ORHUB, INC.

QUARTERLY FINANCIAL STATEMENTS
-UNAUDITED-

SEPTEMBER 30, 2017

Chief Financial Officer Certification

I, Lanny R. Lang, certify that:

I have reviewed ORhub, Inc.'s unaudited financial statements as of September 30, 2017 and for the three months ending September 30, 2017 and 2016. Based on my knowledge, the unaudited financial statements, and other financial information included herein, fairly present in all material respects the financial condition, results of operations and cash flows of ORhub, Inc. as of and for the periods presented.

*_/s/ Lanny R. Lang_*	November 20, 2017
Lanny R. Lang Chief Financial Officer	Date

ORHUB, INC.
BALANCE SHEETS
(Unaudited)

		September 30, 2017		June 30, 2017
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$	43,864	$	4,274
Deposits, prepaid expenses and other current assets		95,426		85,334
Total current assets		139,290		89,608
PROPERTY AND EQUIPMENT, net of accumulated depreciation of $2,640 and $9,726, respectively		35,942		31,287
	$	175,232	$	120,895
LIABILITIES AND STOCKHOLDERS' DEFICIT				
CURRENT LIABILITIES:				
Accounts payable	$	402,081	$	247,794
Accounts payable to related parties		69,702		104,200
Accrued salaries and payroll taxes		18,564		101,242
Accrued liabilities		64,867		47,854
Accrued interest payable to related party		2,553		27,099
Loans due to related parties		81,700		33,700
Note payable		-		12,330
Current portion of long-term debt		-		150,000
Total current liabilities		639,467		724,219
LONG-TERM LIABILITIES:				
Note payable due to related parties, net of current portion		-		-
Convertible Notes payable		1,426,800		678,300
Total long-term liabilities		1,426,800		678,300
Total liabilities		2,066,267		1,402,519
STOCKHOLDER'S DEFICIT:				
Preferred stock - undesignated, $0.001 par value; 7,775,827 shares authorized		-		-
Common stock, $0.001 par value; 190,000,000 shares authorized, 130,035,027 and 128,716,527 issued and outstanding, respectively		130,035		128,717
Additional paid-in capital		4,923,779		4,285,765
Accumulated deficit		(6,944,849)		(5,696,106)
Total stockholders' deficit		(1,891,035)		(1,281,624)
	$	175,232	$	120,895

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

ORHUB, INC.
STATEMENTS OF OPERATIONS
(Unaudited)

	For the three months ended September 30, 2017	For the three months ended September 30, 2016
OPERATING EXPENSES		
Software development	$ 596,041	$ 242,797
Selling and marketing	231,765	54,129
General and administrative	322,439	192,483
Legal and professional fees	62,123	42,764
Depreciation and amortization	2,765	1,249
Total operating expenses	1,215,133	533,422
OTHER INCOME/(EXPENSE):		
Interest expense	33,611	(15,125)
Total other income	33,611	(15,125)
NET INCOME / (LOSS)	$ (1,181,522)	$ (548,547)
BASIC AND DILUTED NET INCOME (LOSS) PER SHARE	$	$ 0.00
BASIC AND DILUTED WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		117,666,134

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

ORHUB, INC.
STATEMENTS OF CASH FLOWS
(Unaudited)

	For the three months ended September 30, 2017	For the three months ended September 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (1,248,744)	$ (548,547)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	2,765	1,249
Common stock issued for services	27,583	-
Convertible Note issued for finder fees	18,500	-
Changes in operating assets and liabilities:		
Employee travel advances	(6,423)	(3,000)
Deposits, prepaid expenses and other current assets	(3,669)	(23,689)
Accounts payable	154,287	(27,954)
Accounts payable to related parties	(34,498)	88,177
Accrued salaries and payroll taxes	(82,678)	(26,016)
Accrued liabilities	17,014	(16,886)
Accrued interest payable to related party	(24,547)	-
Net cash used in operating activities	(1,180,410)	(556,666)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(7,420)	(6,792)
Net cash used in investing activities	(7,420)	(6,792)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Common stock issued upon exercise of warrants	578,000	682,464
Common stock sold in private placement	33,750	161,569
Borrowings on Convertible Notes	790,000	-
Repayments of Note Payable	(12,330)	-
Loan repayments to related parties	(162,000)	(42,305)
Net cash provided by financing activities	1,227,420	801,728
NET CHANGE IN CASH	39,590	238,270
CASH AT BEGINNING OF PERIOD	4,274	192
CASH AT END OF PERIOD	$ 43,864	$ 238,462

