

# **Court Innovations, Inc.**

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Annual Report  
2016

Throughout this document, mentions of Court Innovations refer to Court Innovations Inc., a C-corporation formed on January 27, 2014, in Delaware (“the issuer”). The issuer’s physical address is 213 S. Ashley St., Suite 200, Ann Arbor, Michigan, 48104.

You may contact the issuer by emailing [hello@courtinnovations.com](mailto:hello@courtinnovations.com). This annual report is posted on the issuer’s web site, [getmatterhorn.com](http://getmatterhorn.com). The issuer may provide additional, occasional updates to investors via [Netcapital.com](http://Netcapital.com).

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Each investor should consult his or her own financial adviser, counsel, and accountant as to legal, tax, and related matters concerning his or her investment. The information in this Form is not meant to constitute such advice.

These securities have not been recommended or approved by any federal or state securities commission or regulatory authority. Furthermore, these authorities have not passed upon the accuracy or adequacy of this document. The U.S. Securities and Exchange Commission does not pass upon the merits of any securities offered or the merits of the offering, nor does it pass upon the accuracy or completeness of any offering, document or literature.

These securities are offered under an exemption from registration; however, the U.S. Securities and Exchange Commission has not made an independent determination that these securities are exempt from registration.

The information contained herein includes forward-looking statements. These statements relate to future events or to future financial performance, and involve known and unknown risks, uncertainties, and other factors, that may cause actual results to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by these forward-looking statements. You should not place undue reliance on forward-looking statements since they involve known and unknown risks, uncertainties, and other factors, which are, in some cases, beyond the company’s control and which could, and likely will, materially affect actual results, levels of activity, performance, or achievements. Any forward-looking statement reflects the current views with respect to future events and is subject to these and other risks, uncertainties, and assumptions relating to operations, results of operations, growth strategy, and liquidity. No obligation exists to publicly update or revise these forward-looking statements for any reason, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

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*Financial statements referenced in the text are enclosed at the end of this document.*

# Questions and answers

What is the legal status (including its form of organization, jurisdiction in which it is organized and date of organization), physical address and website of the issuer? (§ 227.201(a))

Court Innovations Inc., is a C-corporation formed on January 27, 2014, in Delaware. The issuer's physical address is 213 S. Ashley St., Suite 200, Ann Arbor, Michigan, 48104. The issuer's web site may be accessed at [getmatterhorn.com](http://getmatterhorn.com).

What are the names of the directors and officers (and any persons occupying a similar status or performing a similar function) of the issuer, all positions and offices with the issuer held by such persons, the period of time in which such persons served in the position or office and their business experience during the past three years, including: each person's principal occupation and employment, including whether any officer is employed by another employer; and the name and principal business of any corporation or other organization in which such occupation and employment took place? For purposes of this question, the term officer means a president, vice president, secretary, treasurer or principal financial officer, comptroller or principal accounting officer, and any person routinely performing similar functions. (§ 227.201(b))

JAMES PRESCOTT

## *Board positions with Court Innovations*

Dates	Position	Principal occupation
01/2014 - Current	Director	Law Professor

## *Positions with Court Innovations*

Dates	Position	Responsibilities
12/2015 - Current	Secretary	Responsible for minutes of all meetings and actions of directors and stockholders.

### *Business Experience*

Dates	Organization	Title, Principal Business, and Responsibilities
06/2006 - Current	University of Michigan	Law Professor Education  Professor of Law, Codirector, Empirical Legal Studies Center, Codirector, Program in Law and Economics

MJ CARTWRIGHT

### *Board positions with Court Innovations*

Dates	Position	Principal occupation
06/2016 - Current	Director	CEO

### *Positions with Court Innovations*

Dates	Position	Responsibilities
01/2014 - Current	CEO and President	Responsible for the general supervision and direction of the business.

### *Business Experience*

Dates	Organization	Title, Principal Business, and Responsibilities
01/2014 - Current	Court Innovations	CEO and President Information Technology  Responsible for the general supervision and direction of the business.
04/2011 - 07/2014	MJ Innovations	CEO Information Technology  Worked with startups and growing innovative businesses.

SAAED FATTAHI

*Positions with Court Innovations*

Dates	Position	Responsibilities
09/2014 - Current	CTO	Responsible for the architecture and technical direction of products and services.

*Business Experience*

Dates	Organization	Title, Principal Business, and Responsibilities
09/2014 - Current	Court Innovations	CTO Information Technology  Responsible for the architecture and technical direction of products and services.
01/2014 - 01/2016	Sidewalk	Technical Advisor Consulting  Independent software and product consulting
08/2012 - 08/2014	SF Consulting	Consultant Consulting  Independent software and product consulting

TED DACKO

*Board positions with Court Innovations*

Dates	Position	Principal occupation
12/2015 - Current	Director	Business Consultant

*Business Experience*

Dates	Organization	Title, Principal Business, and Responsibilities
04/2010 - Current	Arbor Dakota	CEO Consulting

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An independent consultant, mentor and board member to tech companies.

