Scrypt, Inc.

Consolidated Financial Statements

(Including Report of Independent Registered Public Accounting Firm)

December 31, 2015 and 2014

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Scrypt, Inc.:

We have audited the accompanying consolidated balance sheets of Scrypt, Inc. (formerly SecureCare Technologies, Inc.) (the "Company"), as of December 31, 2015 and 2014, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the years then ended. The Company's management is responsible for these consolidated financial statements. 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 is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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's recurring losses from operations raise 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. Our opinion is not modified with respect to this matter.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Bauer & Company, LLC

BAUER & COMPANY, LLC
June 27, 2016
Austin, Texas

SCRYPT, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2015 and December 31, 2014

ASSETS

	2015	2014
Current assets		
Cash and cash equivalents	$ 53,601	$ 152,389
Accounts receivable - trade, net of allowance for doubtful accounts of $4,309 and $3,812, respectively	861,909	997,118
Receivable due from Axacore, Inc.	-	202,407
Inventory	76,226	93,053
Prepaid expenses	107,108	45,112
Interest income receivable	2,394	1,028
Total current assets	1,101,238	1,491,107
Noncurrent assets		
Related party notes receivable	308,556	208,556
Property and equipment, net of accumulated depreciation of $1,072,406 and $1,049,437, respectively	1,213,497	611,164
Prepaid expenses	45,076	34,447
Goodwill	1,380,632	1,380,632
Intangible assets, net of accumulated amortization of $379,143 and $0, respectively	1,901,857	2,281,000
Total noncurrent assets	4,849,618	4,515,799
Total assets	$ 5,950,856	$ 6,006,906

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities		
Current portion of related party notes payable	$ 233,100	$ 338,700
Related party advance	40,000	-
Current portion of capital lease obligation	78,761	-
Payable due to Axacore, Inc.	-	634,927
Line of credit	237,600	-
Accounts payable - trade	277,102	410,012
Accrued payroll and payroll taxes	77,878	43,532
Deferred revenue	1,010,428	704,269
Accrued interest expense	22,505	9,756
Other accrued expenses	234,387	36,710
Total current liabilities	2,211,761	2,177,906
Noncurrent liabilities		
Long-term portion of related party notes payable	-	65,600
Capital lease obligation, net of current portion	107,471	-
Total noncurrent liabilities	107,471	65,600
Total liabilities	$ 2,319,232	$ 2,243,506
Commitments and contingencies	-	-
Shareholders' equity		
Preferred stock - $0.001 par value; 15,000,000 shares authorized:	925	925
Series A convertible preferred stock - 925,000 shares issued and outstanding (liquidation preference of $925,000)		
Series B convertible preferred stock - 454,547 shares issued and outstanding (liquidation preference of $500,002)	454	454
Common stock - $0.001 par value; 55,000,000 shares authorized, 46,049,614 shares issued and outstanding	46,050	46,050
Additional paid-in capital	49,969,765	49,781,020
Accumulated deficit	(46,385,570)	(46,065,047)
Total shareholders' equity	3,631,624	3,763,400
Total liabilities and shareholders' equity	$ 5,950,856	$ 6,006,906

See notes to the consolidated financial statements and report of Independent Registered Public Accounting Firm

SCRYPT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2015 and 2014

	2015	2014
Revenues	$ 8,339,995	$ 3,728,571
Operating expenses		
Cost of revenues	2,621,532	1,585,421
Selling, general and administrative	5,975,481	3,829,900
Total operating expenses	8,597,013	5,415,321
Operating loss	(257,018)	(1,686,750)
Other income (expense)		
Gain on sale of assets	4,000	-
Interest expense, net	(35,117)	(10,927)
Other expense, net	-	(142,463)
Net loss before income taxes	(288,135)	(1,840,140)
Income tax expense	32,387	10,402
Net loss attributable to common shareholders	$ (320,522)	$ (1,850,542)
Net loss per common share - basic and diluted	$ (0.01)	$ (0.06)
Weighted average number of common shares outstanding - basic and diluted	46,049,614	30,946,526

See notes to the consolidated financial statements and report of Independent Registered Public Accounting Firm

SCRYPT, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
For the Years Ended December 31, 2015 and December 31, 2014

	Series A Preferred Stock		Series B Preferred Stock		Common Stock		Additional Paid - in Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount			
Balance at December 31, 2013	925,000	$ 925	454,547	$ 454	28,053,866	$ 28,054	$ 44,593,474	$ (44,214,506)	$ 408,401
Issuance of common stock in connection with the sale of common stock shares	-	-	-	-	880,000	880	263,120	-	264,000
Issuance of common stock in connection with the Termination of the Technology License Agreement with SecureCare Technologies, Inc. UK Ltd.	-	-	-	-	700,000	700	132,300	-	133,000
Issuance of common stock	-	-	-	-	5,515,748	5,516	1,042,476	-	1,047,992
Compensation expense related to stock options	-	-	-	-	-	-	54,549	-	54,549
Issuance of common stock in connection with the acquisition of Axacore, Inc.	-	-	-	-	10,900,000	10,900	3,695,100	-	3,706,000
Net loss	-	-	-	-	-	-	-	(1,850,542)	(1,850,542)
Balance at December 31, 2014	925,000	$ 925	454,547	$ 454	46,049,614	$ 46,050	$ 49,781,019	$ (46,065,048)	$ 3,763,400
Compensation expense related to stock options	-	-	-	-	-	-	188,746	-	188,746
Net loss	-	-	-	-	-	-	-	(320,522)	(320,522)
Balance at December 31, 2015	925,000	$ 925	454,547	$ 454	46,049,614	$ 46,050	$ 49,969,765	$ (46,385,570)	$ 3,631,624

See notes to the consolidated financial statements and report of Independent Registered Public Accounting Firm

