

VALUERICH, INC.

INTERIM REPORT

NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012

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D. Brooks and Associates CPA's, P.A.

Certified Public Accountants • Valuation Analyst • Advisors

Stockholders of
ValueRich, Inc.
West Palm Beach, FL

We have compiled the accompanying consolidated balance sheets of ValueRich, Inc. and Subsidiaries as of September 30, 2013 and December 31, 2012, and the related consolidated statements of operations and cash flows for the nine months ended September 30, 2013 and 2012, and the statement of stockholders' equity for the nine months ended September 30, 2013. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

We are not independent with respect to ValueRich, Inc.

/s/ D. Brooks and Associates CPA's, P.A.

November 26, 2013

VALUERICH, INC.
CONSOLIDATED BALANCE SHEETS - UNAUDITED

	September 30, 2013	December 31, 2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 649,163	\$ 18,464
Accounts receivable - related parties	90,615	7,500
Due from officer	30,374	29,625
Note receivable - related party	531,071	600,015
Deferred financing costs	69,312	43,661
Total current assets	<u>1,370,535</u>	<u>699,265</u>
PROPERTY AND EQUIPMENT, net	<u>169,263</u>	<u>174,110</u>
OTHER ASSETS:		
Real estate held for development	1,397,159	1,221,775
Due from construction escrow	-	43,819
Total other assets	<u>1,397,159</u>	<u>1,265,594</u>
Total assets	<u><u>\$ 2,936,957</u></u>	<u><u>\$ 2,138,969</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 964,653	\$ 529,653
Current portion of notes payable, net	601,060	601,060
Total current liabilities	<u>1,565,713</u>	<u>1,130,713</u>
LONG-TERM LIABILITIES:		
Notes payable, net - less current portion	684,000	-
Total liabilities	<u>2,249,713</u>	<u>1,130,713</u>
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Common stock; \$0.01 par value; 100,000,000 shares authorized; 11,033,377 shares issued and outstanding, respectively	110,333	110,333
Additional paid-in capital	7,499,446	7,452,415
Accumulated deficit	(6,922,535)	(6,554,492)
Total stockholders' equity	<u>687,244</u>	<u>1,008,256</u>
Total liabilities and stockholders' equity	<u><u>\$ 2,936,957</u></u>	<u><u>\$ 2,138,969</u></u>

See accountant's report and accompanying notes to consolidated financial statements.

VALUERICH, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
UNAUDITED

	Nine Months Ended September 30,	
	2013	2012
REVENUE:		
Service income	\$ 6,700	\$ 48,298
Real estate sales	226,170	185,701
Management fees - related party	135,000	135,000
Other Income	71,915	21,000
Net revenue	<u>439,785</u>	<u>389,999</u>
COST OF REVENUE - REAL ESTATE SALES	<u>46,760</u>	<u>36,466</u>
Gross profit	<u>393,025</u>	<u>353,533</u>
OPERATING EXPENSES:		
Salaries and wages	48,443	194,632
Property taxes	156,226	151,647
General and administrative expenses	294,881	110,875
Professional fees	97,235	97,995
Depreciation and amortization expense	4,848	4,572
Total operating expenses	<u>601,633</u>	<u>559,721</u>
LOSS FROM OPERATIONS	<u>(208,608)</u>	<u>(206,188)</u>
OTHER INCOME (EXPENSES):		
Interest expense	(195,347)	(47,256)
Interest income	35,912	35,902
Net other expense	<u>(159,435)</u>	<u>(11,354)</u>
LOSS BEFORE PROVISION FOR INCOME TAXES	(368,043)	(217,542)
INCOME TAX PROVISION	<u>-</u>	<u>-</u>
NET LOSS	<u>\$ (368,043)</u>	<u>\$ (217,542)</u>
NET LOSS PER SHARE - BASIC AND DILUTED	<u>\$ (0.03)</u>	<u>\$ (0.02)</u>
WEIGHTED AVERAGE SHARES OUTSTANDING - BASIC AND DILUTED	<u>11,033,377</u>	<u>10,954,256</u>

VALUERICH, INC.
STATEMENT OF STOCKHOLDERS' EQUITY - UNAUDITED

	Common Stock		Additional	Treasury	Accumulated	
	Shares	Amount	Paid-in	Stock	Deficit	Total
			Capital			
Balance -						
December 31, 2012	11,033,377	\$ 110,333	\$ 7,452,415	\$ -	\$ (6,554,492)	\$ 1,008,256
Stock-based compensation	-	-	47,031	-	-	47,031
Net loss	-	-	-	-	(368,043)	(368,043)
Balance -						
September 30, 2013	<u>11,033,377</u>	<u>\$ 110,333</u>	<u>\$ 7,499,446</u>	<u>\$ -</u>	<u>\$ (6,922,535)</u>	<u>\$ 687,244</u>

See accountant's report and accompanying notes to consolidated financial statements.

