EPAZZ, INC.

Quarterly Report

For Periods Ending

March 31, 2017 and March 31, 2016

CURRENT INFORMATION REGARDING
Epazz, Inc.,

The following information is furnished to assist with "due diligence" compliance. The information is furnished pursuant to Rule 15c2-11 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended: The items and attachments generally follow the format set forth in Rule 15c2-11.

EPAZZ, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

EPAZZ, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2017	December 31, 2016
Assets		
Current assets:		
Cash	$ 20,763	$ 32,145
Accounts receivable, net	242,928	256,208
Other current assets	13,518	13,752
Total current assets	277,209	302,105
Property and equipment, net	19,500	24,297
Total assets	$ 296,709	$ 326,402
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable	$ 227,925	$ 227,793
Accrued expenses	15,419	41,130
Accrued expenses, related parties	507,454	463,665
Deferred revenue	436,018	493,129
Lines of credit	84,680	85,700
Current maturities of notes payable, related parties ($1,167,698 currently in default)	1,446,446	1,446,446
Current maturities of long term debts	1,682,989	1,684,849
Total current liabilities	4,400,931	4,442,712
Long term debts, net of current maturities	875,551	891,649
Total liabilities	5,276,482	5,334,361
Stockholders' equity (deficit):		
Convertible preferred stock, Series A, $0.0001 par value, 1,000 shares authorized, 1,000 shares issued and outstanding	–	–
Convertible preferred stock, Series B, $0.0001 par value, 1,000 shares authorized, 1,000 shares issued and outstanding	–	–
Convertible preferred stock, Series C, $0.0001 par value, 3,000,000,000 shares authorized, 2,353,370,333 shares issued and outstanding	235,337	235,337
Convertible preferred stock, Series E, $0.0001 par value, 100,000,000 shares authorized, 24 shares issued and outstanding	–	–
Common stock, Class A, $0.0001 par value, 9,000,000,000 shares authorized, 37,780,222 shares issued and outstanding	377,802	377,802
Convertible common stock, Class B, $0.01 par value, 60,000,000 shares authorized, 23,000,000 shares issued and outstanding	230,000	230,000
Additional paid in capital	11,493,995	11,493,995
Accumulated deficit	(17,316,907)	(17,345,093)
Total stockholders' equity (deficit)	(4,979,773)	(5,007,959)
Total liabilities and stockholders' equity (deficit)	$ 296,709	$ 326,402

See accompanying notes to financial statements.

EPAZZ, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended March 31, 2017	For the Three Months Ended March 31, 2016
Revenue	$ 473,974	$ 416,260
Expenses:		
General and administrative	201,493	202,863
Salaries and wages	109,839	149,468
Depreciation and amortization	4,797	13,810
Bad debts (recoveries)	56,197	25,089
Total operating expenses	372,326	391,230
Net operating income (loss)	101,648	25,030
Other income (expense):		
Interest expense, net	(73,462)	(400,583)
Total other income (expense)	(73,462)	(400,583)
Net income (loss)	$ 28,186	$ (375,553)
Weighted average number of common shares outstanding - basic and fully diluted	37,780,222	91,861
Net loss per share - basic and fully diluted	$ 0.00	$ (4.09)

See accompanying notes to financial statements.

EPAZZ, INC.
CONDENSED CONSOLIDATE STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Three Months Ended March 31, 2017	For the Three Months Ended March 31, 2016
Cash flows from operating activities		
Net income (loss)	$ 28,186	$ (375,553)
Adjustments to reconcile net loss to net cash used in operating activities:		
Bad debts (recoveries)	56,197	25,089
Depreciation and amortization	4,797	13,810
Amortization of deferred financing costs	234	323,240
Decrease (increase) in current assets and liabilities:		
Accounts receivable	(42,917)	(107,709)
Other current assets	–	–
Accounts payable	132	52,299
Accrued expenses	(25,711)	(266)
Accrued expenses, related parties	43,789	54,217
Deferred revenues	(57,111)	52,527
Net cash provided by (used in) operating activities	7,596	37,654
Cash flows from investing activities		
Purchases of property and equipment	–	–
Net cash used in investing activities	–	–
Cash flows from financing activities		
Proceeds from long term debts	–	541,372
Repayment of long term debts	(18,978)	(590,726)
Net cash provided by financing activities	(18,978)	(49,354)
Net increase (decrease) in cash	(11,382)	(11,700)
Cash - beginning	32,145	15,788
Cash - ending	$ 20,763	$ 4,088
Supplemental disclosures:		
Interest paid	$ 29,673	$ 352,862
Income taxes paid	–	–
Non-cash investing and financing activities:		
Value of shares issued for conversion of debt	$ –	$ 18,858
Value of shares issued for conversion of debt, related parties	$ –	$ 5,000
Deferred financing costs	$ –	$ 320,503

See accompanying notes to financial statements.

EPAZZ, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 – Nature of Business and Summary of Significant Accounting Policies

Nature of Business and Organization

Epazz, Inc. (“Epazz” or the “Company”), was formed on March 23, 2000 to create software to help college students organize their college information and resources.

Today, Epazz Inc. is an enterprise-wide cloud software company that specializes in providing customized web applications to the corporate world, higher education institutions and the public sector. Epazz unique applications can create virtual communities for enhanced communication, provide information and content for decision-making, and create a secure marketplace for any type of commerce all through the medium of the Internet. Epazz is the answer to the increasing information technology demand of the 21st century.

Basis of Accounting

Our consolidated financial statements are prepared using the accrual method of accounting as generally accepted in the United States of America (U.S. GAAP).

The Company's headquarters are located in Wheeling, Illinois and substantially all of its customers are within the United States.

These statements reflect all adjustments, consisting of normal recurring adjustments, which in the opinion of management are necessary for fair presentation of the information contained therein.

Segment Reporting

FASB ASC 280-10-50 requires annual and interim reporting for an enterprise’s operating segments and related disclosures about its products, services, geographic areas and major customers. An operating segment is defined as a component of an enterprise that engages in business activities from which it may earn revenues and expenses, and about which separate financial information is regularly evaluated by the chief operating decision maker in deciding how to allocate resources. All of the Company’s software products are considered operating segments, and will be aggregated into one reportable segment given the similarities in economic characteristics among the operations represented by the common nature of the products, customers and methods of distribution.