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JACK MINER

*Board positions with Court Innovations*

Dates	Position	Principal occupation
06/2014 - Current	Director	Technology Transfer and Managing Director

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*Business Experience*

Dates	Organization	Title, Principal Business, and Responsibilities
09/2016 - Current	Cleveland Clinic Ventures	Managing Director Health  Responsible for building promising Cleveland Clinic inventions into successful new ventures.
08/2013 - 09/2016	University of Michigan	Director Venture Center Education  Responsible for launching startups and creating business formation infrastructure for the Office of Technology Transfer (OTT) at the University of Michigan.

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What is the name and ownership level of each person, as of the most recent practicable date but no earlier than 120 days prior to the date the offering statement or report is filed, who is a beneficial owner of 20 percent or more of the issuer's outstanding voting equity securities, calculated on the basis of voting power? (§ 227.201(c), portions of § 227.201(m))

James J. Prescott owns 1,800,000 shares of Common Stock, representing a voting power of 34.58%.

Describe the business of the issuer and the anticipated business plan of the issuer. (§ 227.201(d))

Matterhorn, from Court Innovations, is a SaaS, cloud-based platform that allows courts to handle many high-volume infractions, disputes and outstanding warrants online. This saves citizens, courts, and law

enforcement significant time and money. The product is already on the market and in use by 20 courts and over 10,000 citizens. Feedback has been so positive that courts have expanded their platform to resolve additional types of cases online.

**Problem.** Prior to Matterhorn, resolving issues like open traffic tickets or warrants required law enforcement and citizens to physically go to the court. For resource-constrained courts and police departments, managing these minor disputes with in-person hearings or mediations meant long delays in scheduling, backlogs of open cases, delays in revenue realization, less time for hearing more complex disputes, and limited access to justice for citizens.

**Solution.** Available for courts and citizens 24/7, the cloud-based Matterhorn platform replicates and streamlines the court's current process in an online, asynchronous, collaborative environment. Court officials, law enforcement personnel, and citizens all "weigh-in" online on the case at a time that is convenient for each. The efficiency and financial outcomes are impressive: processing time decreased from 157 minutes to 27 minutes; 10% fewer warrants issued; and case turnover and revenue realization reduced from 1-2 months to 7 days.

Matterhorn's current SaaS solutions focus on dispute resolution and compliance for warrant resolution, warrant intervention (preventing the issuance of warrants), civil infraction disputes (including traffic and parking) and license restoration. These solutions (add-ons, sold separately) are the first of many applications on our product roadmap to provide online court access.

**How many employees does the issuer currently have? (§ 227.201(e))**

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**Discuss the material factors that make an investment in the issuer speculative or risky. (§ 227.201(f))**

Court Innovations is a start-up; therefore, projections are based on limited operating data.

As with many software solutions, there is limited protection available on intellectual property.

Government sector sales typically have longer sales cycles.

The court and government sector requires technology investments and upgrades. This will encourage additional competitors as the market grows.

**Describe the ownership and capital structure of the issuer, including: the terms of the securities being offered and each other class of security of the issuer, including the number of securities being offered and/or outstanding, whether or not such securities have voting rights, any limitations on such voting rights, how the terms of the securities being offered may be modified and a summary of the**



differences between such securities and each other class of security of the issuer, and how the rights of the securities being offered may be materially limited, diluted or qualified by the rights of any other class of security of the issuer. (portions of § 227.201(m))

Class of security	Amount authorized	Amount outstanding	Voting rights	Other terms
Common stock	6,000,000	4,400,000	Yes	

Describe how the exercise of rights held by the principal shareholders of the issuer could affect the purchasers of the securities being offered. (portions of § 227.201(m))

As the holder of a majority of the voting rights in the company, our majority shareholder may make decisions with which you disagree, or that negatively affect the value of your investment in the company, and you will have no recourse to change those decisions. Your interests may conflict with the interests of other investors, and there is no guarantee that the company will develop in a way that is advantageous to you. For example, the majority shareholder may decide to issue additional shares to new investors, sell convertible debt instruments with beneficial conversion features, or make decisions that affect the tax treatment of the company in ways that may be unfavorable to you. Based on the risks described above, you may lose all or part of your investment in the securities that you purchase, and you may never see positive returns.

The shareholder may vote on decisions with which another investor disagrees. Depending on how other shareholders vote, the resulting outcome may conflict with an investor's interest.