SCRYPT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Net loss	$ (320,522)	$ (1,850,542)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	647,605	164,582
Compensation expense related to stock options	188,746	54,549
Stock issuance expense resulting from cancellation of an agreement	-	133,000
Compensation expense related to common stock issuance	-	1,047,992
Reserve for obsolete inventory	31,883	-
Changes in operating assets and liabilities:		
Accounts receivable - trade	135,209	(65,371)
Receivable due from Axacore	202,407	-
Inventory	(15,056)	-
Prepaid expenses	(72,625)	(21,490)
Interest receivable	(1,366)	-
Deferred revenue	306,159	275,832
Accounts payable - trade	(132,910)	121,466
Payable due to Axacore, Inc.	(634,927)	-
Other liabilities	244,772	14,446
Cash flows provided (used) by operating activities	579,375	(125,536)
Cash flows from investing activities		
Capital expenditures	(32,578)	(38,626)
Capitalized software development costs	(601,933)	(361,033)
Cash assumed in Axacore, Inc. merger	-	33,444
Issuance of related party note receivable	(100,000)	(209,584)
Cash flows used in investing activities	(734,511)	(575,799)
Cash flows from financing activities		
Proceeds from common stock sale	-	264,000
Proceeds from issuance of related party notes payable	150,000	349,300
Proceeds from related party advances	166,089	-
Net borrowing under line of credit agreement	237,600	-
Payments on related party notes payable	(321,200)	(50,000)
Payment of related party advances	(126,089)	-
Payments on capital lease	(50,052)	-
Cash flows provided by financing activities	56,348	563,300
Net decrease in cash and cash equivalents	(98,788)	(138,035)
Cash and cash equivalents, beginning of period	152,389	290,424
Cash and cash equivalents, end of period	$ 53,601	152,389
Supplemental disclosures for cash flow information:		
Cash paid for interest	$ 23,059	9,014
Cash paid for income taxes	$ 10,646	-
Supplemental non-cash financing activity:		
Capital lease acquisition	$ 236,284	-

See notes to the consolidated financial statements and report of Independent Registered Public Accounting Firm

Note 1 - Nature of Business

Scrypt, Inc. (the "Company") builds powerful productivity tools that help customers in regulated industries, especially healthcare and lending, improve collaboration and workflow while protecting sensitive and business-critical information. The Company is based in Austin, TX and also has an office in San Diego, CA. The Company was formally known as SecureCare Technologies, Inc.

The Company's four main product brands are Sfax™, Stak™, XDOC™ and FaxAgent™.

Designed for the rigors of healthcare, Sfax™ delivers HIPAA-secure ("Health Insurance Portability and Accountability Act") cloud faxing that maintains the universal benefits that keep faxing relevant but removes the cost and pains associated with manual faxing and fax servers by bringing fax to the cloud.

Stak™ is a document productivity platform built for healthcare. Stak™ lets users transform their workflow by storing, exchanging and collaborating on documents in a cloud-based HIPAA-secure environment. Stak™ can be universally adopted by a single physician to enterprise-level hospital groups, where thousands of users collaborate across multiple locations. The Company launched Stak™ into the market on February 25, 2016.

XDOC™ is an Electronic Document Management (EDM) platform used to simplify the mortgage lending process. XDOC™ works in tandem with Loan Origination Systems (LOS) to capture, manage, locate, classify, and deliver loan documents throughout the loan lifecycle.

FaxAgent™ provides enterprise fax technology for telecommunication carriers or service providers that wish to incorporate reliable, high performance and scalable faxing technology into their offering.

Note 2 - Going Concern

The Company sustained net losses of $320,522 for the year ended December 31, 2015. The Company's continued existence depends upon the success of management's efforts to increase revenue and raise additional capital necessary to meet the Company's obligations as they come due, and to obtain sufficient capital to execute its business plan. The Company intends to obtain capital primarily through issuances of debt or equity. There can be no degree of assurance that the Company will be successful in completing additional financing transactions. Based on operations and capital resources in 2016, the Company's management believes it will be successful in maintaining its operations through December 31, 2016. Failure to generate additional revenue, raise additional capital or manage discretionary spending could have a material adverse effect on the Company's ability to continue as a going concern. The matters discussed above raise substantial doubt about the Company's ability to continue as a going concern and achieve its business objectives. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Note 3 - Summary of Significant Accounting Policies and Practices

Basis of Presentation
The accompanying consolidated financial statements were prepared using accounting principles generally accepted in the United States of America. Certain prior period amounts have been reclassified to conform to current presentation.

Use of Estimates
The preparation of 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, as well as the reported amount of revenue and expenses during the reporting periods. Actual results could differ from these estimates. The Company's most significant estimates relate to fair value for stock based compensation, software services revenue recognition, capitalization of software development costs, intangible assets and the useful lives of property, equipment and intangible assets.

Principles of Consolidation
The consolidated financial statements include the accounts of the Company and all majority-owned subsidiaries in which the Company has a controlling financial interest. All significant intercompany accounts and transactions have been eliminated in consolidation. Accordingly, the Company consolidates its wholly owned subsidiary, Axacore, Inc., as of the date of acquisition, which was December 31, 2014.

Fair Value of Financial Instruments
Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in the principal or most advantageous market for the asset or liability in an ordinary transaction between market participants on the measurement date. The Company's policy on fair value measures requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The policy establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The policy prioritizes the inputs into three levels that may be used to measure fair value:

Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities;

Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data;

Level 3 – Applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

Note 3 - Summary of Significant Accounting Policies and Practices (continued)

At December 31, 2015 and 2014, the Company had no assets or liabilities that were reported at fair value. The carrying amounts of the Company's financial instruments, which include cash equivalents, accounts receivable, accounts payable and accrued expenses, approximate their fair values due to their short maturities. The fair value of related party receivables and notes payable was based on management's best estimate of what the amount could be settled for, which approximates the carrying value as of December 31, 2015 and 2014.

Cash and Cash Equivalents
For purposes of the statement of cash flows, the Company considers all short-term, highly liquid investments with an original maturity of three months or less at the date of acquisition to be cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts
Trade accounts receivable are stated at the amount the Company expects to collect. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. Management considers the following factors when determining the collectability of specific customer accounts: customer credit-worthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. The Company's accounts receivable are not secured. If the financial condition of the Company's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the Company provides for estimated uncollectible amounts through a charge to earnings and an increase to a valuation allowance. Balances that remain outstanding after the Company has used reasonable collection efforts are written off through a charge to the valuation allowance.

