# APPTECH CORP. AND SUBSIDIARIES

# DECEMBER 31, 2014 AND 2013

***Together with***
***Report of Independent Registered Public Accounting Firm***

dbbmckennon
*Certified Public Accountants*
*Registered Firm - Public Company Accounting Oversight Board*

# APPTECH CORP. AND SUBSIDIARIES

## Index


| | Page Number |
|---|---|
| Report of Independent Registered Public Accounting Firm | 2 |
| Consolidated Balance Sheets as of December 31, 2014 and 2013 | 3 |
| Consolidated Statements of Operations for the Years Ended December 31, 2014 and 2013 | 4 |
| Consolidated Statements of Stockholders' Deficit for the Years Ended December 31, 2014 and 2013 | 5 |
| Consolidated Statements of Cash Flows for the Years Ended December 31, 2014 and 2013 | 6 |
| Notes to Consolidated Financial Statements | 7 |

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
AppTech Corp.
Carlsbad, California

We have audited the accompanying consolidated balance sheets of AppTech Corp. and subsidiaries (collectively the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of operations, stockholders' deficit, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company has determined that it is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included the consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of AppTech Corp. and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has incurred cumulative net losses since inception and has a working capital deficit, which raises substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

dbbmckennon
Newport Beach, California
March 11, 2015



20321 SW Birch Street, Suite 200 Newport Beach, California 92660-1756 P: 949.200.3280 F: 949.200.3281 www.dbbmckennon.com
Santa Monica Newport Beach San Diego

**APPTECH CORP.**
**CONSOLIDATED BALANCE SHEETS**
**AS OF DECEMBER 31, 2014 and 2013**

| | 2014 | 2013 |
|---|---|---|
| Assets: | | |
| Current assets | | |
| Cash | $ 39,739 | $ 144,706 |
| Accounts receivable | 16,673 | 24,909 |
| Marketable securities | 78,794 | 408,479 |
| Total current assets | 135,206 | 578,094 |
| Property and equipment, net | 41,470 | 1,346 |
| Total assets | $ 176,676 | $ 579,440 |
| Liabilities and Stockholders' Deficit | | |
| Current liabilities | | |
| Accounts payable | $ 692,790 | $ 621,637 |
| Accrued liabilities | 1,026,331 | 1,236,362 |
| Stock repurchase liability | 146,614 | - |
| Convertible notes payable, net discount of 34,915 and $0, respectively | 535,085 | 170,000 |
| Convertible notes payable – related parties | 150,000 | 150,000 |
| Notes payable | 387,159 | 431,801 |
| Notes payable – related parties | 597,553 | 563,090 |
| Total current liabilities | 3,535,532 | 3,172,890 |
| Long-term Liabilities | | |
| Note payable, net of current portion | 86,895 | - |
| Total liabilities | 3,622,427 | 3,172,890 |
| Commitments and contingencies | | |
| Stockholders' Deficit | | |
| Series A preferred stock; $0.001 par value; 1,000,000 shares authorized; 14 shares issued and outstanding | - | - |
| Common stock, $0.001 par value; 1,000,000,000 shares authorized; 63,404,929 and 59,220,052 shares issued and outstanding, respectively | 63,405 | 59,220 |
| Additional paid-in capital | 26,130,004 | 25,138,260 |
| Treasury stock | (4,494) | - |
| Accumulated deficit | (29,634,666) | (27,790,930) |
| Total stockholders' deficit | (3,445,751) | (2,593,450) |
| Total liabilities and stockholders' deficit | $ 176,676 | $ 579,440 |

See accompanying notes to the consolidated financial statements.

**APPTECH CORP.**
**CONSOLIDATED STATEMENTS OF OPERATIONS**
**FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013**

| | 2014 | 2013 |
|---|---|---|
| Revenues | $ 216,814 | $ 173,686 |
| Cost of Revenues | 63,110 | 99,421 |
| Gross Profit | 153,704 | 74,265 |
| Operating Expenses: | | |
| Sales and Marketing | 46,824 | 48,681 |
| General and Administrative, including stock-based compensation of $825,150 and $4,933,000, respectively | 1,447,289 | 5,415,129 |
| Total Operating Expenses | 1,494,113 | 5,463,810 |
| Loss from Operations | (1,340,409) | (5,389,545) |
| Other Income (Expenses): | | |
| Other | 9 | 233 |
| Acquisition Costs | - | (2,500,000) |
| Interest Expense | (323,032) | (177,451) |
| Losses on Marketable Securities | (175,702) | (56,212) |
| Total Other Income (Expenses) | (498,725) | (2,733,430) |
| Loss before Provision for Income Taxes | (1,839,134) | (8,122,975) |
| Provision for Income Taxes | 4,602 | - |
| Net Loss | $ (1,843,736) | $ (8,122,975) |
| Basic and diluted net loss per common share | $ (0.03) | $ (0.15) |
| Weighted-average number of common shares outstanding - basic and diluted | 61,421,157 | 53,273,320 |

See accompanying notes to the consolidated financial statements.