-Continued-

ORHUB, INC.
STATEMENTS OF CASH FLOWS
(Continued)

	For the three months ended September 30, 2017	For the three months ended September 30, 2016
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATIO		
Cash paid for:		
Interest	$ 24,546	$ 15,125
Income taxes	$ -	$ -
NONCASH INVESTING AND FINANCIAL ACTIVITIES		
Common stock issued for services	$ 27,583	$ -
Convertible Note issued for finder fees	$ 18,500	$ -

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

ORHUB, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017
(Unaudited)

NOTE 1 - NATURE OF OPERATIONS AND BASIS OF PRESENTATION

ORhub, Inc. (the "*Company*") was originally organized as an Arizona corporation in 2004 and later changed its state of incorporation to Nevada. On June 30, 2016, pursuant to an Asset Purchase Agreement ("*APA*"), the Company acquired all the assets and assumed certain liabilities of ORhub, LLC, including its name, business, technology, website and patents (the "*Acquisition*"). Upon the Acquisition, the Company is now solely focused on the development of a proprietary, 100% cloud based software application for the management of implantable devices and biologic components (the "*ORhub Software*"). The ORhub Software provides hospitals an ability to track and monitor inventory, compare costs and identify financial impacts in the operating room using empirical data collected at the point of surgery. The Company believes its ORhub Software will allow hospitals and surgeons to make real-time, data driven decisions to improve surgical profitability and the quality of patient care.

Basis of Presentation

The unaudited interim financial statements contained in this quarterly report have been prepared in accordance with accounting principles generally accepted in the United States of America ("*U.S. GAAP*") and the rules of the Securities and Exchange Commission ("*SEC*") for interim financial information and do not include all of the information or disclosures required by U.S. GAAP for annual financial statements. Accordingly, these unaudited interim financial statements should be read in conjunction with the financial statements and notes thereto contained in the Company's unaudited financial report as of and for the year ended June 30, 2017, as filed on October 13, 2017. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year, or any other period.

NOTE 2 – GOING CONCERN AND MANAGEMENT'S PLANS

As of September 30, 2017, the accompanying financial statements have been presented on the basis that the Company is a going concern which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. For the three months ending September 30, 2017, the Company had a net loss of $1,181,522, consisting of software development, selling and marketing, general and administrative, legal and professional expenses. In addition, as of September 30, 2017, the Company had stockholder's deficit of $1,891,035 and a working capital deficit of $500,177. In view of these matters, recoverability of any asset amounts shown in the accompanying financial statements is dependent upon the Company's ability to begin operations and to achieve a level of profitability. These factors raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Company has financed its activities principally from the sale of equity securities, the exercise of the Company's Plan Warrants (see Note 11) and the sale of 12% Convertible Notes (see Note 8). The Company intends on financing its future development activities and its working capital needs largely from loans, the sale of equity securities, the exercise of Plan Warrants and the sale of Convertible Notes until such time that funds provided by operations are sufficient to fund working capital requirements.

Although no assurances can be given, management believes that its funding plans will allow the Company to obtain sufficient capital for operations and to continue as a going concern.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	September 30, 2017	June 30, 2017
Computer equipment	$ 48,433	$ 41,013
Less: accumulated depreciation	(12,491)	(9,726)
	$ 35,942	$ 31,287

Depreciation expense is computed on the basis of three to five year useful lives for all property and equipment. Depreciation expense totaled $2,765 for the three months ended September 30, 2017.

NOTE 4 – ACCRUED LIABILITIES

Accrued liabilities consisted of the following

	September 30, 2017	June 30, 2017
Due to Mack Consulting, Inc. (“*MCI*”)	$ -	$ 33,750
Other accrued liabilities	31,912	14,104
Accrued interest payable	32,955	-
	$ 64,867	$ 47,854

Pursuant to the APA, the Company assumed a consulting liability to Mack Consulting, Inc. (“*MCI*”). During the three months ended September 30, 2017, the liability to MCI was settled for $33,750 and was paid in full from proceeds of a private placement of common stock (see Note 9).

