

Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines

FUSION INTERACTIVE CORP.

4380 NE 11TH AVE, SUITE 1011, OAKLAND PARK, FL, 33334

(954) 280-9090

www.fusioninteractive.net

ir@fusioninteractive.net

SIC: 7371

Quarterly Report For the Period Ending: September 30, 2020 (the "Reporting Period")

As of September 30, 2020, the number of shares outstanding of our Common Stock was:

12,005,330

As of June 30, 2020, the number of shares outstanding of our Common Stock was:

12,005,330

As of December 31, 2019, the number of shares outstanding of our Common Stock was:

12,005,330

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes: ☐ No: ☒

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☐ No: ☒

Indicate by check mark whether a Change in Control¹ of the company has occurred over this reporting period:

Yes: ☐ No: ☒

¹ "Change in Control" shall mean any events resulting in:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;

(ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;

(iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or

(iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

1) Name and address(es) of the issuer and its predecessors (if any)

In answering this item, provide the current name of the issuer any names used by predecessor entities, along with the dates of the name changes.

Fusion Interactive Corp. 12-2014 to present
The Good Water Company Inc. until 12-2014
Proton Laboratories, Inc. until 5-2013
BentleyCapitalCorp.com, Inc. until 4-04

The state of incorporation or registration of the issuer and of each of its predecessors (if any) during the past five years; Please also include the issuer's current standing in its state of incorporation (e.g. active, default, inactive):

Incorporated 03/14/2000 in Washington. Current in the state of Washington

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors since inception:

None

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

None

The address(es) of the issuer's principal executive office:

4380 NE 11TH AVE, SUITE 1011, OAKLAND PARK, FL 33334

The address(es) of the issuer's principal place of business:

Check box if principal executive office and principal place of business are the same address: ☒

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

Yes: ☐ No: ☒

If this issuer or any of its predecessors have been the subject of such proceedings, please provide additional details in the space below:

No

2) Security Information

Trading symbol:	FUIG	
Exact title and class of securities outstanding:	Common Stock	
CUSIP:	36113V109	
Par or stated value:	\$.001	
Total shares authorized:	750,000,000	as of date: <u>September 30, 2020</u>
Total shares outstanding:	12,005,330	as of date: <u>September 30, 2020</u>
Number of shares in the Public Float :	699,471	as of date: <u>September 30, 2020</u>
Total number of shareholders of record:	272	as of date: <u>September 30, 2020</u>

All additional class(es) of publicly traded securities (if any): N/A

Trading symbol: _____
Exact title and class of securities outstanding: _____
CUSIP: _____
Par or stated value: _____
Total shares authorized: _____ as of date: _____
Total shares outstanding: _____ as of date: _____

Transfer Agent

Name: Olde Monmouth Stock Transfer Co., Inc.
Phone: (732) 872-2727
Email: matt@oldemonmouth.com
Address: 200 Memorial Pkwy
Atlantic Heights, NJ 07716

Is the Transfer Agent registered under the Exchange Act?² Yes: ☒ No: ☐

3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any direct changes to the total shares outstanding of any class of the issuer's securities **in the past two completed fiscal years and any subsequent interim period**.

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

A. Changes to the Number of Outstanding Shares

Check this box to indicate there were no changes to the number of outstanding shares within the past two completed fiscal years and any subsequent periods: ☒

Shares Outstanding as of Second Most Recent Fiscal Year End: _____ <u>Opening Balance</u> Date _____ Common: _____ Preferred: _____			*Right-click the rows below and select "Insert" to add rows as needed.						
Date of Transaction	Transaction type (e.g. new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to (entities must have individual with voting / investment control disclosed).	Reason for share issuance (e.g. for cash or debt conversion) -OR- Nature of Services Provided	Restricted or Unrestricted as of this filing.	Exemption or Registration Type.
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____

² To be included in the Pink Current Information tier, the transfer agent must be registered under the Exchange Act.

_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Shares Outstanding on Date of This Report:									
Ending _____ Balance									
Ending Balance:									
Date _____	Common: _____								
Preferred: _____									

Example: A company with a fiscal year end of December 31st, in addressing this item for its quarter ended September 30, 2020, would include any events that resulted in changes to any class of its outstanding shares from the period beginning on January 1, 2018 through September 30, 2020 pursuant to the tabular format above.

Use the space below to provide any additional details, including footnotes to the table above:

B. Debt Securities, Including Promissory and Convertible Notes

Use the chart and additional space below to list and describe all outstanding promissory notes, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities.

Check this box if there are no outstanding promissory, convertible notes or debt arrangements: ☐

Date of Note Issuance	Outstanding Balance (\$)	Principal Amount at Issuance (\$)	Interest Accrued (\$)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder (entities must have individual with voting / investment control disclosed).	Reason for Issuance (e.g. Loan, Services, etc.)
<u>10/23/2014</u>	<u>36,513</u>	<u>25,000</u>	<u>11,513</u>	<u>1/16/22</u>	<u>70% of the average of the five lowest intraday prices for the Company's stock during the previous 20 trading days.</u>	<u>Mastiff Group LLC (Marissa Welner)</u>	<u>Loan</u>
<u>2/13/2015</u>	<u>20,278</u>	<u>15,515</u>	<u>4673</u>	<u>1/16/22</u>	<u>70% of the average of the five lowest intraday prices for the Company's stock during the previous 20 trading days.</u>	<u>Mastiff Group LLC (Marissa Welner)</u>	<u>Loan</u>
<u>12/28/2018</u>	<u>91,394</u>	<u>78,292</u>	<u>13,141</u>	<u>12/28/21</u>	<u>70% of the average of the five lowest intraday prices for the Company's stock during the previous 20 trading days</u>	<u>Dan Ionescu</u>	<u>Loan</u>
<u>9/22/2016</u>	<u>10,575</u>	<u>8,000</u>	<u>2,575</u>	<u>9/22/21</u>	<u>70% of the average of the five lowest intraday prices for the Company's stock during the previous 20 trading days</u>	<u>Fenwood Capital (Dimitrios Liakopolous)</u>	<u>Loan</u>

