EPAZZ, INC.

Quarterly Report

For Periods Ending

March 31, 2019 and March 31, 2018

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, 2019		December 31, 2018
Assets				
Current assets:				
Cash	$	21,102	$	34,853
Accounts receivable, net		569,361		610,452
Other current assets		12,063		12,243
Total current assets		602,526		657,548
Property and equipment, net		2,824		4,545
Total assets	$	605,350	$	662,093
Liabilities and Stockholders' Equity (Deficit)				
Current liabilities:				
Accounts payable	$	34,166	$	37,276
Accrued expenses		19,477		10,872
Current maturities of notes payable		–		–
Deferred revenue		232,846		374,191
Total current liabilities		286,489		422,339
Notes payable, related parties		2,068,784		2,093,807
Long term debts, net of current maturities		934,273		955,018
Reserve Debt Retirement		110,500		110,500
Total long-term liabilities		3,113,557		3,159,325
Total liabilities		3,400,046		3,581,664
Stockholders' equity (deficit):				
Convertible preferred stock, Series A, $0.01 par value, 5,000,000 shares authorized, 4,847,363 and 4,901,000 shares issued and outstanding, respectively		48,474		49,010
Convertible preferred stock, Series B, $0.01 par value, 5,000,000 shares authorized, 4,900,727 shares issued and outstanding		49,007		49,007
Convertible preferred stock, Series C, $0.01 par value, 25,000,000 shares authorized, 10,755,831 and 22,583,332 shares issued and outstanding, respectively		107,558		225,833
Common stock, Class A, $0.01 par value, 100,000,000 shares authorized, 155,121,419 and 49,037,918 shares issued and outstanding, respectively		1,551,214		490,379
Convertible common stock, Class B, $0.01 par value, 23,000,000 shares authorized, 23,000,000 shares issued and outstanding		230,000		230,000
Additional paid in capital		10,493,621		11,332,905
Accumulated deficit		(15,274,570)		(15,296,705)
Total stockholders' equity (deficit)		(2,794,696)		(2,919,571)
Total liabilities and stockholders' equity (deficit)	$	605,350	$	662,093

See accompanying notes to financial statements.

EPAZZ, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended March 31, 2019	2018
Revenue	$ 441,783	$ 474,145
Expenses:		
General and administrative	166,081	265,411
Salaries and wages	93,249	105,413
Depreciation	1,721	2,205
Bad debts (recoveries)	114,205	51,295
Total operating expenses	375,256	424,324
Net operating income	66,527	49,821
Other income (expense):		
Interest expense	(44,392)	(34,771)
Total other income (expense)	(44,392)	(34,771)
Net income	$ 22,135	$ 15,050
Weighted average number of common shares outstanding - basic and fully diluted	97,621,307	45,037,918
Net income per share - basic and fully diluted	$ 0. 00	$ 0.00

See accompanying notes to financial statements.

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

	For the Three Months Ended March 31, 2019	For the Three Months Ended March 31, 2018
Cash flows from operating activities		
Net income	$ 22,135	$ 15,049
Adjustments to reconcile net loss to net cash used in operating activities:		
Bad debts (recoveries)	114,205	51,295
Depreciation	1,721	2,205
Amortization of deferred financing costs	180	180
Decrease (increase) in assets:		
Accounts receivable	(73,114)	(96,704)
Other current assets	–	–
Increase (decrease) in liabilities:		
Accounts payable	(3,110)	3,087
Accrued expenses	8,605	1,217
Accrued expenses, related parties	31,717	15,812
Deferred revenues	(141,345)	(10,439)
Net cash provided by (used in) operating activities	(39,006)	(18,298)
Cash flows from investing activities		
Purchases of property and equipment	–	(599)
Net cash used in investing activities	–	(599)
Cash flows from financing activities		
Proceeds from notes payable, related parties	46,000	43,500
Repayment of lines of credit	–	–
Proceeds from long term debts	20,000	–
Repayment of long-term debts	(40,745)	(39,096)
Net cash provided by financing activities	25,255	4,404
Net increase (decrease) in cash	(13,751)	(14,493)
Cash - beginning	34,853	75,270
Cash - ending	$ 21,102	$ 60,777
Supplemental disclosures:		
Interest paid	$ 63,295	$ 11,207
Income taxes paid	$ –	$ –
Non-cash investing and financing activities:		
Conversion of note payable and accrued interest, related parties to unrelated third-party stock	$ 102,740	$ –
Conversion of Preferred Stock, Series A to Preferred Stock, Series C	$ 201,090	$ –
Conversion of Preferred Stock, Series C to Common Stock, Class A	$ 958,095	$ –

