PARALLAX HEALTH SCIENCES

June 8, 2017

To the reader:

Management is providing the following unaudited financial information for the year ended December 31, 2015, and the audited financial information for the year ended December 31, 2014, for informational purposes.

The following consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and that effect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Sincerely,

**PARALLAX HEALTH SCIENCES, INC.**

# PARALLAX HEALTH SCIENCES, INC.

## CONSOLIDATED FINANCIAL STATEMENTS

**December 31, 2015**

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Certified Public Accountants
PCAOB Registered Auditors – www.sealebeers.com

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

**To the Board of Directors and Stockholders of**
**Parallax Health Sciences, Inc.**

We have audited the accompanying consolidated balance sheets of Parallax Health Sciences, Inc. as of December 31, 2013 and 2014, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for each of the years in the two-year period ended December 31, 2014. Parallax Health Sciences, Inc.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parallax Health Sciences, Inc. as of December 31, 2013 and 2014, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has no revenues, has negative working capital at December 31, 2014, has incurred recurring losses and recurring negative cash flow from operating activities, and has an accumulated deficit which raises substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Seale and Beers, CPAs

Seale and Beers, CPAs
Las Vegas, Nevada
March 27, 2015

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**PARALLAX HEALTH SCIENCES, INC.**
**CONSOLIDATED BALANCE SHEETS**

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| | *(Audit Pending)* | |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | $ 912,399 | $ 513 |
| Accounts receivable, net | 1,449,554 | - |
| Rebates receivable | 424,066 | - |
| Inventories | 831,156 | - |
| Employee advances | 21,800 | - |
| Prepaid expenses | 110,336 | - |
| Loans receivable | 176,884 | - |
| Total current assets | 3,926,195 | 513 |
| Property and equipment, net | 116,531 | 9,527 |
| Intangible assets, net | 203,756 | 17,920 |
| Goodwill | 3,887,818 | - |
| Deposits | 22,750 | - |
| TOTAL ASSETS | $ 8,157,050 | $ 27,960 |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | $ 2,788,202 | $ 302,868 |
| Related party payables | 133,610 | 103,563 |
| Notes and loans payable | 95,975 | 95,975 |
| Convertible notes payable | 144,000 | 144,000 |
| Convertible notes payable-related party, net of unamortized discount | 1,107,254 | 855,052 |
| Total current liabilities | 4,269,041 | 1,501,458 |
| Long term liabilities | | |
| Notes payable, long-term, net of unamortized discount | 8,985,401 | - |
| Total long term liabilities | 8,985,401 | - |
| Total liabilities | 13,254,442 | 1,501,458 |
| Stockholders' deficit | | |
| Preferred stock, $.001 par, 10,000,000 shares authorized, 823,691 issued and outstanding at December 31, 2015 and 2014 | 824 | 824 |
| Common stock: 250,000,000 shares authorized, $.001 par, 120,566,774 and 128,228,018 issued and outstanding as of December 31, 2015 and 2014, respectively | 120,567 | 128,228 |
| Additional paid in capital-preferred | 465,843 | 465,843 |
| Additional paid in capital-common | 1,030,342 | 927,823 |
| Subscriptions receivable | (192) | (1,338) |
| Accumulated deficit | (6,714,776) | (2,994,878) |
| Total stockholders' deficit | (5,097,392) | (1,473,498) |
| TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT | $ 8,157,050 | $ 27,960 |

The accompanying notes are an integral part of these financial statements

**PARALLAX HEALTH SCIENCES, INC.**
**CONSOLIDATED STATEMENTS OF OPERATIONS**

| | For the year ended | |
|---|---|---|
| | December 31, 2015 | December 31, 2014 |
| | *(Audit Pending)* | |
| Revenue | $ 11,579,720 | $ - |
| Cost of sales | 9,874,244 | - |
| Gross profit | 1,705,476 | - |
| Sales, marketing, and pharmacy expenses | 1,061,069 | - |
| General and administrative expenses | 1,906,488 | 866,646 |
| Operating income (loss) | (1,262,081) | (866,646) |
| Other income (expenses) | | |
| Loss on disposal of assets | (10,155) | - |
| Interest expense | (2,447,662) | (246,551) |
| Total other income (expenses) | (2,457,817) | (246,551) |
| Net loss | $ (3,719,898) | $ (1,113,197) |
| Net (loss) per common share - basic and diluted | $ (0.028) | $ (0.009) |
| Weighted average common shares outstanding - basic and diluted | 131,734,518 | 127,492,922 |

The accompanying notes are an integral part of these financial statements

**PARALLAX HEALTH SCIENCES, INC.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | For the year ended December 31, 2015 *(Audit Pending)* | For the year ended December 31, 2014 |
|---|---|---|
| Cash flows from operations: | | |
| Net loss | $ (3,719,898) | $ (1,113,197) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Deprecation and amortization | 77,905 | 7,988 |
| Loss on disposal of assets | 10,155 | |
| Stock compensation/stock option amortization | 58,024 | 384,808 |
| Discount amortization | 2,233,741 | 194,753 |
| Allowance for bad debt | 8,412,853 | - |
| Accruals converted to convertible notes payable | 273,462 | 375,866 |
| Changes in operating assets and liabilties: | | |
| (Increase) in trade and other receivables | (10,310,865) | - |
| Decrease in inventories | 82,680 | - |
| (Increase) in prepaid expenses | (104,638) | - |
| (Increase) in other assets | (750) | - |
| Increase in accounts payable and accrued expenses | 2,485,332 | 103,180 |
| Increase (decrease) in related party payables | (146,837) | 46,546 |
| Net cash used in operating activities | (648,836) | (56) |
| Cash flows from investing activities: | | |
| Purchase of professional equipment | (7,659) | - |
| Net cash used in investing activities | (7,659) | - |
| Cash flows from financing activities: | | |
| Proceeds from notes payable | 2,000,000 | - |
| Repayment of notes payable | (169,599) | - |
| Repayment of related party note payable | (300,000) | - |
| Proceeds from issuance of common shares | 37,980 | - |
| Net cash provided by financing activities | 1,568,381 | - |
| Net increase (decrease) in cash | 911,886 | (56) |
| Cash - beginning of period | 513 | 569 |
| Cash - end of period | $ 912,399 | $ 513 |
| NON-CASH ACTIVITIES | | |
| Note payable issued for purchase of subsidiary common stock | $ 20,500,000 | $ - |
| Discount on long-term note payable | $ (13,345,000) | $ - |
| Conversion of related party payable to convertible notes payable | $ 273,462 | $ 1,087,693 |
| Assignment of note payable to related party note payable | $ - | $ (144,000) |
| Change from related party to non-related party convertible note payable | $ - | $ 144,000 |
| Change from related party debt to non-related party debt | $ - | $ 49,400 |
| Discount on related party debt | $ (278,740) | $ (473,494) |
| Cancellation of related party debt | $ - | $ 103,449 |
| Subscriptions receivable | $ (192) | $ (1,338) |
| SUPPLEMENTAL INFORMATION | | |
| Interest paid | $ 24,194 | $ - |
| Income taxes paid | $ - | $ - |

