cognitiv

(COGV)



FINANCIAL STATEMENTS

Unaudited – September 30, 2014

Cognitiv, Inc. | 1485 International Parkway | Suite 1001 | Heathrow, FL 32746 | 407.549.3350

COGNITIV, INC.
CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2014 AND DECEMBER 31, 2013

	September 30, 2014 (Unaudited)	December 31, 2013 (Unaudited)
ASSETS		
CURRENT ASSETS		
Cash	$110,808	$108,410
Accounts receivable	120,480	65,860
Inventory	14,790	10,000
Total current assets	246,078	184,270
Property and equipment, net	1,184,443	1,312,936
Intangible assets	6,630,106	6,665,949
Organizational costs, net	20,000	35,000
TOTAL ASSETS	$8,080,627	$8,198,155
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$248,094	$143,333
Accrued expenses	103,201	20,767
Accrued interest	41,798	29,536
Advances from stockholders	11,414	64,656
Notes payable - unrelated parties	145,000	160,000
Notes payable - related parties	225,000	-
Total current liabilities	774,508	418,292
LONG TERM DEBT		
Convertible promissory notes - related parties	750,000	750,000
TOTAL LIABILITIES	1,524,508	1,168,292
COMMITMENTS AND CONTINGENCIES (Notes 2 & 7)		-
STOCKHOLDERS' EQUITY		
Preferred stock, $.0001 par value, 5,000,000 shares authorized, none issued and outstanding	-	-
Common stock, $0.0001 par value, 500,000,000 shares authorized; 489,495,822 and 371,995,822 shares issued and outstanding at September 30, 2013 and December 31, 2012, respectively	48,950	37,200
Additional paid-in-capital	14,918,400	11,992,650
Accumulated deficit	(8,411,231)	(4,999,987)
	6,556,119	7,029,863
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$8,080,627	$8,198,155

The accompanying notes are an integral part of these financial statements

COGNITIV, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDING SEPTEMBER 30, 2014 AND 2013

	Three Months Ending		Nine Months Ending	
	September 30, 2014 (Unaudited)	September 30, 2013 (Unaudited)	September 30, 2014 (Unaudited)	September 30, 2013 (Unaudited)
Revenue	$533,217	$186,017	$903,638	$245,242
Cost of revenue	323,233	74,584	419,612	97,641
Gross profit	209,984	111,433	484,026	147,601
General and administrative expenses	3,210,651	510,083	3,678,423	1,637,068
Operating (loss)	(3,000,668)	(398,650)	(3,194,397)	(1,489,467)
Interest income	1	5	1	5
Interest expense	25,559	20,810	69,144	88,721
Depreciation	12,010	12,010	36,029	36,029
Amortization	37,225	37,225	111,675	111,675
Net (loss) before income taxes	(3,075,461)	(468,690)	(3,411,244)	(1,725,887)
Provision for (benefit from) income tax	-	-	-	-
Net (loss)	$(3,075,461)	$(468,690)	$(3,411,244)	$(1,725,887)
Net (loss) per common share - basic and diluted	$(0.01)	$(0.00)	$(0.01)	$(0.00)
Weighted average number of shares outstanding during the year - basic and diluted	388,272,996	347,527,903	387,426,225	347,527,903

The accompanying notes are an integral part of these financial statements

COGNITIV, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
AS OF SEPTEMBER 30, 2014 (unaudted)