Reclassifications

Certain amounts in the financial statements of the prior year have been reclassified to conform to the presentation of the current year for comparative purposes.

Use of Estimates

The preparation of 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 financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

Under FASB ASC 820-10-05, the Financial Accounting Standards Board establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This Statement reaffirms that fair value is the relevant measurement attribute. The adoption of this standard did not have a material effect on the Company’s financial statements as reflected herein. The carrying amounts of cash, accounts payable and accrued expenses reported on the balance sheets are estimated by management to approximate fair value primarily due to the short term nature of the instruments. The Company had debt instruments that required fair value measurement on a recurring basis.

Beneficial Conversion Features

From time to time, the Company may issue convertible notes that may contain an imbedded beneficial conversion feature. A beneficial conversion feature exists on the date a convertible note is issued when the fair value of the underlying common stock to which the note is convertible into is in excess of the remaining unallocated proceeds of the note after first considering the allocation of a portion of the note proceeds to the fair value of warrants, if related warrants have been granted. The intrinsic value of the beneficial conversion feature is recorded as a debt discount with a corresponding amount to additional paid in capital. The debt discount is amortized to interest expense over the life of the note using the effective interest method.

Derivative Liability

The Company evaluates its convertible instruments, options, warrants or other contracts to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for under ASC Topic 815, “Derivatives and Hedging.” The result of this accounting treatment is that the fair value of the derivative is marked-to-market each balance sheet date and recorded as a liability. In the event that the fair value is recorded as a liability, the change in fair value is recorded in the statement of operations as other income (expense). Upon conversion or exercise of a derivative instrument, the instrument is marked to fair value at the conversion date and then that fair value is reclassified to equity. Equity instruments that are initially classified as equity that become subject to reclassification under ASC Topic 815 are reclassified to liabilities at the fair value of the instrument on the reclassification date. We analyzed the derivative financial instruments (the Convertible Note and tainted Warrant), in accordance with ASC 815. The objective is to provide guidance for determining whether an equity-linked financial instrument is indexed to an entity's own stock. This determination is needed for a scope exception which would enable a derivative instrument to be accounted for under the accrual method. The classification of a non-derivative instrument that falls within the scope of ASC 815-40-05 "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock" also hinges on whether the instrument is indexed to an entity's own stock. A non-derivative instrument that is not indexed to an entity's own stock cannot be classified as equity and must be accounted for as a liability. There is a two-step approach in determining whether an instrument or embedded feature is indexed to an entity's own stock. First, the instrument's contingent exercise provisions, if any, must be evaluated, followed by an evaluation of the instrument's settlement provisions. The Company utilized multinomial lattice models that value the derivative liability within the notes based on a probability weighted discounted cash flow model. The Company utilized the fair value standard set forth by the Financial Accounting Standards Board, defined as the amount at which the assets (or liability) could be bought (or incurred) or sold (or settled) in a current transaction between willing parties, that is, other than in a forced or liquidation sale.

Basic and Diluted Net Earnings per Share

Basic net earnings (loss) per common share is computed by dividing net earnings (loss) applicable to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted net earnings (loss) per common share is determined using the weighted-average number of common shares outstanding during the period, adjusted for the dilutive effect of common stock equivalents, consisting of shares that might be issued upon exercise of common stock options. In periods where losses are reported, the weighted-average number of common shares outstanding excludes common stock equivalents, because their inclusion would be anti-dilutive. There were no outstanding potential common stock equivalents for the periods presented. As such, basic and diluted earnings per share resulted in the same figure for the years ended March 31, 2017 and 2016.

Stock-Based Compensation

Under FASB ASC 718-10-30-2, all share-based payments to employees, including grants of employee stock options, are to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative. The Company did not issue stock for services and compensation during the periods ended March 31, 2017 and 2016.

Revenue Recognition

The Company designs and sells various software programs to business enterprises including, among others, hospitals, pet stores, and Government and post-secondary institutions. Prior to shipment, each software product is tested extensively to meet Company specifications. The software is shipped fully functional via electronic delivery, but some installation and setup is required. No other entities sell the same or largely interchangeable software.

Installation is a standard process, outlined in the owner's manual, consisting principally of setup, calibrating, and testing the software. A purchaser of the software could complete the process using the information in the owner's manual, although it would probably take significantly longer than it would take the Company's technicians to perform the tasks. Although other vendors do not install the Company's software, they do provide largely interchangeable installation services for a fee. Historically, the Company has never sold the software without installation. Most installations are performed by the Company within 7 to 24 days of shipment and are included in the overall sales price of the software. In addition, the customer must pay for support contracts and training packages, depending on their desired level of service. The Company is the only manufacturer of the software and it only sells software on a standalone basis directly to the end user.

The sales price of the arrangement consists of the software, installation, and training and support services, which the customer is obligated to pay in full upon delivery of the software. In addition, there are no general rights of return involved in these arrangements. Therefore, the software is accounted for as a separate unit of accounting.

The Company does not have vendor-specific objective evidence of selling price for the software because it does not sell the software separately (without installation services and support contracts). In addition, third-party evidence of selling price does not exist as no vendor separately sells the same or largely interchangeable software. Therefore, the Company uses its best estimate of selling price when allocating such arrangement consideration.

In estimating its selling price for the software, the Company considers the cost to produce the software, profit margin for similar arrangements, customer demand, effect of competitors on the Company's software, and other market constraints. When applying the relative selling price method, the Company uses its best estimate of selling price for the software, and third-party evidence of selling price for the installation. Accordingly, without considering whether any portion of the amount allocable to the software is contingent upon delivery of the other items, the Company allocates the selling price to the software, support, and installation.

The Company doesn't currently provide product warranties, but if it does in the future it will provide for specific product lines and accrue for estimated future warranty costs in the period in which the revenue is recognized.

Recent Accounting Pronouncements

The Company continually assesses any new accounting pronouncements to determine their applicability to the Company. Where it is determined that a new accounting pronouncement affects the Company's financial reporting, the Company undertakes a study to determine the consequence of the change to its financial statements and assures that there are proper controls in place to ascertain that the Company's financials properly reflect the change. The Company currently does not have any recent accounting pronouncements that they are studying and feel may be applicable.

Note 2 – Going Concern

As shown in the accompanying condensed consolidated financial statements, the Company has incurred recurring losses from operations resulting in an accumulated deficit of $17,316,907 as of March 31, 2017. The Company's current liabilities exceeded its current assets by $4,123,722 and its total liabilities exceeded its total assets by $4,979,773. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The financial statements do not include any adjustments that might result from the outcome of any uncertainty as to the Company's ability to continue as a going concern. These financial statements also do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classifications of liabilities that might be necessary should the Company be unable to continue as a going concern.

Note 3 – Related Parties

Debt Financing
From time to time we have received and repaid loans from our CEO and his immediate family members to fund operations. These related party debts are fully disclosed in Note 9 below.

Shares of Convertible Series C Preferred Stock
On June 2, 2016, the Company issued 30,000,000 shares of Class A Stock pursuant to the exchange agreement with our CEO in exchange for 10,000,000 shares of Preferred C Stock. As the stock was converted within the terms of the agreement, no gain or loss was recognized as a result of the exchange.

On June 2, 2016, the Company issued 2,550,000 shares of Class A Stock pursuant to the exchange agreement with Star Financial in exchange for 850,000 shares of Preferred C Stock. As the stock was converted within the terms of the agreement, no gain or loss was recognized as a result of the exchange.

On June 3, 2016, the Company issued 3,300,000 shares of Class A Stock pursuant to the exchange agreement with GG Mars in exchange for 1,100,000 shares of Preferred C Stock. As the stock was converted within the terms of the agreement, no gain or loss was recognized as a result of the exchange.

Debt Conversions into Class A Common Stock – Related Parties
On January 29, 2016, the Company issued 40,000 shares of Class A Common Stock pursuant to the conversion of $5,000 of convertible debt held by GG Mars, a company owned by our CEO's family member, a related party, which consisted of $5,000 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

Employment Agreement
On September 6, 2012, we entered into an employment agreement with Shaun Passley, Ph.D., our Chief Executive Officer, President, and Chairman of the Board of Directors which had a term of ten (10) years. Compensation pursuant to the agreement calls for a base salary of $180,000 per year; of which $30,000 shall be payable annually in cash and $150,000 shall be payable in shares of the Company's Common Stock at the rate of $0.006 per share, or 2,500 shares per year. In addition, the Company issued 800,000 shares of Class A Common Stock to the Company's CEO as a bonus in consideration for various services performed, and to be performed over a ten year period beginning on September 6, 2012, provided that all of the shares remain subject to forfeiture until such time, if ever, as we generate annual revenues of at least $10 million, subject to the below termination provisions. The total fair value of the common stock was $6,000,000 based on the closing price of the Company's common stock on the date of grant, which has been presented as a deduction against additional paid in capital in the equity section of the balance sheet until the terms of the vesting periods are satisfied. The vesting restrictions were subsequently lifted on March 22, 2014 pursuant to the exchange of these shares for Convertible Series C Preferred shares. In the event of the termination of Dr. Passley's employment agreement for cause by the Company or without good reason by Dr. Passley, any non-vested shares are to be canceled and he is to be paid any consideration he is owed through the date of termination. In the event of the termination of Dr. Passley's employment agreement for good reason (as described in the agreement) by Dr. Passley or without cause by the Company, he is due eight additional weeks of compensation and all non-vested shares vest to him immediately. In the event of the termination of Dr. Passley's employment agreement for any other reason, he is due eight weeks of additional salary and any non-vested shares are to be canceled.

We do not have an employment or consultant agreement with Craig Passley, our Secretary, however on March 20, 2013, we granted4.80shares to Craig Passley for services rendered between 2012 and 2021. The shares vest annually over the 10 year period with the first 0.48vesting upon the grant date. The vesting restrictions were subsequently lifted on March 22, 2014 pursuant to the exchange of these shares for Convertible Series C Preferred shares.

Amendments to Employment Agreement

On August 16, 2013, the Company amended Shaun Passley, Ph.D.'s employment agreement to increase the cash portion of his compensation from $30,000 per year to $100,000 in the initial year of the agreement only. All other terms remain in effect, and the shares of stock awarded as a bonus as previously disclosed were granted in addition to the stock based compensation outlined in the original agreement.

Note 4 – Fair Value of Financial Instruments

Under FASB ASC 820-10-5, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The standard outlines a valuation framework and creates a fair value hierarchy in order to increase the consistency and comparability of fair value measurements and the related disclosures. Under GAAP, certain assets and liabilities must be measured at fair value, and FASB ASC 820-10-50 details the disclosures that are required for items measured at fair value.

The Company does not have any financial instruments that must be measured under the new fair value standard. The Company's financial assets and liabilities are measured using inputs from the three levels of the fair value hierarchy. The three levels are as follows:

Level 1 - Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 - Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

Level 3 - Unobservable inputs that reflect our assumptions about the assumptions that market participants would use in pricing the asset or liability.

The following schedule summarizes the valuation of financial instruments at fair value on a non-recurring basis in the balance sheets as of March 31, 2017 and December 31, 2016:

	Fair Value Measurements at March 31, 2017		
	Level 1	Level 2	Level 3
Assets			
Cash	$ 20,763	$ –	$ –
Total assets	20,763	–	–
Liabilities			
Lines of credit	–	84,680	–
Notes payable, related parties	–	1,446,446	–
Promissory notes	–	2,558,540	–
Total Liabilities	–	4,089,666	–
	$ 20,763	$ (4,089,666)	$ –

	Fair Value Measurements at December 31, 2016		
	Level 1	Level 2	Level 3
Assets			
Cash	$ –	$ –	$ –
Total assets	–	–	–
Liabilities			
Lines of credit	–	85,700	–
Notes payable, related parties	–	1,446,446	–
Promissory notes	–	2,576,498	–
Total Liabilities	–	4,108,644	–
	$ –	$ (4,108,644)	$ –

There were no transfers of financial assets or liabilities between Level 1 and Level 2 inputs for the periods ended March 31, 2017 and March 31, 2016.

