**DOC BURNSTEIN'S ICE CREAM LAB, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**WITH**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**DECEMBER 31, 2017**

**DOC BURNSTEIN'S ICE CREAM LAB, INC.**

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**Kinchen & Company**

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Doc Burnstein's Ice cream Lab, Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Doc Burnstein's Ice cream Lab, Inc. (the Company) as of December 31, 2017, and the related consolidated statements of operations and other comprehensive income (loss), stockholders' equity (deficit), and cash flows for the year ended December 31, 2017 and the related notes and schedules (collectively referred to as the financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and the results of its operations and its cash flows for the year ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Kinchen & Company, PLLC

We have served as the Company's auditor since 2018.

Houston, TX
April 4, 2019

**DOC BURNSTEIN'S ICE CREAM LAB, INC.**
**CONSOLIDATED BALANCE SHEET**
**DECEMBER 31, 2017**

## ASSETS

| | |
|---|---|
| **CURRENT ASSETS** | |
| Cash & Cash Equivalents | $123,015 |
| Accounts Receivable | 16,679 |
| Marketable Securities | 182,201 |
| Inventory | 178,019 |
| Other Current Assets | 37,569 |
| Prepaid Expenses | 12,000 |
| Total Current Assets | 549,483 |
| **FIXED ASSETS** | |
| Computers & Equipment | $338,263 |
| Furniture & Fixtures | 10,435 |
| Autos & Trucks | 116,933 |
| Leasehold Improvements | 346,757 |
| Less: Accumulated Depreciation | (467,381) |
| Total Fixed Assets | 345,007 |
| **INTANGIBLES AND OTHER ASSETS** | $209,335 |
| Total Assets | $1,103,825 |

The accompanying notes to the consolidated financial statements are an integral part of these statements.

**DOC BURNSTEIN'S ICE CREAM LAB, INC.**
**CONSOLIDATED BALANCE SHEET (continued)**
**DECEMBER 31, 2017**

## LIABILITIES AND EQUITY

| | |
|---|---|
| **CURRENT LIABILITIES** | |
| Accounts Payable | $98,484 |
| Short-Term Notes Payable | 50,000 |
| Short-Term Notes Payable - Related Party | 16,467 |
| Accrued Expenses | 198,636 |
| Total Current Liabilities | 363,587 |
| **LONG TERM LIABILITIES** | |
| Long-Term Notes Payable | 43,516 |
| Total Liabilities | $407,103 |
| **EQUITY** | |
| Stockholders' Equity: | |
| Common stock, zero par value; 10 million Class A shares authorized, 43,406 issued and outstanding, as of December 31, 2017 | $949,299 |
| Common stock, zero par value; 10 million Class B shares authorized, 13,200 shares issued and outstanding, as of December 31, 2017 | 227,000 |
| Accumulated Other Comprehensive Income | (35,421) |
| Accumulated Deficit | (444,156) |
| Total Equity | 696,722 |
| Total Liabilities and Equity | $1,103,825 |

The accompanying notes to the consolidated financial statements are an integral part of these statements.

**DOC BURNSTEIN'S ICE CREAM LAB, INC.**
**CONSOLIDATED STATEMENT OF OPERATIONS & OTHER COMPREHENSIVE INCOME (LOSS)**
**FOR THE YEAR ENDED DECEMBER 31, 2017**

| | |
|---|---|
| **REVENUE** | |
| Retail Sales | $2,167,747 |
| Wholesale Sales | 401,250 |
| Event Sales | 24,251 |
| Total Revenue | 2,593,248 |
| **COST OF GOODS** | |
| Labor | $ 737,225 |
| Ingredients | 638,509 |
| Other Costs | 42,568 |
| Discounts | 51,868 |
| Total Cost of Goods | 1,470,170 |
| **GROSS PROFIT** | 1,123,078 |
| **GENERAL AND ADMINISTRATIVE EXPENSES** | $1,257,122 |
| **DEPRECIATION** | 86,222 |
| **LOSS FROM OPERATIONS** | (220,266) |
| **INVESTMENT INCOME** | 98,179 |
| **OTHER EXPENSE** | (92,959) |
| **INTEREST EXPENSE** | (19,705) |
| **LOSS BEFORE INCOME TAX EXPENSE** | (234,751) |
| **INCOME TAX EXPENSE** | 61,531 |
| **NET LOSS** | $(296,282) |
| **UNREALIZED LOSS ON MARKETABLE SECURITIES** | (35,421) |
| **COMPREHENSIVE LOSS** | $(331,703) |

The accompanying notes to the consolidated financial statements are an integral part of these statements.

**DOC BURNSTEIN'S ICE CREAM LAB, INC.**
**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)**
**FOR THE PERIOD FROM DECEMBER 31, 2016 THROUGH DECEMBER 31, 2017**

| | Common Stock A | | Common Stock B | | Additional Paid in Capital | Accum. OCI | Accum. Deficit | Total |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | | | | |
| **BALANCE AT DECEMBER 31, 2016** | 29,928 | $ 14,848 | 13,200 | $ 7,100 | $611,631 | $ - | $(147,874) | $485,705 |
| Net Loss | | | | | | | (296,282) | (296,282) |
| Shares Issued from Sale of Stock | 12,904 | 532,020 | | | | | | 532,020 |
| Shares Issued for Services | 214 | 10,700 | | | | | | 10,700 |
| Conversion to Par Value | | 391,731 | | 219,900 | (611,631) | | | |
| Unrealized Loss on Marketable Securities | | | | | | (35,421) | | (35,421) |
| **BALANCE AT DECEMBER 31, 2017** | 43,046 | $949,299 | 13,200 | $227,000 | $ - | $(35,421) | $(444,156) | $696,722 |

The accompanying notes to the consolidated financial statements are an integral part of these statements.

**DOC BURNSTEIN'S ICE CREAM LAB, INC.**
**CONSOLIDATED STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED DECEMBER 31, 2017**

## CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|---|
| Net Income | $(296,282) |
| Adjustments to reconcile net income to net cash used for operating activities: | |
| Shares issued to Employees and BOD | 10,700 |
| Realized Gain on Sale of Securities | (91,272) |
| Realized Loss on Disposal of Fixed Assets | 82,459 |
| Depreciation expense | 86,222 |
| Changes in operating assets and liabilities: | |
| Accounts receivable | 542 |
| Inventory | (46,885) |
| Prepaid expenses | (12,000) |
| Other current assets | (20,039) |
| Other assets | 41,175 |
| Accounts payable | 8,063 |
| Accrued expenses | 2,870 |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | (234,447) |

## CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---|---|
| Cash paid for purchase of marketable securities | (126,350) |
| Cash earned on Fixed Assets Disposal | 2,000 |
| Cash paid for purchase of fixed assets | (62,961) |
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | (187,311) |

## CASH FLOWS FROM FINANCING ACTIVITIES

| | |
|---|---|
| Proceeds from sale of stock | 532,020 |
| Borrowings on debt | - |
| Principal payments on debt | (15,947) |
| NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES | 516,073 |

| | |
|---|---|
| **NET INCREASE IN CASH** | 94,315 |
| **CASH AT BEGINNING OF THE YEAR** | 28,700 |
| **CASH AT YEAR END** | $123,015 |

NON-CASH ON FINANCING AND INVESTING ACTIVITIES

| | |
|---|---|
| Unrealized Loss on Marketable Securities | (35,421) |
| Convert Class A Shares to Zero Par Value | 391,731 |
| Convert Class B Shares to Zero Par Value | 219,900 |

The accompanying notes to the consolidated financial statements are an integral part of these statements.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Doc Burnstein's Ice Cream Lab is an authentic old-fashioned ice cream business serving up our original hand-crafted ice cream through retail locations and wholesale accounts. The Company features classic ice cream flavors like its award-winning Vanilla, as well as some crazy creations like "Elvis Special", "Merlot-Raspberry Truffle" (made with real Central Coast wine – just a little) and the ever popular "Motor Oil"™ custom created for the Pismo Beach Car Show.

Retail locations include the original Arroyo Grande parlor, opened in 2003, the San Luis Obispo parlor, opened in 2014 and the newest parlor, Santa Maria that opened in 2018. The brand also includes a production facility in Grover Beach, CA, Doc Burnstein's Creamery, that opened in July 2016 to remove ice cream production from the Arroyo Grande and San Luis Obispo parlors and to consolidate production and delivery operations in a more efficient location that supports growth. In 2016, Doc Burnstein's Creamery was spun off into a wholly-owned subsidiary, to better track costs and profitability of each area of business. All Doc Burnstein's Creamery shares are owned by Doc Burnstein's Ice Cream Lab, Inc. The Creamery leases equipment and other assets from the parent Company and from Aulon Arch, Inc.

