INITIO, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended April 30, 2012 and 2011

ROGOFF &
COMPANY PC
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

The Board of Directors and Stockholders
Initio, Inc. and Subsidiary
Rochelle Park, New Jersey

We have audited the accompanying consolidated balance sheets of Initio, Inc. and Subsidiary (the "Company") as of April 30, 2012 and 2011, and the related consolidated statements of operations and comprehensive income (loss), stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Initio, Inc. and Subsidiary as of April 30, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Rogoff & Company P.C.

New York, New York
June 21, 2012

INITIO, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

April 30, 2012 and 2011

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash	$ 1,504,210	$ 1,573,688
Note receivable	130,000	-
Loans to stockholder	25,000	-
TOTAL CURRENT ASSETS	1,659,210	1,573,688
VEHICLES AND EQUIPMENT	12,226	13,606
OTHER ASSETS		
Marketable securities	2,429,750	2,524,381
Note receivable - Eagency, Inc	100,000	100,000
Other assets	29,076	30,843
	$ 4,230,262	$ 4,242,518
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 7,374	$ 7,000
STOCKHOLDERS' EQUITY		
Common Stock, $ .01 par value, 10,000,000 shares authorized; 6,099,982 and 6,346,606 issued and outstanding as of April 30, 2012 and 2011, respectively	61,000	63,466
Additional paid in capital	9,578,043	9,654,912
Accumulated deficit	(5,320,733)	(5,269,298)
Accumulated other comprehensive loss	(95,422)	(213,562)
TOTAL STOCKHOLDERS' EQUITY	4,222,888	4,235,518
	$ 4,230,262	$ 4,242,518

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

INITIO, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

Years Ended April 30, 2012 and 2011

	2012	2011
Revenues		
Interest and dividends	$ 72,780	$ 108,312
Income (loss) on the sale of marketable securities	(8,516)	1,556,659
Consulting income	87,220	129,000
Other	5,280	(5,269)
	156,764	1,788,702
Expenses		
General and administrative	206,043	185,019
Depreciation and amortization	2,156	3,633
Interest	-	81
	208,199	188,733
Net income (loss)	(51,435)	1,599,969
Net loss per share - basic and diluted	$ (0.01)	$ 0.24
Weighted average common shares	6,253,115	6,588,012
Comprehensive Income (Loss):		
Net income (loss)	$ (51,435)	$ 1,599,969
Unrealized gains (losses) on marketable securities	118,140	482,343
Comprehensive income (loss)	$ 66,705	$ 2,082,312

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

INITIO, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years Ended April 30, 2012 and 2011

	Common Stock		Additional Paid In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
Balance, April 30, 2010	6,661,296	$ 66,613	$ 9,636,912	$ (6,722,936)	$ (461,918)	$ 2,518,671
(Re-purchase) issuance of shares	(314,690)	(3,147)	18,000	(146,331)	-	(131,478)
Unrealized gains on marketable securities					248,356	248,356
Net income	-	-	-	1,599,969	-	1,599,969
Balance, April 30, 2011	6,346,606	63,466	9,654,912	(5,269,298)	(213,562)	4,235,518
(Re-purchase) issuance of shares	(246,624)	(2,466)	(76,869)	-	-	(79,335)
Unrealized gains on marketable securities	-	-	-	-	118,140	118,140
Net income	-	-	-	(51,435)	-	(51,435)
Balance, April 30, 2012.	6,099,982	$ 61,000	$ 9,578,043	$ (5,320,733)	$ (95,422)	$ 4,222,888

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

INITIO, INC. AND SUBSIDIARY

Notes To Consolidated Financial Statements

Years Ended April 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Net income (loss)	$ (51,435)	$ 1,599,969
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	2,156	3,633
(Income) loss on sale of marketable securities	8,516	(1,556,659)
Non-cash compensation due to issuance of stock	18,000	18,000
Changes in operating assets and liabilities:		
Other assets	(1,767)	5,427
Accounts payable and accrued expenses	374	-
Net cash provided by operating activities	(24,156)	70,370
Cash flows from investing activities:		
Purchase of fixed assets	(776)	-
Net proceeds from sales of marketable securities	3,989,359	4,435,409
Purchases of marketable securities	(3,781,570)	(3,480,415)
Net cash provided by (used in) investing activities	207,013	954,994
Cash flows from financing activities:		
Re-purchase of common stock	(97,335)	(149,478)
Note receivable	(130,000)	
Loan to stockholder	(25,000)	-
Net cash (used in) provided by financing activities	(252,335)	(149,478)
Net increase in cash	(69,478)	875,886
Cash at the beginning of the year	1,573,688	697,802
Cash at the end of the year	$ 1,504,210	$ 1,573,688
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	$ -	$ -
Taxes	$ 16,627	$ -
Non-cash investing and financing activities:		
Increase in fair value of available-for-sale securities	$ 118,140	$ 248,357
Vesting of additional shares of stock	$ 18,000	$ 18,000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business
The Company is primarily engaged in the provision of management and consulting services.

Basis of Presentation
The consolidated financial statements include the accounts of Initio, Inc. and its wholly owned subsidiary Initio Consulting Corp. All material intercompany transactions and balances have been eliminated.

