SHARK WHEEL, LLC

CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED

DECEMBER 31, 2017 AND 2016

(unaudited)

Together with Accountants' Review Report

Shark Wheel, LLC

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dbbmckennon
Certified Public Accountants
Registered Firm - Public Company Accounting Oversight Board

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Management and Members
Shark Wheel, LLC
Lake Forest, California

We have reviewed the accompanying financial statements of Shark Wheel, LLC and subsidiaries (collectively the "Company"), a California LLC, which comprise the consolidated balance sheets as of December 31, 2017 and 2016 and the related consolidated statements of operations and members' equity (deficit), and of cash flows for the years then ended, and the related notes to the consolidated 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 consolidated 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 consolidated 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.

Accountants' Responsibility

Our responsibility is to conduct the review engagements 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 consolidated 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.

Accountants' Conclusion

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

Going Concern

As discussed in Note 3, certain conditions indicate that the Company may be unable to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern. Our conclusion is not modified with respect to that matter.

Newport Beach, California
December 26, 2018

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Shark Wheel, LLC
Consolidated Balance Sheets
(unaudited)

	December 31, 2017	December 31, 2016
ASSETS		
Current Assets		
Cash	$ 662,576	$ 233,640
Accounts receivable	3,876	4,138
Inventories	152,442	70,359
Deposits on inventory	79,390	-
Advance to related party	28,469	23,240
Total Current Assets	926,753	331,377
Fixed assets, net	13,892	17,584
Intangible assets	9,246	9,246
Note receivable from related party	-	25,812
Other noncurrent assets	7,008	16,477
Total Assets	$ 956,899	$ 400,496
LIABILITIES & MEMBERS' EQUITY		
Current Liabilities		
Accounts payable	$ 125,874	$ 47,042
Accrued liabilities	2,789	8,327
Deferred revenue	75,560	-
Total Current Liabilities	204,223	55,369
Members' Equity		
Members' equity	793,369	345,127
Equity subscription receivable	(40,693)	-
Total Members' Equity	752,676	345,127
Total Liabilities & Members' Equity	$ 956,899	$ 400,496

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

Shark Wheel, LLC
Consolidated Statements of Operations and Members' Equity (Deficit)
(unaudited)

	For the Year Ended	
	December 31, 2017	**December 31, 2016**
Revenue	$ 770,699	$ 708,820
Cost of goods sold	432,679	313,314
Gross Profit	338,020	395,506
Operating Expenses		
Sales and marketing	322,416	152,618
General and administrative	643,149	367,682
Research and development	102,274	209,110
Total Operating Expenses	1,067,839	729,410
Operating Loss	(729,819)	(333,904)
Other Expense (Income)		
Loss on extinguishment	-	176,506
Interest expense	830	9,493
Interest income	(1,580)	(645)
Loss Before Income Taxes	(729,069)	(519,258)
Income taxes	5,494	15,652
Net Loss	$ (734,563)	$ (534,910)
Beginning Members' Equity (Deficit)	$ 345,127	$ (633,366)
Net loss	(734,563)	(534,910)
Extinguishment of convertible debt	-	988,400
Offering costs	(42,673)	-
Membership units purchased	1,225,478	525,003
Ending Members' Equity	$ 793,369	$ 345,127

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

Shark Wheel, LLC
Consolidated Statements of Cash Flows
(unaudited)

	For the Year Ended	
	December 31, 2017	**December 31, 2016**
Cash Flow From Operating Activities:		
Net loss	$ (734,563)	$ (534,910)
Adjustments to reconcile net loss to cash flows used in operating activities:		
Depreciation and amortization	9,902	7,981
Loss on extinguishment	-	176,506
Changes in operating assets and liabilities:		
Accounts receivable	262	3,659
Inventories	(82,083)	(31,101)
Deposits on inventory	(79,390)	-
Accounts payable and accrued liabilities	73,294	26,673
Deferred revenue	75,560	-
Net cash used in operating activities	(737,018)	(351,192)
Cash Flow From Investing Activities:		
Purchase of fixed assets	(6,210)	(2,712)
Advance to related party	(5,229)	(7,218)
Note receivable from related party	25,812	-
Other assets	9,469	(5,197)
Net cash provided by (used in) investing activities	23,842	(15,127)
Cash Flow From Financing Activities:		
Membership units purchased, net of offering costs	1,142,112	525,003
Net cash provided by financing activities	1,142,112	525,003
Increase in cash and cash equivalents	428,936	158,684
Cash and equivalents, beginning of year	233,640	74,956
Cash and equivalents, end of year	$ 662,576	$ 233,640
Supplemental Cash Flow Information:		
Cash paid during the year for:		
Income taxes	$ 5,494	$ 15,652
Interest	-	-
Non-cash investing and financing activities:		
Subscription receivable	$ 40,693	$ -
Conversion of debt into LLC units	$ -	$ 811,894