Describe how the securities are being valued, and examples of methods for how such securities may be valued by the issuer in the future, including during subsequent corporate actions. (portions of § 227.201(m))

On September 21, 2016, the Company secured a term sheet for a preferred stock financing with a pre-financing valuation of \$3M, with the assumption that such pre-financing valuation includes an available option pool equal to 10% of the fully diluted shares outstanding of the Company, on a post-financing basis. This 10% option pool equates to approximately \$260,000 of the \$3M valuation.

As of the close of 2016, the Company had not completed the preferred stock financing, and the option pool had not yet been increased, as described above. As such the current valuation without the increased option pool is approximately \$2.7M. Factoring in the \$500,000 crowdfunding campaign and the preferred stock financing, our post-financing valuation estimate is approximately \$4.5M.

Describe the risks to purchasers of the securities relating to minority ownership in the issuer and the risks associated with corporate actions including additional issuances of securities, issuer repurchases

of securities, a sale of the issuer or of assets of the issuer or transactions with related parties; and a description of (portions of § 227.201(m))

As with any minority ownership investment, there is no significant involvement regarding the direction and operations of the business.

**Describe the restrictions on transfer of the securities, as set forth in § 227.501. (portions of § 227.201(m))**

Securities issued in a transaction exempt from registration pursuant to section 4(a)(6) of the Securities Act (15 U.S.C. 77d(a)(6)) and in accordance with section 4A of the Securities Act (15 U.S.C. 77d-1) and this part may not be transferred by any purchaser of such securities during the one-year period beginning when the securities were issued in a transaction exempt from registration pursuant to section 4(a)(6) of the Securities Act (15 U.S.C. 77d(a)(6)), unless such securities are transferred: to the issuer of the securities; to an accredited investor; as part of an offering registered with the Commission; or to a member of the family of the purchaser or the equivalent, to a trust controlled by the purchaser, to a trust created for the benefit of a member of the family of the purchaser or the equivalent, or in connection with the death or divorce of the purchaser or other similar circumstance. For purposes of this paragraph, the term "accredited investor" shall mean any person who comes within any of the categories set forth in § 230.501(a) of this chapter, or who the seller reasonably believes comes within any of such categories, at the time of the sale of the securities to that person. For purposes of this paragraph, the term "member of the family of the purchaser or the equivalent" includes a child, stepchild, grandchild, parent, stepparent, grandparent, spouse or spousal equivalent, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of the purchaser, and shall include adoptive relationships. For purposes of this paragraph, the term "spousal equivalent" means a cohabitant occupying a relationship generally equivalent to that of a spouse.

**Describe the material terms of any indebtedness of the issuer, including the amount, interest rate, maturity date and any other material terms. (§ 227.201(p))**

The issuer has no material indebtedness.

**Describe exempt offerings conducted within the past three years. In providing a description of any prior exempt offerings, disclose: the date of the offering; the offering exemption relied upon; the type of securities offered; and the amount of securities sold and the use of proceeds. (§ 227.201(q))**

As of the end of 2016, Court Innovations was conducting, but had not closed, an offering under exemption 4(a)(6) via Netcapital Funding Portal, Inc. Proceeds would be used for working capital. The offering could result in the sale of up to 805,153 shares of common stock.

As of the end of 2016, Court Innovations was also conducting, but had not closed, an offering under exemption 4(a)(2). Proceeds would be used for working capital. The offering could result in the authorization, issuance, and sale of up to 2,500,000 shares of preferred stock.

Describe any transaction since the beginning of the issuer's last fiscal year, or any currently proposed transaction, to which the issuer was or is to be a party and the amount involved exceeds five percent of the aggregate amount of capital raised by the issuer in reliance on section 4(a)(6) of the Securities Act (15 U.S.C. 77d(a)(6)) during the preceding 12-month period, inclusive of the amount the issuer seeks to raise in the current offering under section 4(a)(6) of the Securities Act, in which any of the following persons had or is to have a direct or indirect material interest: any director or officer of the issuer; any person who is, as of the most recent practicable date but no earlier than 120 days prior to the date the offering statement or report is filed, the beneficial owner of 20 percent or more of the issuer's outstanding voting equity securities, calculated on the basis of voting power; if the issuer was incorporated or organized within the past three years, any promoter of the issuer; or any member of the family of any of the foregoing persons, which includes a child, stepchild, grandchild, parent, stepparent, grandparent, spouse or spousal equivalent, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, and shall include adoptive relationships. The term spousal equivalent means a cohabitant occupying a relationship generally equivalent to that of a spouse. For each transaction identified, disclose the name of the specified person and state his or her relationship to the issuer, and the nature and, where practicable, the approximate amount of his or her interest in the transaction. The amount of such interest shall be computed without regard to the amount of the profit or loss involved in the transaction. Where it is not practicable to state the approximate amount of the interest, the approximate amount involved in the transaction shall be disclosed. A transaction includes, but is not limited to, any financial transaction, arrangement or relationship (including any indebtedness or guarantee of indebtedness) or any series of similar transactions, arrangements or relationships. (§ 227.201(r))

No such transactions have occurred or are currently proposed.

