receivable, net	54,500	6,000
Prepaid expenses	45,821	-
Total Current Assets	<u>152,131</u>	<u>6,065</u>
Fixed Assets Net	36,124	3,374
Intangible Assets-Website Net	22,666	-
Other Assets	32,812	-
Total Other Assets	<u>91,602</u>	<u>3,374</u>
Total Assets	<u><u>\$ 243,733</u></u>	<u><u>\$ 9,439</u></u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 353,272	\$ 442,295
Payroll taxes payable	221,087	207,779
Loans payable - related party	18,001	-
Accrued payroll	82,901	82,901
Convertible note - net	-	54,750
Note payable - Current	83,300	-
Total Current Liabilities	<u>758,561</u>	<u>787,725</u>
Stockholders' Equity (Deficit)		
Preferred stock, \$0.00001 par value, 100,000,000 authorized, one issued and outstanding	-	-
Common stock, \$0.00001 par value, 4,900,000,000 shares authorized. 4,123,525,556 and 4,692,470,000 shares issued and outstanding, respectively	51,235	46,925
Treasury stock	(10,000)	-
Additional paid in capital	3,319,095	3,077,627
Subscription receivable	(45,500)	(17,500)
Accumulated deficit	(3,829,658)	(3,885,338)
Total Stockholders' Equity (Deficit)	<u>(514,828)</u>	<u>(778,286)</u>
Total Liabilities and Stockholders' Equity (Deficit)	<u><u>\$ 243,733</u></u>	<u><u>\$ 9,439</u></u>

MyECheck, Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2014 AND SEPTEMBER 30, 2013

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	\$ 48,802	\$ 77,546	\$ 772,865	\$ 82,913
Cost of revenues	<u>2,000</u>	<u>-</u>	<u>46,527</u>	<u>-</u>
Gross profit	<u>46,802</u>	<u>77,546</u>	<u>726,338</u>	<u>82,913</u>
Operating expenses				
General and administrative	387,244	34,637	535,342	45,948
Research and Development	<u>139,324</u>	<u>3,037</u>	<u>180,683</u>	<u>7,000</u>
Total Operating Expenses	526,568	37,674	716,025	52,948
Profit or (Loss) from Operations	<u>(479,766)</u>	<u>39,872</u>	<u>10,313</u>	<u>29,965</u>
Other Income/(Expense)				
Interest expense	(7,475)	-	(10,409)	-
Loss on conversion of debt	(63,000)	-	(63,000)	-
Other income or (expense) cost recovery	<u>66,434</u>	<u>-</u>	<u>119,576</u>	<u>-</u>
Total Other Income/(Expense)	<u>(4,041)</u>	<u>-</u>	<u>46,167</u>	<u>-</u>
Net income or (loss) before income taxes	(483,807)	39,872	56,480	29,965
Provision for income taxes	<u>800</u>	<u>-</u>	<u>800</u>	<u>-</u>
Net income or (loss)	<u><u>\$ (484,607)</u></u>	<u><u>\$ 39,872</u></u>	<u><u>\$ 55,680</u></u>	<u><u>\$ 29,965</u></u>
Net profit or Loss Per Share - Basic	<u><u>\$ -</u></u>	<u><u>\$ 0.00</u></u>	<u><u>\$ 0.00</u></u>	<u><u>\$ 0.00</u></u>
Net profit or Loss Per Share - fully Diluted	<u><u>\$ -</u></u>	<u><u>\$ 0.00</u></u>	<u><u>\$ 0.00</u></u>	<u><u>\$ 0.00</u></u>
Weighted average number of shares outstanding during the period - basic	<u><u>4,223,092,304</u></u>	<u><u>71,139,772</u></u>	<u><u>4,223,092,304</u></u>	<u><u>3,961,811,564</u></u>
Weighted average number of shares outstanding during the period - diluted	<u><u>4,223,092,304</u></u>	<u><u>71,139,772</u></u>	<u><u>4,223,092,304</u></u>	<u><u>3,986,811,564</u></u>