### Basis of Presentation and Preparation

The accompanying consolidated financial statements include the accounts of the Company. Intercompany accounts and transactions have been eliminated. In the opinion of the Company's management, the consolidated financial statements reflect all adjustments, which are normal and recurring in nature, necessary for fair financial statement presentation. The preparation of these consolidated financial statements and accompanying notes in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ materially from those estimates. Certain prior period amounts in the consolidated financial statements and accompanying notes have been reclassified to conform to the current period's presentation.

The Company's fiscal year is the 52-week period that ends on December 31st.

### Cash Equivalents and Marketable Securities

All highly liquid investments with maturities of three months or less at the date of purchase are classified as cash equivalents. The Company's marketable equity securities have been classified and accounted for as available for sale. Marketable equity securities are classified as short-term based on the nature of the securities and their availability for use in current operations. The cost of securities sold is determined using the specific identification method.

### Inventories

Our inventories are accounted for using the first-in, first-out (FIFO) method.

Provisions are recorded to reduce inventory for obsolete or slow-moving inventory based on assumptions about future demand and marketability of products, the impact of new product introductions, inventory levels and turns, product spoilage, and specific identification of items, such as product discontinuance.

### Fixed Assets

Fixed assets are carried at cost. Depreciation of capital assets is provided using the straight-line method for financial reporting purposes at rates based on the following estimated useful lives:

| | Years |
|---|---|
| Machinery & Equipment | 3-15 |
| Furniture & Fixtures | 3-15 |
| Leasehold Improvements | 5-15 |
| Vehicles | 3-5 |

For federal income tax purposes, depreciation is computed using the accelerated cost recovery system and the modified accelerated cost recovery system. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

**Intangible Assets**

The Company accounts for long-lived assets, including property and equipment, at amortized cost. Management review long-lived assets for probably impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. If there is an indication of impairment, management would prepare an estimate of future cash flows (undiscounted and without interest charges) expected to result from the use of the asset and its eventual disposition. If these estimated cash flows were less than the carrying amount of the asset, an impairment loss would be recognized to write down the asset to its estimated fair value.

**Revenue Recognition**

Net sales consist primarily of revenue from the sales at three retail locations, 17 wholesale accounts, and events. Wholesale account sales are recognized by Doc Burnstein's Creamery, a wholly owned subsidiary of Doc Burnstein's Ice Cream Lab.

The Company recognizes revenue when persuasive evidence of an arrangement exists, services have been rendered, the sales price is fixed or determinable and collectability is reasonably assured.

**Gift Cards**

When gift cards are sold to customers the Company records a liability for the amount of the sale. The Company recognizes revenue on gift cards when the customer purchases goods and merchandise by using the gift card.

The Company recognizes breakage income for unused cards as 20% of the year-end balance, because at that point, the likelihood of redemption is deemed to be remote. The Company reduces general and administrative expenses by the estimated annual breakage amount. The Company does not have a legal obligation to remit the value of unredeemed gift cards to the state of California.

**Compensated Absences**

Employees of the Company are entitled to paid vacation, paid sick days, and personal days off, depending on job classification, length of service, and other factors. Estimates for the amount of compensation for future absences are accounted for as a liability, as recorded in the accompanying financial statements.

**Credit Risk**

The Company maintains cash balances principally in one financial institution. As of December 31, 2017, the Company had no significant concentrations of credit risk. Trade accounts receivable are recorded at net invoice value and such receivables are non-interest bearing. Receivables are considered past due based on the contractual payment terms. Receivables are reviewed and specific amounts are reserved if collectability is no longer reasonably assured. As of December 31, 2017 the company did not recognize any allowance for doubtful accounts.

**Income Taxes**

Deferred tax assets and liabilities are recognized by applying applicable tax rates to the differences between the financial statement basis and tax basis of the Company's assets and liabilities. Deferred tax benefits are reduced by a valuation allowance for any benefits that, in the opinion of management, are not expected to be realized.