	Common Stock $.0001 par value		Additional	Stock	Accumulated	
	Shares	Amount	Paid in Capital	Subscriptions	(Deficit)	Total
Balance, December 31, 2011	255,531,321	$25,553	$6,106,931	$-	$(1,779,985)	$4,352,499
Shares cancelled:						
April 18, 2012, related to October 4, 2011 issuance	(39,999,000)	(4,000)	4,000			-
Shares issued:						
April 25, 2012, $.04 per share	12,500,000	1,250	498,750			500,000
December 31, 2012, conversion of notes payable	30,592,889	3,059	1,263,656			1,266,715
Stock Subscriptions				300,000		300,000
Net (loss) for the year ending December 31, 2012					(934,020)	(934,020)
Balance, December 31, 2012	258,625,210	25,863	7,873,337	300,000	(2,714,005)	5,485,195
Shares issued:						
February 25, 2013, $0.067 per share	4,477,612	448	299,552	(300,000)		-
February 25, 2013, employee stock grant	1,000,000	100	24,900			25,000
February 25, 2013, shares issued for consideration of services	3,500,000	350	87,150			87,500
May 6, 2013, $0.05 per share	3,250,000	325	162,175			162,500
May 6, 2013, shares issued for consideration of services	6,493,000	649	274,001			274,650
Shares granted but not issued:						
January 2013, shares granted for consideration of services	12,500,000	1,250	248,750			250,000
August 26, 2013, $.05 per share	500,000	50	24,950			25,000
September 30, 2013 shares granted for consideration of services	31,300,000	3,130	622,870			626,000
October 1, 2013 $.04 per share for note payable conversion	3,750,000	375	149,625			150,000
October 11, 2013, $.05 per share	4,000,000	400	199,600			200,000
October 31, 2013 $.05 per share for notes payable conversion	30,000,000	3,000	1,497,000			1,500,000
December 19, 2013, $.05 per share	500,000	50	24,950			25,000
December 31, 2013, $.04 per share note payable conversion	10,000,000	1,000	399,000			400,000
December 31, 2013, $.05 per share note payable conversion	2,100,000	210	104,790			105,000
Net (loss) for the year ending December 31, 2013					(2,285,982)	(2,285,982)
Balance, December 31, 2013	371,995,822	37,200	11,992,650	-	(4,999,987)	7,029,863
Shares graned but not issued						
September 30, 2014 shares granted for consideration of services	117,500,000	11,750	2,925,750			2,937,500
Net (loss) for the period ending September 30, 2014					(3,411,244)	(3,411,244)
Balance, September 30, 2014	489,495,822	$48,950	$14,918,400	$-	$(8,411,231)	$6,556,119

The accompanying notes are an integral part of these financial statements

COGNITIV, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDING SEPTEMBER 30, 2014 AND 2013

	September 30, 2014 (Unaudited)	September 30, 2013 (Unaudited)
CASH FLOWS USED IN OPERATING ACTIVITIES:		
Net loss	$(3,411,244)	$(1,725,887)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	36,029	36,029
Amortization	111,675	111,675
Share based compensation	2,937,500	95,000
Share based consideration	-	925,900
Changes in assets and liabilities:		
(Increase) in accounts receivable	(54,620)	(64,826)
(Increase) in inventories	(4,790)	-
Increase/ (decrease) in accounts payable	104,761	53,647
Increase/ (decrease) in accrued expenses	82,434	(25,801)
Increase/ (decrease) in accrued interest	12,262	(7,304)
Net cash used in operating activities	(185,993)	(601,567)
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Purchase of property and equipment	(4,211)	(50,734)
Purchase of intangible assets	35,843	(87,996)
Net cash used in investing activities	31,633	(138,730)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of convertible notes payable	-	200,000
Proceeds from sale of stock	-	187,500
(Repayments) to stockholders	(53,242)	(55,565)
Issuance/ (Repayment) of notes payable, unrelated parties	(15,000)	160,000
Issuance/ (Repayment) of notes payable, related parties	225,000	240,347
Net cash provided by financing activities	156,758	732,282
INCREASE (DECREASE) IN CASH	2,397	(8,015)
CASH, BEGINNING OF YEAR	$108,410	$24,251
CASH, END OF PERIOD	$110,808	$16,236
Supplemental Disclosures		
Cash paid during the period for interest	$47,565	$38,333
Cash paid during the period for taxes	$-	$-