Discuss the issuer's financial condition, including, to the extent material, liquidity, capital resources and historical results of operations. The discussion must cover each period for which financial statements of the issuer are provided. An issuer also must include a discussion of any material changes or trends known to management in the financial condition and results of operations of the issuer subsequent to the period for which financial statements are provided. For issuers with no prior operating history, the discussion should focus on financial milestones and operational, liquidity and other challenges. For issuers with an operating history, the discussion should focus on whether historical results and cash flows are representative of what investors should expect in the future. Issuers should take into account the proceeds of the offering and any other known or pending sources of capital. Issuers also should discuss how the proceeds from the offering will affect the issuer's liquidity, whether receiving these funds and any other additional funds is necessary to the viability of the business, and how quickly the issuer anticipates using its available cash. In addition, issuers should describe the other available sources of capital to the business, such as lines of credit or

required contributions by shareholders. References to the issuer in this question refer to the issuer and its predecessors, if any. (§ 227.201(s))

**Funding History:** The University of Michigan's Third Century Fund strongly believes in this online court initiative. The combination of increasing access to justice for all citizens and the national scalability of the solution attracted this grant funding – totaling \$3,000,000 – to prove the initial concepts, implement pilots, establish an initial customer base that represents a growing market, and evaluate the impact of online case resolution.

A little over a year ago, we converted all three pilots to paying customers, and we have launched 17 additional courts as customers. As we continue to bring in new customers, we are identifying and implementing new application solutions that are already being sold and launched in Matterhorn courts. The revenue from court solutions continues to build through our initiatives.

Now that we have proven the solution in Michigan, we are expanding into other states (with our first being Ohio). Our momentum is moving us forward nationally as we contract with more courts, expand our solutions for handling more types of cases, and reach more citizens to resolve their cases. These are all key building blocks of our revenue growth.

**Revenue:** Our revenues grew to \$992,826 in 2015 up from \$306,370 in 2014. For 2016, our revenues have increased to over \$1M.

**Cost of Goods Sold:** Because of our software-as-a-service, cloud-based platform, we are able maintain a lower cost of goods as we increase our revenue growth in the next few years.

**Operating Expenses:** As we continue our national roll-out, our operating expenses are focused primarily on sales and marketing. With our core Matterhorn platform built out and running, our development costs are balanced between product enhancements and building new solutions.

**Capital:** Investment interest in Court Innovations continues to grow. As of the end of 2016, we had secured a term sheet for additional investment that will close in April or May of 2017. Even though this will have a dilutive impact on current shareholders, it potentially will enable faster expansion and revenue generation.

**Provide financial statements (balance sheets, statements of comprehensive income, statements of cash flows, statements of changes in stockholders' equity and notes to the financial statements) for the two most recent fiscal periods prepared in accordance with United States Generally Accepted Accounting Principles. If any of the financial statements have been audited by an independent accountant, provide those statements. If any of the financial statements have been reviewed but not audited by an independent accountant, provide those statements. Label statements "unaudited" if they have not been audited. (portions of § 227.201(t))**

Please refer to the financial statements enclosed at the end of this document. A subsequent section in this document provides the principal executive officer's certification of the financial statements.

# Ongoing reporting requirements

Court Innovations must continue to comply with the ongoing reporting requirements specified in Rule 202 of Regulation Crowdfunding (§ 227.202) until one of the following occurs:

- Court Innovations is required to file reports under Section 13(a) or Section 15(d) of the Exchange Act
- Court Innovations has filed, since its most recent sale of securities pursuant to this part, at least one annual report pursuant to this section and has fewer than 300 holders of record
- Court Innovations has filed, since its most recent sale of securities pursuant to this part, the annual reports required pursuant to this section for at least the three most recent years and has total assets that do not exceed \$10,000,000
- Court Innovations or another party repurchases all of the securities issued in reliance on Section 4(a)(6) of the Securities Act, including any payment in full of debt securities or any complete redemption of redeemable securities
- Court Innovations liquidates or dissolves its business in accordance with state law

When one of the above occurs, Form C-TR must be filed within five business days from the date on which Court Innovations becomes eligible to terminate its reporting with the United States Securities and Exchange Commission (SEC).

Court Innovations will file a report electronically with the SEC annually and post the report on its web site ([getmatterhorn.com](http://getmatterhorn.com)) no later than 120 days after the end of each fiscal year covered by the report.

# Financial statements certification

I, MJ Cartwright, certify that the financial statements of Court Innovations, Inc., included in this Form are true and complete in all material respects.

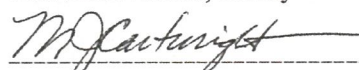
A handwritten signature in black ink, appearing to read 'MJ Cartwright', is positioned above a horizontal dashed line.

