

MEMREG, INC.
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015

-UNAUDITED-

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MEMREG, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2015	December 31, 2014
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 336	\$ 769
Accounts receivable	219	-
Prepaid expenses and other current assets	584	447
Total current assets	1,139	1,216
PROPERTY AND EQUIPMENT, NET	333	370
OTHER ASSETS, NET	-	-
	\$ 1,472	\$ 1,586
<u>LIABILITIES AND SHAREHOLDERS' DEFICIT</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 6,521	\$ 3,649
Accrued salaries and payroll taxes	244	6,219
Accrued liabilities, related parties	11,356	10,654
Total current liabilities	18,121	20,522
LONG-TERM LIABILITIES:		
Notes payable, related parties	660,308	594,805
Total long-term convertible liabilities	660,308	594,805
Total liabilities	678,429	615,327
COMMITMENTS AND CONTINGENCIES (Note 12)		
	-	-
STOCKHOLDERS' DEFICIT		
Undesignated Preferred stock; 2,923,002 shares authorized	-	-
Series C Preferred stock; \$1.00 liq. pref.; 775,000 shares authorized, 775,000 shares issued and outstanding	775,000	775,000
Series D Preferred stock; \$1.00 liq. pref.; 2,500,000 shares authorized, no shares issued and outstanding	-	-
Common stock; \$.001 par value, 190,000,000 shares authorized, 20,051,436 and 20,051,436 shares issued and outstanding, respectively	20,051	20,051
Additional paid-in-capital	2,629,111	2,629,111
Accumulated deficit	(4,101,119)	(4,037,903)
Total stockholders' deficit	(676,957)	(613,741)
	\$ 1,472	\$ 1,586

The accompanying notes are an integral part of these consolidated balance sheets.

MEMREG, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended March 31,	
	2015	2014
REVENUES	\$ -	\$ 43
OPERATING EXPENSES:		
Research and development	12,328	38,002
Sales and marketing expenses	1,512	326
General and administrative	21,679	29,522
Legal and professional	4,955	3,582
Depreciation and amortization	37	35
Total operating expenses	40,511	71,467
LOSS FROM CONTINUING OPERATIONS	(40,511)	(71,424)
OTHER EXPENSE:		
Interest expense	(22,705)	(12,675)
Total other expense, net	(22,705)	(12,675)
NET LOSS	\$ (63,216)	\$ (84,099)
LOSS PER COMMON SHARE:		
Basic and diluted	\$ (0.00)	\$ (0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:		
Basic and diluted	20,051,436	19,920,970

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

MEMREG, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three months ended March 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (63,216)	\$ (84,099)
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	37	35
Note issued to related party for services	3,000	-
Note issued for accrued interest	22,003	7,958
Changes in assets and liabilities:		
Increase in accounts receivable	(219)	(177)
Decrease (increase) in prepaid expenses and other current assets	(137)	993
Increase in accounts payable	2,872	1,483
Decrease in accrued salaries and payroll Taxes	(5,975)	(2,432)
Increase in accrued liabilities, related parties	702	7,718
Net cash used in operating activities	(40,933)	(68,521)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings on notes payable to related parties	40,500	70,200
Net cash provided by financing activities	40,500	70,200
NET CHANGE IN CASH	(433)	1,679
CASH AT BEGINNING OF PERIOD	769	750
CASH AT END OF PERIOD	\$ 336	\$ 2,429
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest paid	\$ -	\$ -
Income taxes	\$ -	\$ -
SUPPLEMENTAL DISCLOSURE ON NON-CASH INVESTING AND FINANCING TRANSACTIONS:		
Notes issued for accrued interest	\$ 22,003	\$ 7,958
Note issued for services	\$ 3,000	\$ -

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

MEMREG, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) ORGANIZATION AND INTERIM BASIS OF PRESENTATION

MemReg, Inc. (the “Company” or “MRI”), through its wholly owned subsidiary, Memorabilia Registry Corp. (“MRC”) owns the site memreg.com. The Company is an advertising and services company focused on memorabilia. Memorabilia is an item which is unique because it can be directly connected to a person (most commonly by an autograph), an important place and/or an important event. The Company broadly categorizes Memorabilia into three groups: Entertainment, Sports or Historical. The core of the Company’s business is its database of items (the “Registry”). The Registry is designed to provide complex search capability for the registered Memorabilia. We have more than 130,000 unique Memorabilia items in the Registry. MemReg.com is a website for the Registry where autographed Memorabilia and other unique collectibles can be registered and documented; creating a permanent, time-stamped, digital history (“provenance”). The Company believes this digital history can add significant value to such items. MRI’s vision is to provide the Registry to the millions of fans and owners of in-person, through-the-mail and/or purchased collectible items.