See accompanying notes to the consolidated financial statements

MyECheck, Inc.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR NINE MONTHS ENDED
SEPTEMBER 30, 2014 AND SEPTEMBER 30, 2013

	For the Nine Months ended September 30,	
	<u>2014</u>	<u>2013</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Cash Flows from Operating Activities:		
Net Income	\$ 55,680	\$ 29,965
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization expense	4,947	-
Loss on conversion of debt	63,000	-
Share based payments	107,778	-
Gain on accounts payable settlement	(119,966)	-
Changes in operating assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable	(48,500)	(725)
Prepaid expenses	(45,821)	-
Increase (Decrease) in:		
Accounts payable and accrued expenses	30,943	(1,999)
Payroll taxes payable	13,308	-
Net Cash Provided By Operating Activities	<u>61,369</u>	<u>27,241</u>
Cash Flows from Investing Activities		
Purchase of treasury stock	(10,000)	-
Purchase of computer and furniture equipment	(36,363)	(1,375)
Cost incurred capitalized website	(9,000)	-
Security deposit new lease	(32,812)	-
Net Cash Used in Investing Activities	<u>(88,175)</u>	<u>(1,375)</u>
Cash Flows from Financing Activities:		
Loan proceeds acquisition of subsidiary	83,300	-
Proceeds or (repayment) from loan payable - related parties	18,001	(10,000)
Repayment of convertible note payable	(22,750)	-
Net Cash Provided by Financing Activities	<u>78,551</u>	<u>(10,000)</u>
Net Increase or (Decrease) in Cash	51,745	15,866
Cash at Beginning of Period	65	-
Cash at End of Period	<u><u>\$ 51,810</u></u>	<u><u>\$ 15,866</u></u>
<u>Supplemental Disclosure of Cash Flow Information</u>		
Cash Paid for:		
Taxes	<u>\$ 4,800</u>	<u>\$ -</u>
Interest	<u>\$ 1,599</u>	<u>\$ -</u>
<u>Supplemental Disclosure of Non Cash Investing and Financing Activities</u>		
Reclassification of derivative liabilities	<u>\$ -</u>	<u>\$ -</u>
Derivative liability and debt discount arising in connection with issuance of convertible note	<u>\$ -</u>	<u>\$ -</u>
Stock issued to subscription receivable	<u>\$ 28,000</u>	<u>\$ -</u>
Conversion of convertible note	<u>\$ 32,000</u>	<u>\$ 8,860</u>
Issuance of stock for devolment of website	<u>\$ 15,000</u>	<u>\$ -</u>

See accompanying notes to the consolidated financial statements

MyECheck, Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS ENDED SEPTEMBER 30, 2014 AND SEPTEMBER 30, 2013

NOTE 1 – BASIS OF PRESENTATION AND NATURE OF OPERATIONS

Basis of Presentation

The accompanying consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) under the accrual basis of accounting.

The financial information as of December 31, 2013 is derived from the audited financial statements presented in the Company's Form 10 dated October 24, 2014. The unaudited condensed interim financial statements should be read in conjunction with the Company's Form 10, which contains the audited financial statements and notes thereto, together with the Management's Discussion and Analysis, dated October 24, 2014.

All quarterly and annual financial statements filed with the OTC prior to the filing of the Form 10 with the SEC dated October 24, 2014 do not contain the audit adjustments. The audit adjustments and the reviewed adjustments are reflected in the financial statements for the three and nine months ended September 30, 2014. To view the Form 10 which contains the audited financial statements go to www.sec.gov.

Certain information or footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted, pursuant to the rules and regulations of the Securities and Exchange Commission for interim financial reporting. Accordingly, they do not include all the information and footnotes necessary for a comprehensive presentation of financial position, results of operations, or cash flows. It is management's opinion, however, that all material adjustments (consisting of normal recurring adjustments) have been made which are necessary for a fair financial statement presentation. The interim results for the period ended September 30, 2014 are not necessarily indicative of results for the full fiscal year.

Organization

MyECheck, Inc. ("MEC") ("the Company") was incorporated in the state of Delaware on October 29, 2004. The Company's office is located at Folsom, California.