MJ Cartwright  
Chief Executive Officer

# Signatures

Pursuant to the requirements of Sections 4(a)(6) and 4A of the Securities Act of 1933 and Regulation Crowdfunding (§ 227.100 *et seq.*), the issuer certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form C and has duly caused this Form to be signed on its behalf by the duly authorized undersigned.

Court Innovations, Inc. by



MJ Cartwright

Chief Executive Officer

Pursuant to the requirements of Sections 4(a)(6) and 4A of the Securities Act of 1933 and Regulation Crowdfunding (§ 227.100 *et seq.*), this Form C has been signed by the following persons in the capacities and on the dates indicated.

## Principal officers



MJ Cartwright

Principal executive officer

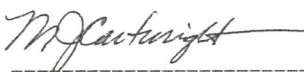
on 4/28/17



MJ Cartwright

Principal financial officer

on 4/28/17



MJ Cartwright

Principal accounting officer or controller

on 4/28/17

## Majority of the board of directors or persons performing similar functions

Jack Miner

on



James Prescott

on

4/28/17



MJ Cartwright

on 4/28/17



Ted Dacko

on

4/28/17

*Instructions.* The form shall be signed by the issuer, its principal executive officer or officers, its principal financial officer, its controller or principal accounting officer and at least a majority of the board of directors or persons performing similar functions. The name of each person signing the form shall be typed or printed beneath the signature. Intentional misstatements or omissions of facts constitute federal criminal violations. See 18 U.S.C. 1001.



# Court Innovations Incorporated

## Statement of Stockholders' Equity

For the Year Ended December 31, 2016 and For the Period December 31, 2014 to December 31, 2015

	Common Stock		Retained Earnings		Total Stockholder's Equity
Balance, December 31, 2014	\$	-	\$	68,831	\$ 68,831
Net Income	\$	-	\$	74,713	\$ 74,713
Distributions	\$	-	\$	-	\$ -
Balance, December 31, 2015	\$	-	\$	143,544	\$ 143,544
Net Income	\$	-	\$	28,856	\$ 28,856
Distributions	\$	-	\$	-	\$ -
Balance, December 31, 2016	\$	-	\$	172,400	\$ 172,400

# Court Innovations Incorporated

## Statement of Cash Flows

January 2015 - December 2016

	Jan - Dec 2016	Jan - Dec 2015
<b>OPERATING ACTIVITIES</b>		
Net Income	\$ 28,856	\$ 74,713
Adjustments to reconcile Net Income to Net Cash provided by operations:		
Total Adjustments to reconcile Net Income to Net Cash provided by operations:	\$ 6,219	\$ (5,960)
Net cash provided by operating activities	\$ 35,075	\$ 68,753
<b>INVESTING ACTIVITIES</b>		
Net cash provided by investing activities	\$ 4,206	\$ (19,597)
<b>FINANCING ACTIVITIES</b>		
Net cash provided by financing activities	\$ -	\$ (1,000)
<b>Net cash increase for period</b>	<b>\$ 39,281</b>	<b>\$ 48,156</b>

# Court Innovations Incorporated

## Income Statement

For the Year Ended December 31, 2016 and For the Year Ended December 31, 2015

	2016	2015
<b>Revenue</b>		
Total Income	\$ 1,013,983	\$ 992,826
<b>Expenses</b>		
Amortization Expenses	\$ 277	\$ 139
Business Consulting	\$ 15,566	\$ 9,000
Customer Support	\$ 708	\$ 708
Depreciation Expense	\$ 5,416	\$ 3,761
Development Expense	\$ 68,011	\$ 31,894
Dues and Subscriptions	\$ 1,500	\$ -
Human Resources Expense	\$ 1,233	\$ 3,229
Interest Expense	\$ 94	\$ -
Marketing Expense	\$ 41,767	\$ 43,623
Office/General Administrative Expenses	\$ 23,466	\$ 13,431
Operations Hosting & Materials	\$ 16,354	\$ 12,123
Payroll Expenses	\$ 691,283	\$ 717,627
Professional Fees	\$ 24,854	\$ 6,733
Registrations Licenses	\$ 8,528	\$ 2,538
Rent Expense	\$ 41,140	\$ 28,094
Travel Expense	\$ 29,908	\$ 17,742
Total Expenses	\$ 970,105	\$ 890,642
Net Operating Income Before Income Tax	\$ 43,879	\$ 102,184
Federal & State Income Tax	\$ 15,014	\$ 27,471
<b>Net Income</b>	<b>\$ 28,856</b>	<b>\$ 74,713</b>