Interim Basis of Presentation

The accompanying unaudited interim financial statements as of March 31, 2015 have been prepared in accordance with U.S. generally accepted accounting principles and should be read in conjunction with the Company’s annual financial statements and notes thereto for the years ended December 31, 2014 and 2013. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for future quarters or for the full year. Notes to the unaudited financial statements, which substantially duplicate the disclosure contained in the audited financial statements and notes thereto referenced above, have been omitted.

(2) GOING CONCERN AND MANAGEMENT’S PLANS

The accompanying financial statements have been prepared assuming the Company will continue as a going concern, which contemplates, among other things, the realization of assets and satisfaction of liabilities in the normal course of business. The Company had an accumulated deficit of \$4,101,119 as of March 31, 2015, had a net losses from operations of \$63,216 for the three months ended March 31, 2015, and has notes payable to related parties of approximately \$660,000 as of March 31, 2015. These matters, among others, raise substantial doubt about our ability to continue as a going concern.

While the Company is attempting to increase revenues, the Company’s cash generation is unlikely to be adequate to support the Company’s daily operations. If the Company is unable to obtain additional financing through the issuance of debt or equity, the Company may be unable

to continue as a going concern. While the Company believes in the viability of its strategy to generate additional revenues and in its ability to raise additional funds, there can be no assurances to that effect. The financial statements do not include any adjustments relating to the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the Company be unable to continue as a going concern.

(3) PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	March 31, 2015	December 31, 2014
Computer equipment and purchased software	\$ 2,955	\$ 2,955
Less: accumulated depreciation	(2,622)	(2,585)
	<u>\$ 333</u>	<u>\$ 370</u>

Depreciation expense totaled \$37 and \$778 for the three month ended March 31, 2015 and for the year ended December 31, 2014, respectively.

(4) LONG TERM NOTES PAYABLE, RELATED PARTIES

Notes payable to related parties consisted of the following:

	March 31, 2015	December 31, 2014
ACC	\$ 340,472	\$ 321,103
Williams Entities (see Note 7)	319,836	273,702
	<u>\$ 660,308</u>	<u>\$ 594,805</u>

All notes payable are due to related parties (see Note 7) and are pursuant to SLAs directly with the Company. These notes are secured by all Company assets. Proceeds from the loans facilitate the continued development of MRC's business. Notes issued under the SLAs accrue interest at 15% per annum and are convertible into shares of Series D Preferred stock (see Note 5). Sufficient shares of Series D Preferred stock have been reserved to cover the potential conversion and are reviewed and adjusted quarterly. Under the terms of the promissory notes, accrued interest each month is transferred to notes payable principal each month. During the three months ended March 31, 2015 and during the year ended December 31, 2014, \$22,003 and \$68,809 of accrued interest is included in the notes payable principal balances, respectively.

(5) STOCKHOLDERS' EQUITY

Authorized capital

The Company's original authorized capital in Nevada consisted of 190,000,000 shares of common stock, \$.001 par value, and 10,000,000 shares of preferred stock. As of March 31, 2015, the Company has 1,198,002 shares of Series A Preferred stock authorized, with none issued, and 1,765,500 shares of Series B Preferred stock authorized, with none issued. During the three months ended March 31, 2015, the Company filed with the State of Nevada to formally withdraw the unissued Series B Preferred stock and return these shares to the status of undesignated. Subsequent to March 31, 2015, the Company withdrew the Series A Preferred stock designations (see Note 8) and returned these shares to the status of undesignated. Together, these actions returned 2,963,502 unissued shares of preferred stock to the status of undesignated.

Common Stock

At March 31, 2015, the Company has 20,051,436 shares of common stock outstanding. In addition, a total of 50,500,709 shares of common stock have been reserved for conversion of the Company's preferred stock, the Company's stock option plan and the exercise of Plan Warrants (see Note 6). The adequacy of this reserve is reviewed and adjusted as necessary quarterly.