**APPTECH CORP.**
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT**
**FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013**

| | Series A Preferred Shares | Series A Preferred Amount | Common Stock Shares | Common Stock Amount | Additional Paid-in Capital | Common Stock Subscription | Treasury Stock | Accumulated Deficit | Total |
|---|---|---|---|---|---|---|---|---|---|
| Balance December 31, 2012 | - | $ - | 42,681,834 | $ 42,682 | $ 17,096,798 | $ 20,000 | $ - | $ (19,667,955) | $ (2,508,475) |
| Common stock issued in connection with reverse merger | 14 | - | 492,385 | 492 | (492) | - | - | - | - |
| Common stock issued to former management of AppTech | - | - | 5,000,000 | 5,000 | 2,495,000 | - | - | - | 2,500,000 |
| Common stock issued for subscriptions | - | - | 495,833 | 496 | 194,504 | (20,000) | - | - | 175,000 |
| Common stock issued for marketable securities | - | - | 1,000,000 | 1,000 | 429,000 | - | - | - | 430,000 |
| Common stock issued to directors | - | - | 8,000,000 | 8,000 | 3,992,000 | - | - | - | 4,000,000 |
| Common stock issued for services | - | - | 1,550,000 | 1,550 | 931,450 | - | - | - | 933,000 |
| Net loss | - | - | - | - | - | - | - | (8,122,975) | (8,122,975) |
| Balance December 31, 2013 | 14 | $ - | 59,220,052 | $ 59,220 | $ 25,138,260 | - | $ - | $ (27,790,930) | $ (2,593,450) |
| Imputed interest | - | - | - | - | 16,400 | - | - | - | 16,400 |
| Common stock issued for merchant equity program | - | - | 243,740 | 244 | 105,580 | - | - | - | 105,824 |
| Common stock issued in connection with convertible notes payable | - | - | 400,000 | 400 | - | - | - | - | 400 |
| Common stock issued in extension of notes payable | - | - | 340,000 | 340 | 26,020 | - | - | - | 26,360 |
| Common stock issued for accrued interest | - | - | 33,637 | 34 | 21,761 | - | - | - | 21,795 |
| Common stock issued for services | - | - | 3,167,500 | 3,167 | 821,983 | - | - | - | 825,150 |
| Purchase of treasury stock | - | - | - | - | - | - | (4,494) | - | (4,494) |
| Net loss | - | - | - | - | - | - | - | (1,843,736) | (1,843,736) |
| Balance December 31, 2014 | 14 | $ - | 63,404,929 | $ 63,405 | $ 26,130,004 | - | $ (4,494) | $ (29,634,666) | $ (3,445,751) |

See accompanying notes to the consolidated financial statements.

**APPTECH CORP.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013**

| | 2014 | 2013 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | $ (1,843,736) | $ (8,122,975) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Stock-based compensation and stock for services | 825,150 | 4,933,000 |
| Stock issued in connection with extension of note | 26,360 | - |
| Stock issued in connection with reverse merger | - | 2,500,000 |
| Imputed interest on notes payable | 16,400 | - |
| Amortization of debt discount and stock repurchase agreement | 112,098 | - |
| Depreciation and amortization | 1,825 | 1,067 |
| Loss on marketable securities | 175,702 | 56,212 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 8,236 | (5,389) |
| Accounts payable | 70,027 | 117,957 |
| Accrued liabilities | 11,842 | 205,282 |
| Net cash used in operating activities | (596,096) | (314,846) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of property and equipment | (40,823) | - |
| Purchase of treasury stock | (4,494) | - |
| Net cash used in investing activities | (45,317) | - |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from (payments on) related party notes payable | (17,535) | 67,733 |
| Purchases of marketable securities | - | (42,374) |
| Proceeds from sale of marketable securities | 153,981 | 266,283 |
| Proceeds from convertible notes payable | 400,000 | - |
| Proceeds from sale of common stock | - | 175,000 |
| Net cash provided by financing activities | 536,446 | 466,642 |
| Changes in cash and cash equivalents | (104,967) | 151,796 |
| Cash and cash equivalents, beginning of year | 144,706 | (7,090) |
| Cash and cash equivalents, end of year | $ 39,739 | $ 144,706 |
| Supplemental disclosures of cash flow information: | | |
| Cash paid for interest | $ 19,518 | $ - |
| Cash paid for income taxes | $ - | $ - |
| NON CASH INVESTING AND FINANCING ACTIVITIES: | | |
| Common stock issued for merchant equity liability | $ 105,824 | $ - |
| Discount to convertible notes payable and liability recorded in connection with stock repurchase obligation | $ 52,762 | $ - |
| Issuance of common stock for conversion of debt and accrued interest | $ 21,795 | $ - |
| Issuance of common stock for marketable securities | $ - | $ 430,000 |

See accompanying notes to the consolidated financial statements.

**APPTECH CORP.AND SUBSIDIARIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013**

## NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS

AppTech Corp. ("AppTech"), a Wyoming Corporation, was incorporated on July 2, 1998. On March 15, 2013, as amended on April 30, 2013, the AppTech formed a wholly-owned subsidiary AppTech Merger Corp., a Florida corporation (the "Merger Corp"), and entered into a plan of merger (the "Merger Agreement" or "Merger") with Transcendent One, Inc., a Nevada corporation ("Transcendent"). In accordance with the terms and provisions of the Merger Agreement, Transcendent merged into the Merger Corp effectively combining the stock of Transcendent with the equity of the Merger Corp.