VALUERICH, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED

	For Nine Months Ended September 30,	
	2013	2012
CASH FLOW FROM OPERATING ACTIVITIES:		
Net loss	\$ (368,043)	\$ (217,542)
Adjustment to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	4,848	4,572
Stock-based compensation	47,031	73,440
Amortization of deferred financing costs	43,661	42,053
Amortization of debt discount	-	808
Accrued interest on note receivable - related party	(6,056)	-
Changes in operating assets and liabilities:		
Decrease (increase) in trade accounts receivable	(83,115)	9,807
Increase in real estate held for development and sale	(175,384)	(4,376)
Increase in accounts payable and accrued expenses	434,999	89,370
Net cash used in operating activities	<u>(102,059)</u>	<u>(1,868)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Advances for clubhouse construction	(25,493)	(4,415)
Net Advances (to) from POA	(749)	46,951
Purchase of computer equipment	-	(1,623)
Principal payments received on note receivable	75,000	-
Net cash provided by investing activities	<u>48,758</u>	<u>40,913</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Purchase of treasury stock	-	(24,000)
Principal payments on notes payable	-	(179,374)
Proceeds from issuance of notes payable	684,000	-
Net cash (used in) provided by financing activities	<u>684,000</u>	<u>(203,374)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	630,699	(164,329)
CASH AND CASH EQUIVALENTS, Beginning of period	18,464	193,874
CASH AND CASH EQUIVALENTS, End of period	<u>\$ 649,163</u>	<u>\$ 29,545</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	<u>\$ 110,686</u>	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>

See accountant's report and accompanying notes to consolidated financial statements.

VALUERICH, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS NINE MONTHS ENDED SEPTEMBER 30, 2013 and 2012

Note 1 - Organization and Basis of Presentation

ValueRich, Inc. (the “Company”) was incorporated under the laws of the state of Florida on July 11, 2003 and reincorporated in Delaware on March 3, 2006.

On January 20, 2010, the Company’s wholly owned subsidiary, VR Preserve Development, LLC (the “VR Preserve”), acquired certain assets related to the Tesoro Preserve Development located in Port St. Lucie, Florida, (“the Development”) from an unaffiliated third party. The Tesoro Preserve Development is a private 350-acre community with 440 individual home sites in St. Lucie County, Florida. Included in the asset purchase was six (6) waterfront single-family residential lots, seventy-six (76) single family residential lots, approximately seven (7) acres of commercially zoned parcel located adjacent to the residential community, and certain Improvements, Personal Property, Intangible Property, Assigned Agreements, Leases and Interests.

Through its subsidiaries, the Company has built the community clubhouse, two lighted Har-Tru tennis courts, and a community pool. The landscaping has been brought back to a healthy level of growth and management. All lighting and irrigation throughout the community is now working. Through several wholly owned subsidiaries and joint ventures with the managing member of this Company, ValueRich continues to acquire lots in the developments. As of the date of this filing, ValueRich, it’s wholly owned subsidiaries and joint venture partners own over 140 lots in the combined developments. The Company has completed several name changes to certain sections of the Development. The mainland section of the development, which includes 302 lots is now called “Ravello”, the 68 lots located in the exclusive and gated Island section is now named “Island of Ravello” and the 75 separate and distinct lots with their own entrance and exit, located on the Eastern side of the property is now named “Visconti”. The Company was also able to petition to the City of Port St Lucie to change the name of one of its interior roadways. The new Visconti development section, which includes a circular road with interior and exterior lots has renamed its roadway from Via Tagliamento to Via Visconti. The Company believes that the name changes will breathe new life into the development as the real estate market continues to rebound.