Series C Preferred stock

As of March 31, 2015, the Company has 775,000 shares of Series C Preferred stock authorized, with 775,000 issued. There were no issuances of Series C Preferred stock during the three months ended March 31, 2015.

Series D Preferred stock

As of March 31, 2015, the Company has 2,500,000 shares of Series S Preferred stock authorized, with no shares issued. There were no issuances of Series D Preferred stock during the three months ended March 31, 2015.

(6) OPTIONS AND WARRANTS

Employee Incentive Plan ("EIP")

A summary of stock option activity for the three months ended March 31, 2015 is as follows:

	<u>Number</u>	<u>Weighted Average Exercise price</u>
Options outstanding December 31, 2014	1,700,000	\$.13
Granted	-	
Exercised	-	
Forfeited	-	
Options outstanding March 31, 2015	<u>1,700,000</u>	\$.13

Options available for grant as of March 31, 2015	<u>4,500,000</u>	
Options exercisable as of March 31, 2015	<u>1,700,000</u>	\$.13

All outstanding options are vested as of March 31, 2015. Of the total, 200,000 options were granted under the Company's 2005 EIP and have an average exercise price of \$.75. These options will expire unless exercised on October 15, 2015. At that time, the available option pool will be reduced to the maximum under the 2009 EIP, or 6,000,000 options. Of those options, 1,500,000 have been awarded with a \$.05 exercise price.

Stock Purchase Warrants

A summary of the common stock purchase warrants (the "Plan Warrants") activity for the three months ended March 31, 2015 is as follows:

	Series B Warrants	Series C & D Warrants	Series E & F Warrants
Warrants outstanding, December 31, 2014	8,293,025	16,846,982	16,846,982
Granted	-	-	-
Exercised	-	-	-
Expired	-	-	-
Warrants outstanding, March 31, 2015	<u>8,293,025</u>	<u>16,846,982</u>	<u>16,846,982</u>
Exercise price	<u>\$ 2.00</u>	<u>\$ 3.00</u>	<u>\$ 4.00</u>
Expiration date	<u>Dec. 31, 2015</u>	<u>Dec. 31, 2015</u>	<u>Dec. 31, 2015</u>

Pursuant to the Plan and Warrant Agreement, without Company approval, a holder may not exercise Plan Warrants which when combined with current beneficial ownership would increase such holder's ownership in the Company above 5%.

(7) RELATED PARTIES

Aztoré Capital Corp. ("ACC")

ACC is a Phoenix, Arizona-based investment company which holds various interests in companies and provides corporate restructuring and consulting services. ACC wholly owned the Company at its formation in 2004. Two officers and directors of the Company are also officers and directors of ACC. ACC receives an ongoing administrative fee for accounting and advisory services of \$1,000 per month. These liabilities accumulate in the outstanding notes payable due to ACC (see Note 4).

Williams Entities

Michael S. Williams is an officer and director of the Company and ACC. As of March 31, 2015, Mr. Williams and other related entities that he controls (jointly the "Williams Entities") are owed notes payable of approximately \$320,000 (see Note 4). The notes payable due to the Williams

Entities is convertible into Series D Preferred stock and then into shares of common stock. Considering these conversions, the Williams Entities are the beneficial owner of 21.8 % of the Company as of March 31, 2015.

(8) SUBSEQUENT EVENTS

As of August 11, 2015, the date these financial statements were available to be issued, there are no subsequent events that are required to be recorded or disclosed in the accompanying financial statements as of and for the period ended March 31, 2015 other than those listed below:

Cancellation of the Series A & B Preferred Stock

On July 23, 2015, the Company filed with the State of Nevada to formally withdraw the unissued Series A Preferred stock and return 1,765,500 shares to the status of undesignated.

Series D Preferred Stock Certificate of Designation

The Company committed to file a Certificate of Designation covering 2,500,000 shares of Series D Preferred stock. The formal Series D Preferred stock Certificate of Designation was filed with the State of Nevada on July 23, 2015.

Offering Plans

The Company intends, when it can meet the requirements of a Regulation A, Tier II Offering including, without limitation, developing a qualification document to file with the SEC, having timely interim financial statements and having its annual financial statements audited as of December 31, 2014 and for the years ended December 31, 2014 and 2013, to pursue such offering to raise \$3,000,000 to \$5,000,000.