In 2017, the Company incurred an income tax asset write off in the amount of $58,392 due to the Company showing a loss in the current year. The Company also incurred state taxes in the amount of $3,139.

The provision for income taxes is based on income and expenses as reported for financial statement purposes using the “asset and liability method” for accounting for deferred taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized. At December 31, 2017 and 2016, the Company established valuation allowances against its net deferred tax assets.

Income tax positions that meet the “more-likely-than-not” recognition threshold are measured at the largest amount of income tax benefit that is more than 50 percent likely to be realized upon settlement with the applicable taxing authority. The portion of the benefits associated with income tax positions taken that exceeds the amount measured as described above would be reflected as a liability for unrecognized income tax benefits in the accompanying consolidated balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Interest and penalties associated with unrecognized income tax benefits would be classified as additional income taxes in the accompanying consolidated statements of operations. There were no unrecognized income tax benefits, nor any interest and penalties associated with unrecognized income tax benefits, accrued or expensed at and for the years ended December 31, 2017.

The Company files federal income tax returns in the U.S. and various state income tax returns. The Company is no longer subject to examinations by the related tax authorities for the Company’s U.S. federal and state income tax returns for years prior to 2014.

At December 31, 2017, the Company had federal and state net operating loss carryforwards of $294,395. The state loss carryforwards begin expiring in 2017 and the federal loss carryforwards will begin expiring in 2037, unless previously utilized.

**Use of Estimates**

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

**Fair Value of Financial Instruments**

The Company’s balance sheet includes certain financial instruments. The carrying amounts of current assets and current liabilities approximate their fair value because of the relatively short period between the origination of these instruments and their expected realization.

FASB Accounting Standards Codification (ASC) 820 Fair Value Measurements and Disclosures (ASC 820) defines fair value 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 on the measurement date. ASC 820 als establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity’s own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which give the highest priority to unadjusted quoted prices in active markets for identical assets of liabilities (Level1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for th the asset or liability, either directly or indirectly, including quoted prices for similar

| | |
|---|---|
| | assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that ar are observable for the asset or liability (e.g., interest rates); and inputs that are derived principally from or corroborated by observable market data by correlation or other means. |
| Level 3 - | Inputs that are both significant to the fair value measurement and unobservable. |

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of December 31, 2017. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values due to the short-term nature of these instruments. These financial instruments include accounts receivable, investments, accounts payable, and accrued expenses.

The following table presents assets that were measured and recognized at fair value as of December 31, 2017 and the period then ended on a recurring and nonrecurring basis:

| Description | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Available for Sale Securities | $302,607 | - | - | $302,607 |
| Totals | $302,607 | | | $302,607 |

**NOTE 2: ACCOUNTS RECEIVABLE**

As of December 31, 2017, accounts receivable consisted of the following:

| | |
|---|---|
| Scoop Shops & Restaurants | $15,393 |
| Novelty Customers | 1,286 |
| **Total** | $16,679 |

**NOTE 3: INVENTORY**

Inventory, as of December 31, 2017 consisted of the following:

| | |
|---|---|
| Ingredient Items | $35,824 |
| Paper & Plastic Items | 25,895 |
| Finished Products | 73,210 |
| Merchandise | 8,647 |
| Other Items | 34,444 |
| Totals | $178,019 |

**NOTE 4: FIXED ASSETS**

Components of fixed assets at December 31, 2017 were as follows:

| | Dec 31, 2016 | Additions | Deletions | Dec 31, 2017 |
|---|---|---|---|---|
| **Fixed assets being depreciated:** | | | | |
| Computer and Equipment | $323,224 | $ 37,104 | (22,066) | $ 338,263 |
| Furniture and fixtures | 18,194 | 1,998 | (9,757) | 10,435 |
| Leasehold improvements | 458,708 | 36,816 | (148,767) | 346,757 |
| Vehicle | 116,933 | - | - | 116,933 |
| **Total fixed assets depreciated** | 917,059 | 75,918 | 180,590) | 812,388 |

| | | | | |
|---|---|---|---|---|
| **Less accumulated depreciation** | (464,332) | (86,222) | 83,173 | (467,381) |
| **Fixed assets, net** | $452,727 | $(10,304) | $(97,417) | $345,007 |

Depreciation expense was $86,222 the year ended December 31, 2017.

