



Quarterly Report

For the Quarterly Period ended September 30, 2016

Trading Symbol: **"CFSU"**

CUSIP Number: **204535108**

COMPLETE FINANCIAL SOLUTIONS INC.
QUARTERLY REPORT
For the Nine-month Period Ended September 30, 2016

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Item 1 Name of the Issuer and its Predecessors (if any)

Complete Financial Solutions Inc., a Nevada corporation (referred to as “CFSI” or the “Company”)

Item 2 Address of the Issuer’s Principal Executive Offices

Complete Financial Solutions Inc.
113 East Magnesium Rd., Suite D
Spokane, WA 99208
Telephone: 509-928-1123
Website: www.cfsi.biz

IR Contact:

Allen Ringer
Telephone: 866-928-1123
aringer@cfsi.biz

Item 3 Security Information

Trading Symbol:	CFSU
Title and class of securities outstanding:	Common Stock
CUSIP:	204535108
Par Value:	\$.001 per share
Total shares authorized:	75,000,000 as of September 30, 2016
Total shares outstanding	34,501,756¹ as of September 30, 2016

Additional classes of securities:

Trading Symbol:	None
Title and class of securities outstanding:	Series B Preferred Stock
CUSIP:	None
Par Value:	\$.001 per share
Total shares authorized:	2,000,000 as of September 30, 2016
Total shares outstanding	2,000,000 as of September 30, 2016

Trading Symbol:	None
Title and class of securities outstanding:	Series C Preferred Stock
CUSIP:	None
Par Value:	\$.001 per share
Total shares authorized:	3,000,000 as of September 30, 2016
Total shares outstanding	1,319,700 as of September 30, 2016

¹ Excludes 16,000,000 shares held by subsidiary ACMC eliminated upon consolidation.

Transfer Agent:**Columbia Stock Transfer Company**

1869 E. Seltice Way, Suite 292

Post Falls, ID 83854

Phone: (208) 664-3544

Fax: (208) 777-8998

www.columbiastock.comIs the Transfer Company registered under the Exchange Act? Yes No **List any restrictions on the transfer of security:**

Shares previously issued in private placements or through our employee stock incentive plan (“restricted securities”), and shares held by affiliates such as officers, directors or large shareholders (“control securities”) are subject to the applicable resale conditions of Rule 144. Rule 144 requires a holding period for restricted and control securities of at least twelve (12) months after acquisition, before open market sales can be made. Affiliates are subject to additional requirements for market sales, including current public information, volume limitation on sales, manner of sale requirements, and the filing of a Form 144.

Describe any trading suspension orders issued by the SEC in the past 12 months: None**List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:** None**Item 4 Issuance History**

During the quarter ended June 30, 2014, 50,000 shares were sold to two individuals upon the exercise of warrants for an aggregate consideration of \$5,000 (\$0.10 per share), payable in cash. During the quarter ended September 30, 2014, 117,500 shares were sold to two individuals upon the exercise of warrants for an aggregate consideration of \$11,750 (\$0.10 per share), payable in cash. During the quarter ended January 31, 2015, 468,753 shares were sold to two individuals for conversion of debt of \$46,875 (\$0.10 per share). During the quarter ended March 31, 2016, 6.0 million shares were sold to an affiliated entity for conversion of debt (\$0.11 per share) and other consideration. The purchasers had long-standing business relationships with the Company, had access to all material information concerning the Company, and made representations to us as to their investment intent and financial sophistication. The purchasers received restricted securities and appropriate legends were affixed to the certificates issued in the transaction. The issuance was deemed to be exempt from registration under the Securities Act of 1933, as amended (“Securities Act”) in reliance on Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

Item 5 Financial Statements

The unaudited consolidated financial statements for the nine-months ended September 30, 2016, and September 30, 2015, are attached, starting on page 12.

Item 6 Description of Business, Products and Services

a. Description of the issuer's business operations:

Complete Financial Solutions Inc. is an emerging financial services company, currently primarily engaged in mortgage services. Through our subsidiary Acceptance Capital Mortgage Corporation ("ACMC"), we are currently licensed in 26 states to service the borrowing and refinancing needs of individual home buyers and owners. As an independent residential mortgage broker and lender, ACMC originates mortgages in approximately 50 branch offices utilizing about 160 employees. We have access to the products and services of over sixty lenders, including five mini-correspondent banking lines, and are eligible to underwrite loans in our own name. Although we currently focus on mortgage solutions, we are developing additional financial product and service offerings for our mortgage customers and the real estate community, such as insurance services, credit repair services, loan servicing and banking services.

b. Date and State (or Jurisdiction) of Incorporation:

Nevada; incorporated July 7, 2006

c. Issuer's primary and secondary SIC Codes:

The Standard Industrial Code for our principal line of business is: 6162

d. Issuer's fiscal year end date:

December 31

e. Principal products or services, and their markets: Loan Originations

We are an independent residential mortgage broker and lender. A significant portion of our originations are single-family mortgage loans that are eligible for FHA mortgage insurance, which represented about 53% of our originations in 2015. ACMC is an FHA Title II approved mortgage lender (mortgagee), with HUD Direct Endorsement approval, allowing it to underwrite, originate, fund, service and own FHA insured single-family mortgages. Qualified mortgage lenders are sometimes known as "Full-Eagles" (full-fledged FHA participating lenders) in the industry because they can perform any lender function on a FHA loans. ACMC is a "nonsupervised" lender, meaning it is not a financial institution (such as a bank, savings association, or a credit union) that is a member of the Federal Reserve System, or with accounts insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA). "Nonsupervised" mortgage lenders are regulated by the states. As a mortgage lender, we must acquire and maintain a license from each state in which we operate, obtain a separate agents' licenses where required, purchase bonds, and comply with state annual maintenance requirements.

Brokered Loans. Brokered loans do not involve the use of our own funds and rely on the lender to make the final funding decision. As a mortgage broker, we process and sell a lender's mortgage product to a borrower and receive an origination fee from either the borrower or the lender. If paid by the lender, the fee is typically fixed in advance of the transaction by the lender and is based on a percentage of the loan amount. If paid by the borrower the fee amount is more flexible. For FHA lending, originators can earn money based on the origination fee (maximum 1%) and discount points (maximum 2%) charged to the borrower. From the loan fee proceeds, we withhold an administration

and a loan processing fee, and credit the balance to our originating branch office. Administration fees range from a low of \$350 to a \$1,000 cap on our largest brokered loans. Brokered loans represented about 2% of our mortgage originations in 2015.

Correspondent Lender Loans. With correspondent loans we originate loans utilizing a warehouse line of credit from a lender, and then sell the loans after settlement in the secondary market. Typically, the lender makes the funding decision for the loan, based on the lender's underwriting criteria. The advantage of this type of loan origination is that it allows us to control the yield spread premium ("YSP"). YSP is the dollar amount, expressed as a percentage of the loan amount that a lender is willing to pay for a particular piece of business. YSP can range from 0% (par rate) to several percentage points. Three percent (3.0%) is a typical YSP in our case. The loan typically is assigned to the lender to be sold directly to the secondary market. A correspondent loan typically includes the right to service the loan and a "servicing release premium" (SRP) is collected by the lender upon resale of the mortgages to the final investor. The lender typically pays us a portion of the SRP, usually between .375% and .75% of the loan amount, which we receive in addition to our standard administration and loan processing fees. Correspondent loans represented about 98% of our mortgage originations during 2015.

ACMC Underwritten Loans. In February 2013, ACMC earned its HUD Direct Endorsement approval, allowing it to originate, underwrite, fund and close its own FHA loans. We have since secured warehouse line of credit facilities that allow us to do this, and in March 2014, after completing our test-case phase with FHA, we began to underwrite our own loans in a measured approach for both FHA and USDA loans. Underwriting is largely managed by our Evansville Regional Office, a branch and operations center that we acquired earlier in 2014, and we accept loan origination from third party mortgage retailers (TPOs) providing them with wholesale underwriting and purchasing of loans.