In 2013, the Company structured a wholly owned subsidiary named Via Visconti, LLC. (“Visconti”). Visconti is a newly organized limited liability company formed for the purpose of constructing, marketing and selling single-family homes. It is the Company’s intention to produce a “think different” home for the housing industry that creates a new standard of quality, design and technology, while offering tremendous value and green technology cost efficiencies. The homes will incorporate a modern architectural style mixed with Mediterranean and Tuscan elements and be designed to be uniquely different than the typical production home in the Florida market. The initial building plans for the first Visconti model home have been submitted to the City of Port St Lucie building department for a building permit so the company can begin construction.

The Visconti development will offer a unique modern architectural theme with loft-styled, open floor plan interiors. The Visconti home is based on a forward-thinking premise that most homeowners only utilize a portion of their homes and not the entire house. As the Company designed the Visconti floor plan it focused on the most utilized and lived-in spaces while removing or decreasing the size of the less lived-in spaces. The Company believes that the Visconti home is its game changer, and is hopeful that its modern

architecture, open floor plans, high ceilings, use of smart phone/tablet technologies, exotic marbles and granites combined with value pricing will attract new buyers to view and ultimately purchase the homes from the Company. The Visconti model home can be viewed at www.viavisconti.com.

The Company believes homebuyers focus on five components when making a significant purchase: *Quality, Value, Design, Technology and Green* (“*QVDTG*”). The Company’s target consumer group consists of people of all ages, cultures, nationalities and both sexes. The Company’s research shows that the bar has been raised, in that consumers demand for better quality, sleeker design and better value. When compared to traditional homes being marketed and sold in the Florida Treasure Coast area the Company believes that its *QVDTG* concept will generate higher multiples specific to sales data. Taking into account sales prices and square-foot analysis, the Company believes its *QVDTG* will attract a variety of homebuyers from all types of demographic groups, thus increasing the Company’s potential market penetration. Other than the sleek modern condominium towers developed and built in major metropolitan cities, there has been limited *QVDTG* housing developed in the past 20 years. The Company intends to construct up to three (3) Visconti model homes that will showcase architectural uniqueness, quality design, exotic finishes and the newest home technologies including LED lighting, temperature control and state-of-the-art audio/video, all of which are controlled from a smart phone or tablet. The Company believes that after the construction of the model homes, it will be positioned to successfully market, promote and sell the remainder of the lots, and subsequently build homes on these lots.

Note 2 – Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements. The Company bases its estimates on historical experience, management expectations for future performance, and other assumptions as appropriate. Key areas affected by estimates include the assessment of the recoverability of long-lived assets, which is based on such factors as estimated future cash flows. The Company re-evaluates its estimates on an ongoing basis; actual results may vary from those estimates.

Principles of Consolidation

The consolidated financial statements (“financial statements”) include the accounts of ValueRich, Inc. and its wholly-owned subsidiaries; Tesoro Preserve Development, LLC, Tesoro Preserve Opportunity Fund, LLC, Tesoro Club, LLC, VR Circle Holdings, LLC, VR Premier Holdings, LLC, VRPT, LLC, JAMO Development, LLC, Via Visconti, LLC and NOBO Group, LLC and have been prepared in accordance with U.S. generally accepted accounting principles. All intercompany transactions and balances have been eliminated in consolidation.

Investment in Real Estate Held for Development and Sale

Costs incurred that are directly attributable to the acquisition, development, and construction of real estate are capitalized. The carrying amount of real estate held for development and sale is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the real estate may not be recoverable. An impairment loss is recognized if the carrying amount of the real estate

is not recoverable. The carrying amount is not recoverable if it exceeds the undiscounted sum of cash flows expected to result from the disposition of the real estate. If the carrying value is not recoverable, an impairment loss is recorded equal to the excess of the carrying amount of the real estate over its fair value. There have been no events or changes in circumstances that indicate that the carrying amount of the real estate may not be recoverable.

Revenue Recognition

The Company recognizes revenue and profit in full on the sale of real estate when 1) a sale is consummated as indicated by a binding agreement, the exchange of all consideration, arrangement of permanent financing, if any, and all conditions precedent to the closing having been met; 2) the buyer's commitment to pay has been demonstrated and collectability of the sales price is reasonably assured or the amount that will not be collected can be reasonably estimated; 3) any receivable from the buyer is collateralized by the property and not subject to subordination other than by existing or contemplated liens; and 4) the Company has transferred the usual risks and rewards of ownership to the buyer, is not obligated to perform significant activities after the sale without compensation, and does not otherwise have substantial continuing involvement in the property.

The Company recognizes consulting and management fee revenue when persuasive evidence of an arrangement exists, performance has occurred according to the terms of the relevant agreement, the price is fixed and determinable, and collectability is reasonably assured.

Deferred Financing Costs

Direct costs incurred in connection with the issuance of debt are capitalized and amortized into interest expenses over the term of the related debt.

Concentration of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist of cash and cash equivalents. The Company places its cash and cash equivalents with high quality financial institutions which at times may exceed the FDIC insurance limit.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and cash in time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less.

Property, Plant and Equipment

Property and equipment are stated at historical cost and are depreciated using the straight-line method over their estimated useful lives. The useful life and depreciation method are reviewed periodically to ensure that the depreciation method and period are consistent with the anticipated pattern of future economic benefits. Expenditures for maintenance and repairs are charged to operations as incurred while renewals and betterments are capitalized. Gains and losses on disposals are included in the results of operations.

The Company provides for depreciation over the assets' estimated lives as follows:

Building	40 years
Computers, software and equipment	3 years
Furniture and fixtures	5 years
Leasehold improvements	Lesser of lease life or economic life

Impairment or Disposal of Long-lived Assets

The Company applies the provisions of Accounting Standards Codification ("ASC") Topic 360, "Property, Plant, and Equipment," which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. ASC 360 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. In that event, a loss is recognized based on the amount by which the carrying amount exceeds the fair market value of the long-lived assets. Loss on long-lived assets to be disposed of is determined in a similar manner, except that fair market values are reduced for the cost of disposal. The Company has determined that there were no impairments of its long-lived assets during the nine months ended September 30, 2013.

Fair Value of Financial Instruments

On January 1, 2008, the Company adopted FASB ASC 820-10, "Fair Value Measurements and Disclosures." FASB ASC 820-10 defines fair value, and establishes a three-level valuation hierarchy for disclosures of fair value measurement that enhances disclosure requirements for fair value measures. The carrying amounts reported in the consolidated balance sheets for receivables and current liabilities each qualify as financial instruments and are a reasonable estimate of their fair values because of the short period of time between the origination of such instruments and their expected realization and their current market rate of interest. The three levels of valuation hierarchy are defined as follows:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Company did not identify any assets or liabilities that are required to be presented on the balance sheets at fair value as of December 31, 2012 or September 30, 2013 in accordance with FASB ASC Topic 815.

Income Taxes

Income taxes are provided based upon the asset and liability method of accounting in accordance with ASC Topic 740 "Income Taxes". The Company is required to compute deferred income tax assets for net operating losses carried forward. Deferred tax assets and liabilities are measured using enacted tax rates

expected to apply to taxable income in the years in which those temporary differences are expected to be realized or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. The realization of deferred tax assets is assessed throughout the year and a valuation allowance is recorded if necessary to reduce net deferred tax assets to the amount more likely than not to be realized. The potential benefits of net operating losses (“NOLs”) have not been recognized in these financial statements because the Company cannot be assured it is more likely than not it will utilize the net operating losses carried forward in future years.

The Company has an NOL carry forward for income tax reporting purposes that may be offset against future taxable income. Current tax laws limit the amount of loss available to be offset against future taxable income when a substantial change in ownership occurs. Accordingly, the amount available to offset future taxable income may be limited. No tax benefit has been reported in the financial statements, because the Company is uncertain if they will ever be in a position to utilize the NOL carry forward. Accordingly, the potential tax benefits of the loss carry forward are offset by a valuation allowance of the same amount.

The Company is current in its filing of federal income tax returns. The Company believes that the statutes of limitations for its federal income tax returns are open for years after 2007. The Company is not currently under examination by the Internal Revenue Service or any other taxing authority.

The Company’s practice is to recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. As of September 30, 2013 and December 31, 2012, the Company had no accrued interest or penalties.

Basic and Diluted Losses Per Share

Earnings per share is calculated in accordance with the FASB ASC 260, “Earnings Per Share.” Basic earnings per share is based upon the weighted average number of common shares outstanding. Diluted earnings per share is based on the assumption that all dilutive convertible shares and stock options were converted or exercised. There were no potentially dilutive securities outstanding during the nine months ended September 30, 2012 and 2013.

Stock-Based Compensation

The Company records stock-based compensation in accordance with ASC Topic 718, “Compensation – Stock Compensation.” ASC 718 requires companies to measure compensation cost for stock-based employee compensation at fair value at the grant date and recognize the expense over the employee’s requisite service period. Under ASC 718, the Company’s volatility is based on the historical volatility of the Company’s stock or the expected volatility of similar companies. The expected life assumption is primarily based on historical exercise patterns and employee post-vesting termination behavior. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

The Company uses the Black-Scholes option-pricing model which was developed for use in estimating the fair value of options. Option-pricing models require the input of highly complex and subjective

variables including the expected life of options granted and the Company's expected stock price volatility over a period equal to or greater than the expected life of the options. Because changes in the subjective assumptions can materially affect the estimated value of the Company's employee stock options, it is management's opinion that the Black-Scholes option-pricing model may not provide an accurate measure of the fair value of the Company's employee stock options. Although the fair value of employee stock options is determined in accordance with ASC 718 using an option-pricing model, that value may not be indicative of the fair value observed in a willing buyer/willing seller market transaction.

The Company recognizes in the statement of operations the grant-date fair value of stock options and other equity-based compensation issued to employees and non-employees. The Company did not issue any equity based compensation during the nine months ended September 30, 2012. During the nine months ended September 30, 2013, the Company recognized \$73,440 of stock-based compensation expense.

Subsequent Events

The Company has evaluated subsequent events through November 22, 2013 which is the date the consolidated financial statements were available for issuance.

Recently Issued Accounting Standards

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

Note 3 – Note Receivable – Related Party

On January 19, 2010, the Company entered into a four year 8% note receivable agreement with Tesoro Preserve Property Owners Association Inc. ("the POA") evidencing amounts advanced to the POA. The Note Receivable requires monthly payments of principal and interest totaling \$15,000 commencing on February 19, 2010. The note agreement required an initial payment of principal in the amount of \$120,000. Any unpaid principal or interest is due in full upon the earlier of January 14, 2014 or the turnover of the development to the property owners. As of September 30, 2013, and December 31, 2012, the note receivable balance, including accrued interest was \$537,051 and \$600,015, respectively. The Company's chief executive officer is the chairman of the board of directors of the POA.

Note 4 – Notes Payable

Notes payable as of September 30, 2013, and December 31, 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
<p>On February 10, 2010, the Company issued a 6% one-year promissory note in the amount of \$200,000. Accrued interest is due on a monthly basis commencing on March 10, 2010. Any unpaid interest and outstanding principal balance is payable and due on the earlier of February 10, 2011 or when the Company raises a minimum of \$1,500,000 of Investor capital. In connection with the issuance of the note, the Company incurred \$18,305 of financing costs which was amortized over the one-year term of the note. The Company also agreed to issue to the holder 250,000 shares of the Company's common stock. The Company allocated \$35,052 of the net proceeds from the note to the common stock based on their relative fair value on the date of the note issuance. The fair value of the common stock was based on quoted market prices and the amount allocated to the common stock is recorded as a discount which was amortized into expense over the one-year term of the note. In January 2012, the holder of the note agreed to extend the maturity date until August 2012 in exchange for 150,000 shares of the Company's common stock.</p>	\$ 200,000	\$ 200,000
<p>On June 18, 2010, the Company issued a note payable in the amount of \$25,000 pursuant to a private placement offering ("Offering") by its wholly owned subsidiary, Tesoro Preserve Opportunity Fund, LLC ("the Fund"). The proceeds of the note were used to acquire "build ready" home lots, located within the Tesoro Preserve Development that are either bank owned, in foreclosure, or impaired by liens. The note bears interest at an annual rate of 8% and matures in June 2013 unless repaid early as allowed by the terms of the note. The holder of note is entitled to 50% of a pro rate share of the profits of the Fund after repayment of all outstanding principle and interest to all investors in the Offering. Pursuant to the Offering, the Company issued to the holder of the note, 10,000 shares of common stock. The Company allocated \$1,193 of the net proceeds from the note to the common stock based on their relative fair value on the date of the note issuance. The fair value of the common stock was based on quoted market prices and the amount allocated to the common stock is recorded as a discount which will be amortized into expense over the three-year term of the note.</p>	25,000	25,000

