VirZoom, Inc.

REVIEWED FINANCIAL STATEMENTS

December 31, 2016

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F&A

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

FRUCI & ASSOCIATES II
A Professional Limited Liability Company

To the Board of Directors and Management
VirZoom, Inc.
Cambridge, Massachusetts

We have reviewed the accompanying financial statements of VirZoom, Inc. (a Delaware corporation), which comprise the balance sheets as of December 31, 2015 and 2016, and the related statements of operations, stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

As disclosed in Note 9 of the financial statements, VirZoom, Inc. has generated substantial losses to date, relies on outside sources to fund operations, and is not cashflow positive. Accordingly, substantial doubt is raised about VirZoom, Inc.'s ability to continue as a going concern.

Fruci & Associates II, PLLC

Fruci and Associates II, PLLC
Spokane, WA

March 29, 2017

Members of:
WSCPA
AICPA

802 N Washington
PO Box 2163
Spokane, Washington
99210-2163

P 509-624-9223
mail@fruci.com
www.fruci.com

VirZoom, Inc.
Balance Sheets
December 31, 2016 and December 31, 2015

ASSETS

	December 31, 2016	December 31, 2015
Current Assets:		
Cash	$ 239,141	$ 998,089
Accounts Receivable	33,974	-
Inventory	17,354	-
Prepaid items	65,940	13,905
Total current assets	356,409	1,011,993
Property, Plant and Equipment, net	3,564	9,988
Other Assets		
Deposits	32,874	32,874
Total other assets	32,874	32,874
Total Assets	$ 392,847	$ 1,054,856

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31, 2016	December 31, 2015
Liabilities		
Accounts payable and accrued expenses	$ 148,856	$ 96,623
Accrued employee bonuses	132,000	-
Accrued interest - convertible notes	397,719	131,817
Deferred revenue	3,198	11,995
Convertible notes payable	4,379,000	2,524,051
Total current liabilities	5,060,773	2,764,486
Commitments & Contingencies (Note 6)	-	-
Stockholders' Equity:		
Common stock, $.0001 par value; 20,000,000 shares authorized, 7,000,000 and 7,000,000 shares issued and outstanding, respectively	700	700
Additional paid in capital	8,083	516
Accumulated deficit	(4,676,709)	(1,710,846)
Total Stockholders' Equity	(4,667,926)	(1,709,630)
Total Liabilities & Stockholders' Equity	$ 392,847	$ 1,054,856

VirZoom, Inc.
Statements of Operations
Years Ended December 31, 2016 and 2015

	Year ended December 31, 2016	Year ended December 31, 2015
Revenue	$ 323,724	$ -
Cost of goods sold	288,744	-
Gross income	34,980	-
Expenses:		
Payroll	1,688,468	961,962
Advertising and promotion	76,739	200,757
Research and development	217,694	87,568
Consulting fees	198,791	41,771
Professional fees	189,028	94,919
Stock compensation	7,567	516
Rent & facility costs	61,971	43,260
Travel	143,400	93,867
Depreciation	6,424	4,871
General and administrative	144,858	50,138
Total operating expenses	2,734,940	1,579,629
Net loss from operations	(2,699,961)	(1,579,629)
Other income (expense)		
Interest expense	(265,902)	(131,817)
Other income	-	600
Net loss before provision for income tax	$ (2,965,863)	$ (1,710,846)
Provision for income taxes	-	-
Net Loss	$ (2,965,863)	$ (1,710,846)
Loss per common share	$ (0.42)	$ (0.24)
Weighted average number of shares outstanding - Basic and fully diluted	7,000,000	7,000,000

VirZoom, Inc.
Statement of Stockholders' Equity
For the Period from February 13, 2015 (inception) to December 31, 2016