ACMC Secondary Market Activity. As part of the acquisition of our Evansville regional office, we also entered into a management services agreement with an outside firm that specializes in the sale of mortgage loans into the secondary market. This firm, under contract with ACMC, provides best practices underwriting oversight to insure our mortgage loans meet the requirements for sale into the secondary market. In addition, the firm manages warehouse lines that it uses to fund loans that are originated by both ACMC and TPOs. Finally, the firm has procured agreements with several companies that purchase our loans. As a result of this relationship, ACMC is now able to generate additional revenues from underwriting, funding, and selling its loans, as well as new revenues generated by the TPO relationships.

Loan Products. We have the ability to offer a wide selection of mortgage products, including conventional, FHA-insured, fixed and adjustable rate mortgages, with different maturities. Like conventional mortgages, there are several different types of FHA mortgages, including both fixed rate and adjustable rate products. We offer these loan products for both conforming loans (loans of \$417,000 or less) and non-conforming loans (loans over \$417,000). We also offer a variety of other loan products, including second trust deed loans, as needed to effectively compete with other loan originators. All of our loan products are designed according to standards required either for participation in FHA mortgage insurance programs, or as required by secondary market investors to ensure liquidity. Our policy is not to engage in predatory lending or to provide high cost loans which feature either an interest rate or points and fees charged in connection with loans that exceed certain thresholds prescribed by federal or state law or local ordinances. We follow the Mortgage Bankers Associations' "Best Practices Statement" as part of our fair lending policy.

Processing Services

Mortgage loans funded in the U.S. must be processed according to the lender's specifications ("underwriting conditions") in order to be approved and funded. Our loan processing services are provided by APMC. Another subsidiary, AlliancePro Processing, Inc. provides the internally developed, proprietary technology platform for our business. The loan processing procedure includes gathering written verification of borrower's documentation and credit worthiness, reviewing conditions imposed by the lender to close the loan, ordering settlement services from third-party vendors (e.g. appraisal, flood and title reports and mortgage insurance), funding any impounds required (taxes and insurance) and paying closing costs, and submitting the completed loan package to the underwriting department of the chosen lender where it is either approved, rejected, or "approved with conditions." If the result is approval "with conditions," then the loan processor must work with the loan originator and the borrower to conform the application to the lender's underwriting conditions. The processing portion of the mortgage origination process can take as little as a week or as long as several months.

Ancillary Services

We are seeking revenue growth by developing additional financial product and service offerings for our mortgage customers and the real estate community. Ancillary services currently do not constitute a material portion of our total revenues.

Accounting Services. We intend to offer accounting services to our mortgage customers through our subsidiary, Accounting Solutions, Inc. In January 2015, we acquired the assets of Emery Accounting, and integrated its team of six full time employees and two part-time associates. Accounting Solutions, Inc. offers personalized accounting, tax and bookkeeping services to individuals and small businesses in the U.S. and internationally.

Insurance Services. Currently inactive, Insurance Solutions Inc. offered several mortgage protection products on an agency basis from 2011 to 2014, including plans that provide return of premium, living benefits and cash to survivor, as well those that pay the balance of the mortgage upon death. We intend to utilize Insurance Solutions in the future to offer life and medical related insurance products to APMC mortgage customers at the point of mortgage sale.

Credit Repair Services. Mortgage customers that need to rehabilitate their credit in order to qualify for a loan are currently referred to a reputable third-party credit restoration company. We may opt to offer this service in the future.

Loan Servicing. As we underwrite our own residential mortgage loans, we may retain the servicing rights. Loan servicing primarily involves the calculation, collection and remittance of principal and interest payments, the administration of mortgage escrow accounts, the collection of insurance claims, the administration of foreclosure procedures, the management of real estate owned (REO) property, and the disbursement of required protective advances. Loan servicers typically receive recurring, fee-based revenues based upon contractually established servicing fees, as well as interest income on amounts deposited in collection accounts and amounts held in escrow to pay property taxes and insurance.

Bank Affiliation. In 2014, we acquired 23.3% of a state-chartered bank, and sought to purchase the remaining equity after approval by the applicable federal banking regulators of our change in control application. We have agreed to sell our interest in the bank to a third party. See Note 4 — Investment in

American Patriot Bank, included in the “Notes to Consolidated Financial Statements,” Item 5 — Financial Statements.

Forward-Looking Statements

In addition to current and historical information, this Quarterly Report contains forward-looking statements. These statements relate to our future operations, prospects, potential products, services, developments, business strategies or our future financial performance. Forward-looking statements reflect our expectations and assumptions only as of the date of this report and are subject to risks and uncertainties. Actual events or results may differ materially. We have included a detailed discussion of certain risks and uncertainties that could cause actual results and events to differ materially from our forward-looking statements in the section titled “Risk Factors,” filed with our amended Annual Report, posted with the OTC Disclosure and News Service on May 12, 2016 (“Annual Report”). We undertake no obligation to update or revise publicly any forward-looking statement after the date of this report, whether as a result of new information, future events or otherwise.

Risk Factors

The above summary description of our business should be read in conjunction with the more extensive disclosure contained in Item 6 of our Annual Report, which contains additional information related to the mortgage industry, the mortgage origination process, recent industry trends, competition, and government regulation. In addition, material risk factors are contained in the Annual Report related to the industry and our business which may affect our future prospects, performance and results. Some of the risk factors that investors or potential investors in our securities should consider are summarized as follows:

- We need additional capital and may not be able to access financing sources on favorable terms, or at all, which could adversely affect our ability to implement and operate our business as planned
- Future revenue growth and profitability remain uncertain
- Mortgage lending volume was higher in 2015 than in 2014, but may decrease in 2016 and future years, which would adversely affect our business
- Events similar to, and lingering effects from, the extreme turmoil in the mortgage industry and mortgage credit market that occurred from 2007 to 2009 could adversely affect our business
- Deteriorating mortgage market conditions or a continued delay in recovery of the residential mortgage market may continue to have a material adverse effect on our earnings and financial condition
- The potential limitation or wind-down of, the role Ginnie Mae, Fannie Mae and Freddie Mac play in the residential mortgage industry could disrupt the mortgage market and have a material adverse effect on our business
- There is recent litigation in the mortgage industry related to securitizations against issuers, sellers, originators, underwriters and others that may adversely affect our business operations; We may become a defendant in lawsuits, and we may not prevail in these matters
- Competition in the residential mortgage industry is intense and may adversely affect our business operations and financial performance; the dominance of a limited number of companies may affect our ability to operate and compete effectively
- The mortgage industry is heavily regulated and changes in current legislation or new legislation could adversely affect our business
- Violation of various federal, state and local laws may result in financial losses
- Our long-term success is primarily dependent on our ability to increase our mortgage origination volumes and revenues and to a lesser extent develop our ancillary service revenues

- We depend on the accuracy and completeness of information about borrowers and counterparties and any misrepresented information could adversely affect our business, financial condition and results of operations
- Our business may be adversely affected if we lose our FHA-approved lender status
- Representations and warranties made by us in our loan origination, financing or sales agreements may subject us to liability or require us to repurchase mortgage loans
- We may be limited in the way in which we market our business or generate revenue by U.S. federal law prohibiting referral fees in real estate transactions, and if we are found to be in violation of such laws we would be subject to significant liability
- We may be unable to effectively manage our desired growth, which could ultimately strain our financial, personnel and technical resources
- If we fail to maintain an effective system of internal controls, we may not be able to detect fraud or report our financial results accurately, which could cause current and potential stockholders to lose confidence in our financial reports and have an adverse effect on our stock price
- We depend on key and highly skilled personnel to operate our business, and if we are unable to retain our current or hire additional personnel, our ability to develop and successfully market our business could be harmed
- Our business is subject to online security risks, including security breaches and identity theft; Our failure to protect the personal and financial information of borrowers could result in liability and harm our reputation
- Unplanned system interruptions or system failures could harm our business and reputation
- Our principal shareholder owns a significant percentage of our voting shares and is able to exercise significant influence over our corporate decisions
- We do not expect to pay dividends in the foreseeable future and we may be restricted in paying dividends on our common stock
- Our stock price may be volatile and the trading of our shares may be limited, which may make it difficult for you to sell shares when you want at prices you find attractive
- Issuances of additional shares of our common stock may adversely affect its market price and significantly dilute stockholders
- If we are forced to liquidate, we may have few unpledged assets for distribution to unsecured creditors or equity holders
- Alliances, mergers and acquisitions could result in operating difficulties, dilution and other harmful consequences

Item 7 Description of Facilities

Our principal administrative facilities are located in approximately 4,000 square feet of office space in Spokane, Washington pursuant to a month-to-month rental agreement. Our branch offices are located throughout the 26 states in which we operate, and are comprised of a number of commercial lease locations and home offices. The Company is a party to approximately 22 commercial leases in branch locations and is obligated to make all lease payments. Management believes the commercial lease rates were competitive for the local commercial real estate market at the times of agreement. Management believes our facilities are adequate for our present needs.