The accompanying notes are an integral part of these financial statements

## NOTE 1. OVERVIEW AND NATURE OF BUSINESS

Parallax Health Sciences, Inc. (the "Company") was incorporated in the State of Nevada on July 6, 2005. The Company's principal focus is on personalized patient care, through the Company's wholly owned subsidiary, RoxSan Pharmacy, Inc. ("RoxSan"), and through the Company's wholly owned subsidiary, Parallax Diagnostics Inc., which holds the right, title, and interest in perpetuity to certain point of care diagnostic tests. The Company's diagnostic testing platform is capable of diagnosing and monitoring several health issues.

On August 13, 2015, the Company entered into an agreement with RoxSan Pharmacy, Inc., a California corporation, and its sole shareholder, Shahla Melamed, to purchase 100% of the issued and outstanding shares of RoxSan's common stock and its assets and inventory. As a result, effective August 13, 2015, RoxSan became the Company's wholly owned subsidiary (Note 11). Concurrently, Mrs. Melamed resigned from all positions within RoxSan, and Mr. J. Michael Redmond was appointed RoxSan's President and Chief Executive Officer, and Ms. Calli Bucci its Chief Financial Officer. Mr. Redmond and Ms. Bucci were also appointed as Chairman and member, respectively, of RoxSan's board of directors.

The Company has the following two business segments: Retail Pharmacy Services (RPS) and Corporate.

<u>Retail Pharmacy Services (RPS)</u>
The RPS provides a full range of pharmacy services including retail, compounding and fertility medications.

The RPS generates net revenues primarily by dispensing prescription drugs, both through local channels by direct delivery as well as mail order. The RPS also sells a wide assortment of general merchandise, including over-the-counter drugs, beauty products and cosmetics, seasonal merchandise and convenience foods, through the Company's pharmacy.

The pharmacy is fully licensed and qualified to conduct business in 39 US States.

<u>Corporate</u>
The Corporate Segment provides management and administrative services to support the Company, and consists of certain aspects of the Company's executive management, corporate relations, legal, compliance, human resources, and corporate information technology and finance departments. In addition, the Corporate Segment supports the costs and operating expenses related to the continued development and exploitation of the Company's proprietary medical diagnostic and monitoring platform and processes, which remain the Company's primary focus.

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and that effect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*<u>Going Concern</u>*
The Company has incurred losses since inception resulting in an accumulated deficit of $6,714,776, and a working capital deficit of $342,846. The Company's ability to continue as a going concern is dependent upon its ability to generate profitable operations in the future and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due, which may not be available at commercially reasonable terms There can be no assurance that the Company will be able to generate profitable operations in the future and/or raise additional funds, in which case the Company may be unable to meet its obligations and the Company may cease operations. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern.

The consolidated financial statements reflect all adjustments consisting of normal recurring adjustments, which, in the opinion of management, are necessary for a fair presentation of the results for the periods shown. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts of and classification of liabilities that might be necessary in the event the Company cannot continue as a going concern.

*NOTE: The following notes and any further reference made to “the Company”, "we", "us", "our" and "Parallax" shall mean Parallax Health Sciences, Inc., and its wholly-owned subsidiaries, Parallax Diagnostics, Inc. (formerly Endeavor Sciences, Inc.) and RoxSan Pharmacy, Inc., unless otherwise indicated.*

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation
This summary of significant accounting policies is presented to assist in understanding the Company’s financial statements. These accounting policies conform to accounting principles, generally accepted in the United States of America, and have been consistently applied in the preparation of the financial statements.

The Company’s fiscal year-end is December 31.

Principles of Consolidation
The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Fair Value Hierarchy
The Company utilizes the three-level valuation hierarchy for the recognition and disclosure of fair value measurements. The categorization of assets and liabilities within this hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. The three levels of the hierarchy consist of the following:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2: Inputs to the valuation methodology are quoted prices for similar assets and liabilities in active markets, quoted prices in markets that are not active or inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the instrument.

Level 3: Inputs to the valuation methodology are unobservable inputs based upon management’s best estimate of inputs market participants could use in pricing the asset or liability at the measurement date, including assumptions about risk.

Cash and Cash Equivalents
The Company considers all highly liquid instruments with maturity of three months or less at the time of issuance to be cash equivalents. As at December 31, 2015 and 2014, the Company had no cash equivalents.

Fair Value of Financial Instruments
As of December 31, 2015 and 2014, respectively, the carrying values of Company’s Level 1 financial instruments including cash and cash equivalents, accounts receivable, accounts payable, and short-term debt approximate fair value. The fair value of Level 3 instruments is calculated as the net present value of expected cash flows based on

externally provided or obtained inputs. Certain Level 3 instruments may also be based on sales prices of similar assets. The Company's fair value calculations take into consideration the credit risk of both the Company and its counterparties as of the date of valuation. See Note 6 and 11 for additional information about long-term debt.

There were no outstanding derivative financial instruments as of December 31, 2015 and 2014.

Accounts Receivable

Accounts receivable are stated net of an allowance for doubtful accounts. The accounts receivable balance primarily includes amounts due from third party providers (e.g., pharmacy benefit managers, insurance companies and governmental agencies), as well as customers, vendors and manufacturers. Charges to bad debt are based on both historical write-offs and specifically identified receivables.