	Common Stock		Additional Paid in	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Deficit	Equity
Balance - February 13, 2015	-	-	-	-	-
Shares Issued	7,000,000	700	-		700
Stock options			516		516
Net loss	-			(1,710,846)	(1,710,846)
Balance December 31, 2015	**7,000,000**	**700**	**516**	**(1,710,846)**	**(1,709,630)**
Shares Issued	-	-	-		-
Stock options			7,567		7,567
Net Loss				(2,965,863)	(2,965,863)
Balance - December 31, 2016	**7,000,000**	**700**	**8,083**	**(4,676,709)**	**(4,667,926)**

VirZoom, Inc.
Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	Year ended December 31, 2016	2015
Cash flows from operating activities:		
Net loss	$ (2,965,863)	$ (1,710,846)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation & amortization expense	6,424	4,871
Stock based compensation	7,567	516
Change in assets and liabilities		
Accounts receivable	(33,974)	-
Accounts payable and accrued expenses	184,232	96,623
Security deposit	-	(32,874)
Accrued note interest	265,902	131,817
Deferred Revenue	(8,797)	11,995
Prepaid expenses	(52,035)	(13,905)
Inventory	(17,354)	-
Net cash (used) provided by operating activities	(2,613,898)	(1,511,803)
Cash flows from investing activities:		
Purchase of PP&E	-	(14,859)
Net cash (used) provided by investing activities	-	(14,859)
Cash flows from financing activities:		
Proceeds from issuance of common stock		700
Proceeds from sale of Convertible notes payable	1,854,949	2,524,051
Net cash (used) provided by financing activities	1,854,949	2,524,751
Net increase (decrease) in cash	(758,949)	998,089
Cash at beginning of period	998,089	-
Cash at end of period	$ 239,141	$ 998,089
Supplemental cash flow information:		
Cash paid during the period for:		
Interest	$ -	$ -
Income taxes	-	$ -

Note 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

VirZoom, Inc. was incorporated in Delaware on February 13, 2015 and is headquartered in Cambridge, Massachusetts. The Company develops and sells virtual reality, multi-player games made for active motion control on a stationary bicycle. VirZoom has generated revenues by selling its products either directly online or via a number of partnerships which were launched in 2016.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All such adjustments are of a normal recurring nature.

Some items in the prior year financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior year net income or shareholders' equity.

Revenue Recognition

The Company recognizes revenue only when all of the following criteria have been met:
Persuasive evidence of an arrangement exists;
Delivery has occurred or services have been rendered;
The fee for the arrangement is fixed or determinable; and
Collectability is reasonably assured.

Persuasive Evidence of an Arrangement—The Company documents all terms of an arrangement in a written contract signed by the customer prior to recognizing revenue.

Delivery Has Occurred or Services Have Been Performed—The Company performs all services or delivers all products prior to recognizing revenue. Monthly services are considered to be performed ratably over the term of the arrangement. Professional consulting services are considered to be performed when the services are complete. Equipment is considered delivered upon delivery to a customer's designated location.

The Fee for the Arrangement Is Fixed or Determinable—Prior to recognizing revenue, a customer's fee is either fixed or determinable under the terms of the written contract. Fees for most monthly services, professional consulting services, and equipment sales and rentals are fixed under the terms of the written contract. Fees for certain monthly services, including certain portions of networking, storage, and content distribution and caching services, are variable based on an objectively determinable factor such as usage. Those factors are included in the written contract such that the customer's fee is determinable. The customer's fee is negotiated at the outset of the arrangement and is not subject to refund or adjustment during the initial term of the arrangement.

Collectability Is Reasonably Assured—The Company determines that collectability is reasonably assured prior to recognizing revenue. Collectability is assessed on a customer by customer basis based on criteria outlined by management. New customers are subject to a credit review process, which evaluates the customer's financial position and ultimately its ability to pay. The Company does not enter into arrangements unless collectability is reasonably assured at the outset. Existing customers are subject to ongoing credit evaluations based on payment history and other factors. If it is determined during the arrangement that collectability is not reasonably assured, revenue is recognized on a cash basis.

VirZoom recognizes revenue for direct sales when the equipment is shipped to the end user. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded.

Accounts Receivable

VirZoom uses third-party processors such as Celery and Stripe to manage its payments from customers. These third-party provide periodic reports detailing the unit sales and the Company then books accounts receivable for the proceeds owed by the third-parties. Management considers the following factors when determining the collectability of specific customer accounts: customer creditworthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. Past due balances over 90 days and other higher risk amounts are reviewed individually for collectability. If the financial condition of the Company's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the Company provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after the Company has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Most of the Company's products are paid for in advance and, as such, no allowance for doubtful accounts has been established as of December 31, 2015 or 2016.

Inventory

VirZoom's inventory consists of units of stationary bikes that are retrofitted with the Company's proprietary technology. Inventories are stated at the lower of cost (average costs) or market (net realizable value). Inventory as of December 31, 2016 consisted solely of finished products at the Company's warehouses in China or Mexico. No on-hand inventory was present as of December 31, 2015.

Property & Equipment

VirZoom's property & equipment consists of computer equipment and tenant improvements at its facilities in Cambridge Massachusetts. The computer equipment is depreciated over 3 years and the tenant improvements are amortized over the life of the facility lease, which is 2 years.

Define Contribution Plan

Certain employees are covered by defined contribution plans. The Corporation's contributions to these plans are based on a percentage of employee compensation or employee contributions. These plans are funded on a current basis.

Shipping & Handling

The Company's shipping and handling costs are expensed as incurred and charged to cost of goods sold.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the balance sheets and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Net Income (Loss) Per Common Share

The Company calculates net income (loss) per share based on the authoritative guidance. Basic earnings (loss) per share is calculated by dividing net income (loss) by the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per share is calculated by dividing net income (loss) by the weighted average number of common shares and dilutive common stock equivalents outstanding. During periods in which the Company incurs losses, common stock equivalents, if any, are not considered, as their effect would be anti-dilutive.

Income Taxes

The Company utilizes the accrual method of accounting for income taxes. Under the accrual method, deferred tax assets and liabilities are determined based on the differences between the financial reporting basis and the tax basis of the assets and liabilities, and are measured using enacted tax rates and laws that will be in effect when the differences are expected to reverse. An allowance against deferred tax assets is recognized, when it is more likely than not, that such tax benefits will not be realized.

The Company recognizes the financial statement benefit of an uncertain tax position only after considering the probability that a tax authority would sustain the position in an examination. For tax positions meeting a “more-likely-than-not” threshold, the amount recognized in the financial statements is the benefit expected to be realized upon settlement with the tax authority. For tax positions not meeting the threshold, no financial statement benefit is recognized. The Company recognizes interest and penalties, if any, related to uncertain tax positions in income tax expense. The Company did not have any unrecognized tax benefits as of December 31, 2016, and does not expect this to change significantly over the next 12 months.

Stock-Based Compensation

The Company accounts for equity instruments issued to employees in accordance with ASC 718, Compensation - Stock Compensation. ASC 718 requires all share-based compensation payments to be recognized in the financial statements based on the fair value on the issuance date.

Equity instruments granted to non-employees are accounted for in accordance with ASC 505, Equity. The final measurement date for the fair value of equity instruments with performance criteria is the date that each performance commitment for such equity instrument is satisfied or there is a significant disincentive for non-performance.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents.

Recent Accounting Pronouncements
No recently issued accounting pronouncements are expected to have a significant impact on the Company's financial statements

Note 2. PROPERTY, PLANT AND EQUIPMENT (NET)

Equipment is recorded at cost and consisted of the following at December 31, 2016 and December 31, 2015:

	2016	2015
PP&E	$ 14,859	$ 14,859
Less: accumulated depreciation	(11,295)	(4,871)
	$ 3,564	$ 9,988

Depreciation expense for the years ended December 31, 2016 and December 31, 2015 was $6,424 and $4,871, respectively.