The accompanying notes are an integral part of these financial statements

COGNITIV, INC.
Notes to the Consolidated Financial Statements
As of September 30, 2014
(Unaudited)

NOTE 1 – ORGANIZATION

Cognitiv, Inc. (the "Company" or "COGV"), was incorporated on October 12, 2000 and registered in the state of Florida under the name e-Game Network, Inc. The Company has also been previously known as University Health Industries, Inc. from September 5, 2007 until March 9, 2012, Virtual Innovations, Inc. from October 28, 2005 to September 5, 2007, Global Medical Marketing, Inc. from January 30, 2003 to October 28, 2005 and e-Game Network, Inc. from inception to January 30, 2003. Its primary office is in Lake Mary, Florida.

History of the Company

On October 4, 2010, the Company reorganized by entering into the following agreements:

- The Company entered into an Exchange Agreement with the shareholders of Internet Optimization, Inc. (formally Discount Candles, Inc.) pursuant to which all of the issued and outstanding shares of Internet Optimization, Inc. were acquired by the Company for an aggregate of 76,950,000 shares of common stock.

  The Company also entered into an Exchange Agreement with the debt holders of Internet Optimization, Inc. pursuant to which the Company acquired an aggregate of $2,000,000 principal amount of outstanding debt of Internet Optimization in exchange for and an aggregate of $2,000,000 principal amount of convertible promissory notes of the Company. The convertible notes bear interest at 6% per annum, with such interest payable annually, and are due and payable on January 2, 2021. The convertible promissory notes may be converted into shares of common stock of the Company at any time after January 2, 2012 at a conversion price of $.02 per share; provided, however, that no conversion may occur which would cause the holder to beneficially own more than 9.99% of the total number of issued and outstanding shares of common stock of the Company.

- The Company entered into a Contribution Agreement with the members of Brand Marketing, LLC, Cognitiv Marketing, LLC, and Cognitiv Solutions, LLC pursuant to which the Company acquired all of the membership interests in these entities in exchange for an aggregate of 78,000,000 shares of common stock.

- The company's wholly owned subsidiary, Brand Marketing, Inc., has two wholly owned subsidiaries; DHYB, LLC and Beagle Domains, LLC. These organizations principally own all of the domain names controlled by the Company.

On October 7, 2010, as contemplated by the Exchange Agreement between the Company and the shareholders of Internet Optimization, Inc., 64,000,000 shares of common stock registered in the name of the Company's former sole director and president were cancelled.

Immediately prior to the consummation of the foregoing transactions, there were 99,408,908 shares of common stock of the Company issued and outstanding. The reorganization was accounted for as a recapitalization because the shareholders of Internet Optimization, Inc., Brand Marketing, LLC, Cognitiv Marketing, LLC, and Cognitiv Solutions, LLC controlled the Company immediately after the

acquisitions. Therefore, Internet Optimization, Inc., Brand Marketing, LLC, Cognitiv Marketing, LLC, and Cognitiv Solutions, LLC are treated as acquiring entities for accounting purposes, while the Company is the acquiring entity for legal purposes. Accordingly, there was no adjustment to the carrying value of the assets or liabilities of Internet Optimization, Inc., Brand Marketing, LLC, Cognitiv Marketing, LLC, and Cognitiv Solutions, LLC.

Description of Business

The Company is a diversified media, Internet and marketing company. The organization's focus is on high value segments; secure premium domain names, implementation of platforms and solutions, deployment of multi-channel marketing programs, optimization of return on investments and increases in a customer's lifetime value by leveraging customer data across the portfolio of properties. This is accomplished through a comprehensive set of proprietary processes, based on the extensive experience of our management team.

The Company offers intelligent and cost-effective solutions for increasing product sales. By leveraging its ownership of over 1,600 keyword rich domains, the Company collects consumer-buying data in product categories that attract high volumes of visitors. The Company then develops and executes thoughtfully planned direct-response marketing campaigns that turn that data into multiple and repeat sales.