There are no non-cash investing and financing activities.

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 originally formed as an Illinois corporation on March 23, 2000 to create software to help college students organize their college information and resources. In 2017, Epazz, Inc. changed is domicile to Wyoming.

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.

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 periods ended March 31, 2019 and 2018.

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, 2019 and 2018, respectively.

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 – 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. This related party debts are fully disclosed in Note 7 below. The Company has a back-up lines of credit from related parties totaling $250,000 to cover the repayment of the current portion of long-term debt, should the Company need it.

Sale and Conversion of Note Payable
On December 31, 2018, GG Mars Capital, Inc., a related party, sold a convertible note to a third party. The note, originally issued on February 7, 2014, consisted of $26,000 principal and $14,000 of accrued interest. The note and accrued interest were later converted to 4,000,000 shares of Common Stock, Class A, within the terms of the agreement. This related party debts are fully disclosed in Note 7 below.

On February 7, 2019, GG Mars Capital, Inc., a related party, sold a convertible note to a third party. The note, originally issued on August 20, 2013, consisted of $25,000 principal and $29,007 of accrued interest. The note and accrued interest were later converted to 5,400,700 shares of Common Stock, Class A, within the terms of the agreement. This related party debts are fully disclosed in Note 7 below.

On February 28, 2019, Star Financial Corporation, a related party, sold a convertible note to a third party. The note, originally issued on August 2, 2013, consisted of $12,000 principal and $12,367 of accrued interest. The note and accrued interest were later converted to 2,436,700 shares of Common Stock, Class A, within the terms of the agreement. This related party debts are fully disclosed in Note 7 below.

On February 28, 2019, Star Financial Corporation, a related party, sold a convertible note to a third party. The note, originally issued on August 7, 2013, consisted of $12,000 principal and $12,367 of accrued interest. The note and accrued interest were later converted to 2,436,700 shares of Common Stock, Class A, within the terms of the agreement. This related party debts are fully disclosed in Note 7 below.

Conversion of Preferred Stock, Series A to Preferred Stock, Series C
On February 15, 2019, the Company's CEO convertible 53,637 shares of Preferred Stock, Series A to 20,109,020 shares of Preferred Stock, Series C, consistent with the terms of the agreement.

Conversion of Preferred Stock, Series C to Common Stock, Class A
On January 7, 2019, GG Mars Capital, Inc., a related party, convertible 1,133,334 shares of Preferred Stock, Series C to 3,400,002 shares of Common Stock, Class A, consistent with the terms of the agreement.

On February 13, 2019, Company's CEO convertible 2,760,833 shares of Preferred Stock, Series C to 8,282,499 shares of Common Stock, Class A, consistent with the terms of the agreement.

On February 18, 2019, Company's CEO convertible 20,109,020 shares of Preferred Stock, Series C to 60,327,060 shares of Common Stock, Class A, consistent with the terms of the agreement.

On February 22, 2019, Star Financial Corporation, a related party, convertible 4,266,667 shares of Preferred Stock, Series C to 12,800,001 shares of Common Stock, Class A, consistent with the terms of the agreement.

