



REVIEWED FINANCIAL STATEMENTS

As of and for the three and six months ended
September 30, 2016 and 2015

THE MARKETING ALLIANCE, INC.

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the Board of Directors and Shareholders
The Marketing Alliance, Inc.

Report on the Financial Statements

We have reviewed the accompanying consolidated balance sheets of The Marketing Alliance, Inc. and subsidiaries (the Company) as of September 30, 2016 and 2015, and the related consolidated statements of operations for the three and six month periods then ended, and the related consolidated statements of shareholders' equity and cash flows for the six months period then ended.

Management's Responsibility

The Company's management is responsible for the preparation and fair presentation of the interim financial information in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial information in accordance with accounting principles generally accepted in the United States of America.

Auditor's Responsibility

Our responsibility is to conduct our review in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim consolidated financial information. A review of interim consolidated financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the consolidated financial information. Accordingly, we do not express such an opinion.

Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial information for it to be in accordance with accounting principles generally accepted in the United States of America.

UHY LLP

Albany, New York
November 14, 2016

THE MARKETING ALLIANCE, INC.
CONSOLIDATED BALANCE SHEETS
As of September 30, 2016 and 2015
Unaudited – See Independent Auditor’s Review Report

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,282,539	\$ 5,485,245
Investments	6,663,612	5,439,198
Accounts receivable	7,568,840	7,933,689
Inventory	89,440	27,443
Current portion of notes receivable	248,193	421,599
Prepaid expenses	349,255	404,679
Prepaid income taxes	648,649	402,951
Total current assets	<u>20,850,528</u>	<u>20,114,804</u>
PROPERTY AND EQUIPMENT, net	<u>2,807,513</u>	<u>2,373,527</u>
OTHER ASSETS		
Notes receivable, net of current portion	774,282	825,293
Deposits and other assets	155,662	155,458
Goodwill	973,900	872,852
Intangible assets, net	425,755	551,397
Total other assets	<u>2,329,599</u>	<u>2,405,000</u>
	<u>\$ 25,987,640</u>	<u>\$ 24,893,331</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 5,638,949	\$ 6,101,414
Lines of credit payable	3,250,000	5,400,000
Current portion of notes payable	846,187	600,000
Current portion of deferred lease incentive	30,240	-
Total current liabilities	<u>9,765,376</u>	<u>12,101,414</u>
LONG-TERM LIABILITIES		
Notes payable	3,945,772	600,000
Deferred taxes	488,300	90,100
Long term portion of deferred lease incentive	317,490	-
Interest rate swap liability	96,400	6,960
Total long-term liabilities	<u>4,847,962</u>	<u>697,060</u>
Total liabilities	<u>14,613,338</u>	<u>12,798,474</u>
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Preferred stock, no par value, 10,000,000 shares authorized, no shares issued and outstanding	-	-
Common stock, no par value; 50,000,000 shares authorized, 7,028,233 shares issued and outstanding	903,023	903,023
Retained earnings	10,471,279	11,191,834
Total shareholders' equity	<u>11,374,302</u>	<u>12,094,857</u>
	<u>\$ 25,987,640</u>	<u>\$ 24,893,331</u>

See notes to consolidated financial statements.

THE MARKETING ALLIANCE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
Three and Six Months Ended September 30, 2016 and 2015
Unaudited—See Independent Auditor’s Review Report

	Three Months Ended		Six Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Commission revenue	\$ 4,789,121	\$ 5,566,921	\$ 9,605,361	\$ 11,291,464
Family entertainment revenue	1,345,435	843,773	2,622,863	1,560,274
Construction revenue	46,219	513,617	182,220	812,827
Other operating income	60,058	24,950	102,058	29,850
Total revenues	<u>6,240,833</u>	<u>6,949,261</u>	<u>12,512,502</u>	<u>13,694,415</u>
Distributor related expenses:				
Distributor bonuses and commissions	3,512,182	3,998,331	6,828,242	8,218,113
Business processing and distributor costs	328,532	381,367	688,270	819,410
Depreciation	2,829	2,725	5,455	5,465
	<u>3,843,543</u>	<u>4,382,423</u>	<u>7,521,967</u>	<u>9,042,988</u>
Costs of construction:				
Direct and indirect costs of construction	101,037	307,706	179,331	502,623
Depreciation	36,988	87,578	121,285	174,982
	<u>138,025</u>	<u>395,284</u>	<u>300,616</u>	<u>677,605</u>
Family entertainment costs of sales	340,493	226,629	636,684	421,715
Total costs of revenues	<u>4,322,061</u>	<u>5,004,336</u>	<u>8,459,267</u>	<u>10,142,308</u>
Net operating revenue	<u>1,918,772</u>	<u>1,944,925</u>	<u>4,053,235</u>	<u>3,552,107</u>
General and administrative expenses:				
Compensation	831,856	844,805	1,716,186	1,509,020
Administrative and other	199,086	184,576	388,961	328,292
Rent and occupancy	417,553	230,270	818,026	448,152
Professional fees	108,951	146,572	221,418	275,636
Technology	82,716	71,626	151,487	138,985
Insurance	117,177	91,594	242,526	191,599
Travel and meetings	44,556	37,066	82,206	101,965
Depreciation and amortization	206,942	116,615	411,279	219,744
Payroll related	52,764	42,966	117,974	84,593
Office	202,891	147,337	376,751	281,340
Licenses and dues	2,042	1,400	3,520	3,404
Postage	12,675	12,133	23,153	23,195
Telephone	14,344	12,772	28,556	25,201
Bad debt recoveries	-	-	-	(12,500)
Telemarketing, advertising and promotional	-	6,400	3,352	10,948
Total general and administrative expenses	<u>2,293,553</u>	<u>1,946,132</u>	<u>4,585,395</u>	<u>3,629,574</u>
Operating loss	<u>(374,781)</u>	<u>(1,207)</u>	<u>(532,160)</u>	<u>(77,467)</u>
Other income (expense):				
Investment gain, net	316,853	(649,086)	592,173	(643,602)
Interest expense	(50,785)	(60,095)	(103,557)	(91,536)
Other income	-	20,000	-	20,000
Swap settlement (expense) income	(13,547)	9,318	(28,319)	6,098
Interest rate swap, fair value adjustment	31,055	(174)	9,543	1,806
(Loss) income before provision for income taxes (benefit)	<u>(91,205)</u>	<u>(681,244)</u>	<u>(62,320)</u>	<u>(784,701)</u>
Income tax (benefit) expense	<u>(31,523)</u>	<u>(258,147)</u>	<u>(21,636)</u>	<u>(301,185)</u>
Net loss	<u>\$ (59,682)</u>	<u>\$ (423,097)</u>	<u>\$ (40,684)</u>	<u>\$ (483,516)</u>