Property and Equipment
Property and equipment consist principally of servers, computers, furniture, leasehold improvements and software. Servers, computers and furniture are stated at cost with depreciation provided using the straight-line method over the estimated useful life of the depreciable assets ranging from three to five years. Software, which is further described below in the section titled *Capitalized Software Costs***,** is amortized over its estimated useful life of two to three years. Leasehold improvements are depreciated over the lesser of the useful life of the improvement or the term of the lease. Maintenance and repairs are expensed as incurred.

Capitalized Software Costs
The Company capitalizes certain external and internal computer software costs incurred during the application development stage. The application development stage is characterized by software design and configuration activities, coding, testing and installation. Training costs and maintenance are expensed as incurred, while upgrades and enhancements are capitalized if it is probable that such expenditures will result in significant additional features or functionality. The Company evaluates the carrying values of capitalized software to determine if the carrying values are impaired, and, if necessary, an impairment loss is recorded in the period in which the impairment is determined to have occurred.

During the year ended December 31, 2015, the Company changed its estimate and methodology related to internally developed computer software products for identifying and distinguishing between maintenance, which is expensed as incurred, and upgrades and enhancements, which are capitalized. The result of this change in estimate resulted in an increase of $312,793 of cost of revenues during the year ended December 31, 2015.

Note 3 - Summary of Significant Accounting Policies and Practices (continued)

Inventories
Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out ("FIFO") method. Inventory is comprised of fax server parts, completed units and related shipping supplies.

Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed Of
Long-lived assets are continually monitored and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of any such asset may not be recoverable. The determination of recoverability of a long-lived asset (group) is based on an estimate of undiscounted cash flows expected to result from the use of the long-lived asset (group) and its eventual disposition. The estimate of undiscounted cash flows is based upon, among other things, certain assumptions about expected future operating performance, growth rates and other factors. The Company's estimates of undiscounted cash flows may differ from actual cash flows due to, among other things, technological changes, economic conditions, changes to the Company's business model or changes in operating performance. If the sum of the undiscounted cash flows is less than the carrying value of the long-lived asset (group), the Company recognizes an impairment charge, measured as the amount by which the carrying value exceeds the fair value of the long-lived asset (group). The Company estimates fair value by discounting the projected cash flows expected to be generated by the applicable long-lived asset (group) over their remaining useful life.

No indicators of impairment existed at December 31, 2015 or 2014.

Impairment of Indefinite-Life Intangibles
The Company evaluates goodwill and indefinite-life intangible assets for impairment pursuant to FASB ASC Topic No. 350, Intangibles – Goodwill and Other ("ASC 350"), which provides that goodwill and other intangible assets with indefinite lives are not amortized but tested for impairment annually or more frequently if circumstances indicate potential impairment. In connection with the annual impairment test for goodwill, the Company will have the option to perform a qualitative assessment in determining whether it is more likely than not that the fair value is less than the carrying amount. If it is determined that it is more likely than not that the fair value is less than the carrying amount, then the Company will perform the impairment test. The impairment test is comprised of two steps: (1) a reporting unit's fair value is compared to its carrying value; if the fair value is less than its carrying value, impairment is indicated; and (2) if impairment is indicated in the first step, it is measured by comparing the implied fair value of the affected reporting unit's goodwill with the carrying value of that goodwill.

Income Taxes
The Company accounts for income taxes using the asset and liability method whereby deferred tax asset and liability account balances are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the asset or liability is expected to be realized or settled. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

In the ordinary course of business, there are many transactions for which the ultimate tax outcome is uncertain. The Company regularly assesses uncertain tax positions in each of the tax jurisdictions in which it has operations and accounts for the related financial statement implications. Unrecognized tax benefits are reported using the two-step approach under which tax effects of a position are recognized only if it is "more-likely-than-not" to be sustained and the amount of the tax benefit recognized is equal to the largest tax benefit that is greater than fifty percent likely of being realized upon ultimate settlement of the tax position. Determining the appropriate level of unrecognized tax benefits requires the Company to exercise judgment regarding the uncertain application of tax law. The amount of unrecognized tax benefits is adjusted when information becomes available or when an event occurs indicating a change is appropriate.

Note 3 - Summary of Significant Accounting Policies and Practices (continued)

The Company includes interest and penalties related to its uncertain tax positions as part of income tax expense, if any.

The Company files U.S. federal and U.S. state tax returns. The Company is generally no longer subject to tax examinations relating to federal and state tax returns for years prior to 2012.

The Company is subject to Texas franchise tax, which is based on taxable margin, rather than being based on federal taxable income. For the years ending December 31, 2015 and 2014, the Company recorded $32,387 and $10,402, respectively, in Texas franchise tax expense.

Revenue Recognition
The Company derives its revenues from the following sources: recurring monthly service fees, sales of software licenses, one-time training and set-up fees, royalty revenue, and integration and customization services as contracted.

The Company recognizes revenue when four basic criteria are met: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services have been rendered; (3) the fee is fixed and determinable; and (4) collectability is reasonably assured. Determination of criteria (3) and (4) are based on management's judgments regarding the fixed nature of the fee charged for services rendered and the collectability of those fees. Should changes in conditions cause management to determine these criteria are not met for certain sales, revenue recognized for any reporting period could be adversely affected. In instances where any one of the four criteria is not met, the Company will either defer recognition of the monthly service fees until the criteria are met or will recognize the recurring monthly service fees on a ratable basis. Recognition of revenue resulting from annual plans, one-time training and set-up fees, which are billed upfront, is deferred and amortized over the life of the corresponding arrangements**.**

The Company routinely provides multiple elements in its contracts to perform services. The Company allocates revenue to each element in an arrangement based on relative selling price using a selling price hierarchy. The selling price for a deliverable is based on its vendor specific objective evidence ("VSOE"), if available. Third party evidence ("TPE") is used only if VSOE is not available, and the Company's best estimate of selling price ("ESP") is used if neither VSOE nor TPE is available. The maximum revenue recognized on a delivered element is limited to the amount that is not contingent upon the delivery of additional items.

For established products, the Company uses VSOE. For new products, installation and professional services for which the Company is unable to establish selling price using VSOE or TPE, the Company uses ESP. The objective of ESP is to determine the price at which the Company would transact a sale if these items were sold on a standalone basis. In determining ESP, the Company uses the cost to provide the new product, installation or professional service plus a margin. When using cost plus a margin, the Company considers the total cost of the item, historical margins for established products and other factors, including any changes to pricing methodologies, competitiveness of new products, installation and professional services, pricing pressures due to entering a new market, and cost drivers that could cause future margins to differ from historical margins.