Sekoya Holdings, Ltd. ("Sekoya") was incorporated in Nevada on May 19, 2005, and is an inactive company.

Nature of Operations

The Company provides software that enables merchants and banks to receive and process real-time payments from consumers, businesses and government agencies. Payment can be initiated online, via point of sale terminals, or over the telephone. The Company also licenses patented technology in the mobile payments and banking industries.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

All significant intercompany accounts and balances have been eliminated in consolidation.

MyECheck, Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS ENDED SEPTEMBER 30, 2014 AND SEPTEMBER 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Risks and Uncertainties

The Company's operations are subject to significant risk and uncertainties including financial, operational, regulatory and other risks including the potential risk of business failure.

The Company has experienced, and in the future expects to continue to experience, variability in its sales and earnings. The factors expected to contribute to this variability include, among others, (i) the uncertainty associated with the commercialization and ultimate success of the product, (ii) intense competition and rapid technological changes for the mobile payment processing industry and (iii) general economic conditions which may cast doubt on future success.

See Note 3 regarding going concern matters.

Fiscal Year

The Company has adopted a December 31 fiscal year end.

Use of Estimates and Assumptions

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Such estimates and assumptions impact, among others, the following: the fair value of warrants granted, estimates of the probability and potential magnitude of contingent liabilities and the valuation allowance for deferred tax assets due to continuing operating losses.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the consolidated financial statements, which management considered in formulating its estimate could change in the near term due to one or more future confirming events. Accordingly, the actual results could differ significantly from our estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents. At September 30, 2014 and December 31, 2013, the Company had no cash equivalents.

The Company minimizes its credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. At September 30, 2014 and December 31, 2013, there were no balances that exceeded the federally insured limit.

MyECheck, Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS ENDED SEPTEMBER 30, 2014 AND SEPTEMBER 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount and do not bear interest. The Company extends unsecured credit to its customers in the ordinary course of business but mitigates the associated risks by performing credit checks and actively pursuing past due accounts.

The Company recognizes an allowance for losses on accounts receivable in an amount equal to the estimated probable losses net of recoveries. The allowance is based on an analysis of historical bad debt experience, current receivables aging, and expected future write-offs, as well as an assessment of specific identifiable customer accounts considered at risk or uncollectible. The Company had an allowance for doubtful accounts of \$232,000 and \$0 at September 30, 2014 and December 31, 2013, respectively.

Revenue Recognition

The Company records revenue when all of the following have occurred; (1) persuasive evidence of an arrangement exists, (2) product delivery has occurred, (3) the sales price to the customer is fixed or determinable, and (4) collectability is reasonably assured.

The Company earns revenue from services, which has included the following: electronic check processing, financial verification, identity verification, check guarantee services and licensing of intellectual property. The services are performed under the terms of a contract with a customer, which states the services to be utilized and the terms and fixed price for all services under contract. The price of these services may be a fixed fee per transaction and/or a percentage of the transaction processed depending on the service.

Revenue from electronic check processing is derived from fees collected from merchants to convert merchant customer check data into an electronic image of a paper draft, which allows the Company to deposit the funds to the merchant's bank through image clearing with the Federal Reserve on behalf of the bank. The Company recognizes the revenue related to electronic check processing fees when the services are performed.

Revenue from financial verification is derived from fees collected from merchants to process requests to validate financial verifications to an outside service provider under contract with the Company. This revenue is recognized when the transaction is processed, since the Company has no further obligations.

Revenue from check guarantee services is derived from fees collected from merchants to process transaction to an outside service provider under contract with the Company. This revenue is recognized when the transaction is processed, since the Company has no further obligations.

MyECheck, Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS ENDED SEPTEMBER 30, 2014 AND SEPTEMBER 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Fair Value of Financial Instruments

The Company measures assets and liabilities at fair value based on an expected exit price as defined by the authoritative guidance on fair value measurements, which represents the amount that would be received on the sale of an asset or paid to transfer a liability, as the case may be, in an orderly transaction between market participants. As such, fair value may be based on assumptions that market participants would use in pricing an asset or liability. The authoritative guidance on fair value measurements establishes a consistent framework for measuring fair value on either a recurring or nonrecurring basis whereby inputs, used in valuation techniques, are assigned a hierarchical level.