See notes to consolidated financial statements.

THE MARKETING ALLIANCE, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Six Months Ended September 30, 2016 and 2015
Unaudited – See Independent Auditor's Review Report

	<u>Common Stock</u>		<u>Retained</u>	<u>Total</u>
	<u>Shares (a)</u>	<u>Amount</u>	<u>Earnings</u>	
Balances at April 1, 2015	7,028,233	\$903,023	\$11,675,350	\$12,578,373
Net loss	<u>-</u>	<u>-</u>	<u>(483,516)</u>	<u>(483,516)</u>
Balance at September 30, 2015	<u>7,028,233</u>	<u>\$903,023</u>	<u>\$11,191,834</u>	<u>\$12,094,857</u>
Balances at April 1, 2016	7,028,233	\$903,023	\$10,511,963	\$11,414,986
Net loss	<u>-</u>	<u>-</u>	<u>(40,684)</u>	<u>(40,684)</u>
Balance at September 30, 2016	<u>7,028,233</u>	<u>\$903,023</u>	<u>\$10,471,279</u>	<u>\$11,374,302</u>

(a) Amounts have been retrospectively adjusted for the 7 for 6 stock split effective August 21, 2015.

THE MARKETING ALLIANCE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Six Months Ended September 30, 2016 and 2015
Unaudited – See Independent Auditor’s Review Report

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (40,684)	\$ (483,516)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	538,019	400,191
Realized and unrealized investment (gains) losses	(542,955)	687,228
Deferred taxes	59,000	(385,500)
Amortization of deferred lease incentive	(15,120)	-
Interest rate swap adjustment	(9,543)	(1,806)
Reimbursement from landlord of leasehold incentive	362,850	-
Changes in operating assets and liabilities:		
Accounts receivable	819,098	316,400
Inventory	(44,723)	(9,329)
Prepaid expenses and other assets	(2,542)	100,925
Deposits and other assets	6,812	11,501
Accounts payable and accrued expenses	<u>(1,034,403)</u>	<u>(292,574)</u>
Net cash provided by operating activities	<u>95,809</u>	<u>343,520</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(148,953)	(588,046)
Proceeds from sale of property and equipment	(5,642)	-
Proceeds from sale of investments	871,515	397,371
Purchases of investments	(1,189,950)	(1,117,398)
Principal payments received on promissory notes	85,890	113,286
Cash paid at acquisition	-	(781,000)
Advances under promissory notes	<u>(7,000)</u>	<u>(160,933)</u>
Net cash used in investing activities	<u>(394,140)</u>	<u>(2,136,720)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings under lines of credit	650,000	1,900,000
Repayments on long-term debt	<u>(604,386)</u>	<u>(300,000)</u>
Net cash provided by financing activities	<u>45,614</u>	<u>1,600,000</u>
Change in cash and cash equivalents	(252,717)	(193,200)
Cash and cash equivalents, beginning of period	<u>5,535,256</u>	<u>5,678,445</u>
Cash and cash equivalents, end of period	<u><u>\$ 5,282,539</u></u>	<u><u>\$ 5,485,245</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
Cash paid during the period for:		
Interest	<u><u>\$ 100,044</u></u>	<u><u>\$ 83,779</u></u>

See notes to consolidated financial statements.

THE MARKETING ALLIANCE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2016 and 2015

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Significant Accounting Policies

Organization

The Marketing Alliance, Inc. (the Company) is a consortium of independent life insurance general agents located throughout the United States. Headquartered in St. Louis, Missouri, the Company provides the benefits of pooled production and resources, including access to carriers and services, that otherwise may not be available to the agencies.

The Company, through nine subsidiaries, provides family entertainment in Florida, Illinois, Missouri and North Carolina under the name "Monkey Joes."

The Company, through a subsidiary, provides construction, heavy equipment and trenching services in Iowa.

Significant Accounting Policies

Basis of accounting and principles of consolidation:

The Company's policy is to prepare its financial statements on the accrual basis. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries:

<u>Entity</u>	<u>Year operations began</u>
TMA Marketing, Inc. ("Marketing")	2004
Empire Construction and Trenching ("Empire")	2011
TMA Technologies, Inc. ("Technologies")	Inactive
Felton McCrary Brokerage, Inc. ("Felton")	Inactive
TMA Play MO, Inc.	2012
TMA Play IL, Inc.	2012
TMA Realty, Inc. ("Realty")	2014
TMA Play Sunrise, Inc.	2015
TMA Play Pines, Inc.	2015
TMA Play Gastonia, Inc.	2015
TMA Play Pineville, Inc.	2015
TMA Play University Inc.	2015
TMA Play Matthews, Inc.	2015
TMA Play Rivers, Inc.	2016

All significant intercompany accounts and transactions have been eliminated.