Item 8 Officers, Directors, and Control Persons

A. Officers and Directors

The following table sets forth certain information about our executive officers and directors as of September 30, 2016:

Name and Address⁽¹⁾	Age	Current Principal Occupation or Employment and Five-Year Employment History	Director Since
Allen Ringer	76	Chief Executive Officer and Chief Financial Officer (2012-present; and 2006-2009); former director of the Company (2006-2009); founder, President and Director of predecessor MortgageZone Inc., (2003-2007); President and Director of Mortgage Processor Plus Inc., (2000-2004), and Cheetah Settlement Services Inc. (2002-2008); founder, CEO and Director of LION, Inc., a public company providing wholesale mortgage information (1989-1999)	--
Franklin Taylor	53	Director and President (2009-present); President and Director of Acceptance Capital Mortgage Corporation (2007-present); founder and President of Taylor Made Mortgage Corp. (2004-2007)	2009
Craig Benson	58	Director, Secretary and Treasurer (2009-present); VP-Marketing of Insurance Solutions, Inc. (2011-present); Insurance Agent with All Medicare Solutions LLC (2008-present).	2009

⁽¹⁾ Except as noted above, the business address of the current directors and executive officers is c/o Complete Financial Solutions Inc., 113 East Magnesium Rd., Suite D, Spokane, WA 99208.

B. Legal/Disciplinary History.

During the last five years, none of the foregoing officers or directors has been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);
2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;
3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or
4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended or otherwise limited such person's involvement in any type of business or securities activities.

C. Legal/Disciplinary History.

During the last five years, none of the foregoing officers or directors has been the subject of:

5. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);
6. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;
7. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or
8. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended or otherwise limited such person's involvement in any type of business or securities activities.

D. Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information that has been provided to the Company regarding the beneficial ownership as of September 30, 2016 of the Company's common stock by (a) each person who is known by the Company to be a beneficial owner of more than five percent of the outstanding common stock of the Company, (b) each director of the Company, (c) each of the executive officers, and (d) all directors and executive officers of the Company as a group.

<u>Name and Address Of Beneficial Owner</u>	<u>Shares⁽¹⁾ Beneficially Owned</u>	<u>Percent⁽²⁾ of Voting Shares</u>
<i>Current Directors and Executive Officers:</i>		
Allen Ringer ⁽³⁾	39,501,207	55.0%
Franklin Taylor	1,391,828	1.9%
Craig Benson	863,599	1.2%
All current directors and executive officers as a group (4 persons)	41,756,634	58.1%
<i>Other Beneficial Owners:</i>		
Dennis Postma ⁽⁴⁾	5,305,750	7.4%
Acceptance Capital Mortgage Corp. ⁽⁵⁾	16,000,000	22.3%
Arlan Van Wyk ⁽⁶⁾	4,507,000	6.3%

⁽¹⁾ To our knowledge, except as indicated in the footnotes to this table and subject to applicable community property laws, the stockholders named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them.

⁽²⁾ Percentage of beneficial ownership is based upon the following voting shares outstanding as of September 30, 2016: 50,501,756 shares of common stock outstanding (including shares of unvested restricted stock and shares held by ACMC); 2,000,000 shares of Series B Preferred Stock outstanding

(with 10 votes per share); and 1,319,700 shares of Series C Preferred Stock outstanding (with 1 vote per share), for a total of 71,821,456 voting shares.

- (3) Includes 2,000,000 shares of Series B Preferred Stock, representing 20,000,000 votes. Also included are 2,749,800 shares owned by Choctaw Development, Inc., for which Mr. Ringer serves as an officer and may be deemed to have voting or investment control; and 16,000,000 shares owned by ACMC, for which Mr. Ringer as principal shareholder may be deemed to have voting or investment control. Includes 676,000 shares owned by Dutchman Irrevocable Trust, of which his wife Marilyn Ringer serves as trustee, and 75,407 shares owned by his wife, as to which Mr. Ringer disclaims beneficial ownership.
- (4) Includes 1,539,000 shares of common stock and 655,000 voting shares of Series C preferred stock owned by Dana LLC., for which Mr. Postma may be deemed to have voting or investment control.
- (5) These shares held by subsidiary ACMC are not reflected as outstanding shares in the consolidated financial statements.
- (6) Includes 663,700 voting shares of Series C preferred stock. Also includes 1,539,000 shares of common stock and 655,000 voting shares of Series C preferred stock owned by Dana LLC., for which Mr. Van Wyk may be deemed to have investment control.

Item 9 Third Party Providers

Legal Counsel

Stephen Tollefsen
Tollefsen Business Law PC
5129 Evergreen Way Ste D-20
Everett, Washington 98203
Telephone (425) 353-8883
Email: st@tbuslaw.com

Investor Relations Consultant

Richard Inza
RMJ Consulting LLC
2451 SW 126th Way
Miramar, FL 33027
(954) 251-0616
Email: richardinza@gmail.com

Item 10 Issuer Certification

CERTIFICATION OF CHIEF EXECUTIVE AND CHIEF FINANCIAL OFFICER:

I, Allen Ringer, certify that:

1. I have reviewed this quarterly report of Complete Financial Solutions Inc.
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: November 14, 2016

/s/ Allen Ringer
Allen Ringer
Chief Executive Officer
Chief Financial Officer

COMPLETE FINANCIAL SOLUTIONS, INC., AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2016	December 31, 2015
		(restated)
Current Assets:		
Cash	\$203,060	\$100,416
Accounts Receivable	\$301,181	\$165,286
Loans In Process	\$1,522,500	\$0
Loans Held for Sale	\$12,893,575	\$12,932,472
Prepays	\$162,099	\$357,720
	\$15,082,415	\$13,555,894
Property and Equipment (Net)	\$137,003	\$202,092
Other Assets		
Deferred Tax Asset	\$98,089	\$98,089
Marketable Securities	\$0	\$0
Investment in Subsidiary	\$0	\$0
Investment in American Patriot Bank	\$790,000	\$770,000
Goodwill	\$2,649,310	\$2,649,310
	\$18,756,817	\$17,275,385
Current Liabilities		
Accounts Payable	\$369,195	\$200,777
Accrued Payroll and Payroll Taxes	\$889,201	\$1,102,255
Accrued Stock Based Compensation	\$184,115	\$184,115
Revolving Lines and Line of Credit	\$40,463	\$36,619
Warehouse Line of Credit	\$11,984,559	\$12,078,445
Loan Holdback payable	\$44,134	\$20,733
Current Portion of Long Term Debt	\$126,000	\$126,000
	\$13,637,667	\$13,748,944
Long Term Debt, due after one year	\$1,972,402	\$1,412,320
Payable to Branches	\$198,989	\$176,890
	\$15,809,058	\$15,338,154
Stockholders Equity		
Common Stock, \$0.001 par value; 75,000,000 shares authorized; 40,501,756 and 34,180,603 shares issued and outstanding, respectively	\$40,502	\$ 34,502
Series A preferred stock, \$0.001 par value; 2,000,000 shares authorized; none issued and outstanding	\$2,000	\$ 2,000
Series B preferred stock, \$0.001 par value; 2,000,000 shares authorized; 2,000,000 shares issued and outstanding	\$1,320	\$ 1,320
Series C preferred stock, \$0.001 par value; 2,500,000 shares authorized; 1,319,700 shares issued and outstanding	\$0	\$ -
Stock Subscription Receivable	\$150,000	\$ 150,000
Additional Paid in Capital	\$10,842,637	\$ 10,217,115
Accumulated other Comprehensive Income	\$0	\$ -
Retained Earnings (deficit)	(\$8,088,700)	\$ (8,467,706)
	\$2,947,759	\$ 1,937,231
Total Equity	\$2,947,759	\$ 1,937,231
Total Liabilities and Equity	\$18,756,817	\$ 17,275,385

These financial statements were not subjected to an audit, review or compilation engagement, and, accordingly, no opinion or conclusion is expressed, nor any assurance provided on them.