The following are the hierarchical levels of inputs to measure fair value:

- Level 1 – Observable inputs that reflect quoted market prices in active markets for identical assets or liabilities.
- Level 2 – Inputs reflect quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Unobservable inputs reflecting the Company’s assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

The carrying amounts of the Company’s financial assets and liabilities, such as cash, accounts payable and accrued expenses, certain notes payable and notes payable – related party, approximate their fair values because of the short maturity of these instruments.

Embedded Conversion Features

The Company evaluates embedded conversion features within convertible debt under ASC 815 “Derivatives and Hedging” to determine whether the embedded conversion feature(s) should be bifurcated from the host instrument and accounted for as a derivative at fair value with changes in fair value recorded in earnings. If the conversion feature does not require derivative treatment under ASC 815, the instrument is evaluated under ASC 470-20 “Debt with Conversion and Other Options” for consideration of any beneficial conversion feature.

Derivative Financial Instruments

The Company does not use derivative instruments to hedge exposures to cash flow, market, or foreign currency risks. The Company evaluates all of its financial instruments, including stock purchase warrants, to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported as charges or credits to income.

MyECheck, Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS ENDED SEPTEMBER 30, 2014 AND SEPTEMBER 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

For option-based simple derivative financial instruments, the Company uses the Black-Scholes option-pricing model to value the derivative instruments at inception and subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is re-assessed at the end of each reporting period.

Beneficial Conversion Feature

For conventional convertible debt where the rate of conversion is below market value, the Company records a "beneficial conversion feature" ("BCF") and related debt discount.

When the Company records a BCF, the relative fair value of the BCF is recorded as a debt discount against the face amount of the respective debt instrument (offset to additional paid in capital) and amortized to interest expense over the life of the debt.

Debt Issue Costs and Debt Discount

The Company may record debt issue costs and/or debt discounts in connection with raising funds through the issuance of debt. These costs may be paid in the form of cash, or equity (such as warrants). These costs are amortized to interest expense over the life of the debt. If a conversion of the underlying debt occurs, a proportionate share of the unamortized amounts is immediately expensed.

Original Issue Discount

For certain convertible debt issued, the Company may provide the debt holder with an original issue discount. The original issue discount would be recorded to debt discount, reducing the face amount of the note and is amortized to interest expense over the life of the debt.

Extinguishments of Liabilities

The Company accounts for extinguishments of liabilities in accordance with ASC 860 - "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities". When the conditions are met for extinguishment accounting, the liabilities are derecognized and the gain or loss on the sale is recognized.

Income Taxes

We account for income taxes under the liability method, whereby deferred income tax liabilities or assets at the end of each period are determined using the tax rate expected to be in effect when the taxes are actually paid or recovered. A valuation allowance is recognized on deferred tax assets when it is more likely than not that some or all of these deferred tax assets will not be realized. Our policy is to prescribe a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken or expected to be taken in a tax return.

MyECheck, Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS ENDED SEPTEMBER 30, 2014 AND SEPTEMBER 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

We have analyzed our filing positions in all jurisdictions where we are required to file returns, and found no positions that would require a liability for unrecognized income tax positions to be recognized. We are subject to tax examinations. In the event that we are assessed penalties and or interest, penalties will be charged to other financing expense and interest will be charged to interest expense.

Earnings (Loss) Per Share

Basic net earnings (loss) per share is computed by dividing net income (loss) for the period by the weighted average number of common stock outstanding during each period. Diluted earnings (loss) per share is computed by dividing net income (loss) for the period by the weighted average number of common stock, common stock equivalents and potentially dilutive securities outstanding during each period. There were no common stock equivalents at September 30, 2014.

The Company uses the “treasury stock” method to determine whether there is a dilutive effect of outstanding convertible debt, option and warrant contracts. For the nine months ended September 30, 2014 and 2013 the Company reflected net income and a dilutive net income.