Revenue recognition:

Commission income from insurance companies, including production bonuses and deferred first year commissions, is earned as of the effective date of coverage. Contingent commissions are earned when the performance threshold has been met and is not subject to reversal.

THE MARKETING ALLIANCE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2016 and 2015

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

Revenue recognition: (Continued)

Empire recognizes revenue from long-term contracts on the percentage-of-completion method of accounting for fixed price construction contracts or on the cost-plus fee contract method. Under the fixed price method, revenue is determined by applying the percentage-of-completion of contracts in each year to estimated final revenue on a ratio of costs incurred to date to total estimated costs. That method is used because management considers total cost to be the best available measure of progress on the contracts. Because of inherent uncertainties in estimating costs, it is at least reasonably possible that the estimates used will change within the near term. Costs of construction include all direct material and labor costs and those indirect costs related to contract performance. Provisions for estimated losses on uncompleted contracts, if any, are made in the period in which such losses are determined. Revenues recognized in excess of amounts billed are included in accounts receivable.

Monkey Joes revenues are generated principally through admissions and concessions sales with proceeds received in cash or via credit card at the point of sale. Revenues related to gift cards and discount tickets are recognized when redeemed, or when the likelihood of redemption becomes remote. The determination of the likelihood of redemption is based on an analysis of actual historical redemption trends.

Cash and cash equivalents:

The Company considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents. From time to time, the Company has on deposit with certain banks and brokerage firms, cash and cash equivalents which exceed the amount subject to Federal Deposit Insurance Corporation (FDIC) or Securities Investor Protection Corporation (SIPC) limits. The Company attempts to mitigate this risk by depositing its cash and cash equivalents with high credit quality institutions.

Inventory:

Inventory is stated at the lower of cost or market using the first-in first-out method. Inventory consists of drainage tile raw materials used by Empire, and food, beverages, merchandise, paper products and other supplies needed for the Monkey Joes business.

Investments:

Investments consist principally of common stocks, preferred stocks, mutual funds, fixed income securities, limited partnership interests, and notes receivable. Investments are classified as trading securities and are stated at fair value. Net realized gains and losses from the sales of investments, as well as unrealized gains and losses, are reflected in the statement of operations.

Fair value measurements:

The Company follows the accounting for fair value measurements and disclosures for financial assets and liabilities, which defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and requires disclosures about fair value measurements. Fair value is a market-based measurement, not an entity-specific measurement, and fair value measurements are determined based on assumptions that market participants would use in pricing an asset or liability.

THE MARKETING ALLIANCE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2016 and 2015

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

Fair value measurements: (continued)

The accounting for fair value measurements and disclosures for financial assets and liabilities establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The hierarchy is broken down into three general levels: Level 1 inputs are quoted prices in active markets for identical assets or liabilities; Level 2 inputs include data points that are observable such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) such as interest rates and yield curves that are observable for the asset and liability, either directly or indirectly; Level 3 inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

Income taxes:

The Company follows guidance issued by the Financial Accounting Standards Board (“FASB”) regarding accounting for uncertainty in income taxes. This guidance clarifies the accounting for income taxes by prescribing the minimum recognition threshold an income tax position is required to meet before being recognized in the financial statements and applies to all income tax positions. Each income tax position is assessed using a two-step process. A determination is first made as to whether it is more likely than not that the income tax position will be sustained, based upon technical merits, upon examination by the taxing authorities. If the income tax position is expected to meet the more likely than not criteria, the benefit recorded in the financial statements equals the largest amount that is greater than 50% likely to be realized upon its ultimate settlement.

None of the Company’s federal or state income tax returns is currently under examination by the Internal Revenue Service (“IRS”) or state authorities.

Deferred taxes are provided on the asset and liability method whereby deferred taxes are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. A tax valuation allowance is established as needed, to reduce net deferred tax assets to the amount expected to be realized.

Interest rate swap agreement:

The Company entered into interest rate swap agreements to reduce the impact of changes in interest rates on its variable rate term loans (Note 11). The swap agreements are contracts to exchange the debt obligations’ variable rate interest payments for fixed rate interest payments on certain notional amounts expiring at various dates. The notional amounts of the interest rate swap agreements are used to measure amounts to be paid or received and does not represent the amount of exposure or credit loss. The actual market or credit exposure of this type of financial instrument is significantly less than the notional amount. The primary risk associated with the swap is the inability of the counterparty to meet the terms of the contract. The Company does not expect the counterparty to fail to meet its respective obligations. The agreements mature in March 2017, March 2018 and October 2022.

THE MARKETING ALLIANCE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2016 and 2015

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

Interest rate swap agreement: (continued)

FASB ASC 815, *Derivatives and Hedging*, requires the Company to recognize all derivatives as either assets or liabilities in the consolidated balance sheet and measure those instruments at fair value. It further provides criteria for derivative instruments to be designated as fair value, cash flow, or foreign currency hedges, and establishes accounting standards for reporting changes in the fair value in the consolidated balance sheet and recognizing the offsetting gains or losses as adjustments to be reported in net income or other comprehensive income as appropriate. The interest rate swap is considered a free standing derivative and is not designed as a hedge.

Property and equipment:

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is provided utilizing straight line and accelerated methods over estimated useful lives ranging from 5 to 40 years.

Notes receivable:

Notes receivable are stated at unpaid principal balances, less an allowance for uncollectable amounts. Interest is recognized over the term of the note, and is calculated using the simple interest method on principal amounts outstanding. Notes are considered impaired when based on current information or factors, it is probable that the Company will not collect the principal and interest payments according to the loan agreement. Notes are placed on nonaccrual status when management believes, after considering economic conditions, business conditions, and collection efforts, that the notes are impaired or collection of interest is doubtful. At September 30, 2016 and 2015, no allowance was deemed necessary.