The accompanying notes are an integral part of the financial statements.

COMPLETE FINANCIAL SOLUTIONS, INC., AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT
(Unaudited)

	<u>Nine months ended September 30,</u>	
	<u>2016</u>	<u>2015</u>
Revenues	<u>\$12,959,680</u>	<u>\$10,271,882</u>
General and Administrative Expenses		
Salaries and Wages	\$7,727,491	\$6,070,166
Payroll Taxes	\$535,907	\$447,720
Loan Costs	\$2,641,394	\$1,713,873
Advertising Costs	\$180,136	\$252,634
Insurance Expense	\$48,327	\$108,264
Office Expenses	\$215,241	\$158,291
Website Expenses	\$162,240	\$173,490
Postage and Delivery	\$34,987	\$28,935
Rent Expense	\$314,063	\$264,783
Dues and Subscription	\$2,549	\$1,578
Professional Fees	\$289,084	\$282,891
Utilities	\$19,710	\$14,728
Taxes and Licenses	\$147,847	\$55,876
Equipment Rentals	\$9,979	\$8,227
Telephone Expenses	\$109,248	\$108,370
Meals and Entertainment	\$12,078	\$10,940
Travel Expense	\$57,217	\$52,083
Depreciation	\$79,252	\$75,555
Other Expenses	<u>\$11,558</u>	<u>\$94,715</u>
Total Expenses	\$12,598,307	\$9,923,119
Income (Loss) From Operations	\$361,373	\$348,763
Other Income (Expense)		
Other Income	\$132,467	\$153
Other (Expense)	(\$1,223)	\$0
Interest Expense	<u>(\$113,611)</u>	<u>(\$87,253)</u>
Total Other Income(Expense)	<u>\$17,633</u>	<u>(\$87,100)</u>
Net Profit (loss)	<u>\$379,006</u>	<u>\$261,663</u>
Weighted Average Earnings Per Share	<u>\$0.00</u>	<u>\$0.00</u>

These financial statements were not subjected to an audit, review or compilation engagement, and, accordingly, no opinion or conclusion is expressed, nor any assurance provided on them.

The accompanying notes are an integral part of the financial statements.

COMPLETE FINANCIAL SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE SIX-MONTHS ENDED SEPTEMBER 30, 2016
(Unaudited)

	Common Stock		Preferred Class A		Preferred Class B		Preferred Class C		Stock Subscription Receivable	Capital in Excess of Par Value	Comprehensive Income/(Loss)	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount					
Balances, December 31, 2013, Unaudited	34,180,603	\$ 34,181	-	\$ -	2,000,000	\$ 2,000	1,319,700	\$ 1,320	\$ (2,000)	\$ 8,155,509	\$ (1,659,800)	\$ (3,699,114)	\$ 2,832,096
Issuance of warrants	167,500	\$ 168								\$ 16,582			\$ 16,750
Retired shares	(315,100)	\$ (316)								\$ 315			\$ (1)
Comprehensive income											\$ (804,810)		\$ (804,810)
Net Profit												\$ (175,939)	\$ (175,939)
Balances, December 31, 2014, Unaudited	34,033,003	\$ 34,033	-	\$ -	2,000,000	\$ 2,000	1,319,700	\$ 1,320	\$ (2,000)	\$ 8,172,406	\$ (2,464,610)	\$ (3,875,053)	\$ 1,868,096
Issuance of Common Stock for Debt Reduction	468,753	\$ 3,469								\$ 46,407			\$ 46,876
Comprehensive Income-Loss on disposition of available for sale securities											\$ 2,464,610		\$ 2,464,610
Correction of capital in excess of par value due to share issuance										\$ 1,998,302			\$ 1,998,302
Shares designated as stock subscription for purchase of Accounting Solutions									\$ 152,000				\$ 152,000
Net Loss												\$ (4,592,652)	\$ (4,592,652)
Balances, December 31, 2015, Restated and Unaudited	\$34,501,756	34,502	\$0	0	\$2,000,000	2000	\$1,319,700	1320	\$150,000	\$10,217,115	\$0	(\$8,467,705)	\$1,937,232
Issuance of Common Stock for Debt Reduction	\$6,000,000	6,000	\$0	0	\$0	0	\$0	0	\$0	\$625,522	\$0	\$0	\$631,522
Net Income (Loss)	\$0	0	\$0	0	\$0	0	\$0	0	\$0	\$0	\$0	\$379,006	\$379,006
Balances, June 30, 2016, Unaudited	\$40,501,756	40,502	\$0	0	\$2,000,000	2,000	\$1,319,700	1,320	\$150,000	\$10,842,637	\$0	(\$8,088,699)	\$2,947,760

These financial statements were not subjected to an audit, review or compilation engagement, and, accordingly, no opinion or conclusion is expressed, nor any assurance provided on them.

The accompanying notes are an integral part of the financial statements.

COMPLETE FINANCIAL SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine months ended September 30,	
	2016	2015
Cash flows provided (used) by operating activities:		
Net Income (Loss)	\$ 379,006	\$ 261,663
Adjustments to reconcile net income to net cash provided (used) by operating activities		
Depreciation	\$ 79,252	\$ 75,555
Stock issued for Services and Compensation	\$ -	\$ -
Prior Period Adjustment	\$ -	\$ 60,743
Other	\$ -	\$ -
Loss on Available for Sale Securities	\$ -	\$ -
Impairment Losses	\$ -	\$ -
Changes in operating assets and liabilities:		
Decrease/(Increase) in assets:		
Accounts Receivable	\$ (135,895)	\$ (295,395)
Prepays	\$ 195,621	\$ -
Other	\$ -	\$ 9,009
Loans in process	\$ (1,522,500)	\$ -
Increase/(decrease) in liabilities:		
Accounts Payable	\$ 168,418	\$ 152,457
Accrued Payroll and Payroll Taxes	\$ (213,054)	\$ (471,405)
Payable to branches	\$ 22,099	\$ 66,700
Net cash provided (used) by operating activities	<u>\$ (1,027,054)</u>	<u>\$ (140,673)</u>
Cash flows provided (used) by investing activities:		
Investment in Bank	\$ -	\$ -
Investment in American Patriot Bank	\$ (20,000)	\$ (175,000)
Additions to Property and Equipment	<u>\$ 65,089</u>	<u>\$ (27,992)</u>
Net Cash provided (used) by investing activities	<u>\$ 45,089</u>	<u>\$ (202,992)</u>
Cash flows provided (used) by financing activities:		
(Decrease)/Increase in Long Term Debt	\$ 560,082	\$ (212,988)
(Decrease)/Increase in Revolving Lines	\$ 3,844	\$ 17,198
(Decrease)/Increase in Loans Held for Sale	\$ (38,897)	\$ (4,947,696)
(Decrease)/Increase in Warehouse line of credit	\$ (93,886)	\$ 5,047,683
(Increase)/Decrease in Investment in Sub	\$ -	\$ -
Increase in Loan Holdback	\$ (64,867)	\$ (55,526)
Issuance of Common Stock	\$ 6,000	\$ -
(Decrease)/Increase in Paid in Capital	<u>\$ 625,522</u>	<u>\$ -</u>
Net Cash provided (used) by financing activities	<u>\$ 997,798</u>	<u>\$ (151,329)</u>
Increase (decrease) in cash	\$ 102,644	\$ (494,994)
Cash at beginning of period	<u>\$ 100,416</u>	<u>\$ 533,881</u>
Cash at end of period	<u>\$ 203,060</u>	<u>\$ 38,887</u>

Supplemental Disclosure of Non-Cash Investing and Financing Activities:

Change in Loans Held for Sale and Warehouse Line of Credit	\$ (132,783)	\$ 99,987
Increase in Available for Sale Securities and Other Comprehensive Income	\$ -	\$ -
Conversion of Long-Term Debt to Common Stock	\$ -	\$ -

These financial statements were not subjected to an audit, review or compilation engagement, and, accordingly, no opinion or conclusion is expressed, nor any assurance provided on them.