Note 6 – Other Current Assets

As of March 31, 2017 and December 31, 2016 other current assets included the following:

	March 31, 2017	December 31, 2016
Deferred financing costs	$ 3,640	$ 3,874
Security deposits	9,878	9,878
	$ 13,518	$ 13,752

The Company recognized $234 and $323,240 of amortization expense related to the deferred financing costs during the period ended March 31, 2017 and 2016, respectively.

Note 6 – Property and Equipment

Property and Equipment consists of the following at March 31, 2017 and December 31, 2016, respectively:

	March 31, 2017	December 31, 2016
Furniture and fixtures	$ 22,006	$ 22,006
Computers and equipment	197,462	197,462
Software	15,660	15,660
Assets held under capital leases	17,855	17,855
	252,983	252,983
Less: accumulated depreciation	(228,686)	(228,686)
	$ 24,297	$ 24,297

Depreciation expense totaled $4,797 and $ 13,810 for the periods ended March 31, 2017 and 2016, respectively.

Note 7 – Accrued Expenses

As of March 31, 2017 and December 31, 2016 accrued expenses included the following:

	March 31, 2017	December 31, 2016
Accrued interest	$ 9,319	$ 22,530
Accrued interest, related parties	507,454	463,665
Accrued payroll and payroll taxes	6,100	18,600
	$ 522,873	$ 504,795

Note 8 – Line of Credit

Lines of credit consisted of the following at March 31, 2017 and December 31, 2016, respectively:

	March 31, 2017	December 31, 2016
Total line of credit	84,680	85,700
Less: current portion	(84,680)	(85,700)
Line of credit, less current portion	$ –	$ –

Note 9 – Notes Payable, Related Parties

Notes payable, related parties consist of the following at March 31, 2017 and December 31, 2016, respectively:

	March 31, 2017	December 31, 2016
Originated October 9, 2012, unsecured promissory note payable owed to a Company owned by an immediate family member of the Company’s CEO carries a 15% interest rate, matures on July 15, 2013. In addition, a loan origination fee, consisting of 144,928 shares of Series A Common Stock with a fair market value of $884 was issued as consideration for the loan on October 9, 2012. Currently in default.	$ 2,868	$ 2,868

Originated August 2, 2013, unsecured promissory note payable owed to Star Financial Corporation, Inc., a corporation owned by an immediate family member of the Company's CEO. The note carries a 15% interest rate, matures on January 17, 2014. In addition, a loan origination fee of $5,000 was issued as consideration for the loan, and is being amortized on a straight line basis over the life of the loan, as well as, a loan origination fee, consisting of 3,000,000 shares of Series A Common Stock with a fair market value of $5,100 was issued as consideration for the loan on August 2, 2013. Currently in default.	15,500	15,500
Originated August 7, 2013, unsecured promissory note payable owed to Star Financial Corporation, Inc., a corporation owned by an immediate family member of the Company's CEO. The note carries a 15% interest rate, matures on January 20, 2014. In addition, a loan origination fee of $4,000 was issued as consideration for the loan, and is being amortized on a straight line basis over the life of the loan, as well as, a loan origination fee, consisting of 2,500,000 shares of Series A Common Stock with a fair market value of $4,250 was granted as consideration for the loan on August 7, 2013 and the shares were subsequently issued on November 13, 2013. Currently in default.	12,000	12,000
Originated August 20, 2013, unsecured promissory note payable owed to GG Mars Capital, Inc., a corporation owned by an immediate family member of the Company's CEO. The note carries a 15% interest rate, matures on January 20, 2014. In addition, a loan origination fee of $5,000 was issued as consideration for the loan, and is being amortized on a straight line basis over the life of the loan, as well as, a loan origination fee, consisting of 2,500,000 shares of Series A Common Stock with a fair market value of $3,250 was granted as consideration for the loan on August 20, 2013 and the shares were subsequently issued on November 13, 2013. Currently in default.	25,000	25,000
Originated October 15, 2013, unsecured promissory note payable owed to Star Financial Corporation, Inc., a corporation owned by an immediate family member of the Company's CEO. The note carries a 15% interest rate, matures on June 12, 2015. In addition, a loan origination fee of $3,000 was issued as consideration for the loan, and is being amortized on a straight line basis over the life of the loan. The note also carried a liquidated damages fee of $500 upon default, which was amended and removed on September 19, 2014.	9,000	9,000
Originated February 7, 2014, a $26,000 unsecured promissory note payable, including a $6,000 loan origination fee, owed to GG Mars Capital, Inc., a corporation owned by an immediate family member of the Company's CEO. The note carries a 15% interest rate, matured on March 30, 2014. In addition, a loan origination fee consisting of 2,000,000 shares of Convertible Series C Preferred Stock valued at $2,385 was issued as consideration for the loan, and is being amortized on a straight line basis over the life of the loan. The note also carried a liquidated damages fee of $500 upon default, which was amended and removed on September 19, 2014.	26,000	26,000
Originated February 8, 2014, an unsecured $13,000 promissory note payable, including a $3,000 loan origination fee, owed to Star Financial, a corporation owned by an immediate family member of the Company's CEO. The note carries a 15% interest rate, matured on March 30, 2014. In addition, a loan origination fee consisting of 1,000,000 shares of Convertible Series C Preferred Stock valued at $1,193 was issued as consideration for the loan, and is being amortized on a straight line basis over the life of the loan. The note also carried a liquidated damages fee of $500 upon default, which was amended and removed on September 19, 2014.	13,000	13,000
Originated February 21, 2014, an unsecured $75,000 promissory note payable, including a $15,000 loan origination fee, owed to Star Financial, a corporation owned by an immediate family member of the Company's CEO. The note carries a 15% interest rate, matured on April 30, 2014. In addition, a loan origination fee consisting of 10,000,000 shares of Convertible Series C Preferred Stock valued at $9,562 was issued as consideration for the loan, and is being amortized on a straight line basis over the life of the loan. The note also carried a liquidated damages fee of $25,000 upon default, which was amended and removed on September 19, 2014.	75,000	75,000
Originated February 22, 2014, a $100,000 unsecured promissory note payable, including a $25,000 loan origination fee, owed to GG Mars Capital, Inc., a corporation owned by	62,500	62,500