The activity in the allowance for doubtful accounts receivable for the years ended December 31, 2015 and 2014, is as follows:

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Beginning balance | $ — | $ — |
| Additions charged to bad debt expense for insurance claims | 34,000 | — |
| Allowance for doubtful collection of workers compensation claims | 8,378,853 | |
| Write-offs charged to allowance | — | — |
| Ending balance | $ 8,412,853 | $ — |

Management has determined that the collection of certain revenues relating to workers compensation insurance claims, in the retail value of $8,378,853, cannot be reasonably assured. As a result, an allowance for doubtful collections of workers compensation claims in the amount of $8,378,853 has been established until such time as collection can be reasonably assured.

Inventory

Inventory is stated at the lower of cost or market. Prescription drug inventories are accounted for using the weighted average cost method. Front store inventories are accounted for on a first-in, first-out basis using the retail inventory method. Physical inventory counts are taken on a regular basis and a continuous cycle count process is the primary procedure used to validate the inventory balances on hand to ensure that the amounts reflected in the accompanying financial statements are properly stated.

Property and Equipment

Property and equipment is comprised of office and computer equipment and software, furniture and fixtures, leasehold improvements, and vehicles, recorded at cost and depreciated using the double declining balance method over the estimated useful lives of 5 to 7 years. Repairs and maintenance costs are charged directly to expense as incurred. Major renewals or replacements that substantially extend the useful life of an asset are capitalized and depreciated. Application development stage costs for significant internally developed software projects are capitalized and depreciated. See Note 3 for additional information about property and equipment.

Intangible Assets

Product processes, patents and customer lists are amortized on a straight-line basis over their estimated useful lives between 10 and 20 years. See Note 4 for additional information about intangible assets.

Goodwill and other Indefinitely-lived assets

Goodwill and other indefinitely-lived assets are not amortized, but are subject to impairment reviews annually, or more frequently if necessary.

Impairment of Long-Lived Assets
In accordance with ASC 350-30, the Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that their net book value may not be recoverable. When such factors and circumstances exist, the Company compares the projected undiscounted future cash flows associated with the related asset or group of assets over their estimated useful lives against their respective carrying amount. Impairment, if any, is based on the excess of the carrying amount over the fair value, based on market value when available, or discounted expected cash flows, of those assets and is recorded in the period in which the determination is made. The Company currently believes there is no impairment of its long-lived assets. There can be no assurance, however, that market conditions will not change or demand for the Company's products under development will continue. Either of these could result in future impairment of long-lived assets.

Due to the Company's recurring losses, its long-lived assets were evaluated for impairment and it was determined that future cash flows were sufficient for recoverability of the asset.

Convertible Debt
In accordance with Accounting Standards Codification ("ASC") 470-20-25, the Company recognizes the advantageous value of conversion rights attached to convertible debt. Such rights give the debt holder the ability to convert debt into common stock at a price per share that is less than the trading price to the public on the date of the debt. The beneficial value is calculated as the intrinsic value (the market price of the stock at the commitment date in excess of the conversion rate) of the beneficial conversion feature of the debt, and is recorded as a discount to the related debt and an addition to additional paid in capital. The discount is amortized over the remaining outstanding period of related debt using the interest method.

Net Income (Loss) Per Common Share
The Company computes earnings per share in accordance with ASC 260-10, *Earnings Per Share*. Net earnings (loss) per common share is computed by dividing net income (loss) by the weighted average number of shares of common stock and dilutive common stock equivalents outstanding during the period. Dilutive common stock equivalents consist of shares issuable upon conversion of convertible preferred shares and the exercise of the Company's stock options and warrants.

Comprehensive Loss
ASC 220, *Comprehensive Income,* establishes standards for the reporting and display of comprehensive loss and its components in the financial statements. As at December 31, 2015 and 2014, the Company has no items that represent comprehensive loss and, therefore, has not included a schedule of comprehensive loss in the financial statements.

Revenue Recognition
Revenue is recognized when: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the seller's price to the buyer is fixed or determinable, and (iv) collectability is reasonably assured.

The Retail Pharmacy recognizes revenue at the time the customer takes possession of the merchandise. Customer returns are not material. Sales taxes are not included in revenue.

Income Taxes
Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. These assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to reverse.

The Company has net operating loss carryforwards available to reduce future taxable income. Future tax benefits for these net operating loss carryforwards are recognized to the extent that realization of these benefits is considered more likely than not. To the extent that the Company will not realize a future tax benefit, a valuation allowance is established.

Stock-Based Compensation

Stock-based compensation is measured at the grant date based on the fair value of the award and is recognized as expense over the applicable requisite service period of the stock award (generally 3 to 5 years) using the straight-line method.

Recently Adopted Accounting Standards

The Company evaluates the pronouncements of various authoritative accounting organizations, primarily the Financial Accounting Standards Board ("FASB"), the US Securities and Exchange Commission ("SEC"), and the Emerging Issues Task Force ("EITF"), to determine the impact of new pronouncements on US GAAP and the impact on the Company. The Company has recently adopted the following new accounting standards:

Adopted:

In April 2014, the FASB issued ASU No. 2014-08 Presentation of Financial Statements (Top 205): Reporting Discontinued Operations and Disclosure of Disposals of Components of an Entity. The objective of ASU No. 2014-08 is to clarify the criteria for determining which disposals can be presented as discontinued operations and also modifies related disclosure requirements. The standard is required to be adopted by public business entities in annual periods beginning on or after December 15, 2014, and interim periods within those annual periods. Early adoption is permitted for new disposals beginning in the first quarter of 2014, provided financial statements have not been issued before the release of this standard.

In June 2014, the FASB issued ASU No, 2014-10, Elimination of Certain Financial Reporting Requirements for Development Stage Entities. The objective of ASU 2014-10 is to reduce the cost and complexity associated with the incremental reporting requirements for development stage entities. This Update removes all incremental financial reporting requirements, and eliminates an exception provided to development stage entities in Topic 810. The amendments in this standard are effective retrospectively for annual reporting periods beginning after December 15, 2014, and interim periods therein. Early adoption is permitted.