Reclassifications
Where appropriate, the prior year's financial statements have been reclassified to conform to the current year presentation. None of these changes impact the Company's previously reported consolidated net revenue, net loss, or net cash provided by operating activities.

Note 3 - Summary of Significant Accounting Policies and Practices (continued)

Share Based Compensation
The Company expenses all share-based payment to employees, including the grant of employee stock options, in the income statement based on their fair value less estimated forfeitures. Compensation cost is recognized over the award's requisite service period (which is generally the vesting term). The Company grants newly issued shares of stock upon exercise of stock options.

The value of equity instruments issued to non-employees is calculated for all transactions in which goods or services are the consideration received for the issuance of equity instruments and is accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measured. The measurement date of the fair value of the equity instrument issued is the earlier of the date on which the counterparty's performance is complete or the commitment date if there is sufficient disincentive to ensure performance.

Recent Accounting Pronouncements
Accounting standards that have been issued or proposed by the Financial Accounting Standards Board ("FASB") or other standards-setting bodies are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

Note 4 – Acquisition of Axacore and Intangible Assets

On December 31, 2014, the Company acquired Axacore, Inc. ("Axacore") and Axacore became a wholly-owned subsidiary of the Company. The Company issued 10,900,000 shares of common stock to the four shareholders of Axacore, which were valued at $0.34 per share, for a total of $3,706,000.

The following schedule represents the fair value of the assets and liabilities acquired on December 31, 2014:

Cash assumed in acquisition	$	33,444
Goodwill		1,380,632
Accounts receivable		590,578
Intangibles (see detail below)		2,281,000
Inventory		93,053
Prepaid expenses		27,636
Receivables due from Axacore shareholders		202,407
Property and equipment		30,072
Accrued expenses		(2,699)
Deferred revenue		(152,407)
Accounts payable		(142,789)
Payable due to Axacore shareholders		(634,927)
Value of Shares issued to Axacore shareholders	$	3,706,000

Note 4 – Acquisition of Axacore and Intangible Assets (continued)

The Company engaged a third-party valuation specialist to assist the Company in determining the fair value of the intangible assets acquired. The fair value of the intangible assets purchased by the Company under Accounting Standards Codification ("ASC") 805 and the estimated useful life are described below:

	12/31/15	12/31/14
Customer relationships (10 years)	$ 638,000	$ 638,000
Trademarks/Trade name (Indefinite life)	236,000	236,000
Non-Compete agreements (3 years)	549,000	549,000
Technology (5 years)	171,000	171,000
Patents (7 years)	687,000	687,000
Sub-total	2,281,000	2,281,000
Less: Accumulated Amortization	(379,143)	-
Total	$ 1,901,857	$ 2,281,000

As of December 31, 2014, the Company recognized goodwill of $1,380,632. The fair value of intangible assets with an indefinite life purchased by the Company under ASC 805 totals $236,000 representing the fair value of Axacore's Trademarks/Trade Name.

For the year ended December 31, 2015, the Company recorded $379,143 of amortization expense. As of December 31, 2015 the expected amortization of intangible assets with a definite life over the 5 year period and thereafter is as follows:

2016	$ 379,143
2017	379,143
2018	196,143
2019	196,143
2020	196,143
Thereafter	319,142
	$ 1,665,857

Note 5 – Related Party Receivable

On November 20, 2014 the Company issued a note to its Chief Executive Officer ("CEO") in the amount of $208,556 to facilitate payment of federal income taxes owed by him resulting from imputed income he realized in conjunction with his 2014 Restricted Stock Award (see Note 14). As a result, the Company entered into a five year note receivable with its CEO which bears interest at a rate of 4.25% per annum. Interest only payments commence on a semi-annual basis on May 20, 2015 through November 20, 2019 at which time the principal is due. As of December 31, 2015, and 2014, the Company has recorded interest income receivable of $1,042 and $1,028, respectively, related to this receivable.

On September 4, 2015 the Company issued a second note to its CEO in the amount of $100,000 to facilitate payment of additional federal income taxes owed by him resulting from imputed income he realized in conjunction with his 2014 Restricted Stock Award (see Note 14). As a result, the Company entered into a five year note receivable with its CEO which bears interest at a rate of 4.25% per annum. Interest only payments commence on a semi-annual basis on March 5, 2016 through September 4, 2020 at which time the principal is due. As of December 31, 2015, the Company has recorded interest income receivable of $1,382 related to this receivable.

Note 6 – Inventory

Inventory on December 31, 2015 and 2014 consists of the following:

	12/31/15	12/31/14
Raw materials and parts	$ 4,585	$ 29,167
Finished goods	71,641	63,886
Total inventory	$ 76,226	$ 93,053

Note 7 - Property and Equipment

Property and equipment consists of the following at December 31, 2015 and 2014:

	12/31/15	12/31/14
Furniture and fixtures	$ 70,109	$ 6,984
Property, plant and equipment	15,296	17,796
Leasehold Improvements	43,777	30,072
Computers	2,813	5,300
Servers	263,987	270,183
Software	1,889,921	1,330,266
Subtotal	2,285,903	1,660,601
Less accumulated depreciation and amortization	(1,072,406)	(1,049,437)
Total	$ 1,213,497	$ 611,164

Depreciation and amortization expense for the years ended December 31, 2015 and 2014 was $268,462 and $164,582, respectively.