an immediate family member of the Company's CEO. The note carries a 15% interest rate, matured on April 30, 2014. In addition, a loan origination fee consisting of 15,000,000 shares of Convertible Series C Preferred Stock valued at $14,266 was issued as consideration for the loan, and is being amortized on a straight line basis over the life of the loan. The note also carried a liquidated damages fee of $35,000 upon default, which was amended and removed on September 19, 2014. A portion of this note was converted within the terms of the agreement into 10,500,000 shares of common stock on July 20, 2015.		
Originated March 28, 2014, an unsecured $25,000 promissory note payable, including a $5,000 loan origination fee, owed to Star Financial, a corporation owned by an immediate family member of the Company's CEO. The note carries a 15% interest rate, matured on May 28, 2014. In addition, a loan origination fee consisting of 3,000,000 shares of Convertible Series C Preferred Stock valued at $2,390 was issued as consideration for the loan, and is being amortized on a straight line basis over the life of the loan. The note also carried a liquidated damages fee of $2,500 upon default, which was amended and removed on September 19, 2014. This note was converted outside the terms of the agreement into 7,400,000 shares of common stock on June 29, 2015. The share price on June 29, 2015 was $0.0122, which equals consideration given of $90,280; which when compared to the reduction in debt of $18,500 leads to a loss on conversion of $71,780.	6,500	6,500
Originated April 23, 2014, an unsecured $35,000 promissory note payable, including a $7,000 loan origination fee, owed to Star Financial, a corporation owned by an immediate family member of the Company's CEO. The note carries a 15% interest rate, matured on August 23, 2014. In addition, a loan origination fee consisting of 2,800 shares of Class A Common Stock was issued as consideration for the loan, and is being amortized on a straight line basis over the life of the loan. The note also carried a liquidated damages fee of $2,500 upon default, which was amended and removed on September 19, 2014.	35,000	35,000
Originated April 24, 2014, a $150,000 unsecured promissory note payable, including a $30,000 loan origination fee, owed to GG Mars Capital, Inc., a corporation owned by an immediate family member of the Company's CEO. The note carries a 15% interest rate, matured on June 26, 2014. In addition, a loan origination fee consisting of 8,000 shares of Class A Common Stock was issued as consideration for the loan, and is being amortized on a straight line basis over the life of the loan. The note also carried a liquidated damages fee of $10,000 upon default, which was amended and removed on September 19, 2014. A portion of this note was converted outside the terms of the agreement into 8,000,000 shares of common stock on July 17, 2015. The share price on July 17, 2015 was $0.0074, which equals consideration given of $59,200; which when compared to the reduction in debt of $20,000 leads to a loss on conversion of $39,200. Principal of $5,000 was converted on October 31, 2015 into 100,000,000 Class A Common Stock.	125,000	125,000
Originated May 7, 2014, a $125,000 unsecured promissory note payable, including a $25,000 loan origination fee, owed to GG Mars Capital, Inc., a corporation owned by an immediate family member of the Company's CEO. The note carries a 15% interest rate, matured on August 7, 2014. In addition, a loan origination fee consisting of 8,000 shares of Class A Common Stock was issued as consideration for the loan, and is being amortized on a straight line basis over the life of the loan. The note also carried a liquidated damages fee of $12,500 upon default, which was amended and removed on September 19, 2014.	125,000	125,000
Originated May 28, 2014, an unsecured $32,500 promissory note payable, including a $7,500 loan origination fee, owed to Star Financial, a corporation owned by an immediate family member of the Company's CEO. The note carries a 15% interest rate, matures on September 28, 2014. In addition, a loan origination fee consisting of 2,600 shares of Class A Common Stock was issued as consideration for the loan, and is being amortized on a straight line basis over the life of the loan. The note also carried a liquidated damages fee of $2,500 upon default, which was amended and removed on September 19, 2014. A portion of this note was converted outside the terms of the agreement into 10,000,000 shares of common stock on July 2, 2015. The share price on July 2, 2015 was $0.0110, which equals consideration given of $110,000; which when compared to the reduction in debt of $10,000 leads to a loss on conversion of $100,000.	22,500	22,500

Originated June 3, 2014, a $25,000 unsecured promissory note payable, including a $4,000 loan origination fee, owed to GG Mars Capital, Inc., a corporation owned by an immediate family member of the Company's CEO. The note carried a 15% interest rate, matures on December 3, 2014. The note also carries a liquidated damages fee of $1,000 upon default, which was amended and removed on September 19, 2014.	25,000	25,000
Originated June 3, 2014, an unsecured $5,000 promissory note payable, including a $1,000 loan origination fee, owed to Star Financial, a corporation owned by an immediate family member of the Company's CEO. The note carried a 15% interest rate, matures on December 3, 2014. The note also carried a liquidated damages fee of $500 upon default, which was amended and removed on September 19, 2014.	5,000	5,000
Originated June 12, 2014, an unsecured $21,250 promissory note payable, including a $4,250 loan origination fee, owed to Star Financial, a corporation owned by an immediate family member of the Company's CEO. The note carries a 15% interest rate, matures on October 12, 2014. In addition, a loan origination fee consisting of 1,700 shares of Class A Common Stock was issued as consideration for the loan, and is being amortized on a straight line basis over the life of the loan. The note also carried a liquidated damages fee of $2,500 upon default, which was amended and removed on September 19, 2014.	21,250	21,250
Originated June 30, 2014, an unsecured $20,000 promissory note payable, including a $3,500 loan origination fee, owed to Star Financial, a corporation owned by an immediate family member of the Company's CEO. The note carries a 15% interest rate, matures on December 30, 2014. The note also carried a liquidated damages fee of $500 upon default, which was amended and removed on September 19, 2014.	20,000	20,000
Originated August 21, 2014, an unsecured $12,500 promissory note payable, including a $2,500 loan origination fee, owed to L & F Lawn Service, Inc., a corporation owned by an immediate family member of the Company's CEO. The note carries a 15% interest rate, matures on December 21, 2014. The note also carried a liquidated damages fee of $1,000 upon default.	12,500	12,500
Originated August 1, 2014, an unsecured $36,000 promissory note payable, including an $8,000 loan origination fee, owed to Star Financial, a corporation owned by an immediate family member of the Company's CEO. The note carries a 15% interest rate, matures on December 3, 2014. The note also carried a liquidated damages fee of $1,000 upon default, which was amended and removed on September 19, 2014.	36,000	36,000
Originated August 11, 2014, unsecured promissory note payable owed to an immediate family member of the Company's CEO carries a zero percent (0%) interest rate, matures on December 1, 2014. In addition, a loan origination fee of $3,000 was issued as consideration for the loan, and is being amortized on a straight line basis over the life of the loan, as well as, a loan origination fee, consisting of 2,000 shares of Class A Common Stock with a fair market value of $4,250 was issued as consideration for the loan on July 19, 2013.	5,705	5,705
Originated July 28, 2014, an unsecured $37,500 promissory note payable, including a $7,500 loan origination fee, owed to Star Financial, a corporation owned by an immediate family member of the Company's CEO. The note carries a 15% interest rate, matures on December 15, 2014. The note also carried a liquidated damages fee of $1,000 upon default, which was amended and removed on September 19, 2014.	37,500	37,500
Originated December 17, 2014, an unsecured $9,000 promissory note payable, including a $2,500 loan origination fee, owed to L & F Lawn Service, Inc., a corporation owned by an immediate family member of the Company's CEO. The note carries a 15% interest rate, matures on December 17, 2015. L & F Service loaned an additional $16,000 to the Company at the same interest rate.	25,000	25,000
Originated November 9, 2014, unsecured promissory note payable owed to Star Financial Corporation, Inc., a corporation owned by an immediate family member of the Company's CEO. The note carries a 15% interest rate, matures on June 9, 2015. In addition, a loan origination fee of $12,000 was issued as consideration for the loan, and is being amortized on a straight line basis over the life of the loan.	60,000	60,000