Note 4 – Notes Payable (Continued)

	<u>2013</u>	<u>2012</u>
On July 22, 2010, the Company issued a note payable in the amount of \$25,000 pursuant to a private placement offering (“Offering”) by its wholly owned subsidiary, Tesoro Preserve Opportunity Fund, LLC (“the Fund”). The proceeds of the note were used to acquire “build ready” home lots, located within the Tesoro Preserve Development that are either bank owned, in foreclosure, or impaired by liens. The note bears interest at an annual rate of 8% and matures in June 2013 unless repaid early as allowed by the terms of the note. The holder of note is entitled to 50% of a pro rate share of the profits of the Fund after repayment of all outstanding principle and interest to all investors in the Offering. Pursuant to the Offering, the Company will issue to the holder of the note, 10,000 shares of common stock. The Company allocated \$1,589 of the net proceeds from the note to the common stock based on their relative fair value on the date of the note issuance. The fair value of the common stock was based on quoted market prices and the amount allocated to the common stock is recorded as a discount which will be amortized into expense over the three-year term of the note.	25,000	25,000
In April 2011, the Company issued a Promissory Note in the amount of \$500,000 to the investor in the Joint Venture discussed above in exchange for gross proceeds of \$500,000. The Promissory Note accrues interest at an annual rate of 15% and matures on April 8, 2013. Principal and interest payments are payable quarterly commencing in July 2011.	151,060	151,060
In May 2011, the Company issued a Promissory Note in the amount of \$200,000. The Promissory Note accrues interest at an annual rate of 15%, payable monthly commencing on June 2, 2011, and matures on May 15, 2013.	200,000	200,000
During the nine months ended September 30, 2013, the Company issued notes payable with an aggregate face value of \$684,000. The notes are secured by real estate, bear interest at an annual rate of 10% and mature three years from issuance.	684,000	-
Total	1,285,060	601,060
Less current portion	(601,060)	(601,060)
	<u>\$ 684,000</u>	<u>\$ -</u>
Future minimum payments of principal are as follows:		
Twelve months ending September 30,		
2014	\$601,060	
2015	\$ -	
2016	\$684,000	

Note 5 – Related Party Transactions

Management Fees

Effective July 1, 2011, the Company's wholly owned subsidiary entered into a real estate management agreement, pursuant to which the Company provides management services to the POA for a monthly fee of \$15,000. The Company's chief executive officer is the chairman of the board of the POA. The Company earned approximately \$135,000 of management fees during each of the nine months ended September 30, 2013 and 2012.

Note 6 – Litigation

On or about September 30, 2009, DTRS InterContinental Miami, LLC ("DTRS") filed a complaint against ValueRich in the Florida Circuit Court in Miami-Dade County (Case No: 09-88423-CA) alleging breach of a contract for hotel services. DTRS is the operating entity for the InterContinental Hotel in downtown, Miami, Florida (the "Hotel.") DTRS seeks damages in the approximate amount of \$158,500, which the Company has accrued and is included in accounts payable and accrued expenses in the accompanying consolidated balance sheets. ValueRich denies liability in this matter and is vigorously defending against the lawsuit.

Note 7 - Income Taxes

As of December 31, 2012, the Company has available approximately \$6,105,000 of operating loss carry forwards, which may be used in the future filings of the Company's tax returns to offset future taxable income for United States income tax purposes. Net operating losses begin to expire in the year 2025. As of December 31, 2012, the Company has determined that due to the uncertainty regarding profitability in the near future, a 100% valuation allowance is needed with regards to the deferred tax assets. Changes in the estimated tax benefit that will be realized from the tax loss carryforwards and other temporary differences will be recognized in the financial statement in the years in which those changes occur.

The U.S. Federal jurisdiction and Florida are the major tax jurisdictions where the company files income tax returns. The Company does not anticipate U.S. Federal or State examinations by tax authorities for years before 2009.

Note 8 – Subsequent Events

In October 2013, the Company issued notes payable with an aggregate face value of \$76,000 for cash. The notes bear interest at an annual rate of 10% and mature three years from issuance.