The accompanying notes are an integral part of the financial statements.

COMPLETE FINANCIAL SOLUTIONS INC AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE 1 – *Organization of Business:*

Complete Financial Solutions Inc. (“CFSI,” the “Company,” “we” or “us”) was incorporated in July 2006 under the laws of the State of Nevada. We are a financial services holding company primarily engaged in mortgage services. Our subsidiary Acceptance Capital Mortgage Corporation (“ACMC”) is a residential mortgage broker, lending and processing company that operates and maintains offices throughout the United States.

NOTE 2 – *Summary of Significant Accounting Policies:*

Unaudited Interim Financial Information - The accompanying consolidated financial statements were not subjected to an audit, review, or compilation engagement, and, accordingly, no opinion or conclusion is expressed, nor any assurance provided on them. In the opinion of management, the accompanying consolidated financial statements include all adjustments, consisting of normal recurring adjustments and accruals necessary for a fair presentation of our consolidated balance sheets, operating results, and cash flows for the periods presented. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) have been omitted.

Principles of Consolidation – The consolidated financial statements include the accounts of Complete Financial Solutions Inc. and its wholly-owned subsidiaries Acceptance Capital Mortgage Corporation (“ACMC”), Accounting Solutions, Inc., Insurance Solutions Inc., and AlliancePro Processing, Inc. All inter-company accounts and transactions have been eliminated in consolidation.

Use of estimates – The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Changes in these estimates and assumptions may have a material impact on our financial statements and notes. Actual results may vary from estimates and assumptions that were used in preparing the financial statements.

Cash and cash equivalents – We consider all highly liquid debt securities purchased with original or remaining maturities of three months or less to be cash equivalents. The carrying value of cash equivalents approximates fair value.

Accounts Receivable - We assess the collectability of accounts receivable based on past collection history and current events and circumstances. Accordingly, we adjust the allowance on accounts receivable to reflect net receivables that we ultimately expect to collect. We consider our current receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded. If amounts become uncollectible, they will be charged to operations when that determination is made.

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COMPLETE FINANCIAL SOLUTIONS INC AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

Other Comprehensive income – Other Comprehensive Income includes net profits as currently reported by the Company adjusted for other comprehensive income, net of comprehensive losses. Other comprehensive income consists of unrealized gains and losses related to our equity securities accounted for available-for-sale with changes in fair value recorded through stockholders' equity.

Fair value of financial instruments - The financial instruments recognized in our balance sheet include cash, accounts receivable, accounts payable, and notes payable. All instruments are accounted for on a historical cost basis, which, due to the short maturity of these financial instruments, approximates fair value at September 30, 2016, and December 31, 2015. We did not engage in any transaction involving derivative instruments.

Stock Based Compensation – We account for share-based compensation to our employees, contractors and directors and measure the amount of compensation expense for all stock-based awards at fair value on the date of grant and recognition of compensation expense over the service period for awards expected to vest. Restricted stock awards issued to employees, contractors and directors are measured based on the fair market values of the underlying stock on the dates of grant.

Income Taxes – The Company provides for income taxes in accordance with Accounting Standards Codification No. 740 using an asset and liability based approach. Deferred income tax assets and liabilities are recorded to reflect the tax consequences on future years of temporary differences of revenue and expense items for financial statement and income tax purposes.

We have incurred net operating losses over the past several years. As of September 30, 2016, we had a net operating loss carry forward available to offset future taxable income for federal and state income tax purposes.

Net Income Per Share of Common Stock - We prepare our financial statements on the face of the income statement for both basic and diluted earnings per share. Basic earnings per share excludes potential dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. As of September 30, 2016, we had no contracts to issue common stock and 250,000 warrants outstanding at \$0.10.

Property and Equipment - All property and equipment is recorded at cost and depreciated over ten years using the straight-line method. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is recorded. Repairs and maintenance charges that do not increase the useful lives of the assets are charged to operations as incurred.

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COMPLETE FINANCIAL SOLUTIONS INC AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

Depreciation expense for the nine months ended September 30, 2016 and 2015 was \$79,252 and \$75,555, respectively.

Internal Website Development Costs - Under ASC 350-50, website development costs, costs and expenses incurred during the planning and operating stages of our website are expensed as incurred. Under ASC 350-50, costs incurred in the website application and infrastructure development stages are capitalized by the Company and amortized to expense over the website's estimated useful life or period of benefit.

Impairment of Long-Lived Assets - We evaluate the recoverability of long-lived assets and the related estimated remaining lives at each balance sheet date. We record an impairment or change in useful life whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or the useful life has changed.

Deferred Offering and Acquisition Costs - We defer as other assets the direct incremental costs of raising capital until such time as the offering is completed. At the time of the completion of the offering, the costs are charged against the capital raised. Should the offering be terminated, deferred offering costs are charged to operations during the period in which the offering is terminated.

Advertising costs – We expense all costs of advertising as incurred. The advertising costs included in general and administrative expenses for the nine months ended September 30, 2016 and 2015 were \$180,136 and \$252,634, respectively.

Recently Issued Accounting Pronouncements - As of September 30, 2016 and December 31, 2015, none of the recently issued accounting standards and interpretations are expected to have a material impact on our consolidated financial position, operations or cash flows.

NOTE 3 – Restatement:

During the conduct of the audit of ACMC, the consolidated balance sheets and consolidated statements of cash flows as of December 31, 2015, were revised to correct an error in accounting for the Company's various balance sheet accounts, including: accounts receivable, related party receivable, accounts payable, accrued payroll and payroll taxes, and loan holdback payable. In accordance with applicable GAAP, we calculated and recognized adjustments accordingly.

These financial statements were not subjected to an audit, review, or compilation engagement, and, accordingly, no opinion or conclusion is expressed, nor any assurance provided on them.

COMPLETE FINANCIAL SOLUTIONS INC AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

	2015	
	Restated	Original
Accounts Receivable	\$134,186	\$165,286
Related Party Receivable	\$31,100	\$-
Accounts Payable	\$200,777	\$189,690
Accrued payroll and payroll taxes	\$794,133	\$552,870
Loan Holdback Payable	\$20,733	\$241,266
Long Term Debt	\$1,412,320	\$1,444,137
Retained Earnings (deficit)	\$(8,467,706)	\$(8,159,584)
Impairment Losses	\$2,043,300	\$1,735,178
Net Profit (Loss)	\$(4,592,652)	\$(4,264,530)
Weighted Average Earnings Per Share	\$(0.13)	\$(0.12)

NOTE 4 – Revolving Lines and Line of Credit:

We have a secured line of credit in the amount of \$50,000. The balance of this line of credit was \$40,463 on September 30, 2016 and \$36,619 on December 31, 2015 with interest rates of 1.99% to 24.99%. Accounting Solutions has a line of credit with a current outstanding balance of \$29,953 with interest rates of 1.99% to 24.99%.

NOTE 5 – Investment in American Patriot Bank:

On June 27, 2014, we purchased a 23.3% interest in American Patriot Bank (the “Bank”), a subsidiary of American Patriot Financial Group, Inc. We paid initial consideration of \$395,000. We made additional capital infusions in the Bank, consisting of \$200,000 on September 30, 2014, \$55,000 on December 31, 2014, \$120,000 on March 31, 2015, and \$20,000 on September 30, 2016. As of September 30, 2016, our aggregate investment in American Patriot Bank was \$790,000.