In March of 2018, the Orcutt, California retail location was closed and $82,459 in Leasehold Improvements was written off as of 12/31/17.

**NOTE 5: INTANGIBLE AND OTHER ASSETS**

Intangible and Other Assets, as of December 31, 2017 consisted of the following:

| | |
|---|---|
| Trademark Asset | $ 83,946 |
| Security Deposits | 26,941 |
| Investment in Maintop Leasing, LLC. | 96,596 |
| Tax Asset | 1,852 |
| Total | $209,335 |

Maintop Leasing, LLC. is an equipment leasing business owned and operated in a partnership with Aulon Arch, Inc. and consists primarily of equipment and machinery located at the Grover Beach Production Plant. As of December 31, 2017, Doc Burnstein's Ice Cream Lab owned approximately 20% of Maintop Leasing.

The aforementioned Trademark Asset has an indefinite useful life and the Company performs an assessment for the impairment of all intangible and other assets each year.

**NOTE 6: SHORT-TERM NOTES PAYABLE**

The Company maintains a secured bank line of credit with Coast Hills Credit Union, issued initially on February 7, 2017, and renewable after five years, in the amount of $50,000. The interest rate on the Note is variable, and is calculated at 2.25% above the Prime Rate. The date of maturity is January 31, 2022. The Company pays 12 payments of interest only on the disbursed principal balance, payable on the first day of each month.

As of December 31, 2017, the Company was utilizing the full $50,000 available on the line of credit:

The components of the gift card liability at December 31, 2017 were as follows:

| | **December 31, 2016** | **Gift Cards Sold** | **Gift Cards Redeemed** | **Gift Card Breakage** | **December 31, 2017** |
|---|---|---|---|---|---|
| Gift Card Liability | 30,828 | 292,956 | (282,591) | (8,239) | 32,955 |

Gift Card Breakage represents the percentage of cards that are lost or never redeemed. We annually write off 20% of the outstanding balance, below the overall national average.

The company incurred a $14,304 deferred rent obligation liability in 2017 due to the increased value of the rent payments over the lifetime of each lease.

**NOTE 7: SHORT-TERM NOTES PAYABLE – RELATED PARTY**

Short-term notes payable – related party at December 31, 2017 consists of the following:

| | |
|---|---|
| **Greg Steinberger** – Issued January 9, 2008, in the amount of $169,440, with interest accrued at 12% APR. 1% of the principal balance is due on the first calendar day of each month. APR has been reduced to 8%, and until September 2015, all interest has been accruing in an account. In November 2015 the $77,000 of Principal was converted to Class-B Shares. This Accrued Interest is now being paid as a long-term liability, with monthly payments that began in October 2015. | $10,165 |
| **Don & Sue Steinberger** - Issued on December 15, 2003, in the amount of $25,380, with a term of 10 years, maturing December 15, 2013. The loan has no collateral security. Loan extended and principal amount increased to $42,568 on May 15, 2007, with an interest rate of 5%, and again to $53,630 on December 29, 2008. Interest rate adjusted to 4% on April 1, 2009. The Company pays principal and interest payments of $750 monthly, on the tenth calendar day of each month, scheduled to increase to $1,500 monthly in July 2019 until paid off in Sept 2020. | 6,302 |
| **Total** | $16,467 |

Following is a summary of activities of short-term debt for year ended December 31, 2017:

| | Dec. 31, 2016 | Additions | Reductions | Dec. 31, 2017 | Portion Due Within One Year |
|---|---|---|---|---|---|
| Greg Steinberger | $ 36,920 | 0 | (9,385) | $27,535 | $10,165 |
| Don & Sue Steinberger | 37,049 | 0 | (4,601) | 32,448 | 6,302 |
| **Totals** | $73,969 | 0 | (13,986) | $59,983 | $16,467 |

Payments for the Greg Steinberger Loan for the succeeding three years are as follows:

| Year Ended December 31, | Principal |
|---|---|
| 2018 | $10,165 |
| 2019 | 11,008 |
| 2020 | 6,362 |
| **Totals** | $27,535 |