The Company generates revenue primarily through Business to Consumers e-commerce sales, lead generation and subscription products. This is achieved on both our wholly owned and operated websites, as well as through joint ventures and partnerships.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements and related notes are presented in accordance with accounting principles generally accepted in the United States of America. Significant accounting policies are as follows:

Basis of Presentation

The Financial Statements and related disclosures have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The Financial Statements have been prepared using the accrual basis of accounting in accordance with Generally Accepted Accounting Principles ("GAAP") of the United States (See Note 4 regarding the assumption that the Company is a "going concern").

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All material intercompany accounts and transactions are eliminated in consolidation. The year end for the Company and its subsidiaries is December 31.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. These estimates and assumptions also affect the reported amounts of revenues, costs and expenses during the reporting period. Management evaluates these estimates and assumptions on a regular basis. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents as of September 30, 2014 and December 31, 2013.

Accounts Receivable, Trade

The Company follows ASC 310-10, *Receivables*. Accounts receivable are balances due from customers upon rendering of services provided for in contracts. These trade accounts receivable have a contractual maturity of one year or less. Receivables are determined to be past due based on payment terms of original invoices. We do not typically charge interest on past due receivables. As of September 30, 2014 and December 31, 2013 there was $120,480 and $65,860, respectively, in accounts receivable. An allowance for doubtful accounts is established for amounts that may not be recoverable and is based on an analysis of individual customer credit worthiness and an assessment of current economic trends. There were no accounts receivable allowances for doubtful accounts as of September 30, 2014 and December 31, 2013.

Revenue Recognition

The Company recognizes revenue in accordance with ASC 605, *Revenue Recognition*. Revenue is generated from providing service. Revenue is recognized when all of the following criteria are met: persuasive evidence of an arrangement exists, our services have been provided, all significant contractual obligations have been satisfied, and collection is reasonably assured. No guarantees or warranties are provided for the services we render. Due to the nature of the services provided and method of billing and collection we do not offer a refund policy.

Credit Risk

The Company charges fees for services it renders to its clients. General terms are payments under typical commercial terms. The Company does not typically issue credit terms, however may in the future. As of September 30, 2014 and December 31, 2013 there was no outstanding credit issued.

Advertising Costs

Advertising costs are expensed as incurred. For the nine months ending September 30, 2014 there was $3,051 expensed as advertising costs and for the nine months ending September 30, 2013, there were no advertising costs.

Research and Development

The Company does not engage in research and development as defined in ASC Topic 730, "*Accounting for Research and Development Costs*."

Property and Equipment

Property and equipment is recorded at cost and depreciated over the estimated useful lives of the assets using principally the straight-line method. When items are retired or otherwise disposed of, income is charged or credited for the difference between net book value and proceeds realized thereon. Ordinary maintenance and repairs are charged to expense as incurred, and replacements and betterments are capitalized. The range of estimated useful lives to be used to calculate depreciation for principal items of property and equipment are as follow:

Asset Category	Useful Life
Furniture and fixtures	3 years
Office equipment	3 years
Computer software	5 years
Customer lists	10 years

Marketing Platform Development

In accordance with SOP 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use, the Company follows a policy of capitalizing internally incurred costs and amortizing them over no more than five years once the platform begins to generate revenue.

Share-based Expenses.

ASC 718 "Compensation – Stock Compensation" prescribes accounting and reporting standards for all share-based payment transactions in which employee services are acquired. Transactions include incurring liabilities, or issuing or offering to issue shares, options, and other equity instruments such as employee stock ownership plans and stock appreciation rights. Share-based payments to employees, including grants of employee stock options, are recognized as compensation expense in the financial statements based on their fair values. That expense is recognized over the period during which an employee is required to provide services in exchange for the award, known as the requisite service period (usually the vesting period).