The Company had the following potential common stock equivalents at September 30, 2013:

Convertible debt - face amount of \$50,000, conversion price of \$0.002	25,000,000
Convertible Preferred Stock	-
Total common stock equivalents	<u>25,000,000</u>

Advertising

Advertising is expensed as incurred. For 2014 and 2013, advertising expense was \$26,412 and \$0, respectively.

Stock-Based Compensation - Employees

Periodically, we issue common shares or options to purchase our common shares to our officers, directors, employees, or other parties. Compensation expense for these equity awards are recognized over the vesting period, based on the fair value on the grant date. We recognize compensation expense for only the portion of options that are expected to vest, rather than record forfeitures when they occur. If the actual number of forfeitures differs from those estimated by management, additional adjustments to compensation expense may be required in the future periods. We determine the fair value of equity awards using the Black-Scholes valuation model.

Recently Issued Accounting Pronouncements

Management does not believe that any other recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying financial statements.

MyECheck, Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS ENDED SEPTEMBER 30, 2014 AND SEPTEMBER 30, 2013

NOTE 3 – GOING CONCERN

The Company's accountants have expressed substantial doubt about the Company's ability to continue as a going concern as a result of its history of net loss. The Company's ability to achieve and maintain profitability and positive cash flow is dependent upon our ability to successfully deliver license and service agreements and obtain financing until revenue can generate cash flow to meet operating requirements. The outcome of these matters cannot be predicted at this time. These consolidated financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue its business.

As reflected in the accompanying consolidated financial statements, the Company has net income of \$55,680 and \$29,965, and net cash provided by operations of \$61,369 and \$27,241 for the nine months ended September 30, 2014 and 2013, respectively; a working capital deficit of \$606,430 and \$781,660 and a stockholders' deficit of \$514,828 and \$778,286 at September 30, 2014 and December 31, 2013, respectively.

The ability of the Company to continue as a going concern is dependent on Management's plans, which include the raising of capital through debt and/or equity markets. The Company will require additional funding during the next twelve months to finance the growth of its current and expected operations and achieve strategic objectives. Additionally, the Company will need to continually generate revenues through its current business operations in order to generate enough cash flow to fund operations through 2014.

The Company is also dependent on maintaining their positive approval status with the Federal Reserve. If the Company were to lose this approval, their ability to provide services would be affected negatively. The Company is also dependent on bank sponsorship when processing transactions directly with the Federal Reserve. If the Company were to lose bank sponsorship, their ability to provide services would be affected negatively.

The Company believes its current available cash, along with anticipated revenues, may be insufficient to meet its cash needs for the near future. There can be no assurance that financing will be available in amounts or terms acceptable to the Company, if at all.

NOTE 4 – CONCENTRATIONS

Cash

At September 30, 2014, the Company had \$51,810 in two (2) different banks; all funds were federally insured.

Concentration on Credit Risk

The Company grants credit to its customers under their licensing agreements for additional services for maintenance fees and consulting work. Management believes that its contract acceptance, billing, and collections policies are adequate to minimize potential credit risk.

MyECheck, Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS ENDED SEPTEMBER 30, 2014 AND SEPTEMBER 30, 2013

NOTE 4 – CONCENTRATIONS (CONT.)

Customers and Concentration – to be updated

Collectively, two customers comprised 93.68% and 91.06% of the total revenue for the nine months ended September 30, 2014 and 2013. The same two customers represented 100% of net accounts receivable at September 30, 2014.

(1) Accounts Receivable	<u>Customer</u>	<u>2014</u>	<u>2013</u>
	A	0%	0%
	B	0%	0%
	C	0%	0%
	D	0%	0%
	E	78%	0%
	F	<u>22%</u>	<u>0%</u>
		<u>100%</u>	<u>0%</u>

(2) Revenue	<u>Customer</u>	<u>2014</u>	<u>2013</u>
	A	1%	9%
	B	0%	0%
	C	1%	91%
	D	5%	0%
	E	53%	<u>0%</u>
	F	<u>40%</u>	<u>0%</u>
		<u>100%</u>	<u>100%</u>

NOTE 5 – CONVERTIBLE NOTE

June 26, 2009 Convertible Debt in Default – Tangiers Investors, LP

Terms

On June 26, 2009, the Company issued redeemable convertible debt totaling \$35,000. The Company paid \$2,800 in debt issue costs and received net proceeds of \$32,200. The note was due on June 26, 2010, and went into default. The note bears interest at 8% and is unsecured.