In May 2014, the FASB issued ASU No. 2014-09 Revenue from Contracts with Customers (Topic 606). The objective of ASU No. 2014-08 is to clarify the principles for recognizing revenue and to develop a common revenue standard for US GAAP and IFRS. The FASB created a new Topic 606, and IASB is issuing IFRS 15, to meet the joint objectives regarding revenue recognition. The guidance in this Update affects any entity that enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. The guidance in this Update supersedes the revenue recognition requirements in Topic 605, and most industry-specific guidance, as well as certain requirements contained within Topic 350 and Topic 360. The standard is required to be adopted by public business entities in annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is not permitted.

In August 2014, the FASB issued ASU No 2014-15 Presentation of Financial Statements-Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. The objective of ASU 2014-15 is to provide guidance in GAAP about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The amendments in this Update are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted.

In November 2014, the FASB issued ASU No. 2014-17 Business Combinations (Topic 805): Pushdown Accounting. The objective of ASU 2014-17 is to provide guidance on whether and at what threshold an acquired entity that is a business or nonprofit activity can apply pushdown accounting in its separate financial statements. The amendments in this Update are effective on November 18, 2014. After the effective date, an acquired entity can make an election to apply the guidance to future change-in-control events or to its most recent change-in-control event. However, if the financial statements for the period in which the most recent change-in-control event occurred already have been issued or made available to be issued, the application of this guidance would be a change in accounting principle.

Not Yet Adopted:

In January 2015, the FASB issued ASU 2015-01 Income Statement—Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items. This Update eliminates from GAAP the concept of extraordinary items. The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. A reporting entity may apply the amendments prospectively. A reporting entity also may apply the amendments retrospectively to all prior periods presented in the financial statements. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. The effective date is the same for both public business entities and all other entities. The Company is evaluating the effect, if any, adoption of ASU No. 2015-01 will have on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03 Interest-Imputation of Interest (Subtopic 835-30: Simplifying the Presentation of Debt Issuance Costs. ASU 2015-03 is part of the Simplification Initiative, and its objective of to simplify the presentation of debt issuance costs. This Update requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this Update. The amendments in this Update are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted for financial statements that have not been previously issued. The Company is evaluating the effect, if any, adoption of ASU No. 2015-03 will have on its consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11 Inventory (Topic 330): Simplifying the Measurement of Inventory. ASU 2015-11 is part of the Simplification Initiative, and its objective is to simplify the measurement of inventory. This Update applies to inventory that is measured using FIFO or average cost, and requires an entity measure inventory at the lower of cost and net realizable value. The amendments in this Update are effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. The amendments in this Update should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. The Company is evaluating the effect, if any, adoption of ASU No. 2015-11 will have on its consolidated financial statements.

In September 2015, the FASB issued ASU 2015-16 Business Combinations (Topic 805): Simplifying the Accounting for Measurement Period Adjustments. ASU 2015-16 is part of the Simplification Initiative, and eliminates the requirement to restate prior period financial statements for measurement period adjustments. The new guidance requires that the cumulative impact of a measurement period adjustment (including the impact on prior periods) be recognized in the reporting period in which the adjustment is identified. The amendments in this Update are effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The amendments in this Update should be applied prospectively to adjustments to provisional amounts that occur after the effective date of this Update with earlier application permitted for financial statements that have not been issued. The Company is evaluating the effect, if any, adoption of ASU No. 2015-16 will have on its consolidated financial statements.

Recently Issued Accounting Standards Updates:
There were various updates recently issued, most of which represented technical corrections to the accounting literature or application to specific industries. None of the updates are expected to a have a material impact on the Company's consolidated financial position, results of operations or cash flows.

**NOTE 3. ACCOUNTS RECEIVABLE, NET**

Accounts receivable, net, consists of the following:

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Insurance claims receivable | $ 999,612 | $ — |
| Workers compensation claims receivable | 8,549,073 | — |
| Customer receivable | 313,722 | — |
| Total accounts receivable | 9,862,407 | — |
| | | |
| Allowance for doubtful accounts: | | |
| Allowance-insurance claims | $ (34,000) | $ — |
| Allowance-workers compensation claims | (8,378,853) | — |
| Total allowances for doubtful accounts receivable | (8,412,853) | — |
| Accounts receivable, net | $ 1,449,554 | $ — |

As of December 31, 2015, the Company was owed $999,612 in insurance claims, $8,549,073 in workers compensation claims, and $313,722 in customer house account charges, for which payment has not yet received.

Customer receivable consists of $33,894 in copayments and $279,828 in charges for prescriptions and other retail purchases made by certain preferred customers, for which the Company provides monthly invoices to and receives regular payments on. As of December 31, 2015, $313,722 was owed from customers receivable.

Management has determined that the collection of certain revenues relating to workers compensation claims, in the retail value of $8,378,853, cannot be reasonably assured. As a result, an allowance for the doubtful collection of workers compensation claims in the amount of $8,378,853 until such time as collection can be reasonably assured. The collectability of workers compensation claims in the amount of $170,220 can be reasonably assured. As a result, the Company has included this amount as revenues earned on the accompanying income statement.

An allowance for doubtful collection of insurance claims has been established in the amount of $34,000.

As of December 31, 2015, accounts receivable, net of allowances for doubtful accounts, was $1,449,554.

**NOTE 4. PROPERTY AND EQUIPMENT**

The following are the components of property and equipment:

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Appliances | $ 3,360 | $ — |
| Computer and office equipment | 32,718 | 8,385 |
| Furniture and fixtures | 23,453 | — |
| Leasehold improvements | 78,881 | — |
| Software | 873 | — |
| Medical devices and instruments | 45,194 | 45,194 |
| Sub-total | 184,479 | 53,579 |
| Less: accumulated depreciation | (57,793) | (44,052) |
| Property and equipment, net, before disposals | 126,686 | 9,527 |
| Less: disposals, net of depreciation | (10,155) | — |
| Property and equipment, net of disposals | $ 116,531 | $ 9,527 |

As of December 31, 2015, the Company disposed of equipment valued at $0, and recognized a loss in the amount of $10,155.

Depreciation expense for the years ended December 31, 2015 and 2014, was $13,741 and $6,324, respectively.

**NOTE 5. INTANGIBLE ASSETS**

The following are the components of finite-lived intangible assets:

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Products and processes | $ 12,500 | $ 12,500 |
| Trademarks and patents | 12,500 | 12,500 |
| Customer list | 250,000 | — |
| Sub-total | 275,000 | 25,000 |
| Accumulated amortization | (71,244) | (7,080) |
| Intangible assets, net | $ 203,756 | $ 17,920 |

Amortization expense for the years ended December 31, 2015 and 2014, was $64,164 and $1,664, respectively.