The Company accounts for stock-based compensation issued to non-employees and consultants in accordance with the provisions of ASC 505-50, "*Equity – Based Payments to Non-Employees."* Measurement of share-based payment transactions with non-employees is based on the fair value of whichever is more reliably measurable: (a) the goods or services received; or (b) the equity instruments issued. The fair value of the share-based payment transaction is determined at the earlier of performance commitment date or performance completion date.

For the nine months ending September 30, 2014, the Company recorded $2,937,500 as an expense related to shares granted for compensation to three individuals who joined the Company and the Company's Chief Financial Officer . For the nine months ended September 30, 2013, the Company

recorded as an expense of $925,900 related to shares issued for consideration and $95,000 for shares issued for compensation.

Deferred Income Taxes and Valuation Allowance

The Company accounts for income taxes under ASC 740 "Income Taxes." Under the asset and liability method of ASC 740, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period the enactment occurs. A valuation allowance is provided for certain deferred tax assets if it is more likely than not that the Company will not realize tax assets through future operations. No deferred tax assets or liabilities were recognized as of September 30, 2014 and December 31, 2013.

Earnings per Share

The Company computes basic and diluted earnings per share amounts in accordance with ASC Topic 260, Earnings per Share. Basic earnings per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share reflects the potential dilution that could occur if stock options and other commitments to issue common stock were exercised or equity awards vest resulting in the issuance of common stock that could share in the earnings of the Company. As of September 30, 2014 and 2013, the Company included in the per share computation the convertibility of notes payable and stock issued as an inducement for notes payable. There were no other common stock equivalents or options outstanding as of September 30, 2014 and 2013.

Related Parties

The Company follows ASC 850, *Related Party Disclosures*, for the identification of related parties and disclosure of related party transactions. Related party transactions as of September 30, 2014 and December 31, 2013 are as follows:

	2014	2013
Shareholder advances	$11,414	$64,656

Commitments and Contingencies

The Company follows ASC 450-20, *Loss Contingencies*, to report accounting for contingencies. Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated. There were no commitments or contingencies as of September 30, 2014 and December 31, 2013.

Recently Implemented Standards

From time to time, new accounting pronouncements are issued by the FASB or other standard setting bodies that are adopted by the Company as of the specified effective date. Unless otherwise discussed, we believe that the impact of recently issued standards that are not yet effective will not have a material impact on our financial position or results of operations upon adoption.

NOTE 3 - FIXED ASSETS

The Company's fixed assets as of September 30, 2014 and December 31, 2103:

	2014	2013
Furniture and equipment	$105,119	$105,119
Computer programs	136,385	136,385
Customer lists	1,289,000	1,289,000
Marketing platforms	493,131	488,920
	2,023,635	2,019,424
Less: accumulated depreciation	(839,192)	(706,488)
Fixed assets at net book value	$1,184,443	$1,312,936

NOTE 4 – GOING CONCERN

The Company's financial statements are prepared using accounting principles generally accepted in the United States of America applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has not established an ongoing source of revenues sufficient to cover its operating costs, and requires additional capital to commence its operating plan. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating losses until it becomes profitable. The Company has been, in the past, successful in raising capital through the sale of common stock and the issuance of notes to related and unrelated parties.

There is no assurance that the Company will be able to obtain sufficient additional funds when needed or that such funds, if available, will be obtainable on terms satisfactory to the Company. In addition, profitability will ultimately depend upon the level of revenues received from business operations. However, there is no assurance that the Company will attain profitability. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

NOTE 5 – INCOME TAXES

The Company has not made provision for income taxes for the nine months ended September 30, 2014 and December 31, 2013, since the Company has the benefit of net operating losses in these periods.

Due to uncertainties surrounding the Company's ability to generate future taxable income to realize deferred income tax assets arising as a result of net operating losses carried forward, the Company has not

recorded any deferred income tax asset as of September 30, 2014 and December 31, 2013 (see note 2). The Company has incurred operating losses in the amount of $3,194,397 and $1,489,467 for the nine months ending September 30, 2014 and 2013, respectively. The net operating loss carry forwards will begin to expire in varying amounts from year 2030 subject to its eligibility as determined by respective tax regulating authorities.