# Court Innovations Incorporated

## Balance Sheets

December 31, 2016 and 2015

	2016		2015
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 133,054	\$	93,773
Accounts Receivable	\$ 77,749	\$	87,343
Prepaid Expenses	\$ 3,230	\$	3,230
<b>Total Current Assets</b>	<b>\$ 214,033</b>	<b>\$</b>	<b>184,346</b>
<b>Fixed Assets:</b>			
Accumulated Depreciation	\$ (9,731)	\$	(4,315)
Furniture and Equipment	\$ 19,421	\$	18,211
<b>Net Fixed Assets</b>	<b>\$ 9,690</b>	<b>\$</b>	<b>13,896</b>
<b>Other Assets:</b>			
Trademark	\$ 4,159	\$	4,159
Accumulated Amortization	\$ (416)	\$	(139)
<b>Net Trademark</b>	<b>\$ 3,743</b>	<b>\$</b>	<b>4,020</b>
<b>TOTAL ASSETS</b>	<b>\$ 227,466</b>	<b>\$</b>	<b>202,262</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts Payable	\$ 2,434	\$	7,680
Credit Card Payable	\$ 2,361	\$	129
Deferred Revenue	\$ 7,450	\$	-
Federal & State Income Tax Payable	\$ 2,504	\$	8,414
Payroll Liabilities	\$ 13,362	\$	15,541
<b>Total Current Liabilities</b>	<b>\$ 28,112</b>	<b>\$</b>	<b>31,764</b>
Deferred Income Taxes	\$ 26,954	\$	26,954
<b>Total Liabilities</b>	<b>\$ 55,066</b>	<b>\$</b>	<b>58,718</b>
<b>Equity</b>			
Common Stock	\$ -	\$	-
Retained Earnings	\$ 172,400	\$	143,544
<b>Total Equity</b>	<b>\$ 172,400</b>	<b>\$</b>	<b>143,544</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 227,466</b>	<b>\$</b>	<b>202,262</b>

**COURT INNOVATIONS INCORPORATED**  
**REVIEWED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**COURT INNOVATIONS INCORPORATED**

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# **ROGOW & LONEY, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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## **Independent Accountants' Review Report**

November 18, 2016

To the Board of Directors of  
Court Innovations Incorporated  
Ann Arbor, MI

We have reviewed the accompanying financial statements of Court Innovations Incorporated, which comprise the balance sheets as of December 31, 2015 & 2014 and the related statements of income, stockholder's equity and cash flows for the year ended, December 31, 2015 and the period January 27, 2014 to December 31, 2014 and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the 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 the 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 the financial statements that are free from material misstatement whether due to fraud or error.

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagement 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 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.

### **Accountant's Conclusion**

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

*Rogow & Loney PC*

ROGOW & LONEY, P.C.

**COURT INNOVATIONS INCORPORATED**  
**BALANCE SHEETS**  
**DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b><u>ASSETS</u></b>		
Current Assets:		
Cash and Cash Equivalents	\$ 93,773	\$ 45,617
Accounts Receivable	87,343	64,971
Prepaid Expenses	<u>3,230</u>	<u>549</u>
Total Current Assets	184,346	111,137
Fixed Assets:		
Furniture and Equipment	18,211	2,773
Accumulated Depreciation	<u>(4,315)</u>	<u>(554)</u>
Net Fixed Assets:	13,896	2,219
Other Assets:		
Trademark	4,159	-
Accumulated Amortization	<u>(139)</u>	<u>-</u>
Net Trademark:	<u>4,020</u>	<u>-</u>
<b><u>TOTAL ASSETS</u></b>	<u><u>202,262</u></u>	<u><u>113,356</u></u>
<b><u>LIABILITIES AND EQUITY</u></b>		
Current Liabilities:		
Accounts Payable	\$ 7,680	\$ 1,678
Credit Card Payable	129	-
Federal & State Income Tax Payable	8,414	5,028
Officer Loan	-	1,000
Payroll Liabilities	<u>15,541</u>	<u>23,962</u>
Total Current Liabilities	31,764	31,668
Deferred Income Taxes	<u>26,954</u>	<u>12,857</u>
Total Liabilities	<u>58,718</u>	<u>44,525</u>
Equity		
Common Stock	-	-
Retained Earnings	<u>143,544</u>	<u>68,831</u>
Total Equity	<u>143,544</u>	<u>68,831</u>
<b><u>TOTAL LIABILITIES AND EQUITY</u></b>	<u><u>202,262</u></u>	<u><u>113,356</u></u>

See Accompanying Notes and Independent Accountant's Review Report.