In consideration for the Merger, the shareholders of the Transcendent received a total of 44,167,667 shares of common stock of AppTech on a pro rata basis in exchange for 100% of the of the outstanding common stock Transcendent at the time of the Merger. The total shares of AppTech being issued on a pro rata basis to the Transcendent's shareholders represented approximately 99% of the total issued and outstanding common stock of AppTech, excluding the 5.0 million shares concurrently issued as discussed in Note 9. In addition, Transcendent issued 235,833 shares of common stock for subscriptions and 1,250,000 shares of common stock for services during the period of December 31, 2012 to April 30, 2013. The merger among AppTech and Transcendent was accounted for as a reverse acquisition and change in reporting entity, whereby Transcendent was the accounting acquirer. At the date of acquisition, AppTech didn't have any operations and nor significant assets and liabilities. The accompanying financial statements include the historical accounts of Transcendent and the operations of AppTech from April 30, 2013, the date of acquisition forward. The post consolidated entity is referred to as (the "Company").

The Company, based in California, is a technology and financial services company. With electronic payments at its core, the Company offers an array of service lines to both business and consumer markets through its branded subsidiaries, Transcendent and TransTech One, LLC. The Company is currently expanding its operations in the mobile payment industry and is actively negotiating to enter such industry through a joint venture and/or business acquisition. The Company believes the mobile payment industry will complement its current merchant products and services and provide additional growth.

On December 16, 2014, TransTech One, LLC launched its comprehensive set of Cloud Services for business clients including smarkDesk, smartDrive, smartApp, and smartServer. These solutions enable business clients to avoid significant hardware costs, increase user productivity, and improve day-to-day manageability of their organization's technological infrastructure.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### ***Basis of Presentation***

The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Also see Note 3.

As a result of the merger between Transcendent and AppTech, the Transcendent shareholders controlled the Company post-merger. This resulted in a change in reporting entity, whereby the historical financial statements of Transcendent are presented herein. At the date of acquisition AppTech did not have any operations, assets or liabilities.

***Principles of Consolidation***

The Company accounts include financials of the Company and its wholly owned subsidiaries, Transcendent One, Inc. and TransTech One, LLC. All significant intercompany transactions have been eliminated in consolidation.

***Use of Estimates***

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the estimated useful lives of property and equipment, fair market value of marketable securities and future amounts payable to an individual in connection with the sale of the marketable securities, estimated liabilities related to various vendors in which communications have ceased, contingent liabilities, fair market value of Transcendents' common stock prior to the date of AppTech's acquisition, and realization of tax deferred tax assets. Actual results could differ from those estimates.

***Concentration of Credit Risk***

Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits of $250,000 per institution that pays Federal Deposit Insurance Corporation (FDIC) insurance premiums. The Company has never experienced any losses related to these balances.

The accounts receivable from merchant services are paid by the financial institutions on a monthly basis. The Company currently uses three financial institutions to service their merchants. The loss of one of these financial institutions would not have a significant impact on the Company's operations as there are additional financial institutions available to the Company. For the years ended December 31, 2014 and 2013, no single merchant (customer) represented more than 10% of revenues or accounts receivable, net.

***Cash and Cash Equivalents***

The Company classifies its highly liquid investments with maturities of three months or less at the date of purchase as cash equivalents. Management determines the appropriate classification of its investments at the time of purchase and reevaluates the designations as of each investment as of the balance sheet date for each reporting period. The Company classifies its investments as either short-term or long-term based on each instrument's underlying contractual maturity date. Investments with maturities of less than 12 months are classified as short-term and those with maturities greater than 12 months are classified as long-term. The cost of investments sold is based upon the specific identification method.

***Accounts Receivable and Allowance for Doubtful Accounts***

Accounts receivable, if needed, are recorded net of an allowance for doubtful accounts. The Company does not expect to have write-offs or adjustments to accounts receivable which could have a material adverse effect on its consolidated financial position, results of operations or cash flows as the portion which is deemed uncollectible is already taken into account when the revenue is recognized. The Company also considers any changes to the financial condition of its financial institutions used and any other external market factors that could impact the collectability of its receivables in the determination of its allowance for doubtful accounts.

***Marketable Securities***

The Company classifies its marketable security investment portfolio as either held to maturity, available-for-sale, or trading. At December 31, 2014 and 2013, all of the Company's marketable securities were classified as trading. Securities classified as trading are carried at fair value with unrealized gains and losses included in the consolidated statement of operations. Classification as current or non-current is based primarily on whether there is an active public market for such security as well as the daily trading volume of a security relative to the Company's ownership position. Gains or losses from the sale or redemption of the marketable securities are determined using the specific identification method.