The Company is subject to taxation in the United States and certain state jurisdictions.

NOTE 6 – CONVERTIBLE NOTES PAYABLE, RELATED PARTIES

On October 4, 2010, the Company also entered into an Exchange Agreement with the debt holders of Internet Optimization, Inc. pursuant to which the Company acquired an aggregate of $2,000,000 principal amount of outstanding debt of Internet Optimization in exchange for an aggregate of $2,000,000 principal amount of convertible promissory notes of the Company. The convertible notes bear interest at 6% per annum, with such interest payable annually, and are due and payable on January 2, 2021. The convertible promissory notes may be converted into shares of common stock of the Company at any time after January 2, 2012 at a conversion price of $.02 per share; provided, however, that no conversion may occur which would cause the holder to beneficially own more than 9.99% of the total number of issued and outstanding shares of common stock of the Company. Interest of $40,000 and $120,000 was accrued for the period ended December 31, 2012 and 2011. The Board approved a reduction of the interest rate to 2% effective January 1, 2012 for its remaining life. On December 31, 2012, $500,000 of the notes were converted to 12,500,000 shares of common stock. The remaining $1,500,000 in notes were revised reissued to include the terms of the conversion price remaining at $.02 at any time after January 31, 2013 and a maturity date of January 31, 2021. On October 31, 2013, these notes were converted into 30,000,000 shares at a conversion price of $.05 per share.

On January 3, 2011, a convertible promissory line of credit was issued in the amount of $500,000 to a related party. This amount was increased to $750,000 on March 31, 2013. The note bears interest at 8% per annum and is due and payable on March 31, 2015. The interest is payable on a monthly basis. The outstanding amount on the line of credit may be converted into shares of common stock at a conversion price of $.05 per share at any time after March 31, 2014. As of December 31, 2013 and 2012, there was $750,000 and $550,000, respectively, outstanding on the line of credit.

On October 14, 2011, a convertible promissory note was issued in the amount of $150,000 to an unrelated third party. The note bears interest at 7% per annum and is due and payable on October 31, 2016. The note may be prepaid after November 1, 2012 without penalty. At any time after November 1, 2012, any portion of the outstanding principal and any accrued interest may be converted into shares of common stock at a conversion price of $.04 per share. On December 31, 2012, this note was converted to 3,750,000 shares of common stock.

On December 31, 2011, a convertible promissory note was issued in the amount of $200,000 to a related party. The note bears interest at 7% per annum and is due and payable on September 30, 2015. The note may be prepaid after November 1, 2012 without penalty and is convertible at $.04 per share after that date. On December 31, 2012, this note was converted to 5,000,000 shares of common stock.

Convertible Notes payable at September 30, 2014 and December 31, 2013 consisted of the following:

	2014	2013
Note dated March 31, 2013	$750,000	$750,000

NOTE 7 – NOTES PAYABLE, RELATED PARTIES

On October 4, 2010, in connection with the Company's acquisition of Brand Marketing, Inc., Brand Marketing, Inc. at that time had outstanding approximately $515,000 of notes payable. The Company assumed this liability in connection with the acquisition. The notes are due to related parties and bear interest at 6% per annum and were due and payable on September 30, 2011. These notes, along with accrued interest, were converted to 5,850,000 shares of common stock at a conversion price of $.04 per share.

On February 7, 2014, the company issued a note to a shareholder with significant holdings in the amount of $125,000. The note carries a 5% per annum simple interest rate and is due and payable on or before August 7, 2014 subject to certain conditions.

On May 1, 2014, the company issued a note to an entity controlled by a shareholder in the amount of $100,000. The note carries an interest rate of 12% per annum simple interest and is due and payable on demand but no later than October 1, 2014.