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

Shark Wheel, LLC
Notes to Consolidated Financial Statements
(unaudited)

NOTE 1 – NATURE OF OPERATIONS

Shark Wheel, LLC was formed on October 24, 2012 in the State of California. The consolidated financial statements of Shark Wheel, LLC and its subsidiaries (collectively the "Company" or "LLC") are prepared in accordance with accounting principles generally accepted in the United States of America. The Company's headquarters are located in Lake Forest, California.

The Company develops, manufactures, and markets helical wheels that, rather than being the traditional circular shape, are composed of one or many three-dimensional sine waves. The Shark Wheel is a more efficient wheel with performance advantages in speed, friction, longevity, and off-road capabilities. It provides better maneuverability over debris, water, and other conditions that deteriorate the performance of conventional wheels. It is currently marketed for skateboard, longboard, and roller skate applications, but future applications include luggage wheels, pallet jack wheels, ambulance stretcher wheels, wheelchair wheels, as well as other transportation and industrial applications. Shark Wheel has already begun development on many of these wheels, working with many industry-leading partners in development deals. Shark Wheel will manufacture in certain industries and license its technology in other markets.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation
The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America ("US GAAP").

Principles of Consolidation
The accompanying consolidated financial statements include the accounts of Shark Wheel, LLC and Subsidiaries, Shark Wheel Industrial Products, LLC, Shark Wheel Skate LLC, Shiver, LLC, and Shark Wheel Sports LLC (dba Fathom), its wholly-owned subsidiaries. Significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates
Preparation of the consolidated financial statements in conformity with US GAAP requires us to make certain estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could ultimately differ from these estimates. It is reasonably possible that changes in estimates may occur in the near term.

Fair Value of Financial Instruments
Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants as of the measurement date. Applicable accounting guidance provides an established hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect our assumptions about the factors that market participants would use in valuing the asset or liability. There are three levels of inputs that may be used to measure fair value:

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
Level 2 - Include other inputs that are directly or indirectly observable in the marketplace.
Level 3 - Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Fair-value estimates discussed herein are based upon certain market assumptions and pertinent information available to us as of December 31, 2017 and 2016. Fair values of the Company's financial instruments were assumed to approximate carrying values because of the instruments' short-term nature.

Cash and Cash Equivalents
For purpose of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable
Accounts receivable are recorded at the invoiced amount and are non-interest-bearing. The Company maintains an allowance for doubtful accounts to reserve for potential uncollectible receivables. As of December 31, 2017 and 2016, there was no reserve deemed required by us.

Inventories
Inventories are valued at the lower of first-in, first-out, cost, or market value (net realizable value). Management regularly reviews inventory quantities on hand and records a provision for excess and slow-moving inventory based primarily on estimated forecast of product demand and related product expiration dates.

Fixed Assets
Fixed assets are stated at cost. The Company's fixed assets are depreciated using the straight-line method over the estimated useful life of five (5) to seven (7) years. At the time of retirement or other disposition of property and equipment, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in operations.

Intangible Assets
Intangible assets with finite lives are amortized over their respective estimated lives and reviewed for impairment whenever events or other changes in circumstances indicate that the carrying amount may not be recoverable. The impairment testing compares carrying values to fair values and, when appropriate, the carrying value of these assets is reduced to fair value. Impairment charges, if any, are recorded in the period in which the impairment is determined. No impairment was deemed necessary for the periods presented.