Goodwill and purchased intangible assets:

The Company's methodology for allocating the purchase price relating to purchase acquisitions is determined through established and generally accepted valuation techniques. Goodwill is measured as the excess of the cost of the acquisition over the sum of the amounts assigned to tangible and identifiable intangible assets acquired less liabilities assumed. The Company assigns assets acquired (including goodwill) and liabilities assumed as of the date of acquisition.

Goodwill and purchased intangible assets with indefinite useful lives are not amortized, but are reviewed for impairment annually during the fourth quarter of each fiscal year and whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. The process of evaluating the potential impairment of goodwill and intangible assets requires significant judgment. The Company regularly monitors current business conditions and other factors including, but not limited to, adverse industry or economic trends and lower projections of profitability that may impact future operating results.

The Company amortizes purchased intangible assets with finite lives using the straight-line method over the estimated economic lives of the assets.

THE MARKETING ALLIANCE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2016 and 2015

NOTE 1 — ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

Goodwill and purchased intangible assets: (Continued)

The Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value of an asset group may not be recoverable. The Company assesses the fair value of the assets based on the amount of the undiscounted future cash flow that the assets are expected to generate and recognizes an impairment loss when estimated undiscounted future cash flow expected to result from the use of an asset, plus net proceeds expected from disposition of the asset, if any, are less than the carrying value of the asset. When the Company identifies an impairment, it reduces the carrying value of the group of assets to comparable market values, when available and appropriate, or to its estimated fair value based on a discounted cash flow approach.

Intangible assets are generally recorded in connection with a business acquisition. The value assigned to intangible assets is usually based on estimates and judgments regarding expectations for the success and life cycle of products and technology acquired. The Company evaluates the useful lives of its intangible assets each reporting period to determine whether events and circumstances require revising the remaining period of amortization.

Estimates:

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Reclassifications:

Certain items have been reclassified in the 2015 financials to conform to the current period's presentation.

Subsequent events:

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 14, 2016, the date the financial statements were available for issuance.

THE MARKETING ALLIANCE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2016 and 2015

NOTE 2 — INVESTMENTS

The cost, fair value and gross unrealized gains and losses of investments by major security type are as follows:

	September 30, 2016			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Common stocks	\$ 4,059,080	\$ 873,713	\$ 263,308	\$ 4,669,485
Preferred stocks	307,019	17,556	909	323,666
Fixed income securities	327,928	24,952	-	352,880
Mutual funds	70,880	1,136	20,489	51,527
Limited partnerships	650,000	721,550	105,496	1,266,054
	<u>\$ 5,414,907</u>	<u>\$ 1,638,907</u>	<u>\$ 390,202</u>	<u>\$ 6,663,612</u>
	September 30, 2015			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Common stocks	\$ 3,556,049	\$ 555,134	\$ 589,198	\$ 3,521,985
Preferred stocks	432,019	15,182	1,589	445,612
Fixed income securities	225,139	28,879	-	254,018
Mutual funds	66,736	-	29,730	37,006
Limited partnership	650,000	541,292	10,715	1,180,577
	<u>\$ 4,929,943</u>	<u>\$ 1,140,487</u>	<u>\$ 631,232</u>	<u>\$ 5,439,198</u>

Proceeds from the sale of investments were \$695,991 and \$871,515 for the three and six months ended September 30, 2016, resulting in gross realized gains of \$197,498 and \$212,322 and gross realized losses of \$45,639 and \$60,463 for the three and six months ended September 30, 2016.

Proceeds from the sale of investments were \$248,623 and \$397,371 for the three and six months ended September 30, 2015, resulting in gross realized gains of \$38,923 and \$67,426 and gross realized losses of \$43,296 and \$60,319 for the three and six months ended September 30, 2015.

Investments are pledged as collateral pursuant to margin agreements entered into by the Company. No amounts were outstanding at September 30, 2016 and 2015 under the margin agreements.

Net investment loss for the three months ended September 30, 2016 and 2015 is as follows:

	2016	2015
Interest and dividend income	\$ 40,389	\$ 40,378
Realized gains (losses) on investments, net	152,416	(4,373)
Unrealized gains (losses) on investments, net	147,181	(669,501)
Investment management fees	(23,133)	(15,590)
Net investment income (loss)	<u>\$ 316,853</u>	<u>\$(649,086)</u>

THE MARKETING ALLIANCE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2016 and 2015

NOTE 2 — INVESTMENTS (Continued)

Net investment loss for the six months ended September 30, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Interest and dividend income	\$ 87,152	\$ 85,776
Realized gains on investments, net	151,859	7,107
Unrealized gains (losses) on investments, net	391,096	(694,335)
Investment management fees	<u>(37,934)</u>	<u>(42,150)</u>
Net investment income (loss)	<u>\$ 592,173</u>	<u>\$(643,602)</u>

In connection with notes receivable due from a private company, the Company received two warrants to purchase 300,000 shares of stock in the private company at rates ranging from \$1.20 to \$5.00 per share or current share price, whichever is lower, depending on when the warrants are exercised. The warrants of 150,000 each, were amended in August 2016 to change the expiration dates. The warrants can be exercised at any time through May 2022 and September 2023. The fair value of the warrants was determined to be zero at both the date of receipt and September 30, 2016.

NOTE 3 — FAIR VALUE MEASUREMENTS

The asset 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 following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at September 30, 2016 and 2015:

Common and preferred stocks, and fixed income securities: Valued at the closing price reported on the active market on which the individual securities are traded. Securities traded on inactive markets are valued by reference to similar instruments and are categorized in Level 2. Securities which are not traded on active or inactive markets and no comparable assets exist are categorized in Level 3 and are valued using internal models.

Mutual funds: Valued at the daily closing price as reported by the fund.

Limited partnership investments: There are four limited partnership investments. Three investments are valued using data as provided by the general partner of the limited partnership. These limited partnerships actively trade and invest (by establishing both "long" and "short" positions) in domestic and foreign equity securities and options, equity futures contracts and options, other private placement investments, and securities issued or guaranteed by the United States government and related instruments. The fourth investment is valued using market data for public securities as provided by the general partner of the limited partnership. The partnership actively trades and invests (by establishing "long" positions only) in domestic and foreign equity securities.

Warrants: Warrants are valued using a Black-Scholes model employing estimated share values, interest rates, volatility and term and are categorized in Level 3 of the fair value hierarchy.

THE MARKETING ALLIANCE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 — FAIR VALUE MEASUREMENTS (Continued)

Interest Rate Swap: Valued at fair value derived from mid-market values. A single value for each derivative transaction is used, even if comprised of multiple legs. Value has been measured based on estimates of the amount needed to settle the agreement. Such calculations were based on changes in market conditions and/or assumptions underlying valuation models.

The following table presents the fair value hierarchy for the Company's financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2016:

Investments	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Common stocks	\$3,089,403	\$1,538,650	\$ 41,432	\$4,669,485
Preferred stock	323,666	-	-	323,666
Fixed income	252,880	-	100,000	352,880
Mutual funds	51,527	-	-	51,527
Limited partnerships	-	-	1,266,054	1,266,054
Total assets at fair value	<u>\$3,717,476</u>	<u>\$1,538,650</u>	<u>\$1,407,486</u>	<u>\$6,663,612</u>
Interest Rate Swap Liability	Liabilities at Fair Value			
	Level 1	Level 2	Level 3	Total
Interest Rate Swap	\$ -	\$ 96,400	\$ -	\$ 96,400
Total interest rate swap	<u>\$ -</u>	<u>\$ 96,400</u>	<u>\$ -</u>	<u>\$ 96,400</u>

The following table presents the fair value hierarchy for the Company's financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2015:

Investments	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Common stocks	\$3,061,045	\$ 437,500	\$ 23,440	\$3,521,985
Preferred stock	445,612	-	-	445,612
Fixed income	154,018	-	100,000	254,018
Mutual funds	37,006	-	-	37,006
Limited partnership	-	-	1,180,577	1,180,577
Total assets at fair value	<u>\$3,697,681</u>	<u>\$ 437,500</u>	<u>\$1,304,017</u>	<u>\$5,439,198</u>
Interest Rate Swap Liability	Liabilities at Fair Value			
	Level 1	Level 2	Level 3	Total
Interest Rate Swap	\$ -	\$ 6,960	\$ -	\$ 6,960
Total interest rate swap	<u>\$ -</u>	<u>\$ 6,960</u>	<u>\$ -</u>	<u>\$ 6,960</u>

THE MARKETING ALLIANCE, INC.
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NOTE 3 — FAIR VALUE MEASUREMENTS (Continued)

The following is a roll-forward of Level 3 fair value instruments for the six months ended September 30, 2016 and 2015:

	<u>Limited Partnership Interests</u>	<u>Common Stocks</u>	<u>Fixed Income</u>
Balance, April 1, 2016	\$ 1,236,187	\$ 23,440	\$ 100,000
Unrealized gain relating to instruments still held at the reporting date	29,867	-	-
Purchases	-	17,992	-
Balance, September 30, 2016	<u>\$ 1,266,054</u>	<u>\$ 41,432</u>	<u>\$ 100,000</u>
Balance, April 1, 2015	\$ 1,407,933	\$ 40,642	\$ 100,000
Unrealized loss relating to instruments still held at the reporting date	(227,356)	(17,202)	-
Purchases	-	-	-
Balance, September 30, 2015	<u>\$ 1,180,577</u>	<u>\$ 23,440</u>	<u>\$ 100,000</u>

Quantitative information about Level 3 Fair Value Investments:

	<u>Fair Value at September 30, 2016</u>	<u>Valuation Techniques</u>	<u>Unobservable Input</u>
Fixed income securities	\$100,000	Discounted expected cash flows	Probability of default (50%) Discount rate 4.5%
Private equity investments	\$41,432	Conversion rate of recent private transaction	Recent private transaction rates
Limited partnership investments	\$1,266,054	See (A) below	See (A) below

(A) Securities that are listed on a national securities exchange or NASDAQ or over-the-counter market are valued at the last reported sales price on the last day of the year, or the last reported bid and asked price. Securities for which market quotations are not readily available are valued at their fair value as determined in good faith under consistently applied procedures established by the General Partner, such as pricing models, discounted cash flow methodologies or similar techniques.

The nature and risk of certain investments by major category at September 30, 2016 are presented as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Provisions</u>
Limited Partnerships	\$ 1,266,054	\$50,000	Quarterly with 30 days notice

The Company has various processes and controls in place to ensure that fair value is reasonably estimated. The Company's investment committee, which reports to the Board of Directors, sets the valuation policies for investments and is responsible for the determination of fair value.

THE MARKETING ALLIANCE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2016 and 2015

NOTE 3 — FAIR VALUE MEASUREMENTS (Continued)

The investment committee, together with independent investment advisors, (1) compares price changes between periods to current market conditions, (2) compares trade prices of securities to fair value estimates, (3) compares prices from multiple pricing sources, and (4) performs ongoing due diligence to confirm that independent pricing services use market-based parameters for valuation. Valuation approaches are reviewed on an ongoing basis and revised as necessary based on changing market conditions to ensure values represent a reasonable exit price.