**COURT INNOVATIONS INCORPORATED**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
**AND THE PERIOD JANUARY 27, 2014 TO DECEMBER 31, 2014**

	<u>2015</u>	<u>2014</u>
<b><u>REVENUE</u></b>		
3rd Century Online Court Contract	\$ 977,659	\$ 306,370
Court Services	<u>15,167</u>	<u>-</u>
<b><u>TOTAL INCOME</u></b>	992,826	306,370
<b><u>EXPENSES</u></b>		
Amortization Expense	139	-
Business Consulting	9,000	-
Customer Support	708	-
Depreciation Expense	3,761	554
Development Expense	31,894	6,308
Human Resource Expense	3,229	235
Marketing Expense	43,623	11,304
Office/General Administrative Expenses	13,431	2,435
Operations Hosting & Materials	12,123	-
Payroll Expenses	717,627	181,842
Professional Fees	6,733	6,067
Registration Licenses	2,538	65
Rent Expense	28,094	9,356
Travel Expense	<u>17,742</u>	<u>1,488</u>
<b><u>TOTAL EXPENSES</u></b>	890,642	219,654
Net Operating Income Before Income Tax	102,184	86,716
Federal & State Income Tax	<u>27,471</u>	<u>17,885</u>
<b><u>NET INCOME</u></b>	<u>\$ 74,713</u>	<u>\$ 68,831</u>

See Accompanying Notes and Independent Accountant's Review Report.

**COURT INNOVATIONS INCORPORATED**  
**STATEMENT OF STOCKHOLDERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
**AND THE PERIOD JANUARY 27, 2014 TO DECEMBER 31, 2014**

	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Total Stockholder's Equity</u>
Balance, January 27, 2014	\$ 0	\$ 0	\$ 0
Net Income	0	68,831	\$ 68,831
Distributions	<u>0</u>	<u>0</u>	<u>\$ 0</u>
Balance, December 31, 2014	0	68,831	\$ 68,831
Net Income	0	74,713	\$ 74,713
Distributions	<u>0</u>	<u>0</u>	<u>\$ 0</u>
Balance, December 31, 2015	<u>\$ 0</u>	<u>\$ 143,544</u>	<u>\$ 143,544</u>

**COURT INNOVATIONS INCORPORATED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
**AND THE PERIOD JANUARY 27, 2014 TO DECEMBER 31, 2014**

	<u>2015</u>	<u>2014</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Net Income	\$ 74,713	\$ 68,831
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	3,900	554
Deferred income taxes (benefit)	14,097	12,857
Loss on sale of assets	0	0
Change in assets and liabilities		
Accounts receivable	( 22,372)	( 64,971)
Prepaid expenses and other assets	( 2,681)	( 549)
Accrued income taxes	3,386	5,028
Accounts and Credit Card payable	6,131	1,678
Accrued liabilities	( 8,421)	23,962
Total adjustments	( 5,960)	( 21,441)
Net cash provided by operating activities	<u>68,753</u>	<u>47,390</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchases of furniture and equipment	( 15,438)	( 2,773)
Trademark Investment	( 4,159)	0
Net cash used in investing activities	( 19,597)	( 2,773)
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Proceeds from Officer Loan	0	4,000
Payment of Officer Loan	( 1,000)	( 3,000)
Net cash provided by (used in) financing activities	( 1,000)	1,000
Increase (decrease) in cash	<u>48,156</u>	<u>45,617</u>
<b><u>CASH AND CASH EQUIVALENT-Beginning of Year</u></b>	<u>45,617</u>	<u>0</u>
<b><u>CASH AND CASH EQUIVALENT-End of Year</u></b>	<u>\$ 93,773</u>	<u>\$ 45,617</u>
<b>INCOME TAXES PAID</b>	<u>\$ 9,988</u>	<u>\$ 0</u>

**COURT INNOVATIONS INCORPORATED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 1 - BUSINESS ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**Business Activity**

Court Innovations Incorporated (the "Company") was incorporated under the laws of the State of Delaware on January 27, 2014. The Company designs and develops software for the use by courthouses and other government entities.

**Basis of Accounting**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as promulgated by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The Company maintains its financial records on an accrual basis, reflecting revenues when earned and expenses when incurred.

**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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates, and such differences could be material to the accompanying financial statements.

**Cash and Cash Equivalents**

The Company considers all highly liquid instruments with a maturity of three months or less when purchased to be cash equivalents. The Company maintains cash in bank deposit accounts, which at times may exceed federally insured limits. The Company believes it is not exposed to any significant concentration of credit risk on cash and cash equivalents.

**Trade Account Receivable**

The Company does not perform ongoing credit evaluations nor require collateral as its customers are government entities.

**Property and Equipment**

Property and equipment are recorded at cost, including improvements that substantially add to the productive capacity or extend the useful life of the related asset, less accumulated depreciation. Maintenance, repairs and minor renewals are expensed as incurred. The cost and related accumulated depreciation of property and equipment are removed from the accounts upon disposition or retirement and any resulting gain or loss included in income.