Accrued interest payable pertains to the Company’s Convertible Notes payable outstanding as of September 30, 2017 (see Note 8).

NOTE 5 – LOANS DUE TO RELATED PARTIES

Loans due to related parties consisted of the following:

	September 30, 2017	June 30, 2017
Castillo Misterio, LLC (beneficially owned by Colton Melby)	$ -	$ 12,000
JAATRL, LLC (beneficially owned by William Dobkin)	1,350	1,350
Wylde, LLC (beneficially owned by Christopher Wiggins)	20,350	20,350
Cyrus Olsen	60,000	-
	$ 81,700	$ 33,700

Loans due to related parties are unsecured and do not bear interest or have a maturity date (see Note 12).

The Company agreed to return the $60,000 in cash invested by Dr. Cyrus Olsen under the Convertible Note pursuant to a Separation and Settlement Agreement with Dr. Olsen. The $60,000 is included in loans due to related parties as of September 30, 2017 and was paid back subsequent to September 30, 2017 (see Note 13).

NOTE 6 – NOTE PAYABLE

In November 2016, the Company entered into a Premium Finance Agreement with AFCO Credit Corporation ("*AFCO*") in the original principal amount of $48,568. The note payable provides for an initial down payment of $4,154 and 11 monthly installments of $4,154 commencing December 16, 2016. The balance of the note payable was $-0- as of September 30, 2017. Subsequent to September 30, 2017, the Company entered into a new financing agreement with AFCO (see Note 14).

NOTE 7 – LONG-TERM NOTES PAYABLE TO RELATED PARTIES

Long-term notes payable due to related party consisted of the following:

	September 30, 2017	June 30, 2017
Aztoré Capital Corp. ("*ACC*")	-	150,000
Less: current portion	-	(150,000)
	$ -	$ -

Aztoré Capital Corp. ("*ACC*"), a related party until July 31, 20174 (see Note 12), was owed a remaining note payable obligation of $350,000 after the Acquisition (the "*ACC Note*"). On June 30, 2017, ACC converted $180,000 of the ACC Note into a Convertible Note (see Note 8), leaving a balance of $150,000. During the three months ended September 30, 2017, the Company paid off the remaining balance of the ACC Note together with accrued interest.

NOTE 8 – CONVERTIBLE NOTES PAYABLE

On April 27, 2017, the board of directors of the Company authorized a private placement offering (the "*Offering*") of up to $5,000,000 of Series 2017-A 12% Convertible Notes (the "*Convertible Notes*"). The Convertible Notes will be offered and sold in compliance with Rule 506 of Regulation D and only to investors that qualify as "accredited investors." The Convertible Notes will be issued under a Master Unsecured Note Agreement (the "*Note Agreement*"). The conversion price as well as the exercise price of the Detachable Warrants, described below, can be established by the board of directors.

Currently, the Convertible Notes issued under the Note Agreement are convertible, with any accrued interest, into the Company's common stock at $.40 per share at any time. If the Company's common stock trades for ten consecutive trading days at a VWAP (volume weighted average price) greater than three times the conversion price, the Company can mandatorily convert the Convertible Notes.

The Convertible Notes bear interest at 12% per annum due quarterly. A Holder has the option of allowing the interest to accrue and be converted at maturity, or receive common stock valued at the lower of 75% of the prior ten day VWAP on the quarterly interest due date. The Convertible Notes are unsecured, may be prepaid in whole or in part at any time and are due on July 30, 2020.

The Convertible Notes also provide for a 30% warrant coverage (the "*Detachable Warrants*"). Currently, the Detachable Warrants have an exercise price of $.50 per share and expire on June 30, 2021. The Convertible Notes and the Detachable Warrants include customary anti-dilution protection.

During the three months ended September 30, 2017, an additional $790,000 of Convertible Notes were sold under the Offering, which includes an additional 592,500 newly issued Detachable Warrants. LFSI, a related party (See Note 12), was issued a Convertible Note for $18,500 for services provided, which included 13,875 newly issued Detachable Warrants. Pursuant to Settlement and Separation with Dr. Olsen (see Note 13), the Company returned the $60,000 in cash invested by Dr. Olsen under the Convertible Note which cancelled the Convertible Note and the accompanying 45,000 Detachable Warrants. This results in a total of $1,426,800 of Convertible Notes and 1,070,100 Detachable Warrants outstanding as of September 30, 2017 (see Note 11).