NOTE 4 — ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Commissions receivable	\$ 1,362,471	\$ 1,318,430
Deferred first year commissions	5,808,799	5,899,340
Construction receivables	28,624	312,906
Other	368,946	403,013
	<u>\$ 7,568,840</u>	<u>\$ 7,933,689</u>

NOTE 5 — NOTES RECEIVABLE

Notes receivable at September 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Distributor notes receivable, receivable in aggregate monthly installments of approximately \$18,900 including interest at rates ranging from 2.25% to 5.50% per annum, final maturity in March 2022. The notes are generally collateralized by amounts payable pursuant to individual distribution agreements and security interests in certain assets of the distributors. Certain of the notes are personally guaranteed by principals of the distributors.	\$ 1,022,475	\$ 1,246,892
Less current portion	<u>248,193</u>	<u>421,599</u>
Long-term portion	<u>\$ 774,282</u>	<u>\$ 825,293</u>

Estimated future principal payments to be received as of September 30, 2016 are as follows:

2017	\$ 248,193
2018	203,415
2019	150,000
2020	321,880
2021	59,328
Thereafter	<u>39,659</u>
	<u>\$ 1,022,475</u>

THE MARKETING ALLIANCE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 6 — INTANGIBLE ASSETS AND GOODWILL

Intangible assets and goodwill changes are as follows for each of the six months ended September 30:

	Beginning Balance, April 1, 2016	Additions	Deletions	Ending Balance, September 30, 2016
Covenants Not To Compete	\$571,408	\$ -	\$ -	\$ 571,408
Franchise Agreements	475,000	-	-	475,000
Amortization	<u>(518,304)</u>	<u>(102,349)</u>	<u>-</u>	<u>(620,653)</u>
	<u>\$528,104</u>	<u>\$ (102,349)</u>	<u>\$ -</u>	<u>\$ 425,755</u>
Goodwill	<u>\$973,900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 973,900</u>

	Beginning Balance, April 1, 2015	Additions	Deletions	Ending Balance, September 30, 2015
Covenants Not To Compete	\$451,808	\$ 98,700	\$ -	\$ 550,508
Franchise Agreements	272,300	147,648	-	419,948
Amortization	<u>(346,302)</u>	<u>(72,757)</u>	<u>-</u>	<u>(419,059)</u>
	<u>\$377,806</u>	<u>\$ 173,591</u>	<u>\$ -</u>	<u>\$ 551,397</u>
Goodwill	<u>\$613,200</u>	<u>\$ 259,652</u>	<u>\$ -</u>	<u>\$ 872,852</u>

Amortization expense for the three and six months ended September 30, 2016 was \$51,174 and \$102,349. Amortization expense for the three and six months ended September 30, 2015 was \$38,600 and \$72,757.

Estimated amortization for the next five years is as follows:

2017	\$174,558
2018	104,712
2019	44,383
2020	37,468
2021	37,468
Thereafter	<u>27,166</u>
	<u>\$425,755</u>

THE MARKETING ALLIANCE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2016 and 2015

NOTE 7 — PROPERTY AND EQUIPMENT

Net property and equipment is comprised of the following at September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Office equipment, furniture and fixtures	\$ 3,359,798	\$ 3,047,512
Construction equipment	1,690,289	1,711,420
Building	216,000	216,000
Leasehold improvements	975,142	52,758
Land	29,604	29,604
	<u>6,270,833</u>	<u>5,057,294</u>
Less accumulated depreciation	<u>3,463,320</u>	<u>2,683,767</u>
	<u>\$ 2,807,513</u>	<u>\$ 2,373,527</u>

Depreciation expense was \$195,585 and \$435,670 for the three and six months ended September 30, 2016. Depreciation expense was \$168,318 and \$327,434 for the three and six months ended September 30, 2015.

NOTE 8 — LINES OF CREDIT

The Company has four lines of credit available:

The first line of credit borrowing is under a \$3,500,000 short-term bank line of credit facility. Borrowings under the line of credit bear interest at the British Banker Association LIBOR rate ('BBA LIBOR') plus 2%, resulting in a rate of 2.51110% at September 30, 2016, and is collateralized by all accounts receivable, inventory and property and equipment. The credit facility contains both financial and non-financial covenants. The credit facility matures November 29, 2016. At September 30, 2016, \$1,950,000 was outstanding. At September 30, 2015, \$3,400,000 was outstanding.

Under a second line of credit, the Company has available a \$750,000 revolving line of credit bearing interest based on changes in an Independent index which is the Highest Wall Street Journal Prime Base Lending Rate. Interest on the unpaid balance of the note will be calculated using a rate of .25 percentage points over the Index. The credit facility requires an annual 30 day clean-up period. The index at September 30, 2016 is 3.50%, resulting in a rate of 3.75%. The note is due on demand. At September 30, 2016 and 2015, \$500,000 and \$700,000 were outstanding, respectively.

Under the third line of credit, the Company has available a \$1,000,000 demand grid note credit facility. Borrowings under the note bear interest at prime plus one quarter percent (3.75% at September 30, 2016) and are due on demand. The credit facility is subject to an annual review by the lender. At September 30, 2016 and 2015, \$800,000 and \$900,000 was outstanding.

Under the fourth line of credit, the Company has available a \$250,000 revolving line of credit facility. Borrowings under the note bear interest at prime plus 1.5% (with a floor of 4.75%) (5% at September 30, 2016) and is due on demand. The credit facility requires an annual 30 day clean-up period, is subject to an annual review by the lender and requires that the Company maintain a minimum deposit account balance of \$250,000 with the lender. At September 30, 2016 no amount was outstanding. At September 30, 2015 \$200,000 was outstanding.