Conversion

The debt is convertible based upon 60% of the average of the three lowest closing bid prices within the prior fifteen trading day period. The conversion option may be exercised in the event of default or in whole or part at the option of the holder of the note prior to the debt's maturity. If any portion of the principal and/or interest are not paid within 10 days of when it is due (beginning June 26, 2010), the discount multiplier used to determine the conversion price decreases 1% for each period of 10 business days that any portion of the amount due remains unpaid by the Company for all conversions thereafter.

MyECheck, Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS ENDED SEPTEMBER 30, 2014 AND SEPTEMBER 30, 2013

NOTE 5 – CONVERTIBLE NOTE (CONT.)

June 26, 2009 Convertible Debt in Default – Tangiers Investors, LP (Cont.)

If the average price per share (as computed above based upon a 60% discount) of the Company's stock is below \$0.10, the Company has the right to prepay the portion of the Debenture that the Holder elected to convert, plus any unpaid interest, at 150% of such amount. The Company has the option with written notice to the Holder to prepay the note at 150% of the principal amount and accrued interest to the date of payment.

If conversion is held up by a third party or the Company cannot convert the note into common stock, all amounts are accelerated for payment and redeemable in cash at a price of 175% of principal plus all unpaid accrued interest to date.

If the note goes into default, the holder may elect to cancel any outstanding conversion notice and declare all amounts due and payable in cash at a price of 150% of principal plus all unpaid accrued interest to date.

The Note was not issued with the intent of effectively hedging any future cash flow, fair value of any asset, liability or any net investment in a foreign operation. In addition the notes contain a conversion price adjustment which is based upon 60% of the average of the three lowest closing bid prices within the prior fifteen trading day period.

Therefore, the estimated fair value of the conversion feature of \$30,333 (based on observable inputs) was bifurcated from the Note and accounted for as a separate derivative liability. The Note Derivative is carried at fair value (using the Black Scholes Model) until the Note is converted or otherwise extinguished. Any changes in fair value are recognized in earnings.

April 26, 2010 Convertible Debt in Default– Asher Enterprises, Inc.

Terms

On April 26, 2010, the Company issued and executed a convertible note for \$50,000. The Company paid \$3,000 in debt issue costs and received net proceeds of \$47,000. The note has a term of one year and bears interest at 8%, default interest rate of 22%, and is unsecured.

Conversion

The debt is convertible based upon 55% of the average of the three lowest closing prices within the prior ten trading day period. The conversion option may be exercised in the event of default or in whole or part at the option of the holder of the note prior to the debt's maturity.

Additionally, the note contains a ratchet provision. The Company determined under ASC 815, that the embedded conversion feature (if offering of common stock is at no consideration or at a price that is lower than the effective conversion price on the date shares are offered for sale, then a ratchet down of effective exercise price to price per share offered for common stock would be used to determine additional shares to be issued). The Company has determined that this ratchet provision indicates that these shares, if issued, are not indexed to the Company's own stock and, therefore, is an embedded derivative financial liability, which requires bifurcation and to be separately accounted for. At each reporting period, the Company will mark this derivative financial instrument to fair value.

MyECheck, Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS ENDED SEPTEMBER 30, 2014 AND SEPTEMBER 30, 2013

NOTE 5 – CONVERTIBLE NOTE (CONT.)

For the years ended December 31, 2013 and 2012, the note was in default. At December 31, 2012 the balance on the note was \$32,000. At December 31, 2013, an additional \$18,000 in legal fees and interest was added to the principal balance of \$32,000 resulting in a total amount owing of \$50,000. On January 17, 2014, the debt was converted into 25,000,000 shares of common stock, at a price per share of \$0.002. The fair market value on the conversion date was \$0.0038 per share for a fair value of \$95,000 resulting in a loss to the Company of \$63,000 which was recorded in the first quarter of 2014. At September 30, 2014, the activity was fully converted to equity.