Impairment of Long-Lived Assets
The Company reviews its long-lived assets in accordance with Accounting Standards Codification ("ASC") 360-10-35, *Impairment or Disposal of Long-Lived Assets*. Under that directive, long-lived assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Such group is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. When such

factors and circumstances exist, the projected undiscounted future cash flows associated with the related asset or group of assets over their estimated useful lives are compared against their respective carrying amount. Impairment, if any, is based on the excess of the carrying amount over the fair value, based on market value when available, or discounted expected cash flows, of those assets and is recorded in the period in which the determination is made.

Accounting for Convertible Notes and Securities with Beneficial Conversion Features
Convertible debt is accounted for under the guidelines established by ASC 470-20, *Debt with Conversion and Other Options*. ASC 470-20 governs the calculation of an embedded beneficial conversion, which is treated as an additional discount to the instruments where derivative accounting does not apply. The amount of the beneficial conversion feature may reduce the carrying value of the instrument. The discounts relating to the initial recording of the derivatives or beneficial conversion features are accreted over the term of the debt. When beneficial conversion features are based on a future contingent event, the beneficial conversion feature is deferred and recorded at the time when the contingency no longer exists.

The Company accounts for modifications of its note terms in accordance with ASC 470-50, *Modifications and Extinguishments*. ASC 470-50 requires the modification of a convertible debt instrument that changes the fair value of an embedded conversion feature and the subsequent recognition of interest expense or the associated debt instrument when the modification does not result in a debt extinguishment. During the year ended December 31, 2016, the Company came to an agreement with convertible debt noteholders to convert the debt outside the terms of the original agreement, which resulted in an extinguishment of the existing debt and the accounting for a new debt. See Note 6.

Revenue Recognition
The Company will recognize revenue from the sale of products and services when (a) pervasive evidence that an agreement exists, (b) the product or service has been delivered, (c) the prices are fixed and determinable and not subject to refund or adjustment, and (d) collection of the amounts due are reasonably assured. Revenue is deferred in instances when the above criteria are not met.

Advertising
The Company expenses advertising costs as incurred.

Research and Development
The Company incurs research and development costs during the process of researching and developing its technologies and future product offerings. Research and development costs consist primarily of modifying wheels for commercial applications in various industries and designing mother molds from which production molds will be made. These costs are expensed as incurred until the resulting product has been completed, tested, and made ready for commercial use.

Stock-Based Compensation
The Company accounts for stock options issued to employees under ASC 718, *Share-Based Payment*. Under ASC 718, share-based compensation cost to employees is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense over the employee's requisite vesting period. The fair value of each stock option or warrant award is estimated on the date of grant using the Black-Scholes option valuation model.

The Company measures compensation expense for its non-employee stock-based compensation under ASC 505, *Equity*. The fair value of the option issued or committed to be issued is used to measure the transaction, as this is more reliable than the fair value of the services received. The fair value is measured at the value of the Company's units on the date that the commitment for performance by the counterparty has been reached or the counterparty's performance is complete. The fair value of the equity instrument is charged directly to stock-based compensation expense and credited to members' equity.

Income Taxes
The Company is a limited liability corporation. Under these provisions, the Company does not pay federal corporate income taxes on its taxable income. Instead, the shareholders are liable for individual federal and state income taxes on their respective shares of the Company's taxable income. The Company will pay state income taxes at reduced rates.

Concentration of Credit Risk

Cash - The Company maintains its cash with a major financial institution, which it believes to be creditworthy, located in the United States of America. The Federal Deposit Insurance Corporation insures balances up to $250,000. At times, the Company may maintain balances in excess of the federally insured limits.

Accounts Payable – As of December 31, 2017 one vendor accounted for 60% of accounts payable. Management believes that the loss of this vendor would not have a material impact on the Company's financial position, results of operations and cash flows.

NOTE 3 – GOING CONCERN

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. The Company has incurred losses from operations and had net cash used in operating activities of $779,691 and $351,192 for the years ended December 31, 2017 and 2016, respectively. These matters raise substantial doubt about the Company's ability to continue as a going concern.

During the next 12 months, we intend to fund the Company's operations through the sale of products and debt and/or equity financing. There are no assurances that management will be able to raise capital on terms acceptable to the Company. If it is unable to obtain sufficient amounts of additional capital, it may be required to reduce the scope of its planned operations, which could harm its business, financial condition, and operating results. The accompanying consolidated financial statements do not include any adjustments that might result from these uncertainties.