THE MARKETING ALLIANCE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2016 and 2015

NOTE 8 — LINES OF CREDIT (Continued)

The Company obtained a fifth line of credit in the amount of \$250,000 bearing interest based on changes in an independent index which is the Highest Wall Street Journal Prime Base Lending Rate, and is collateralized by accounts receivable, inventory and property and equipment, subject to a first claim by the lender. Interest on the unpaid balance of the note will be calculated using a rate of .25 percentage points over the Index. The credit facility requires an annual 30 day clean-up period. The index at September 30, 2015 was 3.25%, resulting in a rate of 3.5%. At September 30, 2015, \$200,000 was outstanding. The balance was paid in full in October 2015 and the line of credit was terminated effective December 1, 2015.

NOTE 9 — ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses at September 30, 2016 and 2015 are summarized as follows:

	<u>2016</u>	<u>2015</u>
Accounts payable	\$ 96,115	\$ 111,349
Technology benefits	299,034	353,090
Distributor commissions	1,281,381	1,320,684
Deferred first year commissions	3,021,250	3,283,977
Accrued compensation	579,620	544,583
Other	361,549	487,731
	<u>\$5,638,949</u>	<u>\$6,101,414</u>

Accrued technology benefits represents amounts payable pursuant to the Company's technology and marketing benefit program. The program is designed to encourage its member agencies to invest in technology and marketing by reimbursing the agencies for qualified expenditures. Agencies qualify for benefits based upon attaining annual production levels as defined in the program. Benefits payable under the program are based upon calendar year production and are payable in the calendar year subsequent to meeting production criteria.

NOTE 10 — INCOME TAXES

Income tax expense (benefit) for the three months ended September 30, 2016 and 2015 is summarized as follows:

	<u>2016</u>	<u>2015</u>
Current	\$ (58,123)	\$ 6,353
Deferred	26,600	(264,500)
	<u>\$ (31,523)</u>	<u>\$ (258,147)</u>

Income tax expense (benefit) for the six months ended September 30, 2016 and 2015 is summarized as follows:

	<u>2016</u>	<u>2015</u>
Current	\$ (80,636)	\$ 84,315
Deferred	59,000	(385,500)
	<u>\$ (21,636)</u>	<u>\$ (301,185)</u>

THE MARKETING ALLIANCE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2016 and 2015

NOTE 10 — INCOME TAXES (Continued):

Deferred tax assets and liabilities at September 30, 2016 and 2015 were attributable to the following:

	<u>2016</u>	<u>2015</u>
Deferred Tax Assets:		
Stock appreciation compensation	\$ 187,000	\$ 178,400
Intangible assets	108,300	72,200
Other	17,000	15,500
Impairment on investment other than temporary	36,000	36,000
Total gross deferred tax assets	<u>348,300</u>	<u>302,100</u>
Deferred Tax Liabilities:		
Unrealized gains on investments	(351,700)	(15,700)
Property and equipment	(484,900)	(376,500)
Total gross deferred tax liabilities	<u>(836,600)</u>	<u>(392,200)</u>
Total deferred taxes	<u>\$ (488,300)</u>	<u>\$ (90,100)</u>

The reconciliation of income taxes calculated at the Federal tax statutory rate to the Company's effective rate is set forth below for the six months ended September 30, 2016 and 2015:

	<u>2016</u>		<u>2015</u>	
	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>
Tax at federal statutory rate	\$ (21,200)	34%	\$(266,798)	34%
State income taxes	(1,933)	3%	(24,326)	3%
Other	1,497	-2%	(10,061)	1%
	<u>\$ (21,636)</u>	<u>35%</u>	<u>\$(301,185)</u>	<u>38%</u>

NOTE 11 — LONG-TERM DEBT

Long-term debt as of September 30, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Note payable to a bank, payable in 84 monthly principal payments ranging from \$50,731 to \$62,717 a month plus interest, payments commenced on November 30, 2015. The interest rate on the note is 2% plus BBA LIBOR (2.53% at September 30, 2016). The note matures on October 31, 2022. The note is collateralized by all deposits at the bank, accounts receivable, inventory and property and equipment and contains both financial and non-financial covenants.	\$4,191,959	\$ -

Continued ...

THE MARKETING ALLIANCE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2016 and 2015

NOTE 11 — LONG-TERM DEBT (Continued)

	<u>2016</u>	<u>2015</u>
Note payable to a bank, payable in fixed monthly principal payments of \$25,000 a month plus interest, payments commenced on April 30, 2012. The interest rate on the note is 2% plus BBA LIBOR (2.53% at September 30, 2016). The note matures on March 31, 2017. The note is collateralized by all accounts receivable, inventory and property and equipment and contains both financial and non-financial covenants.	150,000	450,000
Note payable to a bank, payable in fixed monthly principal payments of \$25,000 a month plus interest, payments commenced on April 30, 2013. The interest rate on the note is 2% plus BBA LIBOR (2.53% at September 30, 2016). The note matures on March 29, 2018. The note is collateralized by all accounts receivable, inventory and property and equipment and contains both financial and non-financial covenants.	<u>450,000</u>	<u>750,000</u>
Total	4,791,959	1,200,000
Less current portion	<u>846,187</u>	<u>600,000</u>
Long-term portion	<u>\$ 3,945,772</u>	<u>\$ 600,000</u>

Future principal maturities at September 30, 2016 are as follows:

<u>Period Ending December 31,</u>	
2017	\$ 846,187
2018	870,812
2019	669,048
2020	693,116
2021	718,056
Thereafter	<u>994,740</u>
	<u>\$4,791,959</u>

NOTE 12 — SHAREHOLDERS' EQUITY.

In July 2015, the Board of Directors declared a stock split of 7 shares for every 6 shares held by the shareholders of record on August 21, 2015, paid on September 25, 2015. As a result, each shareholder received one new share of common stock for every one share of common stock held as of the record date. All share amounts outstanding prior to August 21, 2015 have been retroactively adjusted for this split.