NOTE 8 - NOTES PAYABLE, UNRELATED PARTIES

On June 30, 2013, two promissory notes were issued in the amount of $100,000 and $30,000, aggregating $130,000, to unrelated third parties. On July 12, 2013, an additional promissory note in the amount of $30,000 was issued to the same parties. These notes bear interest at 12% per annum and were due and payable on September 30, 2013. As an inducement for the loans, the Company issued shares in the amount of 1,000,000 and 300,000, aggregating to 1,300,000 shares. The Company has made principal payments of $15,000 toward the outstanding balance of these notes through September 30, 2014.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

The Company has no commitments or contingencies as of September 30, 2014 and December 31, 2013.

From time to time the Company may become a party to litigation matters involving claims against the Company. Management believes that it is adequately insured for its operations and there are no current matters that would have a material effect on the Company's financial position or results of operations.

NOTE 10 – RELATED PARTY TRANSACTIONS

The Company has an employment contract with one of its key executives. On October 15, 2010, the Company entered into an employment agreement with its Chief Executive Officer. Pursuant to the

employment agreement, the Chief Executive Officer serves in such capacity at the will of the Board of directors at a salary of $120,000 per annum. His salary is adjusted annually in accordance with changes in the cost of living index. The Chief Executive Officer is entitled to receive certain fringe benefits and performance bonuses as may be determined and includes confidentiality provisions. In February 2014, the Chief Executive Officer agreed to reduce his salary to $90,000 until such time as the Company becomes profitable.

At the same time, on October 15, 2010, the Company entered into an employment agreement with its Vice President of Business Development. Pursuant to the employment agreement, the Vice President of Business Development serves in such capacity at the will of the Board of Directors at a salary of $120,000 per annum. His salary is adjusted annually in accordance with changes in the cost of living index. The Vice President of Business Development is entitled to receive certain fringe benefits and performance bonuses as may be determined by the Board of Directors. The Vice President of Business Development is subject to a non-competition agreement and confidentiality requirements. On February 10, 2014, the Vice President of Business Development resigned as an employee of the Company. Simultaneously with the resignation, the Company entered into a consulting agreement with Dayspring Group, Inc. to provide business development services to the Company.

In addition, from time to time, the two individuals discussed above, who are also shareholders, make advances to the Company for working capital and operating expenses. As of September 30 ,2014 and December 31, 2013, related party advances, net of any repayments, were $11,414 and $64,656, respectively.

NOTE 11 – EQUITY

The Company is authorized to issue 5,000,000 shares of preferred stock having a par value of 0.0001 per share and 500,000,000 shares of common stock having a par value of 0.0001 per share. No shares of preferred stock are issued or outstanding.

On October 4, 2010, the Company issued an aggregate of 76,950,000 shares of common stock to the shareholders of Internet Optimization, Inc. in connection with its acquisition of all the issued and outstanding shares of common stock of Internet Optimization, Inc.

On October 4, 2010, the Company also issued an aggregate of 78,000,000 shares of common stock in connection with its acquisition of all of the membership interests of Brand Marketing, LLC, Cognitiv Marketing, and LLC, and Cognitiv Solutions, LLC.

On October 7, 2010, 64,000,000 shares of common stock registered in the name of its former sole director and president were cancelled and retired.

In October and November 2010, the Company received cash in the amount of $335,000 for the issuance of an aggregate of 5,022,488 shares of its common stock to unaffiliated parties. The shares were issued in September 28, 2011.

On October 4, 2011, the Company issued 149,950 shares of stock in exchange for cash in the amount of $10,000.

On October 4, 2011, the Company issued 60,000,000 shares of stock to the note holders of Brand Marketing, Inc. in exchange for the release of certain security interests they had on domain names owned by Brand Marketing. On December 29, 2011, the agreement was modified to reduce the amount of shares issued to 20,000,001. The cancellation of the shares occurred April 18, 2012. The Brand Marketing Note Holders are related parties to the Company.

On April 25, 2012, the Company issued 12,500,000 shares of stock to an unrelated party in exchange for cash in the amount of $500,000.