On February 27, 2019, GG Mars Capital, Inc., a related party, convertible 3,666,667 shares of Preferred Stock, Series C to 11,000,001 shares of Common Stock, Class A, consistent with the terms of the agreement.

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 3 – 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, 2019 and December 31, 2018:

	Fair Value Measurements at March 31, 2019		
	Level 1	Level 2	Level 3
Assets			
Total assets	–	–	–
Liabilities			
Lines of credit	–	–	–
Notes payable, related parties	–	2,068,784	–
Long term debts	–	934,273	–
Total Liabilities	–	3,003,057	–
	$ –	$ (3,003,057)	$ –

	Fair Value Measurements at December 31, 2018		
	Level 1	Level 2	Level 3
Assets			
Total assets	–	–	–
Liabilities			
Lines of credit	–	–	–
Notes payable, related parties	–	2,093,807	–
Long term debts	–	955,018	–
Total Liabilities	–	3,048,825	–
	$ –	$ (3,048,825)	$ –

There were no transfers of financial assets or liabilities between Level 1 and Level 2 inputs for the periods ended March 31, 2019 and December 31, 2018.

Note 4 – Other Current Assets

As of March 31, 2019 and December 31, 2018, other current assets included the following:

	March 31, 2019	December 31, 2018
Deferred financing costs	$ 2,185	$ 2,365
Security deposits	9,878	9,878
	$ 12,063	$ 12,243

The Company recognized $180 and $180 of amortization expense related to the deferred financing costs during the period ended March 31, 2019 and 2018, respectively.

Note 5 – Property and Equipment

Property and Equipment consists of the following at March 31, 2019 and December 31, 2018, respectively:

	March 31, 2019	December 31, 2018
Furniture and fixtures	$ 22,006	$ 22,006
Computers and equipment	198,677	198,677
Software	15,660	15,660
Assets held under capital leases	17,855	17,855
	254,198	254,198
Less: accumulated depreciation	(251,374)	(249,653)
	$ 2,824	$ 4,545

Depreciation expense totaled $1,721 and $2,205 for the periods ended March 31, 2019 and 2018, respectively.

Note 6 – Accrued Expenses

Accrued expenses as of March 31, 2019 and December 31, 2018, included the following:

	March 31, 2019	December 31, 2018
Accrued interest	$ 3,040	$ 3,050
Accrued payroll and payroll taxes	16,437	7,822
	$ 19,477	$ 10,872

Note 7 – Notes Payable, Related Parties

Notes payable, related parties consist of the following at March 31, 2019 and December 31, 2018, respectively:

	March 31, 2019	December 31, 2018
Originated December 31, 2017, unsecured promissory note payable owed to a Company owned by an immediate family member of the Company's CEO carries a 6% interest rate, matures on December 31, 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. This note was amended to change the maturity date to December 31, 2020 and the interest rate to 6%.	$ 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. This note was amended to change the maturity date to December 31, 2020 and the interest rate to 6%. A portion of the note was sold on February 28, 2019, consisting of $12,000 of principal and $12,367 of accrued interest.	3,500	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. This note was amended to change the maturity date to December 31, 2020 and the interest rate to 6%. The note was sold on February 28, 2019, consisting of $12,000 of principal and $12,367 of accrued interest.	–	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	–	25,000

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. This note was amended to change the maturity date to December 31, 2020 and the interest rate to 6%. The note was sold on February 7, 2019, consisting of $25,000 of principal and $29,007 of accrued interest.		
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. This note was amended to change the maturity date to December 31, 2020 and the interest rate to 6%.	9,000	9,000
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. This note was amended to change the maturity date to December 31, 2020 and the interest rate to 6%.	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. This note was amended to change the maturity date to December 31, 2020 and the interest rate to 6%.	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 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. This note was amended to change the maturity date to December 31, 2020 and the interest rate to 6%.	62,500	62,500
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. This note was amended to change the maturity date to December 31, 2020 and the interest rate to 6%.	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. This note was amended to change the maturity date to December 31, 2020 and the interest rate to 6%.	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. This note was amended to change the maturity date to December 31, 2020 and the interest rate to 6%.	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. This note was amended to change the maturity date to December 31, 2020 and the interest rate to 6%.	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. This note was amended to change the maturity date to December 31, 2020 and the interest rate to 6%.	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. This note was amended to change the maturity date to December 31, 2020 and the interest rate to 6%.	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. This note was amended to change the maturity date to December 31, 2020 and the interest rate to 6%.	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	21,250	21,250