In September 2016, we entered into an agreement to sell our interest in the Bank to a third party for \$225,000. Finalization of the sale is pending regulatory approval. If the sale is completed, our loss on transaction will be \$565,000. Due to significant uncertainty as to the closing of this

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COMPLETE FINANCIAL SOLUTIONS INC AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

transaction, the financial effects of the potential sale are not reflected in these financial statements.

NOTE 6 – Investment in Northern Star Bank:

On September 30, 2014, we entered into a letter of intent to acquire the common stock of Northern Star Bank, and made an initial investment of \$45,000. Under the terms of the letter of intent, we had the right to purchase a controlling interest in Northern Star Bank upon approval of a change in control application from the appropriate bank regulators. We were unable to complete the acquisition as state banking regulators placed the bank into FDIC receivership in December 2014. We have recorded an impairment loss of \$45,000.

NOTE 7 - Long-term Debt:

Long-term debt at September 30, 2016 is summarized as follows:

	Due Within One Year	Due After One Year	Totals 3/31/2016
Note payable with no set monthly Payments with accrued interest at 12%	6,000	137,468	143,468
Note payable with no set monthly Payments with accrued interest at 6%	-	-	-
Note payable with no set monthly Payments with accrued interest at 8%	120,000	1,825,184	1,945,184
Note payable with no set monthly Payment and no set interest rate	-	9,750	9,750
	126,000	1,972,402	2,098,402

Future maturities of long-term debt are as follows:

December 31, 2016	126,000
December 31, 2017	126,000
December 31, 2018	126,000
2019 and beyond	1,720,402
	2,098,402

NOTE 8 - Warehouse line of credit:

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COMPLETE FINANCIAL SOLUTIONS INC AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

We have five warehouse lines of credit totaling \$15 million. Each line bears interest at the Note rate of the loans on the line. The lines of credit are secured by the mortgages loans held for sale. Principal and interest payments are due as mortgage loan sales close. At September 30, 2016 and December 31, 2015, there were \$11,984,559 and \$12,078,445, respectively, outstanding under these warehouse lines. All of these loans on the warehouse lines were sold in the normal course of business shortly after the end of the period.

NOTE 9 – Investments

The following is a summary of the investments in available-for-sale securities which were classified as current assets at December 31, 2014.

Available-for-sale Securities	Cost	Unrealized Gain (Loss)	Gross Value	Estimated Fair Market Value
Equity securities	\$2,528,300	\$(2,464,610)	\$ 63,690	\$ 63,690

We owned 1,930,000 shares of Hipcricket, Inc. stock on December 31, 2015 which were determined to be worthless due to Chapter 11 bankruptcy. As information had been determined regarding Hipcricket, Inc. the value of the stock had been reduced through recognition of Comprehensive Income (Loss). On December 31, 2015 based upon further information the total loss was recognized as part of the 2015 Net Income (Loss).

On January 20, 2015, Hipcricket filed Chapter 11 bankruptcy protection. On May 14, 2015, the Bankruptcy Court confirmed a plan of reorganization which provided that all previously outstanding common stock of Hipcricket and all rights to convert, exchange or receive Hipcricket common stock were automatically cancelled and Hipcricket stockholders will not be entitled to receive or retain any cash, securities or other property on account of their cancelled, released and extinguished common shares and rights.

The cost of the Hipcricket stock had a cost of \$2.4M. This loss had previously been recorded as Other Comprehensive Income. The Company recorded this worthless stock as a loss on its Income Statement. The effect of this transaction does not have any effect on the overall equity.

NOTE 10 – Operating Leases:

We conduct our operations from various leased facilities under short-term operating leases that expire at various dates. Aggregate rent for the nine months ended September 30, 2016 was \$314,063, and for the nine months ended June 30, 2015 was \$264,783.

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COMPLETE FINANCIAL SOLUTIONS INC AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

We are lessee of office equipment and furniture under various operating leases, which have all expired. Equipment rent for the nine months ended September 30, 2016 was \$9,979, and for the nine months ended September 30, 2015 was \$8,227. There are currently no equipment leases outstanding.

The Company does not have any long term rental leases for premises or equipment as of June 30, 2015.

NOTE 11 – Preferred Stock:

We have authorized two classes of Preferred Stock.

SERIES B PREFERRED STOCK. In 2001, we granted our founder the option to purchase 2 million shares of Series B Preferred Stock at the purchase price of \$0.10 per share. On Dec 31, 2008, the shares were issued in a cashless exercise of the option and subsequently assigned by the founder to Choctaw Development Inc, an affiliated entity.

The Series B Preferred shares have the right to 10 votes for each share, on all matters to come before the shareholders for a vote.

The Series B Preferred shares are convertible to common shares, at the option of the holder, at the rate of one common share for each preferred share converted.

SERIES C PREFERRED STOCK. 480,000 shares at \$5.00 per share were issued in December 2010 in exchange for 400,000 common shares of Hipcricket, Inc. At December 31, 2010, the Hipcricket, Inc. shares had a market value of \$2.94 per share.

At the option of the holder the Series C Preferred shares can be converted into common shares at a value discount of 50% of the public market value on or after the date 18 months following issuance.

SERIES C PREFERRED: In 2011, four tranches of Series-C preferred shares were issued.

- 213,700 shares at \$5.00 per share were issued for debt conversion and the retirement of the remaining Series-A preferred shares.
- 125,000 shares at \$5.00 per share were for 100,000 shares of Hipcricket, Inc. stock that had a market value of \$425,000 on the date of issue.
- 1,000 shares at \$5.00 per share were issued for an operational expense.
- 50,000 shares at \$5.00 per share were issued for 80,000 shares of Hipcricket, Inc. stock that had a market value of \$100,800 on the date of issue

SERIES C PREFERRED: In 2012, two tranches of Series-C preferred shares were issued.

- 150,000 shares at \$5.00 per share were issued for 250,000 shares of Hipcricket, Inc. stock that had a market value of \$447,500 on the date of issue.
- 300,000 shares at \$5.00 per share were issued for 1,200,000 shares of Hipcricket, Inc. stock that had a market value of \$873,600 on the date of issue.

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COMPLETE FINANCIAL SOLUTIONS INC AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

At September 30, 2016 and December 31, 2015, there were 1,319,700 shares of Series C Preferred Stock outstanding.

NOTE 12– Common Stock:

During 2015, we issued 468,753 shares at an average price of \$0.10 per share for debt reduction of \$450,000. These shares are restricted from trading for a minimum of 12 months.

In the first quarter of 2016, we issued 6,000,000 shares at an average price of \$0.11 per share for debt reduction of \$105,833 and other consideration. These shares are restricted from trading for a minimum of 12 months.

NOTE 13 – Warrants:

We have warrants outstanding for the exercise of common stock as follows:

- There are warrants exercisable into 100,000 shares of common at an average price of \$0.10 per share that expire in 2015.
- There are warrants exercisable into 250,000 shares of common at an average price of \$0.10 per share that expire in 2016.

Any exercised shares issued will be restricted from trading for a minimum of 12 months.

NOTE 14 – Legal Proceedings and Litigation Contingencies:

In May 2015, a lawsuit was filed against ACMC by the FDIC as receiver for BankUnited FSB (Federal Deposit Insurance Corporation as Receiver for BankUnited, F.S.B v. Acceptance Capital Mortgage Corporation, U.S. District Court for the Southern District of Florida, Case No. 15cv21884). The lawsuit alleges that ACMC breached its agreement with BankUnited by providing incomplete, inaccurate, false or misleading information regarding a mortgage loan sold or assigned to BankUnited. The loan in question was originated April 2007 and subsequently defaulted. During the third quarter of 2016 this action was settled for a total of \$280,000 which has been recognized in the financial statements. A payment of \$140,000 occurred in the third quarter, and a subsequent final payment of \$140,000 is due December 31, 2016.

In the third quarter of 2016, ACMC also settled a new lawsuit which arose in connection with a mortgage loan originated and sold several years earlier. Settlement was for a total of \$50,000, payable in four equal installments of \$12,500 on January 31, 2017, March 31, 2017, May 31, 2017, and July 31, 2017. The settlement has been recorded as a liability and was expensed during the quarter ended September 30, 2016.