The Note was not issued with the intent of effectively hedging any future cash flow, fair value of any asset, liability or any net investment in a foreign operation. In addition the notes contain a conversion price adjustment which is based upon 60% of the average of the three lowest closing bid prices within the prior fifteen trading day period.

Therefore, the estimated fair value of the conversion feature of \$26,182 (based on observable inputs) was bifurcated from the Note and accounted for as a separate derivative liability. The Note Derivative is carried at fair value (using the Black Scholes Model) until the Note is converted or otherwise extinguished. Any changes in fair value are recognized in earnings.

NOTE 6 – RELATED PARTY TRANSACTIONS

The Company's major shareholder has agreed to advance short term funding until revenue or other funding has been obtained. The advances and repayments will fluctuate depending on cash flow. As of September 30, 2014, the amount owed the shareholder was \$18,001.

NOTE 7 – LEASES AND COMMITMENTS

The Company entered into a secured lease with QTS Data Center. The terms of this agreement are three (3) years at \$500 per month. The following table represents the future lease payments:

12/31/2014	\$	4,500
12/31/2015		6,000
12/31/2016		4,500
Total	\$	<u>15,000</u>

MyECheck, Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS ENDED SEPTEMBER 30, 2014 AND SEPTEMBER 30, 2013

NOTE 8 – FACILITY

On June 14, 2014, MyECheck entered into a lease agreement with Maidu Investment, LLC (Maidu Investment) at the office development known as College Point Business Center, located at 2600 E. Bidwell Street in the City of Folsom, State of California. The premises leased is defined as Suite 140 with a commencement date of July 1, 2014. The lease term is 42 months expiring on December 31, 2017 with an average rent per month of \$4,866. MyECheck paid a security deposit in the amount of \$32,812. The security deposit is not an advance rental deposit or a measure of damages incurred by Landlord in case of MyECheck's default.

Any remaining balance of the security deposit shall be returned by Landlord to MyECheck at such time after termination of the lease that all of MyECheck's obligations under this lease have been fulfilled, reduced by such amounts as may be required by Landlord to remedy defaults on the part of MyECheck or other obligations of MyECheck under this lease, such as repairs and to clean the premises. MyECheck received a move-in allowance in the amount of \$9,175.

See Note 14 for the First Amendment to the facility lease.

For the years ended December 31,

2014	\$	10,938
2015		66,564
2016		68,436
2017		58,438
Totals	\$	<u>204,376</u>

NOTE 9 – FIXED ASSETS

Fixed assets are stated at cost. The policy of the Company is to provide for depreciation using straight-line methods based on estimated useful lives. The estimated useful lives range from three to seven years. Depreciation expense for the nine months ended September 30, 2014 was \$3,613. A breakdown of the fixed assets are in the table below:

Computer equipment	\$	17,898
Furniture and fixtures		22,017
Accumulated depreciation		<u>(3,791)</u>
Net Fixed Assets	\$	<u>36,124</u>

MyECheck, Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS ENDED SEPTEMBER 30, 2014 AND SEPTEMBER 30, 2013

NOTE 10 – WEBSITE

Using the Company's employees and outside consultants, the company invested \$24,000 in the nine months ended September 30, 2014 to develop a new website as a critical component of its new marketing plan. In addition, \$8,505 in content was expensed. The Company's website went live on July 25, 2014. The Company has elected to amortize the capitalized costs over a thirty six month period for both financial reporting and for income tax purposes once the website is placed in service. For the nine months ended September 30, 2014, \$1,334 in amortization was included in operating expenses.

NOTE 11 - INCOME TAXES

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due. Deferred taxes relate to differences between the basis of assets and liabilities for financial and income tax reporting which will be either taxable or deductible when the assets or liabilities are recovered or settled.