Payments for the Don & Sue Steinberger Loan for the succeeding five years and thereafter are as follows:

| Year Ended December 31, | Principal |
|---|---|
| 2018 | $ 6,302 |
| 2019 | 12,639 |
| 2020 | 13,507 |
| 2022-2023 | |
| **Totals** | $32,448 |

**NOTE 8: ACCRUED EXPENSES**

Accrued expenses at December 31, 2017 consists of the following:

| | |
|---|---|
| Discover Card | $17,685 |
| Costco Visa | 1,571 |
| Coast Hills Visa | 46,557 |
| American Express | 75,327 |

| | |
|---|---|
| Capital One | 1,279 |
| USAA | 9,313 |
| Gift Cards Outstanding | 32,955 |
| Other Miscellaneous | 13,949 |
| Total | $198,636 |

**NOTE 9: LEASE COMMITMENTS**

The Company leases various types of office, store front and other facilities generally over periods ranging up to 5 years with possible extensions. Properties include the following:

**Arroyo Grande, California Retail** operations are in a leased 2,650 sq. ft. facility, which has been leased since 2003. It has two 5-year extensions available to the company to continue through 2023. Rent is $3,325 per month plus a monthly billing for some utilities and CAMs that amounts to $300 on average per month. Amounts shown are based on $3,625 per month x 12 months. The Landlord has the option to adjust the rent to fair market value in 2018. There is an annual increase based on the CPI percentage increase.

Arroyo Grande Retail future minimum rental payments due under the lease are as follows:

| Year Ending December 31, | Lease Obligation |
|---|---|
| 2018 | $ 43,500 |
| 2019 | 43,500 |
| 2020 | 43,500 |
| 2021 | 43,500 |
| 2022-2023 | 87,000 |
| Total | $261,000 |

**San Luis Obispo, California Retail** operations are in a leased 2,297 sq. ft. facility, with a 10-year lease commencing on August 1, 2013 through July 31, 2023, and two 5-year extensions available. Rent is $7,668 plus CAM of $296 (fixed) per month. Cost of Living Adjustments are scheduled to occur on August 1 of 2019 and 2021. Adjustment will be no more than 5%, but no less than 2%, in any given year. Amounts are based on a 2% increase.

San Luis Obispo Retail future minimum rental payments due under the lease are as follows:

| Year Ending December 31, | Lease Obligation |
|---|---|
| 2018 | $ 95,568 |
| 2019 | 96,335 |
| 2020 | 97,408 |
| 2021 | 98,190 |
| 2022-2023 | 198,571 |
| Total | $586,072 |

Leasehold Improvements at this location are owned by Maintop Leasing Inc. and leased to the Company in a two-year operating lease that commenced September 2015, with a two-year extension to exercise August 2019. Lease payments are fixed at $2,600 per month for the term of the lease.

**Orcutt, California Retail** operations are in a leased 1,450 sq. ft. facility, has been leased until March of 2018 to coincide with the opening of the Santa Maria store. The current lease of $2,114 for the 3 months of 2018.

Orcutt Retail future minimum rental payments due under the lease are as follows:

| Year Ending December 31, | Lease Obligation |
|---|---|
| 2018 | $6,342 |

**Santa Maria, California Retail** operations are in a leased 1,890 sq. ft. facility, with a 10-year lease commencing on Feb 2018 through Feb 2028, and two 5-year extensions available. Rent is $6,143 plus CAM of $832 (fixed) per month, beginning July 2018. A Cost of Living Adjustment is scheduled to occur on Feb 2023 and upon any future extensions. The CPI Adjustment will be no more than 17.5%, but no less than 7.5%. Amounts shown below are based on a 10% CPI increase after 5 years.

Santa Maria Retail future minimum rental payments due under the lease are as follows:

| Year Ending December 31, | Lease Obligation |
|---|---|
| 2018 | $ 41,850 |
| 2019 | 83,700 |
| 2020 | 83,700 |
| 2021 | 83,700 |
| 2022-2028 | 551,958 |
| Total | $761,208 |

**Grover Beach, California Production Plant** began a lease in December 2015 for a 5,000 sq. ft. facility to house a production and distribution center, leased until 2020 with two 5-year extensions. Rent is $4,000 per month. There is an annual increase of $1,200.