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. This note was amended to change the maturity date to December 31, 2020 and the interest rate to 6%.		
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. This note was amended to change the maturity date to December 31, 2020 and the interest rate to 6%.	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. This note was amended to change the maturity date to December 31, 2020 and the interest rate to 6%.	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. This note was amended to change the maturity date to December 31, 2020 and the interest rate to 6%.	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. This note was amended to change the maturity date to December 31, 2020 and the interest rate to 6%.	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. This note was amended to change the maturity date to December 31, 2020 and the interest rate to 6%.	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. This note was amended to change the maturity date to December 31, 2020 and the interest rate to 6%.	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. This note was amended to change the maturity date to December 31, 2020 and the interest rate to 6%.	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. This note was amended to change the maturity date to December 31, 2020 and the interest rate to 6%.	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. This note was amended to change the maturity date to December 31, 2020 and the interest rate to 6%.	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. This note was amended to change the maturity date to December 31, 2020 and the interest rate to 6%.	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. This note was amended to change the maturity date to December 31, 2020 and the interest rate to 6%.	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. This note was amended to change the maturity date to December 31, 2020 and the interest rate to 6%.	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. This note was amended to change the maturity date to December 31, 2020 and the interest rate to 6%.	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. This note was amended to change the maturity date to December 31, 2020 and the interest rate to 6%.	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. This note was amended to change the maturity date to December 31, 2020 and the interest rate to 6%.	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. This note was amended to change the maturity date to December 31, 2020 and the interest rate to 6%.	21,875	21,875
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 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	21,355	21,355

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. This note was amended to change the maturity date to December 31, 2020 and the interest rate to 6%.		
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. This note was amended to change the maturity date to December 31, 2020 and the interest rate to 6%.	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. This note was amended to change the maturity date to December 31, 2020 and the interest rate to 6%.	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. This note was amended to change the maturity date to December 31, 2020 and the interest rate to 6%.	25,050	25,050
Originated August 30, 2016, an unsecured $250,000 line of credit from 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. This note was amended to change the maturity date to December 31, 2020 and the interest rate to 6%.	247,893	247,893
Originated January 1, 2018, an unsecured $250,000 line of credit from Star Financial, a corporation owned by an immediate family member of the Company's CEO. The note carries a 6% interest rate, matured on December 31, 2022.	68,200	52,200
Originated January 1, 2018, an unsecured $250,000 line of credit from GG Mars, Inc, a corporation owned by an immediate family member of the Company's CEO. The note carries a 6% interest rate, matured on December 31, 2022.	37,000	7,000
Effective December 31, 2017, the Company entered into an agreement with an immediate family member of the Company's CEO to convert $1,626 of accrued interest to a note payable due December 31, 2020 barring an annual interest rate of 6%.	7,267	7,060

Effective December 31, 2017, the Company entered into an agreement with an immediate family member of the Company's CEO to convert $21,471 of accrued interest to a note payable due December 31, 2020 barring an annual interest rate of 6%.	23,490	23,086
Effective December 31, 2017, the Company entered into an agreement with Star Financial Corporation, a related party, to convert $239,295 of accrued interest to a note payable due December 31, 2020 barring an annual interest rate of 6%.	258,599	272,154
Effective December 31, 2017, the Company entered into an agreement with GG Mars, Inc., a related party, to convert $282,904 of accrued interest to a note payable due December 31, 2020 barring an annual interest rate of 6%.	284,782	293,861
Total notes payable, related parties	2,068,784	2,093,807
Less: current portion	–	–
Notes payable, related parties, less current portion	$ 2,068,784	$ 2,093,807

The Company recorded interest expense on notes payable to related parties in the amounts of $31,717 and $15,812 during the period ended March 31, 2019 and 2018, respectively. The Company recorded accrued interest associated with related as a long-term liability and it is listed in the schedule above.