Note 8 – Related Party Notes Payable

Notes payable consists of the following at December 31, 2015 and 2014:

	2015	2014
In August 2014, the Company issued a 7% unsecured note payable for $150,000 to a shareholder. The note requires three separate equal payments on February 28, 2015, August 31, 2015 and February 29, 2016. The final payment was extended to September 30, 2016.	$ 50,000	$ 150,000
In September 2014, the Company issued a 7% unsecured note payable for $24,300 to a shareholder. The note requires three separate equal payments on April 30, 2015, October 31, 2015 and April 30, 2016	8,100	24,300
In October 2014, the Company issued a 7% unsecured note payable for $17,500 to a shareholder. The note had an initial maturity date of December 31, 2015, but was extended to June 30, 2016.	17,500	17,500
In November 2014, the Company issued a 7% unsecured note payable for $100,000 to a shareholder. The note had an initial maturity date of November 17, 2015. Through agreement with the noteholder, $50,000 in principal was repaid in November 2015 and the remaining $50,000 in principal due was extended initially to March 31, 2016 and then further extended to September 30, 2016.	50,000	100,000
In December 2014, the Company issued a 7% unsecured note payable for $50,000 to a shareholder. The note has a maturity date of February 28, 2015 and was repaid in 2015.	-	50,000
In October 2014, the Company issued a 7% unsecured note payable for $7,500 to a shareholder. The note has a maturity date of February 28, 2016	7,500	7,500
In July 2013, the Company issued a 10% unsecured note payable, totaling $40,000 to one of its shareholders. The original maturity date of December 31, 2013 was extended to June 30, 2015. The note was repaid in 2015.	-	40,000
In September 2013, the Company issued a 10% unsecured note payable, totaling $15,000 to one of its shareholders. The original maturity date of June 30, 2014 was extended to June 30, 2015 and was repaid in 2015.	-	15,000
In August 2015, the Company issued a 6% unsecured note payable, totaling $10,000 to one of its shareholders. The original maturity date of March 31, 2016 was extended to September 30, 2016	10,000	-
In August 2015, the Company issued a 6% unsecured note payable, totaling $10,000 to one of its shareholders. The original maturity date of March 31, 2016 was extended to September 30, 2016	10,000	-
In August 2015, the Company issued a 6% unsecured note payable, totaling $10,000 to one of its shareholders. The original maturity date of March 31, 2016 was extended to September 30, 2016	10,000	-
In August 2015, the Company issued a 6% unsecured note payable, totaling $10,000 to one of its shareholders. The original maturity date of March 31, 2016 was extended to September 30, 2016	10,000	-

Note 8 – Related Party Notes Payable (continued)

Notes payable consists of the following at December 31, 2015 and 2014:

	2015	2014
In September 2015, the Company issued a 6% unsecured note payable, totaling $15,000 to one of its shareholders. The original maturity date of March 31, 2016 was extended to September 30, 2016	15,000	-
In September 2015, the Company issued a 6% unsecured note payable, totaling $10,000 to one of the members of its Board of Directors and who is also a shareholder. The original maturity date of March 31, 2016 was extended to September 30, 2016	10,000	-
In September 2015, the Company issued a 6% unsecured note payable, totaling $5,000 to one of the members of its Board of Directors and who is also a shareholder. The original maturity date of March 31, 2016 was extended to September 30, 2016	5,000	-
In September 2015, the Company issued a 6% unsecured note payable, totaling $10,000 to one of its shareholders. The note had a maturity date of March 31, 2016 and was repaid on March 1st, 2016	10,000	-
In September 2015, the Company issued a 6% unsecured note payable, totaling $20,000 to one of its shareholders. The original maturity date of March 31, 2016 was extended to September 30, 2016	20,000	-
Total notes payable	$ 233,100	$ 404,300
Current portion of notes payable	$ (233,100)	$ (338,700)
Long-term portion of notes payable	$ -	$ 65,600

N**ote 8 - Notes Payable (continued)**

In January and February of 2015, the Company issued two related party notes payable totaling $50,000 with interest at a rate of 7% per annum with maturity dates ranging from February to June of 2015. The notes were issued to members of the board of directors of the Company. By agreement with one of the note holders, the note initially due in February 2015, in the amount of $25,000, was extended to June 2015. Both of the notes were repaid in 2015.

In August and September of 2015, the Company issued a series of related party notes payable totaling $100,000, with interest at a rate of 6% per annum and maturity dates of March 31, 2016. The notes payable were issued to shareholders and members of the board of directors of the Company.

During 2015, related party note payable principal repayments totaled $321,200.

From August to December of 2014, the Company issued $349,300 in related party notes payable, with interest rates of 7% per annum and maturity dates beginning in 2015 through 2016. These notes payable were issued to shareholders and members of the board of directors of the Company.

During 2014, related party note payable principal repayments totaled $50,000.

Note 9 – Line of Credit

In May 2015, the Company entered into a line of credit agreement for up to $300,000 with certain of the Company's shareholders. The participating shareholders will contribute to an escrow account that is not controlled by the Company, but is controlled by a member of the Company's board of directors. The funds in the escrow account will be made available to the Company as a supplemental resource for its working capital requirements through March 31, 2016. This maturity date for repayment of the borrowed funds has been extended to September 30, 2016. Funds deposited into the escrow account by the Company's shareholders will earn 8% per annum and funds actually drawn from the line of credit facility by the Company will earn an additional 10% per annum for the period in which the funds are used. As of December 31, 2015, the Company has received advances on the line of credit totaling $237,600.

Note 10 – Short Term Advances

During 2015, the Company issued $166,089 in related party short term advances. A total of $126,089 of these short term advances were repaid during 2015, leaving an outstanding balance of $40,000 as of December 31, 2015.

Note 11 - Commitments and Contingencies

The Company's principal executive office is in Austin, Texas. The Company has a non-cancelable operating lease agreement, which expires on August 31, 2018. The terms of the operating lease required the Company to pay a refundable lease deposit of $18,990. The lease agreement also contained provisions for future rent increases. The difference between rent expense recorded and amount paid is recorded as deferred rent obligation, which is included in other accrued expenses in the accompanying balance sheet. The Company also leases office furniture under a non-cancelable operating lease which expires in July 2017.

The Company has a second location in San Diego, CA. The Company has a non-cancelable operating lease agreement, which expires on February 15, 2017. The terms of the operating lease required the Company to pay a refundable lease deposit of $14,296. The lease agreement also contained provisions for future rent increases. The difference between rent expense recorded and amount paid is recorded as deferred rent obligation, which is included in other accrued expenses in the accompanying balance sheet.

Rent expense totaled $360,418 and $123,219 for the years ended December 31, 2015 and 2014, respectively.