***Revenue Recognition***

The Company provides merchant processing solutions for credit cards and electronic payments. In all cases we act as an agent between the merchant which generates the credit card and electronic payments, and the bank which processes such payments. The Company's revenue is generated on services priced as a percentage of transaction value or a specified fee transaction, depending on the card or transaction type. Revenue is recorded as services are performed which is typically when the bank processes the merchant's credit card and electronic payments.

In addition, the Company provides consumers the ability to pay authorized payments to hundreds of vendors including utility companies, cable/satellite providers, mobile phone service providers, credit companies, and more at its TransTech One Retail Service Center. Revenue for authorized payments is recorded as a percentage of transaction value or a specified fee transaction. Revenue is recorded as services are performed which is typically when we process the payment transaction to the third party. Revenues from these services represent less than 5% of the Company's total revenues.

The Company provides various Cloud services to business clients. Revenues generated from the services as agreed upon in a Cloud Service Agreement. The revenue is recorded as the services are performed and billed in advance on a monthly basis. Revenues from these services represent less than 5% of the Company's total revenues.

***Fair Value of Financial Instruments***

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants as of the measurement date. Applicable accounting guidance provides an established 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. Observable inputs are inputs that market participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the factors that market participants would use in valuing the asset or liability. There are three levels of inputs that may be used to measure fair value

Level 1 Quoted market prices available in active markets for identical assets or liabilities. reporting

Level 2 Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.

Level 3 Pricing inputs that are generally observable inputs and not corroborated by market data.

Assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurements. The Company reviews the fair value hierarchy classification on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification of levels for certain securities within the fair value hierarchy. The carrying amount of the Company's financial assets and liabilities, such as cash, prepaid expenses and accrued expenses approximate their fair value because of the short maturity of those instruments. The Company's notes payable approximate the fair value of such instruments based upon management's best estimate of interest rates that would be available to the Company for similar financial arrangements at December 31, 2014 and 2013.

The following table presents the Company's fair value hierarchy for assets and liabilities measured at fair value on a recurring basis as of December 31, 2014 and 2013:

| | Fair Value Measurement Using | | | |
|---|---|---|---|---|
| | **Quoted Prices in Active Markets for Identical Instruments (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** | **Total** |
| Fair values as of December 31, 2014 | | | | |
| Current Assets- | | | | |
| Marketable Securities | $ 78,794 | $ - | $ - | $ 78,794 |
| Total assets at fair value | $ 78,794 | $ - | $ - | $ 78,794 |
| Fair values as of December 31, 2013 | | | | |
| Current Assets- | | | | |
| Marketable Securities | $ 408,479 | $ - | $ - | $ 408,479 |
| Total assets at fair value | $ 408,479 | $ - | $ - | $ 408,479 |

The fair value of marketable securities is determined based upon quoted market prices at each reporting date, see Note 7 for additional information.

***Property and Equipment***

Property and equipment is recorded at cost. Expenditures for major additions and betterments are capitalized. Maintenance and repairs are charged to operations as incurred. Depreciation of property and equipment is computed by the straight-line method (after taking into account their respective estimated residual values) over the assets estimated useful life of five (5) years. Upon sale or retirement of equipment, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in statements of operations.

***Impairment of Long-Lived Assets***

Long-lived assets, such as property and equipment are subject to amortization, are reviewed for impairment when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Recoverability of assets to be held and used is measured by comparing the carrying amount of an asset or asset group to estimated undiscounted future

cash flows expected to be generated by the asset or asset group. If the carrying amount of an asset or asset group exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset or asset group exceeds the estimated fair value of the asset or asset group. Long-lived assets to be disposed of by sale are reported at the lower of their carrying amounts or their estimated fair values less costs to sell and are not depreciated. As of December 31, 2014 and 2013, there were no asset impairments.

***Income Taxes***

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Under this method, deferred tax assets and liabilities are based on the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the fiscal year in which the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance to the extent management concludes it is more likely than not that the assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the fiscal 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 the Consolidated Statement of Operations in the period that includes the enactment date.

The Company's income tax returns are based on calculations and assumptions that are subject to examination by the Internal Revenue Service and other tax authorities. In addition, the calculation of the Company's tax liabilities involves dealing with uncertainties in the application of complex tax regulations. The Company recognizes liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. While the Company believes it has appropriate support for the positions taken on its tax returns, the Company regularly assesses the potential outcomes of examinations by tax authorities in determining the adequacy of its provision for income taxes. The Company continually assesses the likelihood and amount of potential adjustments and adjusts the income tax provision, income taxes payable and deferred taxes in the period in which the facts that give rise to a revision become known. As of December 31, 2014 and 2013, the Company does not believe any provisions are required in connection with uncertain tax positions.

***Per Share Information***

Basic net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. Diluted net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of shares of common stock and potentially outstanding shares of common stock during the period. The weighted average number of common shares outstanding and potentially outstanding common shares assumes that the Company incorporated as of the beginning of the first period presented.

As of December 31, 2014 and 2013, the Company had potential dilutive securities in which consisted of options to purchase 250,000 and 500,000 shares of common stock, 10,920 and 10,920 shares of common stock issuable upon conversion of Series A preferred stock and 1,1783,333 and 783,333 shares of common stock issuable upon conversion the convertible notes payable, respectively. These dilutive securities were not included within the calculation of dilutive net loss per common share as the effects would have been anti-dilutive.