Originated September 22, 2014, an unsecured $43,750 promissory note payable, including an $8,750 loan origination fee, owed to Star Financial, a corporation owned by an immediate family member of the Company's CEO. The note carries a 15% interest rate, matures on December 1, 2014. The note also carried a liquidated damages fee of $1,000 upon default.	43,750	43,750
Originated August 26, 2014, an unsecured $57,000 promissory note payable, including a $12,000 loan origination fee, owed to Star Financial, a corporation owned by an immediate family member of the Company's CEO. The note carries a 15% interest rate, matures on December 1, 2014. The note also carried a liquidated damages fee of $1,000 upon default.	57,000	57,000
Originated September 2, 2014, an unsecured $69,000 promissory note payable, including a $14,000 loan origination fee, owed to Star Financial, a corporation owned by an immediate family member of the Company's CEO. The note carries a 15% interest rate, matures on December 1, 2014. The note also carried a liquidated damages fee of $1,000 upon default.	69,000	69,000
Originated March 18, 2015, a $6,250 unsecured promissory note payable, including a $1,250 loan origination fee, owed to GG Mars Capital, Inc., a corporation owned by an immediate family member of the Company's CEO. The note carries a 15% interest rate, matured on August 18, 2015. The note also carries a liquidated damages fee of $1,000 upon default.	6,250	6,250
Originated January 22, 2015, an unsecured $47,000 promissory note payable, including a $10,000 loan origination fee, owed to Star Financial, a corporation owned by an immediate family member of the Company's CEO. The note carries a 15% interest rate, matured on August 22, 2015. The note also carries a liquidated damages fee of $1,500 upon default.	47,000	47,000
Originated February 24, 2015, an unsecured $48,000 promissory note payable, including a $10,000 loan origination fee, owed to Star Financial, a corporation owned by an immediate family member of the Company's CEO. The note carries a 15% interest rate, matured on August 22, 2015. The note also carries a liquidated damages fee of $1,500 upon default.	48,000	48,000
Originated May 7, 2015, an unsecured $15,000 promissory note payable, including a $2,750 loan origination fee, owed to an immediate family member of the Company's CEO. The note carries a 15% interest rate, matured on May 7, 2015. The note also carries a liquidated damages fee of $1,500 upon default.	15,000	15,000
Originated April 7, 2015, a $32,000 unsecured promissory note payable, including a $6,250 loan origination fee, to an immediate family member of the Company's CEO. The note carries a 15% interest rate, matured on April 7, 2016. The note also carries a liquidated damages fee of $1,500 upon default.	32,000	32,000
Originated May 20, 2015, a $25,000 unsecured promissory note payable, including a $5,000 loan origination fee, to an immediate family member of the Company's CEO. The note carries a 15% interest rate, matured on May 20, 2016. The note also carries a liquidated damages fee of $1,500 upon default.	25,000	25,000
Originated March 3, 2015, an unsecured $21,875 promissory note payable, including a $4,375 loan origination fee, owed to Star Financial, a corporation owned by an immediate family member of the Company's CEO. The note carries a 15% interest rate, matured on October 3, 2015. The note also carries a liquidated damages fee of $1,500 upon default.	21,875	21,875
Originated August 30, 2016, an unsecured $250,000 line of credit owed to Star Financial, a corporation owned by an immediate family member of the Company's CEO. The note carries a 10% interest rate, matured on August 30, 2017.	229,893	229,893
On January 29, 2015, we entered into a Securities Purchase Agreement with KBM Worldwide, Inc., pursuant to which we sold to KBM an 8% Convertible Promissory Note	21,355	21,355