Future minimum lease payments under the non-cancelable operating leases are as follows for the year ending December 31:

2016	$	391,341
2017		247,191
2018		151,704
Total minimum lease payments	$	790,235

Litigation
The Company from time to time may be involved in litigation relating to claims arising out of its ordinary course of business. Management believes that there are no claims or actions pending or threatened against the Company, the ultimate disposition of which would have a material impact on the Company's financial position, results of operations or cash flows.

Risk Management
The Company maintains various forms of insurance that the Company's management believes are adequate to reduce the exposure to these risks to an acceptable level.

Note 12 - Preferred Stock

The Company has authorized 15,000,000 shares of preferred stock and 55,000,000 shares of common stock with a par value of $0.001 per share. At December 31, 2015 and 2014, the Company has 925,000 shares of Series A preferred stock outstanding. At December 31, 2015 and 2014, the Company has 454,547 shares of Series B preferred stock outstanding.

The preferred stock has the following characteristics:

The holders of the Series A preferred stock are entitled to vote upon all matters upon which holders of the common stock have the right to vote, and shall be entitled to the number of votes equal to the largest number of full shares of common stock into which the shares of preferred stock, pursuant to certain conversion and anti-dilution rights, could be converted on the appropriate record date. Each share of Series A preferred stock is convertible into one share of common stock, pursuant to certain anti-dilution rights. The Series A preferred stock is not redeemable.

Note 12 - Preferred Stock (continued)

The holders of the Series A preferred stock are entitled to receive out the assets of the corporation legally available therefore, dividends at the rate of 5 percent of the stated value ($1.00 per share), payable on an annual basis, either in cash or in shares of the Company's common stock, par value $0.001 per share, based on the fair market value of the common stock on the date the dividend is declared, at the option of the Company. The holders of the Series A preferred stock will have preference in payment of dividends over the holders of common stock. Dividends on the Series A preferred stock are payable when declared by the board of directors. As of December 31, 2015, no dividends on the Series A preferred stock have been declared. The period for which dividends will be paid will be determined by the board of directors at the time of dividend declaration. The Certificate of Designation for the Series A preferred stock does not provide a specific provision for the accumulation of dividends; therefore no dividends or dividends payable have been recorded as of December 31, 2015. In the event of a liquidation, dissolution or winding-up of the Company, either voluntary or involuntary, the holders of the shares of Series A preferred stock then issued and outstanding are entitled to be paid out of the assets of the Company available for distribution to its shareholders, before any payment is made to the holders of shares of common stock or upon any other series of preferred stock of the Company that is junior to the Series A preferred stock, an amount per share equal to the stated value.

The holders of the Series B preferred stock are entitled to vote upon all matters upon which holders of the common stock have the right to vote, and shall be entitled to the number of votes equal to the largest number of full shares of common stock into which the shares of preferred stock, pursuant to certain conversion and anti-dilution rights, could be converted on the appropriate record date. Each share of Series B preferred stock is convertible into one share of common stock, pursuant to certain anti-dilution rights. The Series B preferred stock is not redeemable. The holders of the Company's Series B preferred stock are not entitled to receive any dividends. In the event of a liquidation, dissolution or winding-up of the Company, either voluntary or involuntary, the holders of the shares of the Company's Series A preferred stock and the Series B preferred stock then issued and outstanding are entitled to be paid out of the assets of the Company available for distribution to its shareholders on a pari passu basis, before any payment is made to the holders of shares of common stock or upon any other series of Preferred Stock of the Company that is junior to the Series A Preferred Stock and the Series B preferred stock, an amount per share equal to the stated value.

Note 13 - Stock Options

At December 31, 2015 the Company had four active stock option plans approved by the Board of Directors: the 2015 stock option plan, the 2013 stock option plan, the 2011 stock option plan and the 2008 stock option plan, (collectively, the "Plans"). The Company has reserved a total of 10,500,000 shares of common stock for issuance under the active Plans. In accordance with the terms of the 2015, 2013 and 2011 stock option plans, the exercise price of each option granted may not be less than 85% of the fair market value of common stock at the date of grant, without prior approval of the Board of Directors. The 2008 stock option plan requires that the exercise price of each option granted may not be less than the fair market value of common stock at the date of grant.

Options are exercisable according to the terms set out in the option agreement, not to exceed ten years. All options granted by the Company under its Plans are restricted stock awards under rules promulgated by the Securities and Exchange Commission. At December 31, 2015, under the Plans, the Company had 5,255,312 options available for issuance.

Note 13 - Stock Options (continued)

The fair value for options was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions as of December 31, 2015 and 2014:

	2015	2014
Risk free interest rate	1.41% - 1.70%	0.88% - 1.66%
Expected dividend yield	0%	0%
Estimated volatility	47.0%	47.0%
Expected life	5 to 5.4 years	5 to 5.4 years

The weighted average fair value of options granted during 2015 and 2014 was $0.14 and $0.08 per share, respectively. The estimated fair value of options is amortized to expense over the vesting period.

A summary of the status of the Company's stock option plan as of December 31, 2015 and changes during the years ended December 31, 2015 and 2014 are presented below.

	Shares	Weighted Average Exercise Price
Outstanding, December 31, 2013	6,357,175	$ 0.34
Granted	546,086	0.19
Cancelled	(4,632,427)	0.34
Outstanding, December 31, 2014	2,270,834	0.29
Granted	3,223,854	0.34
Cancelled	(250,000)	0.34
Outstanding, December 31, 2015	5,244,688	$ 0.32

The following table summarizes information about options outstanding as of December 31, 2015:

Exercise prices	Shares Outstanding	Weighted Average Remaining Contractual Life (years)	Vested Shares	Weighted Average Remaining Contractual Life (years)
$ 0.19	546,086	8.60	546,086	8.60
$ 0.20	1,130,000	5.21	1,130,000	5.21
$ 0.30	511,414	7.47	511,414	7.47
$ 0.34	2,973,854	9.36	83,334	9.36
$ 2.25	83,334	2.50	83,334	2.50
	5,244,688		3,586,747	

Note 13 - Stock Options (continued)

The Company recorded $188,746 and $54,549 in stock compensation expense for stock options granted for the years ended December 31, 2015 and December 31, 2014, respectively. As of December 31, 2015, there was $245,589 of unrecognized grant date value of compensation expense for options. As of December 31, 2015, the Company has 5,161,354 common stock options outstanding that are "in-the-money" and have cumulative intrinsic value of $621,864.