On December 31, 2018, GG Mars Capital, Inc., a related party, sold a convertible note to a third party. The note, originally issued on February 7, 2014, consisted of $26,000 principal and $14,000 of accrued interest. The note and accrued interest were later converted to 4,000,000 shares of Common Stock, Class A, within the terms of the agreement.

On February 7, 2019, GG Mars Capital, Inc., a related party, sold a convertible note to a third party. The note, originally issued on August 20, 2013, consisted of $25,000 principal and $29,007 of accrued interest. The note and accrued interest were later converted to 5,400,700 shares of Common Stock, Class A, within the terms of the agreement.

On February 28, 2019, Star Financial Corporation, a related party, sold a convertible note to a third party. The note, originally issued on August 2, 2013, consisted of $12,000 principal and $12,367 of accrued interest. The note and accrued interest were later converted to 2,436,700 shares of Common Stock, Class A, within the terms of the agreement.

On February 28, 2019, Star Financial Corporation, a related party, sold a convertible note to a third party. The note, originally issued on August 7, 2013, consisted of $12,000 principal and $12,367 of accrued interest. The note and accrued interest were later converted to 2,436,700 shares of Common Stock, Class A, within the terms of the agreement.

Note 8 – Promissory Notes

Promissory notes consist of the following at March 31, 2019 and December 31, 2018, respectively:

	December 31, 2019	December 31, 2018
Total promissory notes	934,273	955,018
Less: current portion	–	–
Promissory notes, less current portion	$ 934,273	$ 955,018

The Company utilizes its available lines of credit with related parties as justification to the long-term classification of the current portion of third-party debt. The available lines of credit with related parties are listed in the table in Note 7. Accordingly, the current portion of long-term debt totaling $226,843 and $223,449 as of March 31, 2019 and December 31, 2018, respectively, is recorded as a long-term liability in the balance sheet. The Company recorded interest expense on promissory notes of $12,675 and $18,779 for the period ended March 31, 2019 and 2018, respectively. The Company recorded accrued interest of $5,980 and $3,050 as of March 31, 2019 and December 31, 2018, 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. During 2018 and 2017, the Company has entered in to agreements with most of the debt holders. As a result, the Company has recorded Gains on Debt Extinguishment of $113,214 during the years ended December 31, 2018. No gain or loss on debt extinguishment has been recorded during 2019. The Company has a long-term reserve for debt retirement of $110,500 as of March 31, 2019 and December 31, 2019.

Note 9 – Stockholders' Equity

Convertible Preferred Stock, Series A

The Company has five million (5,000,000) authorized shares of $0.01 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 Stockholders. 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 affect the conversions.

Convertible Preferred Stock, Series B

The Company has five million (5,000,000) authorized shares of $0.01 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 $0.01 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 affect the conversions.

Convertible Preferred Stock, Series C

The Company has twenty-five million (25,000,000) authorized shares of $0.01 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 $0.01 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 affect the conversions.

Convertible Preferred Stock, Series D

The Company has zero authorized and 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 December 31, 2017 and December 31, 2016.

Convertible Preferred Stock, Series E

The Company has 20 authorized and zero 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 one hundred million (100,000,000) authorized shares of $0.01 par value Class A Common Stock.

Convertible Common Stock, Class B

The Company has twenty-three million (23,000,000) 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 affect the conversions. Common B was not part of the October 6, 2014 reversed stock split.