in the original principal amount of $43,000. The One KBM Note had a maturity date of November 2, 2015, and was convertible into our common stock at the greater of (i) the Variable Conversion Price and (ii) the Fixed Conversion Price. The "Variable Conversion Price" shall mean 50% multiplied by the Market Price (representing a discount rate of 50%). "Market Price" means the average of the lowest three (3) Trading Prices for the Common Stock during the thirty (30) Trading Day period ending on the latest complete Trading Day prior to the Conversion Date. "Fixed Conversion Price" shall mean $0.00005 per share. The shares of common stock issuable upon conversion of the One KBM Note were restricted securities as defined in Rule 144 promulgated under the Securities Act of 1933. The issuance of the One KBM Note was exempt from the registration requirements of the Securities Act of 1933 pursuant to Rule 506 of Regulation D promulgated thereunder. The purchaser was an accredited and sophisticated investor, familiar with our operations, and there was no solicitation. This note was purchased by GG Mars, Inc. The convertible feature of this note was forfeited. Previously, this note was included in convertible debts.		
Originated March 2, 2015, an unsecured $5,000 convertible promissory note, carries a 15% interest rate, matures on May 20, 2015, ("Star Note") owed to Star Financial Corporation, a related party, consisting of a total of $5,000 of principal and $447.95 of accrued interest. The October 20, 2014 promissory notes did not carry conversion terms, and were subsequently exchanged for the convertible note. The principal and accrued interest is convertible into shares of common stock at the discretion of the note holder at a price equal to $0.001. The debt holder was limited to owning 9.99% of the Company's issued and outstanding shares. The convertible feature of this note was forfeited. Previously, this note was included in convertible debts.	2,150	2,150
Originated March 2, 2015, an unsecured $18,750 convertible promissory note, carries a 15% interest rate, matures on May 28, 2015, ("GG Note") owed to GG Mars, Inc., a related party, consisting of a total of $18,750 of principal and $2,196.06 of accrued interest. The March 28, 2014 promissory notes did not carry conversion terms, and were subsequently exchanged for the convertible note. The principal and accrued interest is convertible into shares of common stock at the discretion of the note holder at a price equal to $0.001. The debt holder was limited to owning 9.99% of the Company's issued and outstanding shares. The convertible feature of this note was forfeited. Previously, this note was included in convertible debts.	300	300
Originated June 30, 2015, an unsecured $30,000 convertible promissory note, carries a 15% interest rate, matures on May 7, 2015, ("Star Note") owed to Star Financial Corporation, a related party, consisting of a total of $30,000 of principal and $3,772.60 of accrued interest. The March 7, 2014 promissory notes did not carry conversion terms, and were subsequently exchanged for the convertible note. The principal and accrued interest is convertible into shares of common stock at the discretion of the note holder at a price equal to $0.001. The debt holder was limited to owning 9.99% of the Company's issued and outstanding shares. The convertible feature of this note was forfeited. Previously, this note was included in convertible debts.	25,050	25,050
Total notes payable, related parties	1,446,446	1,446,446
Less: current portion	(1,446,446)	(1,446,446)
Notes payable, related parties, less current portion	$ –	$ –

The Company recorded interest expense on notes payable to related parties in the amounts of $43,789 and $43,789 during the period ended March 31, 2017 and 2016, respectively. The Company recorded accrued interest associated with related parties of $507,454 and $463,665 as of March 31, 2017 and December 31, 2016, respectively.

Note 10 – Promissory Notes

Promissory notes consist of the following at March 31, 2017 and December 31, 2016, respectively:

	March 31, 2017	December 31, 2016
Total promissory notes	2,558,540	2,576,498
Less: current portion	(1,682,989)	(1,684,849)
Promissory notes, less current portion	$ 875,551	$ 891,649

The Company recorded interest expense on promissory notes of $29,673 and $351,644 for the period ended March 31, 2017 and 2016, respectively. The Company recorded accrued interest of $9,319 and $22 530 as of March 31, 2017 and December 31, 2016, respectively.

The Company is currently in a legal dispute with certain short-term debt lenders regarding alleged usury. In addition, the Company has cease paying other unsecured loans and is currently in negotiation for settlement. The Company believes the outcome of the litigation and the actions taken to negotiate better lending terms will not have an adverse material effect on the financial condition of the Company

Note 11 – Stockholders' Equity

Reverse Stock Splits

In June 2016, Epazz, Inc.'s (the "Company's") majority stockholder and sole director (Shaun Passley) approved a 1:2,500 reverse stock split of the Company's Class A common stock Effective June 2, 2016, the Company affected the 1:2,500 reverse stock split of its Class A common stock. The Company's Class B common stock and preferred stock were not affected by the reverse stock split. The Company's new symbol following the reverse split will be EPAZD. The D will be removed in 20 business days. The Company's new CUSIP number is 29413V 606. In order for the Company to be in compliance with the minimum bid price requirement of $0.01 per share for listing on OTCQB OTC markets. The Company may need to make a reverse stock split, if the share price falls below $0.01 or if the Company needs to qualify for a national stock exchange.

Convertible Preferred Stock, Series A

The Company has one thousand (1,000) authorized shares of $0.0001 par value Series A Convertible Preferred Stock ("Series A Preferred Stock"). The Series A Preferred Stock accrues dividends equal to 1.5% of the Company's revenues per quarter, beginning on January 1st of any calendar year in which the Company has generated revenue over $2 million, and an additional 24% of the Company's net income beginning on January 1st of any calendar year in which the Company has generated net income over $2 million. The dividends are payable at the discretion of the Company, provided that any unpaid dividends accrue until paid. The Series A Preferred Stock includes a liquidation preference equal to $0.01 per share, plus any accrued and unpaid dividends. The Series A Preferred Stock is convertible, at the option of the holder into shares of the Company's Class A Common Stock, with five business days' notice into 60% of the total number of then issued and outstanding shares of Class A Common Stock. The Series A Preferred Stock has limited voting rights, relating solely to matters which adversely affect the rights of the Series A Preferred Stock holders. The Company shall reserve and keep available out of its authorized but unissued shares of Class A Common Stock such number of shares sufficient to effect the conversions. All 1,000 outstanding Series A Preferred Stock are held by Company's CEO.

Convertible Preferred Stock, Series B

The Company has one thousand (1,000) authorized shares of $0.0001 par value Series B Convertible Preferred Stock ("Series B Preferred Stock"). The Series B Preferred Stock accrues dividends equal to 1.5% of the Company's revenues per quarter, beginning on January 1st of any calendar year in which the Company has generated revenue over $1 million, and an additional 6% of the Company's net income beginning on January 1st of any calendar year in which the Company has generated net income over $2 million. The dividends are payable at the discretion of the Company, provided that any unpaid dividends accrue until paid. The Series B Preferred Stock includes a liquidation preference equal to $0.0001 per share, plus any accrued and unpaid dividends. The Series B Preferred Stock is convertible, at the option of the holder into shares of the Company's Class A Common Stock, with five business days' notice into 10% of the total number of then issued and outstanding shares of Class A Common Stock, provided that no conversion will take place until all holders of the Series B Preferred Stock consent to such conversion. The Series B Preferred Stock has limited voting rights, relating solely to matters which adversely affect the rights of the Series B Preferred Stock holders. The Company shall reserve and keep available out of its authorized but unissued shares of Class A Common Stock such number of shares sufficient to effect the conversions. All 1,000 outstanding Series B Preferred Stock are held by Star Financial Corporation, a related party.