NOTE 12 – STOCKHOLDERS' EQUITY (DEFICIT)

On April 1, 2014, the Company entered into a service agreement with a third party, where the Company will provide payment data processing services, payment acceptance and the services documentation, which includes all the software licenses, prices schedules, specifications, instructions and notices and application for each service. The fee for the service provided by the Company is \$0.15 per transaction.

On February 14, 2014, the Company was able to utilize cash flow generated from operations to purchase 1,000,000,000 shares of MyECheck's common stock from its major shareholder for \$10,000.

The Company contracted with an outside consultant to develop its website. The process began at the end of March, 2014 and continued through June with the support of additional consultants. Compensation was 500,000 shares of common stock, having a fair value of \$15,000 (\$0.03/share), based upon recent quoted trading price, and were issued on August 15, 2014.

On February 14, 2014, the Company issued 400,000,000 shares of its common stock to an accredited investor for a subscription receivable, having a fair value of \$28,000 (\$0.00007/share), based upon recent quoted trading price.

On September 23, 2014, the Company entered into a severance agreement with one of its executives resulting in the authorization of 5,555,556 shares of the Company's common stock having a fair value of \$0.0194/share, based upon quoted trading price at the date of the executed agreement. The company recorded \$107,778 in stock compensation as this award was authorized by the Board of Directors on September 23, 2014. The stock will be issued in November, 2014.

MyECheck, Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS ENDED SEPTEMBER 30, 2014 AND SEPTEMBER 30, 2013

NOTE 13 – MAJOR EVENTS

On September 11, 2014 a settlement agreement and mutual release of claims was executed in the amount of \$5,000 for debt owed on legal services incurred from 2007 through 2009 totaling \$71,446. At December 31, 2013, the \$71,446 was included in both accounts payable and accrued liabilities.

NOTE 14 – SUBSEQUENT EVENTS

On October 14, 2014, the Company received \$45,940 on the subscription receivable.

On October 6, 2014, the Company purchased all rights, titles and interest in the one (1) share of MyECheck, Inc. Preferred Class Stock, Series A, stock outstanding. The purchase price paid by the Company for the one (1) share of MyECheck, Inc. Preferred Class Stock, Series A, stock was one dollar (\$1.00).

On October 13, 2014, MyECheck, Inc. filed a lawsuit in US District Court against Zipmark, Inc., and Jay Bhattacharya, for Breach of Contract and Patent Infringement. The lawsuit seeks damages, plus preliminary and permanent injunctions.

On October 30, 2014, the Company secured a \$5 million line of credit from TCA Fund Management Group (“TCA”), a U.S.-based investment management company that specializes in senior secured lending and advisory services to small and medium sized companies. Terms of the agreement are that MyECheck will initially draw down approximately \$550,000; will pay approximately \$60,000 in fees in cash; issue approximately 3.9 million shares and establish a share reserve fund (to be determined) to TCA and its associates.

On October 28, 2014, MyECheck amended its original lease agreement with Maidu Investment, LLC (Maidu Investment) at the office development known as College Point Business Center, located at 2600 E. Bidwell Street in the City of Folsom, State of California, to include an expansion space defined as Suite 190. The Company estimates a move in date of January 1, 2015, upon completion of construction. The lease term on the expansion space is 42 months expiring on June 30, 2018 with an average rent per month of \$6,245. MyECheck paid an additional security deposit in the amount of \$20,000, for a combined deposit amount of \$52,812. The security deposit is not an advance rental deposit or a measure of damages incurred by Landlord in case of MyECheck’s default. Provided MyECheck is not in default under the new lease through the fifteenth (15th) full calendar month after the commencement of the Expansion Space Term, the Landlord will return fifty percent (50%) of the additional security deposit to the Company.

The table below shows the future rents as amended:

	<u>Original</u>	<u>Amendment Space</u>	<u>Combined</u>
For the years ended December 31,			
2014	\$ 5,469	\$ -	\$ 5,469
2015	66,408	60,117	126,525
2016	68,280	79,380	147,660
2017	64,219	81,497	145,716
2018	-	41,278	41,278
Totals	<u>\$ 204,376</u>	<u>\$ 262,272</u>	<u>\$ 466,648</u>