Note 14 – Stock Awards

During 2014 the Company issued 5,515,748 shares of common stock in exchange for the cancellation of 4,515,748 previously granted stock options. The Company recorded $1,047,992 in stock compensation expense for the year ended December 31, 2014 which is recorded in selling, general and administrative expense in the accompanying consolidated statement of operations. The common stock issued was fully vested on the date of the grant.

Note 15 - Common Stock

At December 31, 2015, the Company has authorized 55,000,000 shares of common stock, of which 46,049,614 are issued and outstanding.

During 2015, the Company did not issue any shares of common stock.

On December 31, 2014 the Company issued 10,900,000 shares of common stock, valued at $0.34 per share for the purchase consideration of Axacore, Inc. (See Note 4). The value of the shares issued was based on the estimated fair value of common stock on the date of issuance.

During 2014, the Company issued 5,515,748 shares of common stock in exchange for the cancellation of 4,515,748 previously granted stock options (See Note 14).

In February 2014 the Company issued 700,000 shares of common stock in exchange for the cancellation of the licensing agreement with SecureCare Technologies UK, Ltd, a related party entity partially controlled by one of the Company's board members. The Company recorded $133,000 of other expense during the year ended December 31, 2014. The value of the shares issued was based on the estimated fair value of common stock on the date of issuance.

During 2014, the Company issued 880,000 shares of common stock and received $264,000 in cash proceeds.

Note 16 - Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred taxes at December 31, 2015 and 2014 are as follows:

	2015	2014
Deferred tax assets (liabilities):		
Fixed assets and intangible assets	$ (1,032,596)	$ (979,658)
Accrued expense and other	451,944	372,415
Net operating loss carryover	7,399,010	7,321,471
Total net deferred tax assets	6,818,358	6,714,228
Less valuation allowance	(6,818,358)	(6,714,228)
	$ -	$ -

The Company has established valuation allowances equal to the total gross deferred tax assets due to uncertainties regarding the realization of deferred tax assets based on the Company's lack of earnings history. The valuation allowance increased by $104,130 during the year ended December 31, 2015.

The Company's provision for income taxes differs from the expected tax expense (benefit) amount computed by applying the statutory federal income tax rate of 35% to income before income taxes as a result of the following:

	2015	2014
Tax at U.S. statutory rate of 35%	$ (100,847)	$ (644,049)
Permanent differences and other	8,052	2,015
State tax expense	21,052	2,704
Other temporary differences	-	599,625
Change in valuation allowance and other	104,130	50,107
Income tax provision	$ 32,387	$ 10,402

As of December 31, 2015, the Company had federal net operating loss carryforwards of approximately $21.1 million, which will expire in varying amounts beginning in 2020, if not utilized. Under the provisions of the Internal Revenue Code, certain substantial changes in the Company's ownership may result in a limitation on the amount of net operating loss carryforwards which can be used in future years.

Note 17 - Related Parties

As of December 31, 2015 and 2014, the Company had $233,100 and $404,300, respectively, in principal amounts of related party notes payable outstanding. Accrued interest on the related party notes totaled $22,505 and $9,756 at December 31, 2015 and 2014, respectively. These related party notes payable have maturity dates ranging from June 2016 through September 2016.

On November 20, 2014 the Company issued a note to its Chief Executive Officer ("CEO") in the amount of $208,556 to facilitate payment of federal income taxes owed by him resulting from imputed income he realized in conjunction with his 2014 Restricted Stock Award (see Note 14). As a result, the Company entered into a five year note receivable with its CEO which bears interest at a rate of 4.25% per annum.

Note 17 - Related Parties (continued)

Interest only payments commence on a semi-annual basis on May 20, 2015 through November 20, 2019 at which time the principal is due. As of December 31, 2015, and 2014, the Company has recorded interest income receivable of $1,042 and $1,028, respectively, related to this receivable.

On September 4, 2015 the Company issued a second note to its CEO in the amount of $100,000 to facilitate payment of additional federal income taxes owed by him resulting from imputed income he realized in conjunction with his 2014 Restricted Stock Award (see Note 14). As a result, the Company entered into a five year note receivable with its CEO which bears interest at a rate of 4.25% per annum. Interest only payments commence on a semi-annual basis on March 5, 2016 through September 4, 2020 at which time the principal is due. As of December 31, 2015, the Company has recorded interest income receivable of $1,382 related to this receivable.

During the years ending December 31, 2015 and 2014, the Company recorded $37,500 and $35,626, respectively, of office rent and other expenses to Marldene Limited ("Marldene"). As of December 31, 2015 and 2014 the Company was indebted to Marldene in the amount of $15,000 and $7,500, respectively. Marldene is a stockholder of the Company and is controlled by Joseph Larter, a stockholder of the Company and a member of the Company's board of directors.

Note 18 - Concentrations of Credit Risk

The Company extends unsecured credit in the normal course of business to virtually all of its customers. The Company's accounts receivable are subject to potential credit risk. The Company has provided an allowance for doubtful accounts which reflects its estimates of uncollectible amounts. The maximum exposure assuming non-performance by the customers is the amount shown on the balance sheet at the date of non-performance.

At December 31, 2015, one customer accounted for 10% or more of accounts receivable. The majority of accounts receivables are broken up between multiple customers.

At December 31, 2014, there were no customers that accounted for 10% or more of accounts receivable. The majority of accounts receivables are broken up between multiple customers.

Cash is maintained in financial institutions which, at times, may exceed Federal Deposit Insurance Corporation insured amounts. However, the Company mitigates its risk by assuring that cash is maintained in high quality credit institutions.

Note 19 - Earning (Loss) per Share

Basic earnings (loss) per share is calculated based on the weighted average common shares outstanding during the period. Diluted earnings (loss) per share also gives effect to the dilutive effect of preferred stock, convertible debt, common stock options and common stock warrants. The Company does not present diluted earnings per share for years in which it incurred net losses as the effect is antidilutive.