***Convertible Debt***

Convertible debt is accounted for under the guidelines established by ASC 470-20 *Conversion and Other Options*. ASC 470-20 governs the calculation of an embedded beneficial conversion, which is treated as an additional discount to the instruments where derivative accounting does not apply. The amount of the value of additional stock and other consideration in addition to the beneficial conversion feature may reduce the carrying value of the instrument to zero, but no further. The discounts are accreted over the term of the debt using the straight line method due to the short terms of the notes.

The Company accounts for modifications of its embedded beneficial conversions, in accordance with ASC 470-50 *Modifications and Extinguishments*. ASC 470-50 requires the modification of a convertible debt instrument that changes the fair value of an embedded conversion feature and the subsequent recognition of interest expense or the associated debt instrument when the modification does not result in a debt extinguishment.

***Stock-Based Compensation***

The Company recognizes as compensation expense all share-based payment awards made to employees, directors, and consultants including grants of stock options and warrants, based on estimated fair values. Fair value is generally determined based on the closing price of the Company's common stock on the date of grant and is recognized over the service period. The Company has several consulting agreements that have share based payment awards based on performance. These agreements typically require the Company to issue common stock to the consultants on a monthly basis. The Company records the fair market value of the common stock issuable at each month end when the performance is complete based upon the closing market price of the Company's common stock. See Note 5 for discussing of common stock issued under the Company's Merchant Equity Program for which the fair value of the common stock earned is recorded as reduction of revenues.

**NOTE 3 – GOING CONCERN**

As reflected in the accompanying consolidated financial statements, during the year ended December 31, 2014 the Company incurred a net loss of $1,843,736 and used $596,096 in operating activities. In addition, the Company had a negative working capital of $3,400,326 and an accumulated deficit of $29,634,666 at December 31, 2014. These factors raise substantial doubt regarding the Company to continue as a going concern.

While the Company is continuing operations and generating revenues, the Company's cash position is not significant enough to support the Company's daily operations. To fund operations and reduce the working capital deficit, Management intends to raise additional funds through public or private debt and/or equity offerings. During 2014, the Company raised $400,000 in debt offerings to fund operations. Management believes that the actions presently being taken to further implement its business plan and generate revenues provide the opportunity for the Company to continue as a going concern, however, such are not guaranteed. While the Company believes in the viability of its strategy to generate revenues and in its ability to raise additional funds, there can be no assurances to that effect, no can there be assurance that such funds will be at acceptable terms. As of the date of these consolidated financial statements, the Company has not finalized a commitment for additional capital. The ability of the Company to continue as a going concern is dependent upon management's ability to further implement its business plan and generate revenues. The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2014 and 2013 consisted of the following:

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Property and equipment | $ 65,076 | $ 23,127 |
| Less: Accumulated depreciation | (23,606) | (21,781) |
| | $ 41,470 | $ 1,346 |

Property and equipment primarily consists of computer equipment. Depreciation expense for the year ended December 31, 2014 and 2013 was $1,825 and $1,067, respectively.

**NOTE 5 – ACCRUED LIABILITIES**

***Accrued Interest***

The notes payable and convertible notes payable incur interest at rates between 10% and 15% per annum. Accrued interest at December 31, 2014 and 2013 was $906,820 and $823,347, of which $435,732 and $353,477, respectively, was due to related parties. The accrued interest in most cases is currently in technical default due to the notes being past their maturity date.

***Accrued Residuals***

The Company pays commissions to independent agents in which refer merchant accounts. The amounts payable to these independent agents is based upon a percentage of the amounts processed on a monthly basis by these merchant accounts. At December 31, 2014 and 2013, amounts owed to these independent agents were $26,817 and $24,531, respectively, and included within accrued liabilities on the accompanying consolidated balance sheets.

***Accrued Merchant Equity Liability***

The Company provides all merchants the opportunity to earn shares of the Company's common stock through their Merchant Equity Program (the "Program"). Under the Program, the merchant earns 1% of their total Visa/MasterCard volume processed during the first year of their contract. For example if a merchant processes $1.0 million in credit card charges, the merchant will receive 10,000 shares of the Company's common stock. The merchant must process with the Company for a period of three years for the shares to vest.

For merchants in which the shares of common stock are not known as they are within the one year period, the Company estimates on a quarterly basis as to the estimated amount of shares based upon the expected amount to be processed by the merchant on an annual basis. At the end of the first year, when the number of shares issuable is known, the Company makes an adjustment to the value of the shares, if needed.

The Company accounts for the value of the shares provided under the Program as a sales incentive and thus the amounts are recorded as a reduction to revenues. During the years ended December 31, 2014 and 2013, the Company recorded $38,787 and $23,506, respectively, in connection with the Program as an offset to revenues. As of December 31, 2014 and 2013, the Company has an obligation of $53,245 and $129,834, respectively, recorded within accrued liabilities on the accompanying consolidated balance sheets which represent approximately 399,873 and 271,377 shares of the Company's common stock issuable under the Program, respectively. During the year ended December 31, 2014, the Company

issued 243,740 shares of common stock relieving $115,376 in liabilities under the program.