Pursuant to the terms of the Note Agreement, Holders of the Convertible Notes elected to allow the accrued interest as of September 30, 2017 to accrue and be converted at maturity. This amount is included in accrued liabilities as of September 30, 2017 (see Note 4).

Subsequent to September 30, 2017, additional Convertible Notes were issued (see Note 14).

NOTE 9 – STOCKHOLDERS' EQUITY

Common stock

The Company's authorized capital consisted of 190,000,000 shares of common stock, $.001 par value. A summary of the Company's common stock transactions during the year ended June 30, 2017 is as follows:

- In July 2017, the Company sold 115,000 shares of common stock in a private transaction to an unaffiliated party for $33,750. The proceeds from this private placement were paid directly to MCI to pay off a consulting liability to MCI (see Note 4).

- In July 2017, the Company issued 30,000 shares of common stock to an unaffiliated party for services and recorded an expense of $16,770 representing the fair market value of the common stock issued.

- In July 2017, the Company issued 2,500 shares of common stock to ACC as consideration for the use of ACC's credit card and recorded an expense of $1,663 representing the fair market value of the common stock issued

- In September 2017, the Company issued 15,000 shares of common stock to an unaffiliated party for services and recorded an expense of $9,150 representing the fair market value of the common stock issued.

As of September 30, 2017, the Company has 130,035,027 shares of common stock outstanding. In addition, a total of 44,868,816 shares of common stock have been reserved for the potential exercises under the Company's stock option plan (see Note 10), the maximum potential exercise of common stock purchase warrants outstanding (see Note 11), potential conversion of the Convertible Notes outstanding (see Note 8) and the potential exercise of the Detachable Warrants outstanding (see Note 11). The adequacy of this reserve is reviewed and adjusted as necessary quarterly.

Preferred stock

The Company's authorized capital also originally provided for 10,000,000 shares of undesignated preferred stock. The board of directors of the Company, in its sole discretion, may establish par value, divide the shares of preferred stock into series, and fix and determine the dividend rate, designations, preferences, privileges, and ratify the powers, if any, and determine the restrictions and qualifications of any series of preferred stock as established. As of September 30, 2017, the Company has 7,775,827 shares of undesignated preferred stock authorized, due to the prior exercise of Series A, B and C Preferred stock. All previously designated series of Preferred stock have been withdrawn.

NOTE 10 – STOCK OPTION PLAN

On June 29, 2016, the Company's stockholders approved a new equity incentive plan ("*2016 EIP*") for employees, non-employee directors and other service providers covering 10,000,000 shares of common stock.

Any options to be granted under the 2017 EIP may be either "incentive stock options," as defined in Section 422A of the Internal Revenue Code, or "non-statutory stock options," subject to Section 83 of the Internal Revenue Code, at the discretion of the board of directors of the Company and as reflected in the terms of the written option agreement. The option price shall not be less than 100% of the fair market value of the optioned common stock on the date the option is granted. The option price shall not be less than 110% of the fair market value of the optioned common stock for an optionee holding at the time of grant, more than 10% of the total combined voting power of all classes of stock of the Company. Options become exercisable based on the discretion of the board of directors of the Company and must be exercised within ten years from the date of grant (five years from date of grant for Company affiliated grantees.)

The Company has adopted the disclosure-only provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*, and will account for stock based compensation using the intrinsic value method prescribed by APB No. 25, *Accounting for Stock Issued to Employees*. Under the provisions of SFAS No. 123, the fair value of each option granted would be imputed using the minimum value method based on the most recent arm's length stock issuance transaction.

A summary of stock option activity for the three months ended September 30, 2017 is as follows:

	Number	Weighted Average Exercise price
Options outstanding June 30, 2017	7,405,000	$ .358
Granted	2,850,000	.638
Exercised	-	. -
Expired or forfeited	(300,000)	.440
Options outstanding September 30, 2017	9,955,000	$ .436
Options available for grant as of Sept. 30, 2017	45,000	
Options exercisable as of September 30, 2017	2,950,414	$ .519

The forfeited options pertain to a settlement with Dr. Olsen (see Note 13).