**NOTE 6. NOTES AND LOANS PAYABLE**

Notes and loans payable consists of the following:

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Short-term: | | |
| Loans payable | $ 11,900 | $ 11,900 |
| Notes payable | 84,075 | 84,075 |
| Total notes and loans payable | 95,975 | 95,975 |
| Convertible notes payable | 144,000 | 144,000 |
| Total short-term notes and loans payable | 239,975 | 239,975 |

Notes and loans payable, continued

| | | |
|---|---|---|
| Long-term: | | |
| Note payable, secured | 22,330,401 | — |
| Less: unamortized discount | (13,345,000) | — |
| Total long-term notes payable, net of unamortized discount | 8,985,401 | — |
| Total notes and loans payable | $ 9,225,376 | $ 239,975 |

As of December 31, 2015 and 2014, non-related party loans and promissory notes in the aggregate sum of $95,975 are owed by the Company. The loans, made in previous years, were for short-term overhead requirements, and are unsecured and non-interest bearing. The notes bear interest a rate of 8% to 10% per annum, are unsecured, and are payable upon demand. As of December 31, 2015, no demand has been made. During the year ended December 31, 2015 and 2014, respectively, interest in the amount of $7,300 and $7,300 was expensed. As of December 31, 2015 and 2014, respectively, a total of $36,812 and $29,512 in interest has been accrued, and is included as an accrued expense on the accompanying consolidated balance sheet.

As of December 31, 2015 and 2014, a non-related party convertible promissory note in the amount of $144,000 is owed by the Company. The unsecured note bears interest at a rate of 7% per annum, was due by January 1, 2015, and contains a repayment provision to convert the debt into shares of the Company's common stock at a rate of $0.25 per share. As of December 31, 2015, no demand for payment or conversion has been made. During the year ended December 31, 2015 and 2014, respectively, interest in the amount of $10,080 and $10,080 was expensed. As of December 31, 2015 and 2014, respectively, a total of $40,320 and $30,240 in interest has been accrued, and is included as an accrued expense on the accompanying consolidated balance sheet.

On August 13, 2015, the Company issued a secured promissory note in the amount of $20.5 million in connection with the acquisition of RoxSan Pharmacy, Inc. (Note 11). The note bears interest at a rate of 6% per annum, and matures in three (3) years, or August 13, 2018 ("Maturity"). Principal payments are to be calculated on a quarterly basis beginning with the three month period ending November 30, 2015, in an amount equal to 1) 75% during the first two (2) years; and 2) 60% during year three (3); of certain earnings defined within the Note as EBITDA. All remaining principal, if any, and accrued interest still owing after three (3) years is to be paid in full at Maturity. Management has determined that the note issued does not fairly represent the fair market value for the related acquisition at the date of purchase. As a result, the difference between the face value and the estimated fair market value of the note has been classified as a discount on the note. During the year ended December 31, 2015, the Company expensed $1,955,000 in discount amortization. As of December 31, 2015, $13,345,000 in unamortized discount remains, to be amortized over the next 32 months, to the note's maturity. During the year ended December 31, 2015, interest in the amount of $101,702 has been expensed, and as of December 31, 2015, it is included as an accrued expense on the accompanying consolidated balance sheets.

On October 9, 2015, the Company, through its wholly owned subsidiary, RoxSan, entered into a Business Loan and Security Agreement (the "Loan") with American Express, FSB, in the principal sum of $2,000,000. The Loan includes interest in the form of a flat fee of $240,000, or 12% per annum, to be amortized over twenty-four (24) months, to the Loan's maturity. Payments of principal and interest are made through collection of merchant funds received by the Company for customer purchases paid with the American Express credit card. During the year ended December 31, 2015, payments totaling $193,792, representing $169,599 in principal and $24,193 in interest have been made. As of December 31, 2015, principal of $1,830,401 and unamortized loan fee of $215,806 remains.

During the year ended December 31, 2015 and 2014, respectively, interest on notes and loans payable in the amount of $143,275 and $17,380 has been expensed. As at December 31, 2015 and 2014, respectively, a total of $203,027 and $59,752 in interest has been accrued and is included as part of accrued expenses on the accompanying consolidated balance sheets.

## NOTE 7. RELATED PARTY TRANSACTIONS

Related party transactions consist of the following:

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Related party payables | | |
| Accrued compensation | $ 120,800 | $ 75,800 |
| Cash advances | 12,810 | 27,763 |
| Total related party payables | 133,610 | 103,563 |
| | | |
| Convertible notes payable | 1,107,253 | 1,133,793 |
| Less: unamortized discount | — | (278,741) |
| Total convertible note payable, net of discount | 1,107,253 | 855,052 |
| Total related party transactions | $ 1,240,863 | $ 958,615 |

As at December 31, 2015 and 2014, respectively, related parties are due a total of $1,240,863 and $958,615, consisting of $120,800 and $75,800 in accrued compensation; $12,810 and $27,763 in cash advances to the Company for operating expenses; and $1.107,253 and $855,052 in related party convertible notes payable, net of unamortized discounts.

The Company has issued convertible promissory notes to its principals in the aggregate sum of $1,107,253, representing cash loans and unpaid compensation. The notes bear interest at a rate of between 5% and 7% per annum, mature between and December 31, 2015 and July 31, 2017, and contains a repayment provision to convert the debt into common stock of the Company at a strike price of $0.10. The conversion price of $0.10 resulted in a beneficial conversion feature. As a result, the difference between the conversion rate and the market rate in the aggregate of $474,394 was classified as discounts on the notes. During the year ended December 31, 2015 and 2014, respectively, the Company expensed $278,71 and $194,753 in discount amortization. As of December 31, 2015 and 2014, respectively, $0 and $278,741 in unamortized discounts remained. During the years ended December 31, 2015 and 2014, respectively, interest in the amount of $70,646 and $34,418 was expensed. As of December 31, 2015 and 2014, respectively, a total of $107,897 and $37,251 in interest has been accrued, and is included as an accrued expense on the accompanying consolidated balance sheet.