***Accrued Settlements and Litigation***

Included within accounts payable at December 31, 2014 and 2013 is $43,462 related to three judgments in connection with Division of Labor claims. The obligations were incurred in 2007 and 2008 for unpaid compensation and workers' compensation.

Included within accounts payable at December 31, 2014 and 2013 is $31,456 related to an outstanding judgment regarding amounts payable in connection with a former office lease rental obligation. The obligation was incurred in 2009 when the office at that location was closed.

Included within accounts payable at December 31, 2014 and 2013 is $70,800 related to an outstanding judgment in connection with a former professional services agreement. The obligation was incurred in 2009.

**NOTE 6 – NOTES PAYABLE AND CONVERTIBLE NOTES PAYABLE**

The Company funds cash flows used from operations through the issuance of notes payable. The following is a summary of notes payable outstanding as of December 31, 2014 and 2013. Related parties noted below are either members of management, board of directors, significant shareholders or individuals in which have significant influence over the Company.

***Convertible Notes Payable***

In 2014, the Company issued $400,000 in convertible notes payable. The convertible notes payable are unsecured; due in periods ranging up to one year; incurring interest between 10% - 12% per annum and are convertible at prices ranging from $0.33 - $1.00. In addition, the Company issued 400,000 shares of common stock in connection with convertible notes payable. The Company has the obligation to repurchase 400,000 shares of common stock at $1.00 per share within one year. On the date of the agreements, the Company calculated the fair market value of the common stock issued in connection with the convertible notes payable of $400,000 and recorded a discount of $52,762 to the convertible notes payable based upon the relative fair market value of the convertible notes payable. The offsetting entry was to common stock for the par value of $400 and the stock repurchase liability of $52,362. The Company is amortizing the discount on the convertible notes payable to the carrying value of $400,000 and the stock repurchase liability to the repurchase amount of $400,000 over the term of the convertible notes payable. During the year ended December 31, 2014, the Company amortized $17,847 and $94,252 to interest expense related to the discount and stock repurchase liability, respectively. The Company expects to amortize the remaining discount and stock repurchase liability of $34,915 and $253,386 to interest expense during the year ended December 31, 2015.

In 2008 and 2009, the Company issued $320,000 in convertible notes payable, of which $150,000 was from related parties. The convertible notes payable are currently due on demand, incur interest at 15% per annum, and convertible at $0.60 per share. As of December 31, 2014 and 2013, accrued interest related to the convertible notes was $276,013 and $228,013, of which $130,875 and $108,375 was due to related parties.

***Notes Payable***

In 2007 and 2008, the Company entered into note payable with a third party for $46,000 in proceeds. The notes payable were due on demand and incurred interest at 12% per annum. At December 31, 2013, total accrued interest related to the notes payable was $39,769. In 2014, the Company and the holder of the note payable rolled the principal and interest into one new unsecured promissory note. The new promissory note incurs interest at a rate of 12.0% per annum, with sixty (60) monthly payments of $1,000, which began on June 1, 2014 and a final balloon payment of $81,097 due on May 31, 2019. In addition, the Company issued the holder 250,000 shares of common stock in settlement of 250,000 options held by the note holder. The Company determined that the exchange resulted in a modification of the original note payable as the future expected cash flows, including the changed in the current fair market value of options versus the common stock, was less than 10%. As the future cash flows were immaterial, the Company expensed $2,060, the difference in fair value of the options and common stock to interest expense rather than record a discount to the new note payable.

In 2007, the Company entered into note payable with a related party for $58,600 in proceeds. The note payable is currently due on demand and incurs interest at 10% per annum. As of December 31, 2014 and 2013, accrued interest related to the note payable was $41,213 and $35,353, respectively.

In 2007, the Company entered into note payable with a third party for $128,000 in proceeds. Under the terms of the agreement the holder received a flat interest amount of $37,496. As of December 31, 2014 and 2013, the Company was in default of the note payable agreement and the entire amount of $37,496 has been included within accrued interest. Since the note payable didn't incur interest, the Company imputed interest at $12,800 which represented an interest rate of 10% per annum during the year ended December 31, 2014.

In 2008, the Company entered into notes payable with two third parties for $36,000 in total proceeds. The notes payable are currently in default and have a flat interest amount due of $60,000. During 2014, the Company entered into an agreement whereby they would repay the principal and accrued interest by April 30, 2014 and issue the holders 90,000 shares of common stock. The Company recorded the fair market value of the common stock issued of $24,300 based on the date of issuance as interest expense. Other than to the issuance of the shares of common stock, the Company did not perform under the agreement. Since the notes payable don't incur interest, the Company imputed interest at $3,600 which represented an interest rate of 10% per annum during the year ended December 31, 2014.

In 2007, the Company entered into note payable with a third party for $221,800 in proceeds. The note payable is currently in default and incurs interest at 10% per annum. In September 30, 2013, the holder received an arbitration settlement for the principal and accrued interest. As of December 31, 2014 and 2013, accrued interest related to the note payable was $228,454 and $191,173, respectively. In 2014, interest payments of $3,000 were made by the Company.