From time to time we are subject to a variety of claims and litigation incurred in the ordinary course of business. In our opinion, the outcome of our pending legal proceedings, individually or

These financial statements were not subjected to an audit, review, or compilation engagement, and, accordingly, no opinion or conclusion is expressed, nor any assurance provided on them.

COMPLETE FINANCIAL SOLUTIONS INC AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

in the aggregate, will not have a material adverse effect on our business operations, results of operations, cash flows or financial condition.

Management has regular litigation reviews, including updates from outside counsel, to assess the need for accounting recognition or disclosure of contingencies relating to pending lawsuits. The Company accrues an undiscounted liability for those contingencies where the incurrence of a loss is probable, and the amount can be reasonably estimated. The Company does not record liabilities when the likelihood that the liability has been incurred is probable but the amount cannot be reasonably estimated or when the liability is believed to be only reasonably possible or remote. For contingencies where an unfavorable outcome is reasonably possible and which are significant, the Company discloses the nature of the contingency and, where feasible, an estimate of the possible loss. For purposes of our litigation contingency disclosures, "significant" includes material matters as well as other items which management believes should be disclosed.

Management judgment is required related to contingent liabilities and the outcome of litigation because both are difficult to predict. Litigation is subject to inherent uncertainties and unfavorable rulings could occur. Although management currently does not believe resolving any pending proceeding will have a material adverse impact on our financial statements, management's view of these matters may change in the future. A material adverse impact on our financial statements could occur for the period in which the effect of an unfavorable final outcome becomes probable and reasonably estimable.

NOTE 15 – Impairment Analysis:

The Company conducted an impairment analysis on the carrying value of its wholly-owned subsidiary ACMC as of December 31, 2015. Management determined that an impairment totaling \$2,043,300 was necessary which brought the carrying value in line with the book value of ACMC. The impairment was recorded as an expense. Analysis of impairment as of September 30, 2016 indicated no further action was required.

NOTE 16 – Fair Value Measurement of Loans in Process

As of March 31, 2016, ACMC elected to value its Loans in Process "pipeline." The pipeline consists of loans that have been approved by Underwriting, rates have been locked directly with the customer, yet have not been closed and funded. This fair value method is afforded under FASB ASC Topic 820 – Fair Value Measurements and Disclosures, as well as FASB ASC 825 – Financial Instruments-Overall. The Company utilized as historical "pull-through percentage" to assist in determining the value of the "pipeline" as well as current net profit expected in connection with the loans in the pipeline. The original valuation recognized the net income on loans to ACMC.

During the quarter ended September 30, 2016, management decided to "gross up" the pipeline. Gross up was determined to be recognition of the gross revenue to ACMC offset by the gross expenses to be incurred by ACMC on the "pipeline." The effect of this change did not affect the

These financial statements were not subjected to an audit, review, or compilation engagement, and, accordingly, no opinion or conclusion is expressed, nor any assurance provided on them.

COMPLETE FINANCIAL SOLUTIONS INC AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

net income of APMC, but did affect revenues and expenses. At the end of each quarter the pipeline is valued with the inherent change in value recognized as either an addition or subtraction to net income depending upon whether the pipeline value increased or decreased.

The “pipeline” on September 30, 2016 provided expected gross revenues of \$1,522,500, gross expenses of \$1,023,338, and net income of \$499,163. The effect on the net income in the quarter ended September 30, 2016 was \$81,246.

These financial statements were not subjected to an audit, review, or compilation engagement, and, accordingly, no opinion or conclusion is expressed, nor any assurance provided on them.

Supplemental Information

Management's Discussion and Analysis or Plan of Operation

The following discussion is provided as a supplement to the accompanying consolidated financial statements and notes (refer to Item 5 – Financial Information) and is intended to help provide information we believe is relevant to an assessment and understanding of our results of operations and financial condition. In addition to our consolidated financial statements and notes, it should be read in conjunction the section entitled “Risk Factors” and the cautionary statement regarding forward-looking information on page 6.

Overview

The following summarizes our operational and financial highlights for the quarter and our outlook:

- **Comparative Results.** For the nine-months ended September 30, 2016, as compared to the nine-months ended September, 2015, our revenue increased 26.2%, from \$10,271,882 to \$12,959,680. We reported a net income for the nine-month period ended September 30, 2016, of \$379,006, compared to net income of \$261,663 for the nine-months ended September 30, 2015.
- **Revenue Sources.** Revenues from ACMC mortgage services represented nearly 97% of our total consolidated revenues for the nine-months ended September 30, 2016. Our loan origination revenues include processing revenue, which is a function of ACMC mortgage services. Other services consisting of accounting, appraisal and insurance products were not a material portion of our total revenues, though in future periods we expect additional revenues from accounting services.
- **Branch Offices.** We currently have approximately 50 branch offices located in 26 states. We depend on the ability of the employees in our branch offices to locate new customers, grow our transactional volume, manage customer relationships, provide customers with information about our products and services, and assure the payment of our fees. Many employees operate out of home-based offices. We maintain leases on approximately 44% of our branch offices.
- **Revenue Trends and Growth** We attribute our increase in revenue in 2016 to improving conditions in the residential mortgage market coupled with a continued low interest rate environment. In 2016 we originated 112 fewer loans than for the same period in 2016, however our average loan size has increased by approximately \$7,000 per funded loan. Since investors pay ACMC based as a percentage of funded loans this increase in loan size has helped to grow our revenues. We funded \$177,853,014 in mortgage loans in the first nine months of 2016, compared to \$186,993,590 in the comparable period in 2015. We believe that we have weathered the storm in the industry which began in 2007, but we cannot assure you that this is the case. While home prices have recently increased in many parts of the country, the housing market has not fully recovered from the economic crisis. The U.S. mortgage loan origination market, which was approximately \$1.75 trillion in each of 2012 and 2013, contracted to approximately \$1.12 trillion in 2014 and expanded to \$1.63 trillion in 2015. It is projected to contract to \$1.52 trillion in 2016 according to industry forecasts.² According to MBA data, refinancing activity declined from approximately 71% of the origination market in 2012, to 39.8% in 2014 and 46% in 2015,³ and is expected to decline to approximately 36% of the origination market in 2016. The lower levels in

² Mortgage Bankers Association, MBA Mortgage Finance Forecast, March 17, 2016, Copyright 2016.

³ Mortgage Bankers Association, MBA Mortgage Finance Forecast, March 22, 2013, Copyright 2013.

residential mortgage loan volume projected for 2016, as compared to 2013 levels, and in particular the lower volume of mortgage refinancings, will require us to increase our relative percentage of purchase mortgage originations or our revenues per loan processed by our customers in order to achieve revenue growth. We seek to increase our revenue by:

- increasing our purchase mortgage origination volumes;
 - adding new branches and hiring additional qualified loan officers;
 - increase our revenues per loan by adding underwriting services;
 - adding ancillary financial product and service offerings;
 - affiliating with a federal or state charter commercial bank
- **Geographical expansion.** We currently operate in 26 states through our branch offices. We seek to expand our national presence with qualified employees as financially and administratively feasible. As an originator of mortgage loans, we must acquire and maintain a license from each state in which we operate. In addition, in most states our individual agent must also acquire a separate agent's license. The qualification process involves the purchase of bonds for each state, an annual audit at each state's discretion, and the cost of annual maintenance. On average these annual licensing costs can run from \$7,000 to \$10,000 per state.
 - **Financial Position.** On September 30, 2016, we had \$203,060 in cash, compared to \$100,416 at December 31, 2015. Our operating activities used \$1,027,054 in net cash during the nine-months ended September 30, 2016, compared to \$140,673 used during the corresponding period for the previous year. We have limited working capital and currently lack the funds to execute our business plan as fast as we would like or take advantage of strategic opportunities. We are required to meet certain net worth requirements to maintain our FHA approved lender status and maintain our secured warehouse line of credit facilities. Significant additional funding is required to complete our bank affiliation strategy.

Results of Operations

- **Nine Months ended June 30, 2016 and 2015.** Revenue for the nine-months ended September 30, 2016 increased 26.2%, from \$10,271,882 to \$12,959,680. We reported a net income for the nine-month period ended September 30, 2016, of \$379,006, compared to a net income of \$261,663 for the nine-months ended September 30, 2015.

Revenue, Costs and Expenses

The following table summarizes our selected consolidated financial information for the nine-months ended September 30, 2016 and 2015 (in thousands):

	Nine-months Ended September 30,	
	2016	2015
	<u>Amount</u>	<u>Amount</u>
Revenue:		
Mortgage service revenue and other revenue	\$ 12,960	\$ 10,272
Costs and expenses:		
Loan costs	2,641	1,714
Salaries, wages and employee benefits	8,263	6,518
Selling, general and administrative	1,615	1,615
Depreciation and amortization	79	76
	<u>12,598</u>	<u>9,923</u>
Income (loss) from operations	361	349
Other income, net	18	(87)
	<u>379</u>	<u>262</u>
Income (loss) before income taxes	379	262
Income tax expense (benefit)	-	-
	<u>379</u>	<u>262</u>
Net income (loss)	<u>\$ 379</u>	<u>\$ 262</u>

Revenue

Revenue for the nine-months ended September 30, 2016, increased 26.2%, from \$10,271,882 to \$12,959,680. Revenues are generated by mortgage origination activities and primarily consist of origination fees paid by borrower or Investor (broker), the yield spread premium offered by an investor, the service release premium paid by an investor and loan processing fees. Loan origination revenue includes processing revenue, which is a function of ACMC mortgage services. Revenue also includes a nominal amount of appraisal and insurance product revenue.

Costs and Expenses

Cost of revenue

Loan costs for the six-months ended September 30, 2016, as compared to the corresponding period ended September 30, 2015, increased by \$927,521 or 54.1%. Loan costs represent third-party fees paid to service vendors and suppliers to complete a loan transaction as well as administration and loan processing fees.

Corporate Salaries, Wages and Employee Benefits

Corporate salaries, wages and employee benefits expenses, including payroll taxes, increased by \$1,745,512 for nine-months ended September 30, 2016, or 21.1% over the first nine months of 2016. Salaries are paid to branch employees based on compensation agreements with the Company. Licensed loan originators are compensated according to rules established by Regulation Z and the Consumer Finance Protection Bureau. Loan processors receive a flat fee paid from each closed and funded loan. Corporate employees are paid a salary and may earn a bonus based on the pre-tax profitability of the company.

Selling, General and Administrative Expenses

Selling, general and administrative expenses (SG&A), include consulting, legal and professional services, as well as expenses for rent and utilities, marketing, insurance, licensing, bad debts, sales tax and other taxes, and other costs. Aggregate rent for the nine-months ended September 30, 2016 was \$314,063 and \$264,983 for the nine-months ended September 30, 2015. Advertising costs included in SG&A for the nine-months ended September 30, 2016 and September 30, 2015 were \$180,136 and \$252,634, respectively. Total SG&A expenses for the nine-months ended 2016 increased by \$2,675,188 compared to 2015.

Depreciation and Amortization

Depreciation and amortization expenses include depreciation on our fixed assets and amortization of our intangible assets. Depreciation and amortization increased by \$3,697 for the nine-months ended September 30, 2016 as compared to the comparable 2015 period.

Other Income (expense)

Other income (expense) is primarily interest paid on promissory notes and gains and losses on sale of assets. There was other income of 17,633 for the nine-months ended September 30, 2016, compared to other income expense of (\$87,100) in the comparable 2015 period.

Interest expense is paid primarily on our notes payable. Our long-term debt totaled \$1,972,402 at September 30, 2016, compared to \$1,412,320 at December 31, 2015.

Financial Condition

Our total assets were \$18,756,817 and \$17,275,385 at September 30, 2016 and December 31, 2015 respectively. The increase in asset base is primarily due to the increase in the amount of loans held for sale and valuation of the loans in process. At September 30, 2016 and December 31, 2015 there was \$12,893,575 and \$12,932,472 outstanding under these warehouse lines. Working capital was \$1,444,748 on September 30, 2016, compared to (\$193,050) on December 31, 2015.

Our cash totaled \$203,060 on September 30, 2016 compared to \$100,416 at December 31, 2015, representing an increase of \$102,644. Our cash flow activity is described in more detail below (see "Liquidity and Capital Resources").

Accounts receivable balances were \$301,181 and \$165,286 as of September 30, 2016 and December 31, 2015 respectively, representing an increase of \$135,895. Accounts receivable are primarily influenced by loans we have closed but that have not funded (not yet paid). There is a direct correlation between accounts receivables and loans held for sale. Our total current liabilities were \$13,637,667 and \$13,748,944 at September 30, 2016 and December 31, 2015 respectively, representing a decrease of \$111,277.

Our stockholders' equity increased by \$1,010,528 to \$2,947,759 at September 30, 2016 from \$1,937,231 at December 31, 2015.

Liquidity and Capital Resources

Our operating activities used \$1,027,054 in net cash during the nine-months ended September 30, 2016 compared to \$140,673 used during the comparable 2015 period. Our cash balance as of September 30, 2016 totaled \$203,060.

The following table presents a summary of our cash flows for the nine-months ended September 30, 2016 and 2015 respectively (in thousands):

	Nine-months ended September 30,	
	2016	2015
Net cash used in operating activities	\$ (1,027)	\$ (141)
Net cash provided by (used in) investing activities	45	(203)
Net cash provided by (used in) financing activities	998	(151)
Increase (decrease) in cash and cash equivalents	<u>\$ 16</u>	<u>\$ (495)</u>

Our current assets are primarily used to fund our minimum net worth requirements for our HUD designation. We do not currently have a line of credit facility to provide additional reserve capacity for general corporate and working capital purposes, or to make expenditures related to the growth and expansion of our business model. Our warehouse lines of credit are reserved for our loan products. Significant additional funding would be required for our bank affiliation strategy. We are also required to meet enhanced net worth requirements to maintain our FHA-approved lender status.

As part of our future expansion activities and our evaluation of strategic alternatives and opportunities, we may seek to acquire certain competitors or other business enterprises, or consider partnering or other collaboration agreements, or a bank affiliation transaction or other strategic transaction. Such alliances, mergers or acquisitions or dispositions could result in potentially dilutive issuances of our equity securities, the expenditure of our cash or the incurrence of debt or contingent liabilities. We may seek to finance a portion of the acquisition cost.

Inflation has not had a material impact on our business during the last two fiscal years.

Operating Activities

For the nine-month period ended September 30, 2016, net cash used by operating activities was \$1,027,054 compared to \$140,673 used during the comparable 2015 period.

The difference between our net income and our net cash used by operating activities was attributable to non-cash expenses included in net income, and changes in the operating assets and liabilities, as presented below (in thousands):

	Six-months ended June 30,	
	2016	2015
Net Income (loss)	\$ 379	\$ 262
Add: non-cash expenses	79	76
Add: changes in operating assets and liabilities	(1,485)	(479)
Net cash provided (used) by operating activities	<u>\$ (1,027)</u>	<u>\$ (141)</u>

Non-cash expenses are associated with the amortization of intangible assets, depreciation and amortization of property and equipment, and stock-based compensation expense.

Changes in operating assets and liabilities primarily reflect changes in working capital components of the balance sheet apart from cash and cash equivalents. Net cash provided by operating activities also reflects changes in some non-current components of the balance sheet, such as liabilities to branch offices.

Investing Activities

For the nine months ended September 30, 2016, net cash provided by investing activities was \$45,089 compared to (\$202,992) used during the comparable 2015 period.

Financing Activities

For the nine months ended September 30, 2016, net cash provided by financing activities was \$997,798, compared to (\$151,329) used by financing activities during the comparable 2015 period. Our net cash generated by financing activities consists primarily of proceeds from the issuance of notes payable.

Legal Proceedings

See Note 16 — “Legal Proceedings and Litigation Contingencies” included in the “Notes to Unaudited Consolidated Financial Statements.”

Defaults upon Senior Securities

Not applicable.

Other Information

Not applicable.

Exhibits

Not applicable.