NOTE 11 – COMMON STOCK PURCHASE WARRANTS

Plan Warrants

The Company has five series of common stock purchase warrants outstanding allowing holders to purchase additional shares of common stock (the "*Plan Warrants*"). Each Plan Warrant provides for the purchase of one share of common stock and is callable at any time by the Company for a price of $.0001 per warrant. The Plan Warrants are governed by a Warrant Agreement. Currently, the Company is acting as the Warrant Agent and the Warrant Transfer Agent but has the right to appoint alternatives to either position in accordance with the Warrant Agreement. The Board of Directors can extend the expiration date of the Plan Warrants or reduce the exercise price of any Plan Warrant on a temporary or permanent basis.

Pursuant to the Warrant Agreement, without Company approval, a holder may not exercise Plan Warrants which when combined with current beneficial ownership would increase such holder's ownership in the Company above 5%. On August 1, 2016, in response to a request, the Company waived the 5% ownership restriction for nine large shareholders who owned greater than 5% of the Company in exchange for undertakings regarding current information to meet the Company's disclosure requirements.

A summary of the Plan Warrants outstanding as of September 30, 2017, is as follows:

	Series B	Series C	Series D	Series E & F
Warrants outstanding, June 30, 2017	4,538,663	6,041,402	6,753,704	14,098,949
Exercised	232,500	-	923,500	-
Expired	-	-	-	-
Warrants outstanding, Sept. 30, 2017	4,306,163	6,041,402	5,830,204	14,098,949
Exercise price (1)	$ .50	$ 3.00	$ .50	$ 4.00
Warrant Expiration Date (2)	Dec. 31, 2017	Dec. 31, 2017	Dec. 31, 2017	Dec. 31, 2017

(1) On June 21, 2017, the board of directors of the Company approved reducing the exercise price of the Series B and Series D Plan Warrants to $.50 until December 31, 2017.

(2) On November 3, 2017, the board of directors determined that all series of Plan Warrants will expire in accordance with their terms on December 31, 2017 and will not be further extended.

Detachable Warrants

As discussed in Note 8, the board of directors of the Company authorized an Offering of Convertible Notes, which provide for the issuance of Detachable Warrants. A summary of the Detachable Warrants outstanding as of September 30, 2017, is as follows:

	Number
Detachable Warrants outstanding June 30, 2017	508,725
Granted	606,375
Exercised	-
Expired or forfeited	(45,000)
Detachable Warrants outstanding Sept. 30, 2017	1,070,100
Exercise Price	$ .50
Expiration date	June 30, 2021

The forfeited Detachable Warrants pertain to a settlement with Dr. Olsen (see Note 13). Subsequent to June 30, 2017, additional Detachable Warrants were issued (see Note 14).

NOTE 12 – RELATED PARTIES

The Company follows ASC No. 850 for the identification of related parties and disclosure of related party transactions. This guidance requires that transactions with related parties that would make a difference in decision making be disclosed so that users of the financial statements can evaluate their significance. The following are significant related party transactions between the Company and its related parties.

Advisory Board (Christopher Wiggins, William Dobkin and Richard Lee)

Christopher Wiggins and William Dobkin are the founders of ORhub, LLC (the "*ORhub Founders*") and, together with Richard Lee, are members of the Company's Advisory Board. As discussed in Note 5, the ORhub Founders have loaned money to the Company through their investment entities, Wylde, LLC and JAATRL, LLC, with a balance due of $20,350 and $1,350, respectively, as of September 30, 2017. Mr. Wiggins, Dr. Dobkin and Dr. Lee own approximately 16.9%, 19.2% and 11.8%, respectively, of the Company as of September 30, 2017. On August 1, 2016, each member of the Advisory Board was granted 100,000 non-statutory stock options with an exercise price of $.30 per option for their services during the fiscal year ending June 30, 2017. These options are fully vested.

On June 30, 2017, the Company invited 14 new members to its Advisory Board. Each member of the Advisory Board, including Mr. Wiggins, Dr. Dobkin and Dr. Lee, were granted 100,000 non-statutory stock options with an exercise price of $.433 per option for their two-year commitment to the Advisory Board. These options vest in eight equal quarters beginning on September 30, 2017.