Depreciation is calculated using the accelerated methods over the estimated useful lives of the assets as follows:

<u>Description</u>	<u>Estimated Useful Lives</u>
Furniture and equipment	5-7 years

Depreciation expense was \$3,761 and \$554 in 2015 and 2014, respectively.

**COURT INNOVATIONS INCORPORATED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Software Development Costs**

Software development costs are expensed and billed for reimbursement from the University of Michigan Grant. This grant out of the U of M Provost Office's Third Century Fund has been the Company's main funding source. Total development costs were \$539,001 for 2015 and \$121,846 for 2014.

**Intangible Assets**

Intangible assets with definite lives are amortized on a straight-line basis over their estimated useful lives ranging from three to fifteen years.

**Revenue Recognition**

The Company's revenue is derived primarily from the University of Michigan Grant and software licensing and services provided to court customers (starting in July 2015). Arrangements with court customers are accounted for as license and service contracts, with revenue recognized in the period in which the services are provided. Upfront setup fees are recognized in the month the setup occurred and advance payment received from customers deferred and recognized as revenue when services are provided.

**Royalties Expense**

The Company pays \$5,000 annual license fee to the University of Michigan. The annual fee is accrued on June 30 of the first year after the first commercial sale and shall continue for four additional annual payments. The first annual license payment was scheduled on June 30, 2016.

**Income Taxes**

Income taxes are accounted for under the asset and liability method. Deferred income tax assets and liabilities represent the future income tax effect of temporary differences between book and tax bases of assets and liabilities assuming they will be realized and settled in amounts reported in the financial statements. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

The Company recognizes the tax benefit from uncertain tax positions when it is more likely than not that the position will be sustained on examination by taxing authorities, including resolution of any related appeals or litigation processes. The related tax benefit is measured as the largest amount that is cumulatively more than 50% likely to be realized upon ultimate settlement.

Interest and penalties related to uncertain tax positions are included in income tax expense on the statement of income.

**COURT INNOVATIONS INCORPORATED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Subsequent Events**

The potential recognition and disclosure impact of subsequent events was evaluated through November 18, 2016, which is the date the financial statements were available to be issued.

**NOTE 2 -- INTANGIBLE ASSETS**

A summary of the Company's intangible assets with finite lives is presented below:

	As of December 31, 2015		
	Gross Amount	Accumulated Amortization	Net Amount
Trademarks	\$ 4,159	\$ 139	\$ 4,020
	<u>\$ 4,159</u>	<u>\$ 139</u>	<u>\$ 4,020</u>

Intangibles amortization expense was \$139 in 2015 and -0- in 2014.

**NOTE 3 – STOCKHOLDERS' EQUITY**

**Common Stock**

The Company has authorized 4,400 shares of common stock with \$.001 per share per value. 4010 shares were issued in 2014, including 330 shares issued to The University of Michigan as part of the licensing agreement disclosed in Note 1.

**NOTE 4 – OPERATING LEASES**

The Company subleases office space. The sublease is for a 3 year term that ends April 1, 2019. The rent is \$3000 per month, all inclusive (utilities, taxes, cleaning services, coffee room supplies, and existing office furnishings).

If both parties agree on early termination, the party requesting termination will owe two month's rent (\$6,000) as compensation or early termination.

**COURT INNOVATIONS INCORPORATED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 5 –EMPLOYEE INCENTIVE PLAN**

The Court Innovations Incorporated 2014 and 2015 Stock Option and Restricted Stock Plans (the “Plans”) permit the Company to grant to employees, outside directors and consultants stock options or restricted stock. A maximum of 390 shares of common stock are reserved to be granted under the Plans.

The Company has issued stock options to employees under the Plans. The options are subject to forfeiture until vested. The options may be exercised with respect to the first 25% of the shares subject to the options when the employee completes 12 months of continuous service beginning with the vesting commencement date that coincides with initial employment date. The options may be exercised with respect to an additional 1/48<sup>th</sup> of the shares subject to options when the employee completes each month of continuous service thereafter. Shares issued under the Plans, are subject to forfeiture conditions, rights of repurchase rights of first refusal, and other transfer restrictions.

The activity under the Plans is as follows:

	<u>Shares</u>	<u>Ave. grant date fair value per Share</u>
<u>Year ended December 31, 2014</u>		
Granted	40	0.001
Vested/Exercised	0	
Cancelled	0	
<u>Year ended December 31, 2015</u>		
Granted	61	100
Vested	0	
Cancelled	0	

**NOTE 6 – INCOME TAXES**

Components of the provision for income tax expense consist of:

	<u>2015</u>	<u>2014</u>
Current		
Federal	\$ 9,818	\$ 5,028
State	3,556	0
Total current income taxes	13,374	5,028
Deferred		
Federal	11,454	12,857
State	2,643	0
Total deferred income taxes	14,097	12,857
Total income expense	<u>\$ 27,471</u>	<u>\$ 17,885</u>