Note 3. DEPOSITS & PREPAIDS

As of December 31, 2015 and 2016 the Company's deposits account consists of $7,874 representing the first and last month's lease payments, and a $25,000 deposit with Square 1 Bank, which serves as collateral for its corporate credit card. The Company's prepaid expenses consist of the following:

	December 31, 2016	December 31, 2015
Prepaid insurance	4,669	4,444
Prepaid inventory costs	57,536	-
Other prepaid expenses	3,735	9,461
Total	65,940	13,905

Note 4. CONVERTIBLE NOTES PAYABLE

VirZoom has issued convertible debt notes to fund its operations to date, totaling $4,379,000 in note principal issued through December 31, 2016.. These notes have a Maturity Date of March 30, 2017 and accrue simple interest at the rate of 8% per annum through March 31, 2017. All outstanding principal and accrued and unpaid interest under the Note shall be automatically converted into equity securities of the Company in connection with the closing of the first sale of equity securities involving gross proceeds to the Company of not less than two million dollars ($2,000,000). See further detail in Note 10 below.

The conversion will be equal to the quotient of (i) the principal balance of this Note plus all accrued and unpaid interest thereon divided by (ii) the lesser of (x) eighty five percent (85%) of the per share price at which such equity securities are sold by the Company in the Subsequent Qualified Financing, and (y) the price per share for all shares of common stock, $0.0001 par value per share, of the Company ("Common Stock") outstanding immediately prior to the closing of the Subsequent Qualified Financing, calculated on a fully diluted basis assuming the Company's pre-money equity value is equal to five million five hundred thousand dollars ($5,500,000.00) (the "Valuation Cap").

If no Subsequent Qualified Financing shall have closed prior to the Maturity Date, and the Note has not otherwise been converted, then, effective as of the Maturity Date, all outstanding principal and accrued and unpaid interest under this Note shall be automatically converted into shares of Maturity Date Preferred Stock (as defined in the agreement) at a conversion price equal to the deemed value per share of the Common Stock on the Maturity Date.

At the option of the noteholder, all outstanding principal and accrued and unpaid interest shall be converted into equity securities of the Company in connection with the closing of a sale of equity securities in connection with any equity financing of the Company after the Effective Date that is not a Subsequent Qualified Financing ("Other Financing"), if, and only if, the Note is outstanding at the time of the closing of such Other Financing and such Other Financing occurs before the Maturity Date.

Upon a conversion, all outstanding principal and accrued and unpaid interest under this Note will convert into a number of the equity securities sold by the Company in the Other Financing equal to the quotient of (i) the principal balance of this Note plus all accrued and unpaid interest thereon divided by (ii) the lesser of (x) eighty five percent (85%) of the per share price at which such equity securities are sold by the Company in the Other Financing and (y) the price per share for all shares of Common Stock outstanding immediately prior to the closing of the Other Financing.

Interest accrued on the Company's convertible notes was $397,719 and $131,817 as of December 31, 2016 and 2015, respectively.

Note 5. STOCKHOLDERS' EQUITY

The Company has 10,000,000 authorized shares at a par value of $.0001. During the year ended December 31, 2015, 7,000,000 shares were sold for an aggregate $700 in cash proceeds. No common stock was sold during the year ended December 31, 2016.

During the year ended December 31, 2015, the Company issued an aggregate 290,000 options, exercisable at $.01 per share, vesting ratably over a 12-48 month period. During the year ended December 31, 2016, the Company issued an aggregate 351,000 options, exercisable at $.01 per share, and vesting between 1-48 months from issuance.

We recognized stock compensation expense ratably over the vesting periods in the amounts of $515 and $7,567 during the years ended December 31, 2015 and 2016, respectively, which was charged to paid-in capital. We expect an additional $9,141 to be expensed over the remaining vesting period.