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

Marketable Securities
The Company classifies its marketable securities as available for sale, as they are not acquired with the intent of selling within hours or days, and reports them at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 5 for a discussion of fair value measurements,

Purchases and sales of securities are recorded on a trade-date basis. Realized gains and losses, calculated based upon specific identification of shares sold, are included in the determination of net income (loss). Unrealized gains and losses are included as a component of other comprehensive income (loss) unless there is a loss that is other than temporary in which case it is recorded in net income (loss). Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Long-lived Assets
Vehicles and equipment are stated at cost net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 10 years.

The Company's policy is to record long-lived assets at cost, amortizing these costs over the expected useful lives of the related assets. Long-lived assets are reviewed on a quarterly and annual basis for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be reasonable. Assets are evaluated for continuing value and proper useful lives by comparison to expected future cash flows. Impairments if any, are recognized in the consolidated statements of operations and comprehensive income (loss) in the period identified. There were no impairments recognized during the years ended April 30, 2012 and 2011.

Stock Based Compensation
The Company measures the compensation cost from stock-based payment transactions with employees at the grant-date fair value of the equity instruments issued and recognizes it over the requisite service period.

Earnings Per Common Share
Basic earnings per common share, as well as diluted earnings per common share have been computed based upon the weighted average number of outstanding shares of the Company's common stock.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

Deferred income taxes are provided for the temporary differences, primarily net operating loss carry-forwards, between the financial reporting basis and the tax basis of the Company's assets and liabilities and are measured by applying estimated tax rates to taxable years in which such differences are expected to reverse. A valuation allowance has been provided to reduce the net carrying value to an amount that is more likely than not to be realized.

The Company adopted the provisions of FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" (FASB ASC 740-10), on January 1, 2009. As such, the Company records a liability for uncertain tax positions when it is probable that a loss has occurred and the amount can be reasonably estimated. Management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, new authoritative rulings, and its operating characteristics to comply with its status as a corporation. Management has determined that it is more likely than not that any of the Company's tax positions will be sustained upon examination and therefore has not recognized any taxes for uncertain tax positions.

NOTE 2 - VEHICLES AND EQUIPMENT

Vehicles and equipment as of April 30, 2012 and 2011 follow:

	2012	2011
Vehicles and equipment	$ 138,718	$ 137,943
Accumulated depreciation	(126,492)	(124,337)
	$ 12,226	$ 13,606

NOTE 3 - MARKETABLE SECURITIES

The Company's available-for-sale, marketable securities as of April 30, 2011 and 2010 are as follows:

	April 30, 2012		
	Amortized Cost	Gross Unrealized Losses	Fair Value
Marketable equity securities	$ 2,525,172	$ (95,422)	$ 2,429,750

	April 30, 2011		
	Amortized Cost	Gross Unrealized Losses	Fair Value
Marketable equity securities	$ 2,737,943	$ (213,562)	$ 2,524,381

NOTE 5 - FAIR VALUE MEASUREMENTS

The Financial Accounting Standards Board (FASB) Accounting Standards Codification provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1
Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access at the measurement date.

Level 2
Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3
Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

All of the Company's marketable securities use Level 1 inputs in the valuation technique to establish fair value. There have been no changes in the methodologies used at April 30, 2012 and 2011.

The carrying amounts reported in the consolidated balance sheets for cash, accounts payable and accrued expenses approximate their fair value due to their short-term maturities.

NOTE 6 - INCOME TAXES

Deferred tax assets as of April 30, 2012 and 2011 are comprised primarily of the following:

	2012	2011
Tax benefit from net operating loss carry-forward	$ 1,275,800	$ 1,734,000
Valuation allowance	(1,275,800)	(1,734,000)
	$ -	$ -

As of April 30, 2012 the Company had federal net operating loss carry-forwards of approximately $3,200,000. Such losses can be utilized against future taxable income, and expire between 2012 and 2030. Under section 382 of the Internal Revenue Code, these losses may be limited due to ownership changes. The Company has recorded a valuation allowance to reduce its net deferred tax asset to an amount that is more likely than not to be realized in future years.

NOTE 7 - STOCKHOLDERS' EQUITY

The Company entered into an agreement with one of its directors to issue 25,000 shares of stock, effective January 1, 2008. Commencing on that date, the shares of stock will vest over a two year period, resulting in a compensation cost of $1,750 per year. The fair value of the grant was estimated to be $0.15 per share

The Company entered into an agreement with the Co-Chief Executive Officers whereas the Company issued each of the executive officers 500,000 shares of stock, effective January 1, 2007. Commencing on that date the 1,000,000 shares of common stock will vest over a five-year period, resulting in a compensation cost of $18,000 per year. The fair value of the grant was estimated to be $0.10 per share.

NOTE 8 - RELATED PARTY TRANSACTIONS

During the year ended April 30, 2012, the Company loaned $25,000 to a stockholder. Because of the short term nature of the loan, interest was not being charged and was payable on demand. Subsequent to the end of the year the loan was paid back in full.

During the year ended April 20, 2012, a family member of a stockholder of the Company was loaned $130,000. Interest of 4% per annum is being charged and the note is payable on demand.

NOTE 9 - COMMITMENTS

The Company leases its administrative office on a month to month basis at an annual rental expense of $35,000.

NOTE 10 - RISKS AND UNCERTAINTIES

The Company invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet.