

# **FUSIONPHARM, INC**

## **Financial Statements**

### **For The Periods Ended**

**March 31, 2014 and March 31, 2013 (Restated)**

**FUSIONPHARM, INC.**  
**BALANCE SHEETS**  
**(Unaudited)**

	Year Ended	
	March 31 2014	March 31 2013 (Restated)
<b><u>ASSETS</u></b>		
Current Assets		
Cash and cash equivalents	674,388	18,100
Accounts receivable, net	39,076	-
Inventories	473,559	-
Total current assets	1,187,023	18,100
Property, Plant and Equipment		
Property, plant and equipment	64,188	93,269
Less: accumulated depreciation	(14,393)	(31,228)
Property, plant and equipment, net	49,795	62,041
Other Assets		
Deposits	55,470	22,000
Licensing rights	-	7,950
Total other assets	55,470	29,950
Total Assets	1,292,288	110,090
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
Current Liabilities		
Accounts payable	79,553	86,216
Customer deposits	314,460	34,000
Accrued interest	18,950	41,054
Notes payable	45,550	272,408
Total current liabilities	458,513	433,678
Total long term liabilities	-	-
Total Liabilities	458,513	433,678
Stockholders' Equity		
Common stock, \$.0001 per share par value	1,059	520
Preferred stock, \$.0001 per share par value	147	147
Additional paid in capital	1,791,072	534,920
Net loss	(47,795)	9,453
Accumulated deficit	(910,708)	(868,628)
Total Stockholders' Equity	833,775	(323,588)
Total Liabilities and Stockholders' equity	1,292,288	110,090

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

**FUSIONPHARM, INC.**  
**STATEMENTS OF OPERATIONS**  
**(Unaudited)**

	Period Ended	
	March 31 2014	March 2013 (Restated)
Revenue	304,577	171,600
Cost of sales	<u>227,072</u>	<u>84,982</u>
Gross Profit	77,505	86,618
Operating expenses	107,422	66,673
Operating income	<u>(29,917)</u>	<u>19,945</u>
Other income (expense)		
Interest	(2,220)	(4,878)
Depreciation and amortization	(2,583)	(5,614)
Bad debt expense	(39,077)	-
Write-off of note payable	<u>26,002</u>	<u>-</u>
Total other income (expense)	(17,878)	(10,492)
Net Income (Loss)	<u><u>(47,795)</u></u>	<u><u>9,453</u></u>

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

**FUSIONPHARM, INC.**  
**STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

	Period Ended	
	March 31 2014	March 31 2013 (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss) for period	(47,795)	9,453
Adjustments to reconcile net income (loss)		
Depreciation and amortization expense	2,583	5,614
Write-off of licensing rights	-	530
Write-off of note payable	(26,002)	-
Bad debt expense	39,077	-
Other	4,357	-
Changes in operating assets and liabilities		
Accounts receivable	(78,153)	6,600
Accounts payable	(1,052)	(1,357)
Inventories	(372,295)	4
Accrued compensation	-	9,643
Accrued interest	(2,220)	4,878
Customer deposits	(48,535)	(3,605)
Note receivable	42,000	-
Net cash provided (used) by operating activities	(488,035)	31,760
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Property, plant and equipment purchases	(34,738)	-
Deposits	(29,670)	(14,000)
Net cash provided (used) by investing activities	(64,408)	(14,000)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from the issuance of common stock	1,010,000	-
Net cash provided (used) by financing activities	1,010,000	-
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>457,557</b>	<b>17,760</b>
Cash, beginning of period	216,831	340
Cash, end of period	674,388	18,100

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

**FUSIONPHARM, INC.**  
**Statement of Stockholders' Equity**  
**(Unaudited)**  
**From December 31, 2013 (Restated) to March 31, 2014**

	Preferred Stock		Common Stock		Additional		Accumulated		Total
	Shares	Amount	Shares	Amount	Paid-in	Capital	Deficit		Stockholders'
									Equity
Balance December 31, 2013	1,467,330	\$ 147	8,019,191	\$ 802	\$ 690,686	\$	(910,708)	\$	(219,073)
Issuance of common stock on conversion of promissory notes			1,890,687	189	90,454				90,643
Issuance of restricted common stock			681,667	68	1,009,932				1,010,000
Net Loss							(47,795)		(47,795)
Balance March 31, 2014	1,467,330	147	10,591,545	\$ 1,059	\$ 1,791,072	\$	(958,503)	\$	833,775

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

**FusionPharm, Inc.**  
**Notes To Financial Statements**  
**(Unaudited)**  
**March 31, 2014**

**Note 1 Organization**

FusionPharm, Inc., (the “Company”), was incorporated in the State of Nevada on November 6, 1998. The Company became Baby Bee Bright Corporation after completing a reverse merger with Sequoia Interests Corporation on June 6, 2006. On April 4, 2011, the Company changed its business plan and corporate direction and changed its name to FusionPharm, Inc.

The Company’s primary focus is to commercialize its patent pending PharmPods™ line of hydroponic cultivation systems. The Company is the creator and manufacturer of the PharmPods hydroponic cultivation container system. PharmPods are constructed of standard ISO steel shipping containers that are repurposed for use in indoor plant cultivation and are equipped with specialty lighting, irrigation systems, climate-control systems and ventilation for a grow-ready, self-contained portable agricultural solution. PharmPods allow users to precisely control what a plant receives, grow crops densely, avoid using pesticides and herbicides, increase yields and automatically water plants. Based on the concept of Controlled Environment Agriculture (CEA) used extensively in greenhouse cultivation for decades, the PharmPod cultivation container is the evolution of the CEA concept. The Company’s PharmPods are used for agricultural cultivation by urban farming companies and other specialty growers.

Plants are typically grown in various growing mediums using a mineral nutrient solution. Nutrient solutions contain substantially all of the minerals that plants normally would get from the soil in a more concentrated form. Growing mediums aerate and support a plant’s root system while channeling the nutrient solution. Consequently, the root system is exposed to more oxygen, which stimulates root growth and nutrient absorption. Since plants do not have to use energy to search for the nutrients they require, the saved energy is used to grow faster and produce a greater yield. For example, leafy green vegetables such as lettuce and spinach typically require as much as 65 days to mature outdoors. In a PharmPod, using a perfectly controlled environment and providing an ideal light spectrum for 18 hours per day, that production time can be cut to 24 days.

**Note 2 Going Concern**

The Company operates in an industry that is subject to rapid change. The Company's operations will be subject to significant risk and uncertainties including financial, operational, technological, regulatory and other risks, including the potential risk of business failure.

The ability of the Company to continue as a going concern is dependent on the successful execution of Management's plans, which include sales of its PharmPods and produce products, further implementation of its business plan and continuing to raise funds through debt or equity financings. The Company will likely need to rely upon debt or equity financing in order to ensure the continuing existence of the business.

The accompanying unaudited financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. These financial statements do not include any adjustments relating to the recovery of the recorded assets or the classification of the liabilities that might be necessary should the Company be unable to continue as a going concern.

**FusionPharm, Inc.**  
**Notes To Financial Statements**  
**(Unaudited)**  
**March 31, 2014**

**Note 3 Basis of Presentation and Summary of Significant Accounting Policies**

The accompanying unaudited financial statements have been prepared in accordance with U.S. GAAP. The summary of significant accounting policies presented below is designed to assist in understanding our financial statements. Such financial statements and accompanying notes are the representation of our management, who are responsible for their integrity and objectivity. Certain prior year amounts have been reclassified to conform to the current year presentation.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash Equivalents**

We consider all highly liquid investments purchased with an original maturity of less than three months at the date of purchase to be cash equivalents.

**Inventories**

Inventories are stated at the lower of cost or market and are accounted for on a first-in, first-out basis. Inventory consists of finished goods, raw shipping containers, pod control equipment, lighting ballasts and hoods. At March 31, 2014, we had \$473,559 in primarily finished goods inventory. During the first quarter we manufactured 24 PharmPods, 10 of which were shipped during the quarter (and revenue recognized), 6 were shipped at quarter end (revenue for the second quarter) and 8 remain in our warehouse awaiting delivery to our customer.

**Property and Equipment**

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the life of the lease. Maintenance and repairs are charged to expense when incurred and the cost of additions, replacements, and improvements is capitalized.

**Revenue**

Revenue is recognized on the sale our PharmPods when the product is delivered and risk and collection of the sale proceeds is reasonably assured. In connection with each sale we generally require a 50% deposit at the time of order and the balance at delivery. The Company reports all receivables at gross amounts due from customers. On a continuing basis, management analyzes delinquent receivables and, once these receivables are determined to be uncollectible, they are written off through a charge against earnings.

**Warranty Costs**

Estimated future warranty obligations are provided by charges to operations in the period in which the related revenue is recognized. As of March 31, 2014 and March 31, 2013, there was no warranty reserve required.

**Earnings Per Share (EPS)**

Basic earnings (loss) per share are computed by dividing net income (loss) by weighted average number of shares of common stock outstanding during each period. Diluted earnings (loss) per share are computed by dividing net income (loss) by the weighted average number of shares of common stock,

# FusionPharm, Inc.

## Notes To Financial Statements

### (Unaudited)

### March 31, 2014

common stock equivalents and potentially dilutive securities outstanding during the period.

Basic EPS for the quarters ended March 31, 2014 and 2013 was (\$0.005) and \$0.003, respectively. Diluted EPS for the quarters ended March 31, 2014 and 2013 was (\$0.000) and \$0.000, respectively.

The Company has the following potentially dilutive securities:

	March 31, 2014	March 31, 2013
Convertible Notes Payable (i)	\$45,550	\$246,203
Series A Convertible Preferred Stock (ii)	1,467,330	1,467,330
(i)	These notes are convertible, at the option of the holder thereof, at any time into common stock at \$0.01 per share, providing that the holder may convert every \$1.00 of note payable into 100 shares of common stock. Total potential conversion impact of 4,555,000 common shares as of March 31, 2014.	
(ii)	Each share of Preferred Stock shall be convertible, at the option of the holder thereof, at any time. The conversion ratio is 100 to 1, which means that every one share of Preferred Stock may be converted into 100 shares of restricted common stock. Total potential conversion impact of 146,733,000 common shares as of March 31, 2014.	
(iii)	Subsequent to the end of the quarter, all convertible notes have been satisfied in full and the company has no further convertible debt obligations, no options outstanding and no warrants. See note 8 below.	

#### Note 4 2012 Restatement

In connection with the finalization of our 2013 financial statements, we restated our 2012 financial statements to reverse \$500,000 of the \$750,000 in revenue that was recognized during 2012 for the previously reported exclusive licensing arrangement with VertiFresh LLC ("VertiFresh") for the use of PharmPods growing technologies for agricultural products. The restatement was based on reevaluating the arrangement with VertiFresh which required \$250,000 be paid during 2012 for the licensing of the Colorado territory (on a nonrefundable basis), and the remaining \$500,000 to be due in equal installments of \$250,000 during 2013 and 2014 for the rights to two additional territories. The initial \$250,000 was paid during 2012 and was reflected as earned revenue. The remaining \$500,000 was set up as an accounts receivable and was reflected as earned revenue in error under US GAAP as the formal agreement was never finalized to account that the amounts due were for future territories and therefore unearned during 2012 and collection of this amount was never reasonably assured given the startup nature of VertiFresh. No further payments are anticipated. This restatement impacted our March 31, 2013 accounts receivable and accumulated deficit balances for the \$500,000 referenced above.



**FusionPharm, Inc.**  
**Notes To Financial Statements**  
**(Unaudited)**  
**March 31, 2014**

**Note 5 Notes Payable**

Notes Payable consists of the following as of:

	March 31, 2014	March 31, 2013
Convertible Unsecured Promissory Note payable to Bayside Realty Holdings, LLC. Originally due May 2, 2013 – extended to March 31, 2014. This note bears interest at a rate of 10% and is convertible into common stock at \$0.01 per share.	\$0	\$158,203
Convertible Unsecured Promissory Note payable to Meadpoint Venture Partners, LLC. Originally due June 15, 2013 – extended to April 30, 2014. This note bears interest at a rate of 10% and is convertible into common stock at \$0.01 per share.	\$45,550	\$88,000
Unsecured Promissory Note. Due on demand. Non-interest bearing.	\$0	\$26,205
<b>Total Notes Payable</b>	<b>\$45,550</b>	<b>\$272,408</b>
Current Notes Payable	\$45,550	\$272,408
Long Term Notes Payable	\$0	\$0

**Note 6 Shareholders' Equity**

The Company has authorized 500,000,000 shares of capital stock, par value \$.0001 per share. 495,000,000 shares have been designated as Common Stock of which 10,591,545 shares were issued and outstanding at March 31, 2014. 5,000,000 shares have been designated as Series A Convertible Preferred Stock of which 1,467,330 shares were issued and outstanding at March 31, 2014.

**Common Stock**

During the first quarter of 2014, we raised \$1,010,000 in equity through the sale of 681,667 Restricted Common Stock Shares. We also issued 1,890,687 shares of our common stock in connection with the conversion of \$72,943 in debt and interest payable to Bayside Realty Holdings, LLC and \$17,700 to Meadpoint Venture Partners, LLC.

During the year ended December 31, 2013, we issued 3,157,265 shares of our common stock in connection with the conversion of \$146,244 in debt and interest payable to Bayside Realty Holdings, LLC and \$24,750 to Meadpoint Venture Partners, LLC.

**Preferred Stock**

During March of 2013, we issued 2,000,000 shares of common stock in connection with the conversion of 20,000 shares of Series A Convertible Preferred Stock.

**Note 7 Contingencies**

From time to time, the Company may become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm its business. The Company

**FusionPharm, Inc.**  
**Notes To Financial Statements**  
**(Unaudited)**  
**March 31, 2014**

has no pending or threatened legal proceedings or administrative actions either by or against the Company that could have a material effect on the Company's business, financial condition, or operations.

**Note 8 Subsequent Events**

On April 17, 2014, we issued 900,000 shares of our common stock in connection with the conversion of \$9,000 of debt payable to Meadpoint Venture Partners, LLC. On April 29, 2014 we paid off all remaining principal, plus interest on this obligation. Further, subsequent to quarter end the Company and Meadpoint Venture Partners terminated the existing marketing and distribution agreement. The Company bears no further obligation and has commenced its own sales and marketing operations. Management believes this will improve overall profitability and lower overall sales costs in the future.

**Note 9 Backlog**

As of March 31, 2014, we had \$482,481 of signed contracts under construction and had received \$314,460 in deposits for the same. This represents a total of 20 PharmPod containers. As described in our Significant Accounting Policies, in accordance with U.S. GAAP, the Company recognizes revenue when pods are delivered, as such, revenue for these sales will be reflected in subsequent financial statements. Six of the backlogged pods shipped at the end of March.