Note 6. COMMITMENTS AND CONTINGENCIES

The Company leases office space at 56 JFK Street in Cambridge Massachusetts for $3,937 per month. The lease has a term of 2 years from April 1, 2015 until March 31, 2017 and the Company exercised an option extend the lease for an additional 2-year term, commencing on April 1, 2017. Minimum lease payments are as follows:

Year ended December 31,
2017 - $47,244
2018 - $47,244
2019 - $11,811
Total minimum lease payments: $106,299

Note 7. INCOME TAXES

The Company's deferred tax asset consists primarily of carryforward net operating losses (NOLs). The Company believes that, at this time, it is more likely than not that the benefit of the NOLs will not be realized and has therefore recorded a full valuation allowance.

The income tax benefit differs from the amount computed by applying the statutory federal and state income tax rates to the loss before income taxes. The sources and tax effects of the differences are as follows:

	December 31, 2016	December 31, 2015
Statutory federal income tax rate	35 %	35 %
State income taxes, net of federal taxes	8 %	8 %
Valuation allowance	(43) %	(43) %
Effective income tax rate	- %	- %

As of December 31, 2016, the Company has a net operating loss carryforward of approximately $4,275,000 to reduce future federal taxable income which begins to expire in the year 2038. The Company is also subject to corporate taxes in the State of Massachusetts which has similar net operating loss carryover provisions which start to expire in the year 2038.

The Company currently has no federal or state tax examinations in progress, nor has it had any federal or state examinations since its inception. All of the Company's open tax years beginning in tax year 2015 are subject to federal and state tax examinations.

Note 8. RELATED PARTY TRANSACTIONS

The three members of the Company's board, Eric Janszen, Eric Malafeew and Sunil Tahiliani are investors in the 2015 convertible note at the amounts of $250,000, $25,000 and $25,000, respectively, as of March 28th, 2017. Eric Janszen and Eric Malefeew are employees of the company; Eric Janszen is Co-founder, President and Chief Executive Officer and Eric Malafeew is the Co-Founder and Chief Technology Officer. Sunil Tahiliani has never been and is not currently an employee of the Company.

Note 9. BASIS OF REPORTING - GOING CONCERN

The accompanying financial statements have been prepared assuming the Company will continue as a going concern, which contemplates the recoverability of assets and the satisfaction of liabilities in the normal course of business.

The Company has incurred losses from inception of approximately $4,676,000 which, among other factors, raises substantial doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent upon management's plans to raise additional capital from the issuance of debt or the sale of stock, its ability to commence profitable sales of it's flagship product, and its ability to generate positive operational cash flow. The accompanying financial statements do not include any adjustments that might be required should the Company be unable to continue as a going concern.

Note 10. SUBSEQUENT EVENTS

On February 1, 2017, the Company and its landlord entered into a mutual agreement to exercise its option of an extension for an additional 2-year lease term, commencing April 1, 2017.

Between January 1, 2017 and March 15, 2017, the Company issued an aggregate $344,000 in new convertible debt. Of this amount, an aggregate $75,000 was issued to related parties.

In March 2017, the Company's Board of Directors authorized the following actions:

- Increase in the Company's authorized shares from 10,000,000 to 20,000,000
- Increase in common shares reserved for issuance under an equity incentive plan from 1,000,000 to 1,500,000
- Increase in stock options reserved for issuance from 1,000,000 to 1,500,000
- Repurchase of 180,000 shares from a single shareholder at $.0001 per share to be returned to Treasury
- Cancellation of 80,000 outstanding stock options in connection with the aforementioned share repurchase

In March 2017, the Company entered into a 6th Amendment to its outstanding convertible debt agreements (Note 4), amending the maturity date from March 30, 2017 to March 31, 2018 and reducing the simple interest rate from 8% to 1.01% beginning on April 1, 2017. The amendment also stipulates that all notes will be automatically converted into common shares of the Company in connection with the closing of an equity financing of not less than $2,000,000 or into preferred shares of the Company if no qualified financing is completed.

In March 2017, the Company approved an executive bonus plan, in which an aggregate $243,000 will be paid to three of the Company's employees upon the successful completion of a Series A financing.

The Company has evaluated subsequent events through March 29, 2017, the date these financial statements were available to be issued, and has identified no events, other than those above, that would require additional disclosure in these financial statements.