Two significant shareholders funded the Company's operations through notes payable in primarily 2009 and 2010 and continue to support operations on a limited basis. The Company extends the notes on an annual basis. The notes payable incur interest at 10% per annum and are due on December 31, 2015. During the years ended December 31, 2014 and 2013, one holder loaned the Company $34,463 and $67,733, respectively, in additional proceeds. As of December 31, 2014 and 2013, the aggregate balance of the notes payable was $538,953 and $504,490 and accrued interest was $263,644 and $209,749, respectively.

As of December 31, 2014, future maturities of convertible notes payable and notes payable is as follows:

For years ending December 31,

| | |
|---|---|
| 2015 | $ 1,704,712 |
| 2016 | 1,662 |
| 2017 | 1,873 |
| 2018 | 2,110 |
| 2019 | 81,250 |
| | $ 1,791,607 |

**NOTE 7 - MARKETABLE SECURITIES**

On July 31, 2013, the Company exchanged 700,000 shares of common stock of a publicly-held company ("Pub Co.") in exchange for 1,000,000 shares of the Company's common stock. The Company valued the common stock given up at $430,000, based upon the closing market price of the Company's common stock on the date of the transaction. The Company accounted for the Pub Co. common stock received as a trading security and thus an immediate gain of $270,000 was recorded due to the fair market value of the Pub Co. common stock received having a fair market value of $700,000 based upon the closing market price of that security.

The Company subsequently entered into a consulting agreement with the individual which exchanged the Pub Co common stock whereby the individual would perform services related to business development services. The Company and the individual have a verbal agreement as to the how compensation under the consulting contract is provided. Under the verbal agreement, the individual receives 50% of the proceeds from the sale of the Pub Co. common stock, after commissions, initial $80,000 in proceeds from sales and miscellaneous and bank fees. During the years ended December 31, 2014 and 2013, total amounts due to the individual based upon the verbal arrangement were $39,397 and $84,361 of which $0 and $54,361 was due to the individual as of December 31, 2014 and 2013 which is recorded in accrued liabilities on the accompanying consolidated balance sheets, respectively.

In addition, the Company determined that since the individual's compensation was dependent up the proceeds received from the sale of the Pub Co.'s common stock that a liability need to be recorded based upon the estimated future payable to the individual. As of December 31, 2014 and 2013, the Company determined that the fair market value of the liability was approximately 50% of the carrying value of the Pub Co.'s common stock of $78,794 and $204,239 which is recorded in trading securities on the accompanying consolidated balance sheets, respectively.

This individual is a significant shareholder of the Company who does control shares of common stock in excess of 5% of the issued and outstanding at December 31, 2014.

**NOTE 8 – COMMITMENTS AND CONTIGENCIES**

***Operating Lease***

The Company entered into a lease agreement for office space commencing December 1, 2012 through November 30, 2015. The lease is guaranteed by various members of management. The monthly rent under the lease agreement is $10,066 for the entire term and expires in November 2015.

In 2014, the Company entered into a lease agreement for computer equipment storage space commencing November 10, 2014 through November 9, 2019. The monthly rent under the lease agreement is $3,472 for the entire term. The following is the minimum annual payment related to non-cancellable leases as of December 31, 2014:

For years ending December 31,

| | |
|---|---|
| 2015 | $ 41,664 |
| 2016 | 41,664 |
| 2017 | 41,664 |
| 2018 | 41,664 |
| 2019 | 31,248 |
| | $ 197,904 |

***Litigation***

In April 2014, a shareholder of AppTech filed a lawsuit against the Company in the State of Washington claiming breach of contract related to the sale / transfer of unregistered shares at the time of AppTech acquisition. On August 13, 2014, the Company notified the transfer agent and placed a 'Stop Order' on the shares. The shareholder claims that the 2.5 million shares received are unrestricted and should be reflected as such. On August 19, 2014, the Company filed a motion to dismiss the lawsuit. The lawsuit was dismissed on October 31, 2014.

***Employee versus Contractor Classification***

The Company compensates various individuals as consultants. Annually, these consultants are issued 1099s for amounts paid to them. In addition, these consultants don't have arrangements in which specify compensation payable to them. The Company risks potential tax and legal actions if these consultants are deemed to be employees by governmental agencies.

**NOTE 9 – STOCKHOLDERS' DEFICIT**

***Series A Preferred Stock***

The Company is authorized to issue 100,000 shares of $0.001 par value Series A preferred stock ("Series A"). There were fourteen (14) shares of Series A preferred stock outstanding as of December 31, 2014 and 2013. The holders of Series A preferred stock are entitled to one vote per share on an "as converted" basis on all matters submitted to a vote of stockholders and are not entitled to cumulate their votes in the election of directors. The holders of Series A preferred stock are entitled to any dividends that may be declared by the Board of Directors out of funds legally available, therefore on a pro rata basis according to their holdings of shares of Series A preferred stock, on an as converted basis. In the event of liquidation or dissolution of the Company, holders of Series A preferred stock are entitled to share ratably in all assets remaining after payment of liabilities and have no liquidation preferences. Holders of Series A preferred stock have a right to convert each share of Series A in 780 shares common stock.