Castillo Misterio, LLC, Castillo de Coachella, LLC and Velocity One, LLC

Colton Melby, the Company's Chief Executive Officer, is the beneficial owner of Castillo Misterio, LLC ("*Misterio*"), Castillo de Coachella, LLC ("*Coachella*") and Velocity One, LLC ("*Velocity*"). On August 1, 2016, the Company contracted with Misterio to supply management services at a rate of $350,000 per annum, plus supply Mr. Melby and his family health insurance. This Agreement was retroactive to July 1, 2016. Misterio was also granted 1,500,000 non-statutory stock options with an exercise price of $.33 per option. These options vest in 12 equal quarterly amounts starting on September 30, 2016 with customary acceleration upon a sale. Mr. Melby's beneficial ownership through these entities was approximately 10.1% of the Company as of September 30, 2017.

Wesley Mitchell / Sudden Valley, LLC

Wesley Mitchell is the Company's Chief Technical Officer and beneficial owner of Sudden Valley, LLC. Mr. Mitchell is compensated at the rate of $285,000 per year for his services to the Company, plus supply Mr. Mitchell and his family health insurance. Mr. Mitchell was owed approximately $7,000 of expenses as of September 30, 2017, which is included in accounts payable to related parties on the accompanying balance sheet.Sudden Valley, LLC owned approximately 12.9% of the Company as of September 30, 2017.

Aztoré Capital Corp.

ACC is a Phoenix, Arizona-based investment company. Effective July 1, 2016, the Company contracted with ACC to provide management services for $29,167 per month. Under this agreement, Michael S. Williams, the President of ACC, served as the Company's EVP and director of the Company and Lanny R. Lang, the Chief Financial Officer of ACC, served as the Chief Financial Officer of the Company. On

July 31, 2017, Mr. Williams retired from his role as a director and Executive Vice President of the Company and on August 1, 2017, Mr. Lang agreed to continue as the named CFO of the Company under a new contract (see below).

During a transitional period, the Company agreed to a new Consulting Agreement with ACC for Mr. Williams' services at $8,375, per pay cycle (15th and last day of each month) while services are provided. In addition, the Company and ACC agreed to full vesting of 500,000 non-statutory stock options granted to ACC on July 1, 2016, and a lock-up agreement limiting the sale of Company common stock owned by ACC to 125,000 shares per month starting in November 2017 for six months. The Company reimburses ACC $750 monthly for its use of ACC's office facility. ACC owned approximately 8.1% of the Company as of September 30, 2017. During the three months ended September 30, 2017, the Company paid off the remaining balance of the ACC Note together with accrued interest (see Note 7).

Lang Financial Services, Inc.

On August 1, 2017, Mr. Lang agreed to continue as the named CFO of the Company through an agreement with Lang Financial Services, Inc. ("*LFSI*"). The new agreement with LFSI is for three years at the rate of $6,875, per pay cycle (15th and last day of each month) and included the full vesting of 500,000 non-statutory stock options granted to LFSI on July 1, 2016 and an additional grant of 1,000,000 non-statutory stock options with an exercise price of $.665 per option. The new options vest equally over 12 calendar quarters starting on September 30, 2017 with customary acceleration upon a sale. Excluding these options and excluding any beneficial ownership of Company stock held by ACC, Mr. Lang owns 0.5% of the Company as of September 30, 2017. Mr. Lang has resigned as an officer and director of ACC.

Corey Lambrecht

Corey Lambrecht serves as an independent director of the Company. Mr. Lambrecht owned approximately 0.3% of the Company as of September 30, 2017. On August 1, 2016, Mr. Lambrecht was granted 200,000 non-statutory stock options with an exercise price of $.30 per option for his service during the fiscal year. These options are fully vested.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

In the normal course of its business, the Company may be subject to certain contractual obligations and litigation. In management's opinion, upon consultation with legal counsel, there is no current litigation that will materially affect the Company's financial position or results of operations.