In October 2012, the Company received cash in the amount of $300,000 for the issuance of an aggregate of 4,477,612 shares of its common stock to an unaffiliated party. The shares were issued February 25, 2013.

On December 31, 2012, the Company issued 30,592,889 shares of stock related to the conversion of certain notes along with accrued interest on those notes.

On February 25, 2013, the Company issued 8,977,612 shares. Of this amount, 4,477,612 were issued to an unrelated party in exchange for cash in the amount of $300,000. The remaining 4,500,000 were issued in consideration for services rendered to the Company.

In January, 2013, the Company granted 12,500,000 shares of stock in consideration of services rendered to the Company. These shares have not been issued.

On May 6, 2013, the Company issued 9,743,000 shares. Of this amount, 3,250,000 were issued to an unrelated party in exchange for cash in the amount of $162,500, 6,493,000 were issued in consideration for services rendered to the Company. and the remaining 450,000 were issued for an inducement for the notes issued as described in Note 8.

On August 29, 2013, the Company received $25,000 in cash for 500,000 shares of stock. These shares had not been issued as of December 31, 2013.

On September 30, 2013, the Company granted 31,300,000 shares of stock. Of this amount, 4,500,000 shares were issued to employees of the Company and the remaining shares were issued in consideration of services rendered to the Company. These shares had not been issued as of December 31, 2013.

On October 1, 2013, the Company granted 3,750,000 shares of stock in connection with the conversion of a note payable as described in Note 6. These shares had not been issued as of December 31, 2013.

On October 11, 2013, the Company received $200,000 in cash for 4,000,000 shares of stock. These shares had not been issued as of December 31, 2013.

On October 31, 2013, the Company granted 30,000,000 shares of stock in connection with the conversion of notes payable as described in Note 6. These shares had not been issued as of December 31, 2013.

On December 19, 2013, the Company received $25,000 in cash for 500,000 shares of stock. These shares had not been issued as of December 31, 2013.

On December 31, 2013, the Company granted 10,000,000 shares of stock in connection with the conversion of a note payable. These shares had not been issued as of December 31, 2013.

On December 31, 2013, the Company granted 2,100,000 shares of stock in connection with the conversion of a note payable as described in Note 7. These shares had not been issued as of December 31, 2013.

On September 30, 2014, the Company granted 117,500,000 shares of stock of which 112,500,000 shares of stock were granted to three new employees and the other 5,000,000 shares of stock were granted to the Company's Chief Financial Officer. These shares were not issued as of September 30, 2014.

NOTE 12 – LEASES

The Company presently has no long term commitments for leases.

NOTE 13 – INTANGIBLE ASSET

Intellectual Property Asset:

In connection with its acquisition of Internet Optimization, Inc. and Brand Marketing, Inc. and its subsidiares, the Company acquired approximately 1,500 domain names. The Company has determined that the intangible assets have an indefinite live but are subject to periodic impairment assessment as stated in ASC 350 Intangibles – Goodwill and Other.

As of December 31, 2013, the Company tested the intangible assets for impairment under ASC 360-10-35-21 and determined that no impairment charge was necessary.

NOTE 14 - LEGAL

On March 8, 2013, Cognitiv, Inc. and Cognitiv Marketing, LLC sent a Demand Letter to officers of Carpe Diem Sales & Marketing, Inc. related to a dispute involving a former business relationship between the companies. On March 20, 2013, Cognitiv and related entities filed a Complaint and accompanying Motion for Temporary Injunction against Carpe Diem and its officers. The parties subsequently engaged in settlement negotiations, resulting in the execution of a settlement agreement. Pursuant to that agreement, on August 20, 2013, Cognitiv, et al. filed a Notice of Voluntary Dismissal With Prejudice, concluding the litigation. The results of the settlement agreement do not have a material effect on the financial statements of the Company.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date these financial statements were available to be issued. Based on our evaluation, no events have occurred that require disclosure.