

XHIBIT CORP.
CONSOLIDATED BALANCE SHEETS

	As of December 31,	
	2012	2011
ASSETS		
Current Assets:		
Cash	\$ 363,172	\$ 241,077
Accounts receivable, net	699,207	606,203
Prepaid expenses	79,191	197,297
Accounts receivable, related party	-	8,750
Advancements to officers	-	107,851
Total current assets	1,141,570	1,161,178
Other assets:		
Security deposit	32,731	32,731
Property and equipment, net	1,429,773	31,036
Intangibles, net	2,752,974	-
TOTAL ASSETS	\$ 5,357,048	\$ 1,224,945
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 640,736	\$ 357,890
Accounts payable, related party	-	14,820
Accrued interest, related party	16,164	6,579
Notes payable, related party	700,000	333,516
Deferred lease incentive - current portion	123,203	-
Total current liabilities	1,480,103	712,805
Non-current Liabilities:		
Deferred rent liability	236,476	12,759
Deferred lease incentive - non-current portion	616,013	-
TOTAL LIABILITIES	2,332,592	725,564
SHAREHOLDERS' EQUITY		
Preferred stock, authorized 80,000,000 shares, \$.0001 par value, none issued or outstanding	-	-
Common stock, authorized 480,000,000 shares, \$.0001 par value, 67,310,726 and 66,583,676 issued and outstanding	6,731	6,658
Additional paid in capital	4,296,682	1,377,370
Accumulated deficit	(1,278,957)	(884,647)
Total shareholders' equity	3,024,456	499,381
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 5,357,048	\$ 1,224,945

XHIBIT CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended December 31,	
	2012	2011
Revenues	\$ 2,353,634	\$ 2,100,122
Cost of revenues	547,318	1,399,642
Gross profit	1,806,316	700,480
Operating expenses:		
Sales and marketing	307,051	199,737
General and administrative	1,348,845	1,992,745
Research and development	239,727	34,820
Total operating expenses	1,895,623	2,227,302
Loss from operations	(89,307)	(1,526,822)
Other income / (expense):		
Interest expense	(18,942)	(6,579)
Other income	52	-
	(18,890)	(6,579)
Loss before income taxes	(108,197)	(1,533,401)
Income taxes	-	-
Net loss	\$ (108,197)	\$ (1,533,401)
Net income (loss) per common share:		
Basic	\$ (0.00)	\$ (0.02)
Diluted	\$ (0.00)	\$ (0.02)
Weighted-average shares used to calculate net loss per common share:		
Basic & Diluted	67,310,726	65,170,715

XHIBIT CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,	
	2012	2011
Revenues	\$ 9,772,966	\$ 6,351,384
Cost of revenues	4,686,384	3,760,553
Gross profit	<u>5,086,582</u>	<u>2,590,831</u>
Operating expenses:		
Sales and marketing	1,061,470	388,589
General and administrative	3,787,342	2,481,846
Research and development	576,504	49,820
Total operating expenses	<u>5,425,316</u>	<u>2,920,255</u>
Loss from operations	(338,734)	(329,424)
Other income / (expense):		
Interest expense	(56,265)	(6,579)
Other income	689	-
	<u> </u>	<u> </u>
Loss before income taxes	(394,310)	(336,003)
Income taxes	-	-
Net loss	<u>\$ (394,310)</u>	<u>\$ (336,003)</u>
Net income (loss) per common share:		
Basic	\$ (0.01)	\$ (0.01)
Diluted	\$ (0.01)	\$ (0.01)
Weighted-average shares used to calculate net loss per common share:		
Basic & Diluted	67,001,730	63,616,658

XHIBIT CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2012	2011
Cash flows from operating activities:		
Net loss	\$ (394,310)	\$ (336,003)
Depreciation and amortization	268,649	3,498
Provision for bad debts	244,041	
Stock-based compensation		1,456,568
Expenses paid by shareholder and donated to the company	11,185	-
Tenant improvement allowance	(51,334)	
Adjustments to reconcile net loss to net cash provided by operating activities:		
Accounts receivable	(337,045)	(398,587)
Prepaid expenses	118,106	(205,028)
Accounts receivable, related party	8,750	(8,750)
Accounts payable and accrued expenses	292,431	358,991
Accounts payable, related party	(14,820)	14,820
Advancement to officers - non-interest bearing	107,851	(107,851)
Deferred rent liability	223,717	12,759
Net cash provided by operating activities	477,221	790,417
Cash flows from investing activities:		
Purchases of property and equipment	(721,610)	(31,949)
Net cash (used in) investing activities	(721,610)	(31,949)
Cash flows from financing activities:		
Proceeds from notes payable, related party	700,000	333,516
Repayment of note payable to related party	(333,516)	-
Member capital contribution	-	1,180,748
Distributions to member	-	(2,128,288)
Net cash provided by (used in) financing activities	366,484	(614,024)
Net increase (decrease) in cash	122,095	144,444
Cash, beginning of period	241,077	96,633
Cash, end of period	\$ 363,172	\$ 241,077
Supplemental Disclosure of Non-Cash Financing Activities:		
Leasehold improvements paid for with tenant improvement allowance	\$ 790,550	\$ -
Shares issued for intangible assets acquired	\$ 2,908,200	\$ -
Cash paid for:		
Interest	\$ 45,571	\$ -
Taxes	\$ -	\$ -