On August 13, 2015, the Company, through its wholly owned subsidiary, RoxSan, entered into an Employment Agreement with its newly appointed President and Chief Executive Officer. The agreement replaces any other written agreement with the Company, is for a term of three (3) years, and includes annual compensation of $295,000 in year 1; $325,000 in year 2; and $350,000 in year 3, as well as a bonus plan contingent upon the Company's sales performance and customary employee benefits. In addition, the agreement provides for options granted to purchase for 2,000,000 shares of the Company's common stock at a strike price of $0.05 per share. The options are for a period of five (5) years, and vest quarterly over a three (3) year period.

On August 13, 2015, the Company, through its wholly owned subsidiary, RoxSan, entered into an Employment Agreement with its newly appointed Chief Financial Officer. The agreement replaces any other written agreement with the Company, is for a term of three (3) years, and includes annual compensation of $165,000 in year 1; $190,000 in year 2; and $215,000 in year 3, as well as a bonus plan contingent upon the Company's sales performance, and customary employee benefits. In addition, the agreement provides for options granted to purchase 1,500,000 shares of the Company's common stock at a strike price of $0.05 per share. The options are for a period of five (5) years, and vest quarterly over a three (3) year period.

On October 1, 2015, the Company, through its wholly owned subsidiary, RoxSan, entered into a Consulting Agreement with a former member of the board of directors. The agreement replaces any other written agreement with the Company, is for a term of three (3) years, and includes monthly compensation of $15,000 and customary expense allowances. In addition, the agreement provides for options granted to purchase 500,000 shares of the Company's common stock at a strike price of $0.05 per share. The options are for a period of five (5) years, and vest quarterly over three (3) year period.

On October 2, 2015, the Company through its wholly owned subsidiary, RoxSan, entered into a Consulting Agreement with Huntington Chase Financial Group, LLC, whose principal is a related party. The agreement replaces any other written agreement with the Company, is for a term of three (3) years, and includes monthly compensation of $20,000 and customary expense allowances.

During the years ended December 31, 2015 and 2014, respectively, interest on related party notes payable in the amount of $70,646 and $34,418 was expensed. As at December 31, 2015 and 2014, respectively, a total of $107,897 and $37,251 in interest has been accrued, and is included as part of accrued expenses on the accompanying consolidated balance sheets.

**NOTE 8: CONVERTIBLE PREFERRED STOCK**

The total number of authorized shares of preferred stock that may be issued by the Company is 10,000,000 with a par value of $0.001 per share.

All preferred shares are convertible into the Company's common stock at a rate of 20 shares of common stock for each preferred share held, and were issued with 100% warrant coverage (Note 10). The number of shares of common stock underlying the warrants and the exercise price are subject to adjustment upon certain events.

As of December 31, 2015 and 2014, the Company had 823,691 shares of preferred stock issued and outstanding.

**NOTE 9. COMMON STOCK**

The total number of authorized shares of common stock that may be issued by the Company is 250,000,000 with a par value of $0.001 per share.

On January 25, 2015, pursuant to a Stock Purchase Agreement, the Company issued 3,798,035 shares of the Company's restricted common stock at $0.01 per share, for cash in the amount of $37,980. As a result, $34,182 was recorded to paid in capital.

On December 31, 2015, the Company cancelled an unpaid stock subscription for 11,459,279 shares of the Company's restricted common stock. As a result, paid in capital was reduced by $10,313.

As of December 31, 2015 and 2014, respectively, the Company had 120,566,774 and 128,228,018 common shares issued and outstanding.

**NOTE 10. WARRANTS AND OPTIONS**

As of December 31, 2015 and 2014, respectively, the Company had 15,989,276 and 16,473,401 warrants and 5,400,000 and 1,900,000 options issued and outstanding.

On December 6, 2015, 726,785 warrants underlying 36,339 shares of preferred stock, expired.

Warrants Outstanding

| Exercise Price | Number of Common Shares | Remaining Contractual Life (in years) | Exercise Price times Number of Shares | Weighted Average Exercise Price |
|---|---|---|---|---|
| $0.27518 | 14,535,706 | 1.45 | $ 4,000,000 | $0.27518 |
| $0.41278 | 726,785 | 1.74 | 300,000 | $0.41278 |
| $0.41278 | 484,125 | 0.31 | 199,837 | $0.41278 |
| | 15,989,276 | | $ 4,499,837 | $0.41278 |

Warrant Activity

| | Number of Shares | Weighted Average Exercise Price |
|---|---|---|
| Outstanding at December 31, 2014 | 16,473,401 | $0.41278 |
| Issued | — | — |
| Exercised | — | — |
| Expired / Cancelled | (726,785) | $0.41278 |
| Outstanding at December 31, 2015 | 15,989.276 | $0.41278 |

On August 13, 2015, in connection with certain executive employment agreements, the Company granted its officers options to purchase 3,500,000 common shares at $0.05 for a period of five (5) years. The options vest quarterly over a three (3) year period, and were valued at $168,350, using the Black-Scholes method. The assumptions used in valuing the options were: expected term 5.75 years, expected volatility 1.97, risk free interest rate 1.58%, and dividend yield 0%. As of December 31, 2015, the Company expensed $21,044 in stock compensation, and recorded $147,306 in deferred compensation, to be expensed over the next 31 months.

Between October 1, 2015 and October 5, 2015, the Company granted certain members of the board of directors' options to purchase 2,250,000 common shares at $0.05 for a period of five (5) years. The options, of which 25% vested upon the grant date, and the balance vest quarterly over a two (2) year period, were valued at $116,100, using the Black-Scholes method. The assumptions used in valuing the options were: expected term 5.75 years, average expected volatility 1.53, average risk-free interest rate 1.35%, and dividend yield 0%. As of December 31, 2015, the Company expensed $29,025 in stock compensation, and recorded $87,075 in deferred compensation, to be expensed over the next 24 months.

On October 1, 2015, the Company granted certain employees options to purchase 1,850,000 common shares at $0.05 for a period of five (5) years. The options vest quarterly over a three (3) year period, and were valued at $95,460, using the Black-Scholes method. The assumptions used in valuing the options were: expected term 5.75 years, average expected volatility 1.52, average risk-free interest rate 1.37%, and dividend yield 0%. As of December 31, 2015, the Company expensed $7,955 in stock compensation, and recorded $87,505 in deferred compensation, to be expensed over the next 33 months.