Convertible Preferred Stock, Series C

Effective January 14, 2014, the Company has three billion (3,000,000,000) authorized shares of $0.0001 par value Series C Convertible Preferred Stock ("Series C Preferred Stock"). The Series C Preferred Stock accrues dividends equal to 1.5% of the Company's revenues per quarter, beginning on January 1st of any calendar year in which the Company has generated revenue over $1 million, and an additional 6% of the Company's net income beginning on January 1st of any calendar year in which the Company has generated net income over $2 million. The dividends are payable at the discretion of the Company, provided that any unpaid dividends accrue until paid. The Series C Preferred Stock includes a liquidation preference equal to $0.0001 per share, plus any accrued and unpaid dividends. Subject to certain conversion restrictions over the first three months from the original issuance date, each share of Series C Preferred Stock is convertible, at the option of the holder into three (3) shares of the Company's Class A Common Stock, with five business days' notice. The following conversion restrictions shall apply; (i) the holder shall be prohibited from converting any Series C Preferred shares for a period of one (1) month from the original issuance date, (ii) the holder shall be prohibited from converting not more than 30% of the Series C Preferred shares originally issued to holder during the second (2nd) month following the original issuance date, (iii) the holder shall be prohibited from converting not more than 30% (60% in total) of the Series C Preferred shares originally issued to holder during the third (3rd) month following the original issuance date, (iv) the holder shall be prohibited from converting not more than an additional 40% (100% in total) of the Series C Preferred shares originally issued to holder following the end of the third month following the original issuance date. The Series C Preferred Stock shall each vote three voting share and shall vote together with the Common Stock of the Company. The Company shall reserve and keep available out of its authorized but unissued shares of Class A Common Stock such number of shares sufficient to effect the conversions.

Convertible Preferred Stock, Series D

Effective December 18, 2014, the Company has 1,000,000 authorized and zero outstanding shares of $0.01 par value Series D Convertible Preferred Stock ("Series D Preferred Stock"). The Series D Preferred Stock shall carry an 8.0% dividend, payable semiannually at Issuer's election in either (i) cash or (ii) shares of common stock. Each share of Series D Preferred Stock is convertible, at the option of the holder into three (3) shares of the Company's Class A Common Stock, with five business days' notice, provided that no conversion will take place until all holders of the Series C Preferred Stock consent to such conversion. The Series D Preferred Stock has preferential voting rights that carry three (3) voting rights for each share issued and outstanding, and shall vote together with the shares of the Common Stock of the Company, and not as a separate class. No Convertible Preferred Stock Series D shares were issued or outstanding as of March 31, 2016 and March 31, 2015.

Convertible Preferred Stock, Series E
Effective March 31, 2015, the Company has 100,000,000 authorized and 24 outstanding shares of $0.01 par value Series E Convertible Preferred Stock ("Series E Preferred Stock"). The Series E Preferred Stock shall carry an 8.0% dividend, payable semiannually at Issuer's election in either (i) cash or (ii) shares of common stock. Series E Preferred Stock is convertible, at the option of the holder into the Company's Class A Common Stock, at a price of 65% of the lowest bid price of the Common Stock as reported by Bloomberg for the 20 prior trading days prior to receipt by the Corporation of a Notice of Conversion.

Common Stock, Class A
The Company has 9 billion authorized shares of $0.01 par value Class A Common Stock.

Convertible Common Stock, Class B
The Company has 60,000,000, authorized shares of $0.01 par value Convertible Class B Common Stock, convertible at the option of the holder into shares of the Company's Class A Common Stock on a 1:10,000 basis. Effective January 14, 2014, the preferential voting rights of the Convertible Class B Common Stock were changed from preferential voting rights of 2,000 votes to each Class A Common Stock vote (2,000:1) to 10,000 votes to each Class A Common Stock vote (10,000:1). The Company shall reserve and keep available out of its authorized but unissued shares of Class A Common Stock such number of shares sufficient to effect the conversions. Common B was not part of the October 6, 2014 reversed stock split.

Class A Common Stock Issuances:

Debt Conversion by LG Capital Funding LLC.
On January 28, 2016, the Company issued 31,864 shares of Class A Common Stock pursuant to the conversion of $5,178 of convertible debt held by LG Capital, which consisted of $4,715 of principal and $463 of accrued interest. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

Debt Conversion by KBM Worldwide Inc
On February 18, 2016, the Company issued 91,200 shares of Class A Common Stock pursuant to the conversion of $13,680 of convertible debt held by KBM Worldwide, which consisted of $12,785 of principal and $895 of accrued interest. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

Debt Conversions by Related Parties
On January 29, 2016, the Company issued 40,000 shares of Class A Common Stock pursuant to the conversion of $5,000 of convertible debt held by GG Mars, a company owned by our CEO's family member, a related party, which consisted of $5,000 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

Preferred Stock, Series C Conversions:
On June 2, 2016, the Company issued 30,000,000 shares of Class A Stock pursuant to the exchange agreement with our CEO in exchange for 10,000,000 shares of Preferred C Stock. As the stock was converted within the terms of the agreement, no gain or loss was recognized as a result of the exchange.

On June 2, 2016, the Company issued 2,550,000 shares of Class A Stock pursuant to the exchange agreement with Star Financial in exchange for 850,000 shares of Preferred C Stock. As the stock was converted within the terms of the agreement, no gain or loss was recognized as a result of the exchange.

On June 3, 2016, the Company issued 3,300,000 shares of Class A Stock pursuant to the exchange agreement with GG Mars in exchange for 1,100,000 shares of Preferred C Stock. As the stock was converted within the terms of the agreement, no gain or loss was recognized as a result of the exchange.

Note 14 - Subsequent Events

There are no subsequent events.