Conversion of Note Payable to Common Stock, Class A
On December 31, 2018, GG Mars Capital, Inc., a related party, sold a convertible note to a third party. The note, originally issued on February 7, 2014, consisted of $26,000 principal and $14,000 of accrued interest. The note and accrued interest were later converted to 4,000,000 shares of Common Stock, Class A, within the terms of the agreement.

On February 7, 2019, GG Mars Capital, Inc., a related party, sold a convertible note to a third party. The note, originally issued on August 20, 2013, consisted of $25,000 principal and $29,007 of accrued interest. The note and accrued interest were later converted to 5,400,700 shares of Common Stock, Class A, within the terms of the agreement.

On February 28, 2019, Star Financial Corporation, a related party, sold a convertible note to a third party. The note, originally issued on August 7, 2013, consisted of $24,000 principal and $24,733 of accrued interest. The note and accrued interest were later converted to 4,873,300 shares of Common Stock, Class A, within the terms of the agreement.

Conversion of Preferred Stock, Series A to Preferred Stock, Series C
On February 15, 2019, the Company's CEO convertible 53,637 shares of Preferred Stock, Series A to 20,109,020 shares of Preferred Stock, Series C, consistent with the terms of the agreement.

Conversion of Preferred Stock, Series C to Common Stock, Class A
On January 7, 2019, GG Mars Capital, Inc., a related party, convertible 1,133,334 shares of Preferred Stock, Series C to 3,400,002 shares of Common Stock, Class A, consistent with the terms of the agreement.

On February 13, 2019, Company's CEO convertible 2,760,833 shares of Preferred Stock, Series C to 8,282,499 shares of Common Stock, Class A, consistent with the terms of the agreement.

On February 18, 2019, Company's CEO convertible 20,109,020 shares of Preferred Stock, Series C to 60,327,060 shares of Common Stock, Class A, consistent with the terms of the agreement.

On February 22, 2019, Star Financial Corporation, a related party, convertible 4,266,667 shares of Preferred Stock, Series C to 12,800,001 shares of Common Stock, Class A, consistent with the terms of the agreement.

On February 27, 2019, GG Mars Capital, Inc., a related party, convertible 3,666,667 shares of Preferred Stock, Series C to 11,000,001 shares of Common Stock, Class A, consistent with the terms of the agreement.

Note 10 – Sale of PacePlus

On February 11, 2019, ZenaPay, Inc. acquired PacePlus, Inc. ("PacePlus") via stock purchase agreement, in which 100% of PacePlus common stock was purchased from Epazz, Inc. for one million seven hundred fifty thousand ($1,750,000) in a form of a 10-year promissory note for one million seven hundred fifty thousand ($1,750,000) at 6% interest rate. The effective date of the agreement was February 1, 2019. The note provides ZenaPay, Inc. an option to deferred payment for up to 36 months. On March 1, 2019, PacePlus used this option to deferred payment for 24 months of 36 months. No interest income was recorded on Epazz, Inc., as it is considered a related party receivable.

Epazz, Inc. continues to provide programming, administrative functions, customer support and marketing for PacePlus under a shared management service agreement. Epazz, Inc. records revenue for the shared service agreement when payments are received from ZenaPay, Inc. as required Generally Accepted Accounting Principles ("GAAP"). Revenue and expenses associated with PacePlus are as follows:

	For the Three Months Ended March 31,	
	2019	2018
Revenue received through shared management service agreement	$ 59,413	$ –
Revenue earned by PacePlus prior to stock sale	35,173	102,844
Less: Direct expenses incurred by PacePlus prior to stock sale	(419)	(7,748)
Net operating income	$ 94,167	$ 95,096

Note 11 - Subsequent Events

On April 4, 2019, the Company issued 5,000,000 shares of Common Stock, Class A to Cloud Builders, Inc. for services rendered.