Options Outstanding

| Exercise Price | Number of Shares | Remaining Contractual Life (in years) | Exercise Price times Number of Shares | Weighted Average Exercise Price |
|---|---|---|---|---|
| $0.10 | 1,375,000 | 5.00 | $ 137,500 | $0.10 |
| $0.25 | 225,000 | 0.25 | 56,250 | $0.25 |
| $0.05 | 3,500,000 | 3.87 | 175,000 | $0.05 |
| $0.05 | 4,100,000 | 4.00 | 205,000 | $0.05 |
| | 9,200,000 | | $ 573,750 | $0.16 |

Options Activity

| | Number of Shares | Weighted Average Exercise Price |
|---|---|---|
| Outstanding at December 31, 2014 | 1,900,000 | $0.20 |
| Issued | 7,600,000 | $0.05 |
| Exercised | — | — |
| Expired / Cancelled | (300,000) | — |
| Outstanding at December 31, 2015 | 9,200,000 | $0.16 |

During the year ended December 31, 2015 and 2014, respectively, a total of $379,910 and $0 in deferred compensation was recorded, and $58,024 and $0 in stock option compensation was expensed. There remains $321,886 and $0 in deferred compensation as of December 31, 2015 and 2014, respectively, to be expensed over the next 33 months.

**NOTE 11: BUSINESS ACQUISITIONS**

On August 13, 2015, the Company purchased 100% of the issued and outstanding shares of RoxSan Pharmacy, Inc. common stock and its assets and inventory in exchange for a secured promissory note in the principal sum of $20.5 million (the "Acquisition Agreement"). As part of the Acquisition Agreement, all existing cash and trade receivables, and all existing debt as of August 12, 2015, remained the property/obligation of the seller.

The negotiated purchase price was based upon, among other things, the guarantee of certain revenues being collectible and contracts being in place after closing. It was discovered after closing that, among other things, the revenues were not collectible and the contracts were not in place. The improper disclosures by the seller during negotiations significantly affected the purchase price and related note payable, and management has determined that the purchase price and related promissory note do not fairly represent the fair market value at the date of purchase. As a result, the company has discounted the promissory note to its estimated fair market value of $5.2 million. (Note 6).

The following represent the fair values of the assets acquired by the Company on August 13, 2015:

| | | |
|---|---|---|
| Inventory | $ | 913,835 |
| Prepaid insurance | | 3,108 |
| Property and equipment | | 105,368 |
| Identifiable intangibles | | 250,000 |
| Goodwill | | 3,887,818 |
| Security deposits | | 22,000 |
| Fair market value of assets acquired | $ | 5,200,000 |

The fair market value established at August 13, 2015 does not include the effects of any liabilities the seller omitted or caused the Company to incur as a result of the seller and its associates.

The goodwill represents future economic benefits expected to arise from the Company's expanded presence in the specialty pharmaceuticals market, the assembled workforce acquired, and the expected synergies from combining operations with RoxSan. The goodwill is nondeductible for income tax purposes.

RoxSan's results of operations are included in the Company's statements of operations beginning on August 13, 2015 (Note 15). During the year ended December 31, 2015, acquisition costs of $110,000 were expensed and incurred within general and administrative expenses.

**NOTE 12. LEASES**

The Company leases office space and commercial facilities in Beverly Hills, California. The lease agreement for the office space renews annually at a base rent of $92,880. The commercial facilities are leased under agreements with original terms of twelve (12) years, with one (1) renewal option of twelve (12) years, and contain base monthly rent for premises plus a proportionate share of common area maintenance cost (CAM). The company also sub-leases office space for its administrative offices in Santa Monica, California, for $5,600 per month, on a month-to-month basis.

The future minimum rental payments required under the lease agreements are summarized as follows:

| Year | | Base | | CAM | | Total |
|---|---|---|---|---|---|---|
| 2016 | $ | 382,856 | $ | 58,417 | $ | 441,274 |
| 2017 | | 391,556 | | 58,417 | | 449,973 |
| 2018 | | 400,037 | | 58,417 | | 458,455 |
| 2019 | | 330,525 | | 42,298 | | 372,822 |
| | $ | 1,504,974 | $ | 217,550 | $ | 1,722,524 |

Rent expense for the years ended December 31, 2015 and 2014, was $155,713 and $0, respectively, including $22,456 and $0 of common area maintenance cost.

**NOTE 13. COMMITMENTS AND CONTINGENCIES**

On August 13, 2015, in connection with the Acquisition, the Company and its wholly owned subsidiary, RoxSan, entered into an employment agreement with Shahla Melamed. The agreement is for a term of four (4) years, and includes annual compensation in the amount of $360,000 ("Base"), with annual increases of ten percent (10%) of Base, in exchange for Mrs. Melamed's exclusive consulting services in the areas of public relations and marketing. In addition, the Employment Agreement provides for a bonus plan contingent upon the Company's sales performance, and customary employee benefits.

**NOTE 14. INCOME TAXES**

The components of the cumulative net deferred tax asset at December 31, 2015 and 2014, the statutory tax rate, the effective tax rate and the amount of the valuation allowance are indicated below:

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Income (loss) before taxes | $ (3,719,898) | $ (1,113,197) |
| Statutory rate | 34% | 34% |
| Computed expected tax payable (recovery) | $ (1,264,800) | $ (378,500) |
| Non-deductible expenses | 4,500 | — |
| Change in valuation allowance | 1,260,300 | 378,500 |
| Reported income taxes | $ — | $ — |

The significant components of deferred income tax assets and liabilities at December 31, 2015 and 2014 are as follows:

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Net operating loss carried forward | $ 2,227,300 | $ 1,017,000 |
| Valuation allowance | (2,227,300) | (1,017,000) |
| Net deferred income tax asset | $ — | $ — |

As at December 31, 2015, the Company had approximately $6,698,000 of federal net operating losses which expire commencing in the year 2026.

**NOTE 15. SEGMENT REPORTING**

The Company has the following two business segments: Retail Pharmacy Services and Corporate. See Note 1 for a description of the Retail Pharmacy Services and Corporate segments and related significant accounting policies.