THE MARKETING ALLIANCE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2016 and 2015

NOTE 13 — COMMITMENTS AND CONTINGENCIES

Leases

The Company has noncancellable operating leases for office, administration, processing, and family entertainment space at its St. Louis, Omaha, Fairview Heights, Sunrise, Pembroke Pines, Gastonia, Charlotte, Pineville, Matthews and Cottleville locations. Additionally, the Company leases office equipment under operating leases for use in both its administrative offices and in offices of several of its brokers, pursuant to its technology and marketing benefit program.

Approximate future annual minimum lease payments required under these operating leases at September 30, 2016 are as follows:

	<u>Facilities</u>	<u>Office Equipment</u>	<u>Total</u>
2017	\$1,326,771	\$ 39,779	\$1,366,550
2018	1,307,438	26,848	1,334,286
2019	1,052,838	4,827	1,057,665
2020	896,364	-	896,364
2021	899,861	-	899,861
Thereafter	<u>2,494,350</u>	<u>-</u>	<u>2,494,350</u>
	<u>\$7,977,622</u>	<u>\$ 71,454</u>	<u>\$8,049,076</u>

Rent expense for facilities approximated \$378,900 and \$750,200 for the three and six months ended September 30, 2016, respectively, and \$215,200 and \$423,400 for the three and six months ended September 30, 2015, respectively.

Rent expense for office equipment approximated \$10,300 and \$20,300 for the three and six months ended September 30, 2016, respectively, and \$15,500 and \$34,200 for the three and six months ended September 30, 2015, respectively. A substantial portion of the office equipment operating leases is classified as distributor related expenses in the accompanying consolidated statement of operations.

In connection with one of its leases, the Company received \$362,850 from its landlord to pay for leasehold improvements. This lease incentive is being amortized on a straight-line basis over the life of the lease as a reduction to rent expense. The lease expires in March, 2028.

NOTE 14 — CONCENTRATIONS

During the six months ended September 30, 2016, the Company derived approximately 60% of its commission income from three insurance carriers. During the six months ended September 30, 2015, the Company derived approximately 60%, of its commission income from three insurance carriers.

THE MARKETING ALLIANCE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2016 and 2015

NOTE 15 — BENEFIT PLANS

Profit Sharing Plan

The Company has a qualified profit sharing plan with 401(k) deferred compensation provisions. Substantially all employees are eligible to participate in the plan. The plan provides for both matching and discretionary contributions determined by the Board of Directors. Contributions under the plan were approximately \$10,700 and \$26,300 for the three and six months ended September 30, 2016. Contributions under the plan were approximately \$12,900 and \$28,000 for the three and six months ended September 30, 2015, respectively.

Stock Appreciation Plan

The Company maintains a stock appreciation plan (the "SAP") for a member of management. Units of stock are allocated under a compensation agreement at a specified price per unit. The Company recognizes the estimated compensation cost of these stock appreciation units over the vesting term.

The estimated compensation cost is based on the Black-Scholes option model and is re-measured at each financial reporting date. Stock units cliff vest at the end of a five year period. Upon vesting, the value is calculated as the difference between the current value of the stock and the specified price per unit multiplied by the number of shares and paid in cash. Under the agreement, stock appreciation units were granted on April 1, 2010, 2011, 2012, 2013 and 2014. The liability under the plan was approximately \$518,700 and \$494,600 at September 30, 2016 and 2015, respectively.

Additionally, the stock appreciation units, whether vested or not vested, are entitled to receive payment in an amount equal to the actual cash dividends paid on shares of common stock, as of and when such dividends are paid.

NOTE 16 — RELATED PARTY TRANSACTIONS

The Company has entered into a service agreement with an affiliate of one of its brokers/agents for bookkeeping and other administrative services provided for the benefit of the Company. Administrative service fees and rent paid to the affiliated entity for the three and six months ended September 30, 2016 approximated \$129,000 and \$251,100. Administrative service fees and rent paid to the affiliated entity for the three and six months ended September 30, 2015 approximated \$118,600 and \$236,900.

The Company compensates its Board of Directors for attendance at its meetings. In addition, the Company compensates its Directors for work performed on behalf of the Company outside of their duties as Board members. Such compensation, which is computed and paid at an hourly rate commensurate with experience and expertise as determined by the Board of Directors, is classified as a component of compensation and net investment income in the accompanying consolidated statement of operations.

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NOTE 17 — BUSINESS COMBINATION

Monkey Joes

On September 2, 2015, the Company acquired the assets of three Monkey Joe's franchises through a series of agreements and transactions. The Company made the acquisitions in order to diversify its business. The total purchase price for the three locations combined was \$953,500. The franchises are located in Gastonia, North Carolina, Pineville, North Carolina, and Charlotte, North Carolina. The franchise for the Gastonia area was effective in December 2012. The franchises for the Pineville and Charlotte areas were effective in November 2011. All agreements are for initial terms of 10 years with the option to renew for 10 years each with the payment of the then current franchise fee. In connection with the transfer of the franchise agreements, the Company was required to pay transfer fees totaling \$15,000 which were capitalized as part of the cost of the franchise agreements.

The following table summarizes the fair value of identifiable assets and liabilities acquired in the business combination, and related intangible assets as of the acquisition date:

	<u>Amount</u>
Equipment	\$ 209,000
Leasehold Improvements	275,000
Franchise Agreements	137,700
Covenant Not To Compete	87,200
Goodwill	<u>259,600</u>
Value of Assets Acquired	<u>\$ 968,500</u>

The covenants not to compete are being amortized over 36 months from the closing date (September 2, 2015). The franchise agreements are being amortized over their remaining lives. As of the date of acquisition the remaining lives for the franchise agreements ranged from approximately 70 to 85 months.

In connection with the asset acquisition the Company entered into three lease obligations for property that will result in total payments of approximately \$3,200,000. All three leases expire in September 2025.