Grover Beach Production Plant future minimum rental payments due under the lease are:

| Year Ending December 31, | Lease Obligation |
|---|---|
| 2018 | $ 49,200 |
| 2019 | 50,400 |
| 2020 | 51,600 |
| Total | $151,200 |

**Grover Beach, California Corporate Office** lease commenced May 16, 2016, terminating April 30, 2018, then transitions to month to month. Rent is $1,100 per month.

Grover Beach Corporate Offices future minimum rental payments due under the lease are:

| Year Ending December 31, | Lease Obligation |
|---|---|
| 2018 | $4,400 |

The company incurred a $14,304 deferred rent obligation liability in 2017 due to the increased value of the rent payments over the lifetime of each lease.

**NOTE 10: RELATED PARTIES**

| Related Party | Nature of Relationship |
|---|---|
| Greg Steinberger | Founder, CEO, and Member of the Board of Directors. Greg is a long-time creditor to the Company and was paid $14,400 in interest and principal in 2017. Greg sells merchandise at discounted prices to the company under the name Steiny Promotions which was paid $13,601 in 2017. |
| Don & Sue Steinberger | Parents of Greg Steinberger, and long-time creditors to the Company. They were paid $6,000 in interest & principal 2017. |
| David Long | Advisor to the Board of Directors and CEO of Aulon Arch, Inc. Aulon Arch was paid $87,430 in 2017 for leases on tenant Improvements and equipment. |
| Pauline Malysko | Advisor to the Board of Directors and owner of Blue Wave Consulting. Blue Wave was paid $16,995 in 2017 for services. |

**NOTE 11: COMMON STOCK**

Doc Burnstein's has issued two classes of equity, Class-A Voting Common Stock and Class-B Non-Voting Common Stock. Class-B Non-Voting Common Stock was approved by Shareholders in September 2015 as a mechanism for obtaining additional investor funds for future growth. To date, the Company has not issued Preferred Stock.

During the year ended 2017 the Company sold a total of 12,904 shares of series A Common Stock to individual investors at $50/share for a total value of $645,210 which were netted against $113,190 in expenses relating to the offering.

During the year ended 2017 the Company issued a total of 10,700 shares of series A Common Stock to employees for services rendered at $50/share for a total value of $10,700.

During the year ended 2017 the Company converted Class A shares to zero par value for a total value of $391,731.

During the year ended 2017 the Company converted Class B shares to zero par value for a total value of $219,900.

**NOTE 12: COMMITMENTS AND CONTIGENCIES**

Currently there are no existing company contingencies, including pending lawsuits or concentrations.

**NOTE 13: OTHER INCOME AND EXPENSE**

During the year ended 2017, the Company realized a gain of $91,272 on the sale of marketable securities. The Company also recognized other miscellaneous income and gains of $6,907.

During the year ended 2017, the Company realized a $82,459 loss on the disposal of fixed assets as well as other miscellaneous other expense in the amount of $10,500.

**NOTE 14: SUBSEQUENT EVENTS**

In March 2017, Doc Burnstein's Ice Cream Lab, Inc. commenced a Shareholder-approved Public Stock Offering of up to 20,000 shares of Class-A Common Stock, and the California Department of Business

Oversight in February 2017. The Offering closed on Feb. 9, 2018 with all 20,000 authorized Shares being sold.

On March 31st, 2018, operations were discontinued at the Orcutt, California, retail location. An $82,459 loss was incurred on the loss of leasehold improvements and this was recorded as of December 31, 2017. A new retail location was opened on May 19th, 2018 in Santa Maria, California, with a significant portion of the furniture, equipment, and fixtures transferred from Orcutt to Santa Maria.

On October 31st, 2018, Aulon Arch, Inc. acquired 57,000 Class-A Common Stock in exchange for $500,000 cash and a promissory note in the amount of $711,250. With this stock acquisition, in addition to the 11,000 Class-B shares purchased in 2015 and 1,000 shares acquired in April 2016, Aulon Arch now owns 60% of Doc Burnstein's Ice Cream Lab, Inc. Aulon Arch is also directly involved in day-to-day Company operations now. David Long, who was previously an advisor to the Board, is now interim CFO and on the Board of Directors. Nanou Matteson, Chief Strategy Officer of Aulon Arch, has also joined the Board of Directors effective, October 31st, 2018.