Loss per share of common stock are calculated as follows:

	For the years ended December 31,	
	2015	2014
BASIC EARNINGS PER SHARE OF COMMON STOCK:		
Net loss available to common stockholders	$ (320,522)	$ (1,850,542)
Weighted average common shares outstanding	46,049,614	30,946,526
Basic and diluted earnings per share of common stock	$ (0.01)	$ (0.06)
DILUTIVE COMMON STOCK OUTSTANDING:		
Weighted average common shares outstanding	46,049,614	30,946,526
Effect of dilutive securities:		
Convertible Series A preferred stock	1,542	1,542
Convertible Series B preferred stock	757	757
Common stock options outstanding	5,244,688	2,270,834
Weighted average common shares outstanding after effect of dilutive securities	51,296,601	33,219,659

Note 20 - Subsequent Events

The Company has evaluated subsequent events through June 27, 2016**,** the date the consolidated financial statements were available to be issued.

As of June 27, 2016 the Company has 48,474,306 shares of common stock issued and outstanding.

The Company has repaid $15,600 in principal amounts of notes payable that were outstanding on December 31, 2015. The Company has not issued additional notes payable in 2016.

In April 2016 the Company amended its non-cancelable operating lease agreement for its second office location in San Diego, California to extend the lease term until 2022. The new lease payments commence May 1, 2016.

On June 2, 2016 the Board of Directors of the Company approved the Scrypt, Inc. Year 2016 Stock Option Plan. A total of 1,000,000 shares of common stock were made available for issuance under the Plan. A total of 425,000 options were granted under the Plan at an exercise price of $0.41 per share for which 131,250 options vested immediately and 293,750 options vest ratably over a period of twelve to twenty-four months.

Note 20 - Subsequent Events (continued)

CEO Employment Agreement
On June 2, 2016 the Board of Directors of the Company approved an Employment Agreement (the "Agreement") with Aleksander Szymanski, Chief Executive Officer and member of the Board of Directors. The Agreement commences on June 1, 2016 and expires on May 31, 2019, unless terminated under the provisions of the Agreement.

Significant provisions of the agreement include:

1.) In the event of a change in control (as defined in the Agreement), the CEO will receive a bonus of between 6% and 10% of the total proceeds received by the Company. The percentage paid will be determined in good faith by the Board of Directors of the Company. The bonus will be paid in the same form (cash or securities) as proceeds of the transaction are paid to the common stockholders. The CEO will not receive a bonus if he is not an employee of the Company on the date of the change in control, unless the CEO was terminated without cause at any time during the twelve month period immediately preceding the change of control. There will be no bonus paid to the CEO if a change of control occurs after May 31, 2019.

2.) In the event the CEO is terminated without cause, his employment agreement is not renewed or the CEO resigns for good reason (as defined in the Agreement), the CEO will receive his current annual salary ($403,767 as of May 1, 2016) and monthly COBRA expenses for the CEO and his family for a period of 12 months. The CEO will receive his annual salary and monthly COBRA expenses for 6 months in the event of his resignation and does not provide good reason (as defined in the Agreement). The Agreement also provides for a minimum 3% raise to the CEO's annual salary on May 1, 2017 and May 1, 2018.

3.) The Agreement includes a provision for a loan repayment bonuses to the CEO. As of December 31, 2015 and on the date of the Agreement, the Company has related party notes receivables in the amount of $308,556 due from the CEO (See Note 5). The Company will pay the CEO a series of bonuses over the 3-year period of the Agreement equal to the total amount of principal and accrued interest outstanding under the notes. In addition, the Company will pay an additional bonus sufficient to pay the CEO's income taxes for the loan repayment bonuses. The Company will not be obligated to pay the loan repayment bonus if the CEO is terminated for cause (as defined in the Agreement). If the CEO is terminated for cause, the CEO shall pay the outstanding principal and accrued interest upon his separation from employment, and the Company is authorized to deduct that amount from CEO's final paycheck and/or to offset it against any other amount owed by the Company to the CEO. If the CEO is terminated for any reason except cause or resigns for any reason, the Company is still obligated to pay the loan repayment bonuses. As a result of this Agreement, the Company has recorded the full value of the related party notes receivable of $308,556 and the related interest receivable as compensation expense in 2016 as the Company will not be repaid for this receivable.

Acquisition of DocbookMD
On February 29, 2016, the Company acquired J & H MedSoft Limited Liability Company, doing business as DocBookMD ("DocBookMD") and DocbookMD became a wholly-owned subsidiary of the Company. The Company issued 2,424,692 shares of common stock to the membership holders of DocbookMD, which were valued at $0.41 per share, for a total of $994,124.

Note 20 - Subsequent Events (continued)

In conjunction with the DocbookMD acquisition, the Company issued a put option to the two principal membership holders of DocbookMD (the "Principals"). The Principals have a right to cause the Company to purchase up to 600,000 shares of the Company's common stock from the Principals, between April 1, 2017 and April 1, 2019, at a purchase price of $0.61 per share. The Company has recorded an estimated liability of $233,000 for the put option. Upon the exercise of the put option by the Principals, the Company's equity will be reduced by $233,000.

As a result of the issuance of the put option, the purchase price consideration for the acquisition of DocbookMD totaled $761,124:

Value of common stock shares issued	$	994,121
Put option value		(233,000)
Total Purchase Price Consideration	$	761,124

The Company is still evaluating the fair value of the assets and liabilities acquired. The following schedule represents the preliminary fair value of the assets and liabilities acquired as it relates to the total purchase price consideration of $761,124:

Cash assumed in acquisition	$	12,053
Goodwill		816,557
Accounts receivable		27,222
Intangibles (see detail below)		710,000
Prepaid expenses		1,787
Notes payable		(396,273)
Deferred revenue		(131,058)
Accounts payable and accrued expenses		(46,164)
Put option liability		(233,000)
Total purchase price consideration	$	761,124

The Company engaged a third-party valuation specialist to assist the Company in determining the fair value of the intangible assets acquired. The fair value of the intangible assets purchased by the Company under Accounting Standards Codification ("ASC") 805 and the estimated useful life are described below:

Customer relationships (6 years)	$	380,000
Trademarks/trade name (Indefinite Life)		140,000
Non-compete Agreements (3 years)		20,000
Technology (4 years)		170,000
Intangible assets	$	710,000