Officer separation and settlement

On August 31, 2017, the Company executed a Separation and Settlement Agreement with Dr. Cyrus Olsen, the Company's Chief Operating Officer since March 2017. Under terms of the agreement: (i) Dr. Olsen vacated the position of COO as of August 31, 2017 and will be taking a leave of absence from the Company effective September 18, 2017, but will act in an advisory role to the Company through December 31, 2017; (ii) Dr. Olsen is entitled to his base salary and family medical insurance coverage through December 31, 2017; (iii) the Company agreed to full vesting of the stock options granted to Dr. Olsen, including 100,000 non-statutory stock options vested as of June 30, 2017 with an exercise price of $.44 per option; 300,000 non-statutory stock options vested as of September 18, 2017 with an exercise price of $.638 per option; and 1,500,000 non-statutory stock options vested as of September 18, 2017 with an exercise price of $.638 per option; (iv) the Company agreed to return the $60,000 in cash invested by Dr. Olsen under the Convertible Note which cancelled the Convertible Note and the accompanying 45,000 Detachable Warrants (see Note 8). The $60,000 is included in loans due to related parties as of September 30, 2017 (see Note 5) and was paid back subsequent to September 30, 2017.

Office Facility Lease – Bellevue

The Company currently leases 873 square feet pursuant to an Office Lease Agreement with Regus Management Group, LLC ("*Regus*") in Bellevue, WA. Regus held a deposit of $24,350 as of September 30, 2017. The Company incurred $42,268 of rent expense, including parking, business services and other related costs, for the three months ended September 30, 2017. The maturity of this lease is June 30, 2018. The Company's lease liability for the remainder of lease is approximately $109,575. The Company must provide Regus a 60-day notice no later than April 30, 2018 to terminate this lease. The Company is confident alternative or additional space will be available at competitive prices.

Office Facility Lease – Tempe

Subsequent to September 30, 2017, the Company entered into a lease agreement for approximately 650 square feet in Tempe, AZ (see Note 14).

NOTE 14 – SUBSEQUENT EVENTS

As of November 20, 2017, the date of these financial statements, there are no subsequent events that are required to be recorded or disclosed in the accompanying financial statements as of and for the three months ended September 30, 2017 other than those listed below:

Officer separation and settlement

On October 4, 2017, the Company returned the $60,000 in cash invested by Dr. Olsen under the Convertible Note (see Notes 5 and 13).

Financing Agreement with AFCO

On November 17, 2017, the Company entered into a new financing agreement with AFCO in the principal amount of $51,868 to fund the Company's D&O, E&O and cyber liability insurance premiums. This new financing agreement provided for an initial down payment of $4,451 and 11 monthly installments of $4,451 to commence on December 16, 2017.

Convertible Notes sold

Subsequent to September 30, 2017, an additional $250,000 of Convertible Notes have been sold under the Offering (see Note 8) which includes the issuance of an additional 187,500 newly issued Detachable Warrants. This results in a total of $1,676,800 of Convertible Notes and 1,257,600 Detachable Warrants outstanding (see below).

Office Facility Lease – Tempe

On November 9, 2017, the Company entered into a lease agreement for approximately 695 square feet in Tempe, AZ for its corporate and administrative office. The term of the lease is 24 months effective beginning January 1, 2018. The total lease commitment is $39,279 with monthly rent of $1,622 for calendar year 2018 and monthly rent of $1,651 for calendar year 2019. The Company paid a security deposit of $1,621 upon signing the lease.

Plan Warrants

A summary of Plan Warrant activity subsequent to September 30, 2017 is as follows:

	Series B	Series C	Series D	Series E & F
Warrants outstanding, Sept. 30, 2017	4,306,163	6,041,402	5,830,204	14,098,949
Exercised	10,000	-	50,000	-
Expired	-	-	-	-
Warrants outstanding, Nov. 20, 2017	4,296,163	6,041,402	5,780,204	14,098,949
Exercise price	$ .50	$ 3.00	$ .50	$ 4.00
Warrant Expiration Date	Dec. 31, 2017	Dec. 31, 2017	Dec. 31, 2017	Dec. 31, 2017

Detachable Warrants

A summary of Detachable Warrant activity subsequent to September 30, 2017 is as follows:

	Number
Detachable Warrants outstanding Sept. 30, 2017	1,070,100
Granted	187,500
Exercised	-
Expired or forfeited	-
Detachable Warrants outstanding Nov. 20, 2017	1,257,600
Exercise Price	$ .50
Expiration date	June 30, 2021