NOTE 4 – INVENTORIES

The Company had finished goods inventories of $152,442 and $70,359 as of December 31, 2017 and 2016, respectively. Additionally, the Company had deposits on inventory of $79,390 and $0 as of December 31, 2017 and 2016, respectively. The Company does not hold any raw materials or work-in-process inventories.

NOTE 5 – FIXED ASSETS

Fixed assets are comprised of the following:

	December 31, 2017	December 31, 2016
Furniture and Equipment	$ 15,910	$ 14,970
Molds	24,756	19,532
	40,666	34,502
Less accumulated depreciation	(26,774)	(16,918)
	$ 13,892	$ 17,584

Depreciation expense for the years ended December 31, 2017 and 2016 was $9,902 and $5,991, respectively.

NOTE 6 – CONVERTIBLE DEBT

In 2014, the Company issued convertible debt with a total principal amount of $500,000. In 2015, the Company issued additional convertible debt with a principal amount of $250,000. The notes were convertible into membership units based on the lesser of 85% of the unit price paid by other purchasers of membership units sold by the Company in a qualified financing event and the unit price resulting from a $10 million valuation. The debt had an interest rate of 6% per annum, a term of two years, and would have automatically converted upon a qualified financing event.

In March 2016, the Company and noteholders agreed to voluntarily convert the note outside of a qualified financing event. The noteholders received bonus interest equal to the amount of interest that would have accrued had the notes been held to maturity and also received a 15% discount on the LLC unit price upon conversion. Accordingly, the Company recognized a loss on extinguishment of $176,506 based on the fair value of the units at the time of conversion. The fair value was based on the price of recent sales of units for cash. The notes were converted into 1,282,119 LLC units upon settlement of the related debt.

NOTE 7 – RELATED-PARTY TRANSACTIONS

In December 2015, the Company issued a note with a principal amount of $25,812 to one of its co-founders. The note had an interest rate of 2.5% and a term of five years. The note was paid off in full during the year ended December 31, 2017. The note receivable balance was $0 and $25,812 as of December 31, 2017 and 2016, respectively.

Shark Wheel Skate, LLC has advanced funds to a company whose members are also members of Shark Wheel, LLC. The advance to related party balance was $28,469 and $23,240 as of December 31, 2017 and 2016, respectively.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Litigation
The Company is not currently involved with, and does not know of any, pending or threatened litigation against the Company or any of its officers.

Leases
The Company leases office and warehouse facilities in Lake Forest, California. The lease extends through January 2020 with base rents ranging from $2,234 to $2,470. The following table shows the future annual minimum obligations under lease commitments in effect at December 31, 2017:

2018	$	40,290
2019		41,702
2020		3,485
	$	85,477

NOTE 9 – MEMBERS' EQUITY (DEFICIT)

During March 2016, a group of investors entered into subscription agreements with the Company to purchase 324,298 LLC units for $250,000 with rights to purchase an additional 324,298 units at $0.77 per unit by the end of December 2016. The investors exercised their rights to purchase the additional 324,298 LLC units during the remainder of 2016 for aggregate proceeds of $250,000.

Also in March 2016, the Company's convertible debt converted into 1,282,119 LLC units upon settlement of the related debt. Refer to Note 6–Convertible Debt for further discussion. Additionally, one of the convertible debt noteholders purchased an additional 32,429 units outside of the conversion.

During the year ended December 31, 2017, the Company sold 686,337 LLC units for $600,000 to private investors. The Company also sold 625,478 LLC units through a Regulation Crowdfunding offering and received proceeds of $542,132, net of offering costs of $42,673 and a subscription receivable of $40,693.

Total LLC units outstanding as of December 31, 2017 and 2016 was 16,311,839 and 15,000,024, respectively.

The Company's profits and losses are allocated pro rata to members based on their ownership percentages.

NOTE 10 – SUBSEQUENT EVENTS

The Company is currently in the process of converting Shark Wheel LLC to a corporation.

We have evaluated subsequent events that occurred after December 31, 2017 through December 26, 2018, the issuance date of these consolidated financial statements. There have been no other events or transactions during this time that would have a material effect on the consolidated financial statements.