***Common Stock***

The Company is authorized to issue 1,000,000,000 shares of $0.001 par value common stock. There were 63,404,929 and 59,220,052 shares of common stock outstanding as of December 31, 2014 and 2013. The holders of common stock are entitled to one vote per share on all matters submitted to a vote of stockholders and are not entitled to cumulate their votes in the election of directors. The holders of

common stock are entitled to any dividends that may be declared by the Board of Directors out of funds legally available, therefore subject to the prior rights of holders of any outstanding shares of preferred stock and any contractual restrictions against the payment of dividends on common stock. In the event of liquidation or dissolution of the Company, holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities and the liquidation preferences of any outstanding shares of preferred stock. Holders of common stock have no preemptive or other subscription rights and no right to convert their common stock into any other securities.

In connection with the AppTech merger, the existing AppTech shareholders retained 492,385 shares of common stock. At the time of the merger, the Company issued an additional 5,000,000 shares of common stock to AppTech's former officer and a party related to another former officer of AppTech. The Company determined that the fair market value of the common stock of $2,500,000. The fair market value of the common stock was based upon the closing stock price of the Company's common stock on the date of the agreement.

During the year ended December 31, 2013, the Company issued 495,833 shares of common stock to five investors for $195,000 in proceeds. Of these proceeds, $20,000 was received prior to December 31, 2012.

During the year ended December 31, 2013, the Company issued 8,000,000 shares of common stock to two members of the Board of Directors in connection with their appointment. The Company valued the issuance at $4,000,000 based upon the fair market value of $0.50 on the date of issuance, and charged such to general and administrative expenses on the accompanying consolidated statement of operations.

During the years ended December 31, 2014 and 2013, the Company issued 3,167,500 and 1,550,000 shares of common stock to four and three consultants in connection with investor relations and business development services. The Company valued the common stock issuances at $825,150 and $933,000, respectively, based upon the closing market price of the Company's common stock on the date in which the performance was complete. The amounts were charged to general and administrative expenses on the accompanying consolidated statements of operations.

See Note 7 for common stock issued in connection with the acquisition of marketable securities.

***Stock Options***

On May 16, 2008, the Company issued an option to purchase 250,000 shares of common stock at $0.01 per share. The option was issued in connection with a convertible note payable, vested upon issuance and had an initial term of 10 years. On April 1, 2014, the holder of the option was issued 250,000 shares of common stock in satisfaction of the option. See Note 6 for additional information.

On February 10, 2007, the Company issued an option to purchase 250,000 shares of common stock at $0.25 per share. The option was issued in connection with a note agreement, vested six months after issuance and had an initial term of 2 years. On December 1, 2009, the options exercise price was modified to $0.15 per share and an original life of 10 years.

***Reverse Stock Split***

Pursuant to the terms and provisions of the Merger Agreement, the Board of Directors authorized and approved a reverse stock split of one for twenty thousand (1:20,000) of the Issuer's total issued and outstanding shares of common stock (the "Stock Split"). The Board of Directors considered further factors regarding approval of the Stock Split including, but not limited to: (i) current trading price of the Issuer's shares of common stock on the OTC Market Pink Sheets and potential to increase the

marketability and liquidity of the Issuer's common stock; (ii) possible reluctance of brokerage firms and institutional investors to recommend lower-priced stocks to their clients or to hold in their own portfolios; (iii) desire to meet future requirements of per-share price and net tangible assets and shareholders' equity relating to admission for trading on other markets; and (iv) posturing the Issuer and its structure in favorable position in order to effectively negotiate with potential business partners or financings. The shareholders holding a majority of the total issued and outstanding common stock of the Corporation approved the Stock Split.

The Stock Split was effectuated on May 3, 2013 upon filing the appropriate documentation with FINRA. All share and per share amounts have been reflected throughout this document.

**NOTE 10 – INCOME TAXES**

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry-forwards 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 are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

At December 31, 2014 and 2013, the Company had net operating loss carry forwards of approximately $3,239,000 and $2,307,000 that may be offset against future taxable income from the years 2015 to 2020. The net tax benefit of $316,862 and $1,199,621 has not been reported as of December 31, 2014 on the consolidated financial statements since the potential tax benefit is offset by a 100% valuation allowance of the same amount. During the years ended December 31, 2014 and 2013, the valuation allowance increased by $316,862 and $226,599. The difference between the Company's tax rate and the statutory rate is due to significant non-deductible expenses related to stock based compensation, non-cash interest expense, etc.

Due to the change in ownership provisions of the Tax Reform Act of 1986, net operating loss carryforwards for Federal Income tax reporting purposes are subject to annual limitations. Should a change in ownership occur, net operating loss carryforwards may be limited as to use in future years.

The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Company believes they are no longer subject to income tax examinations for years prior to 2010. However, the Company hasn't filed their 2013 and 2014 federal and state tax returns.

**NOTE 11 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events pursuant to the requirements of ASC Topic 855 and has determined that no material subsequent events exist.