The following table is a reconciliation of the Company’s business segments to the consolidated financial statements:

| | Pharmacy Segment [(1)] | Corporate Segment | Consolidated Totals |
|---|---|---|---|
| December 31, 2015 | | | |
| Revenue | $ 11,579,720 | $ — | $ 11,579,720 |
| Gross profit | 1,705,476 | — | 1,705,476 |
| Operating income (loss) | (711,661) | (550,420) | (1,262,081) |
| Depreciation and amortization | 7,585 | 7,820 | 15,405 |
| Total assets | 8,130,580 | 26,470 | 8,157,580 |
| Goodwill | 3,887,818 | — | 3,887,818 |
| Additions to property and equipment | 7,659 | — | 7,659 |

(1) *Pharmacy Segment commenced August 13, 2015.*

**NOTE 16. SUBSEQUENT EVENTS**

The Company has evaluated the events and transactions for recognition or disclosure subsequent to December 31, 2015, and has determined that there have been no events that would require disclosure, except for the following:

On March 4, 2016, the Company terminated the Employment Agreement between the Company's wholly owned subsidiary, RoxSan Pharmacy, Inc., and Shahla Melamed dated August 13, 2015 (the "Agreement"), in accordance with paragraph 3.2 Termination for Cause. The termination was the result of, among other things, Mrs. Melamed's breaches in the Agreement, which were substantiated by an investigation conducted by an employment law firm retained by RoxSan. Under the terms of the Agreement, no financial obligation resulted in the termination.

On July 28, 2016, 20,000,000 shares of the Company's common stock held by three (3) shareholders were cancelled and returned to treasury. As a result, $20,000 was recorded as additional paid in capital.

On September 20, 2016, pursuant to a resolution of the board of directors, the Company completed the acquisition (the "Acquisition") of QOLPOM, Inc., an Arizona corporation (“QOLPOM”) in the remote healthcare monitoring industry, in accordance with an Agreement to Purchase One Hundred Percent of the Issued and Outstanding Shares of QOLPOM, Inc. and its Assets, Inventory and Intellectual Property (the “QOLPOM Agreement”) between the Company, QOLPOM and its shareholders (the “Seller"). Pursuant to the QOLPOM Agreement, in exchange for 100% of the QOLPOM stock and 100% of QOLPOM’s assets, inventory and intellectual property, among other things, consideration to the Seller included:

1. stock purchase agreements for the Seller to purchase an aggregate of 5,000,000 shares of the Company’s common stock at $0.001 per share; and
2. a cash earn-out of $2,000,000, to be derived from revenue generated from the QOLPOM business segment; and
3. a royalty of 3% of the revenue generated by QOLPOM from its technology to a third-party non-profit organization located in Arizona; and
4. options granted to the Sellers to purchase 2,500,000 shares of the Company's common stock, to vest quarterly over one (1) year, with the following terms:
    a. 500,000 common stock options priced at $0.10.
    b. 1,000,000 common stock options priced at $0.15.
    c. 1,000,000 common stock options priced at $0.25.

On September 23, 2016, in connection with the Acquisition, and pursuant to the terms and conditions of the QOLPOM Agreement, the Company issued 5,000,000 shares of its restricted common stock to the QOLPOM Seller. The shares, valued at $225,000, were issued for cash in the amount of $5,000. As a result, $220,000 was recorded to additional paid in capital.

On September 25, 2016, pursuant to a resolution of the board of directors, the Company entered into an executive agreement for Dr. Robert Burns Arnot to join the Company as its Chief Medical Officer. Pursuant to the executive agreement, the Company granted Dr. Arnot the right to purchase 250,000 shares of the Company's restricted common stock at $0.001 per share, and was granted options to purchase 1,000,000 shares of common stock at a strike price of $0.05 per share. Concurrently, the Company entered into a revenue sharing agreement that provides for Dr. Arnot to receive 10% of adjusted gross revenue from the certain sales generated by the Company, as defined within the agreement.

On January 20, 2017, the Company changed the name of its wholly owned subsidiary, QOLPOM, Inc., to Parallax Health Management, Inc.

On March 22, 2017, the Company formed a wholly owned subsidiary, Parallax Behavioral Health, Inc. ("PBH"), a Delaware corporation.

On May 1, 2017, pursuant to a resolution of the board of directors, the Company and its wholly-owned subsidiary, Parallax Behavioral Health, Inc., completed the acquisition of 100% of certain intellectual property from ProEventa Inc., a Virginia Corporation ("ProEventa"), in accordance with the Intellectual Property Purchase Agreement between the Company, PBH and ProEventa (the "ProEventa Agreement"). ProEventa has an expertise in the development of behavioral health technologies, and is the wholly owned subsidiary of Grafton Integrated Health Network, Inc., a non-profit Virginia corporation ("Grafton"). Pursuant to the ProEventa Agreement, in exchange for 100% of that certain intellectual property, among other things, consideration to ProEventa included:

1. a stock purchase agreement to purchase 2,500,000 shares of the Company's common stock at $0.001 per share; and
2. a revenue sharing agreement, providing for a cash earn-out to be paid to the ProEventa shareholders of up to $3,000,000, to be derived from certain net revenue generated by the Company, as defined within the agreement; and
3. a royalty agreement, providing for a royalty of 3% of the revenues be paid to ProEventa, up to $25,000,000 in revenues, generated from the intellectual property, and
4. a limited license to ProEventa for the use of certain of the Intellectual Property's technology at Grafton Schools.

On May 1, 2017, in conjunction with the ProEventa Agreement, the Company entered into a consulting agreement with James Gaynor that, among other things, provides for consideration to Mr. Gaynor as follows:

1. a stock purchase agreement to purchase 500,000 shares of the Company's common stock at $0.001 per share; and
2. a grant of options to purchase 1,000,000 shares of the Company's common stock at a price of $0.25 per share, with the following terms:
   a. 334,000 common stock options vesting on September 1, 2017.
   b. 333,000 common stock options vesting on September 1, 2018.
   c. 333,000 common stock options vesting on September 1, 2019.

On May 17, 2017, in connection with the ProEventa Agreement, and related consulting agreement, the Company issued 3,000,000 shares of its restricted common stock. The shares, valued at $720,000, were issued for cash in the amount of $3,000. As a result, $717,000 was recorded to additional paid in capital.

* * * * *