Date of Note Issuance	Outstanding Balance (\$)	Principal Amount at Issuance (\$)	Interest Accrued (\$)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder (entities must have individual with voting / investment control disclosed).	Reason for Issuance (e.g. Loan, Services, etc.)
<u>12/16/2016</u>	<u>13,033</u>	<u>10,000</u>	<u>3,033</u>	<u>1/16/22</u>	<u>70% of the average of the five lowest intraday prices for the Company's stock during the previous 20 trading days</u>	<u>Jaycee Investments</u> <u>(Yvon Cormier)</u>	<u>Loan</u>
<u>1/26/10</u>	<u>92,718</u>	<u>50,000</u>	<u>42,718</u>	<u>1/26/22</u>	<u>70% of the average of the five lowest intraday prices for the Company's stock during the previous 20 trading days</u>	<u>JAK Family Trust</u> <u>Dan Ionescu</u>	<u>Loan</u>
<u>1/16/18</u>	<u>120,985</u>	<u>100,000</u>	<u>20,985</u>	<u>1/16/22</u>	<u>70% of the average of the five lowest intraday prices for the Company's stock during the previous 20 trading days</u>	<u>Mastiff Group LLC</u> <u>(Marissa Welner)</u>	<u>Acquisition</u>
<u>1/16/2018</u>	<u>182,508</u>	<u>150,000</u>	<u>32,508</u>	<u>1/16/22</u>	<u>70% of the average of the five lowest intraday prices for the Company's stock during the previous 20 trading days</u>	<u>PhoneFusion</u> <u>Series II of</u> <u>Velocity Partners</u> <u>International LLC</u> <u>Yvon Cormier</u>	<u>Acquisition</u>
<u>1/01/20</u>	<u>21,114</u>	<u>20,000</u>	<u>1,114</u>	<u>12/31/21</u>	<u>50% of the average of the five lowest intraday prices for the Company's stock during the previous 20 trading days</u>	<u>Keystone Capital Partners, LLC</u> <u>(Fredric Zaino)</u>	<u>Loan</u>
<u>03/02/20</u>	<u>10,466</u>	<u>10,000</u>	<u>466</u>	<u>03/02/22</u>	<u>70% of the average of the five lowest intraday prices for the Company's stock during the previous 20 trading days</u>	<u>Thomas Wells</u>	<u>Loan</u>
<u>02/28/20</u>	<u>5,244</u>	<u>5,000</u>	<u>244</u>	<u>02/28/22</u>	<u>70% of the average of the five lowest intraday prices for the Company's stock during the previous 20 trading days</u>	<u>Brian Fitzgerald</u>	<u>Loan</u>
<u>03/06/20</u>	<u>5,229</u>	<u>5,000</u>	<u>229</u>	<u>03/06/22</u>	<u>70% of the average of the five lowest intraday prices for the Company's stock during the previous 20 trading days</u>	<u>Brian Fitzgerald</u>	<u>Loan</u>
<u>02/28/20</u>	<u>10,488</u>	<u>10,000</u>	<u>488</u>	<u>02/20/20</u>	<u>70% of the average of the five lowest intraday prices for the Company's stock during the previous 20 trading days</u>	<u>Rick Scott</u>	<u>Loan</u>

Date of Note Issuance	Outstanding Balance (\$)	Principal Amount at Issuance (\$)	Interest Accrued (\$)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder (entities must have individual with voting / investment control disclosed).	Reason for Issuance (e.g. Loan, Services, etc.)
<u>04/16/20</u>	<u>10,197</u>	<u>10,368</u>	<u>368</u>	<u>04/16/22</u>	<u>70% of the average of the five lowest intraday prices for the Company's stock during the previous 20 trading days</u>	<u>Rick Scott</u>	<u>Loan</u>
<u>02/17/20</u>	<u>5,557</u>	<u>5,000</u>	<u>557</u>	<u>02/28/20</u>	<u>70% of the average of the five lowest intraday prices for the Company's stock during the previous 20 trading days</u>	<u>Kyle Beaudry</u>	<u>Loan</u>

Use the space below to provide any additional details, including footnotes to the table above:

4) Financial Statements

A. The following financial statements were prepared in accordance with:

- ☒ U.S. GAAP
☐ IFRS

B. The financial statements for this reporting period were prepared by (name of individual)³:

Name: Michael Armandi
Title:
Relationship to Issuer: Director

Provide the financial statements described below for the most recent fiscal year or quarter. For the initial disclosure statement (qualifying for Pink Current Information for the first time) please provide reports for the two previous fiscal years and any subsequent interim periods.

- C. Balance sheet;
D. Statement of income;
E. Statement of cash flows;
F. Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
G. Financial notes; and
H. Audit letter, if audited

You may either (i) attach/append the financial statements to this disclosure statement or (ii) file the financial statements through OTCIQ as a separate report using the appropriate report name for the applicable period end. ("Annual Report," "Quarterly Report" or "Interim Report").

³ The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS by persons with sufficient financial skills.

If you choose to publish the financial statements in a separate report as described above, you must state in the accompanying disclosure statement that such financial statements are incorporated by reference. You may reference the document(s) containing the required financial statements by indicating the document name, period end date, and the date that it was posted to OTCIQ in the field below. Financial Statements must be compiled in one document.

The unaudited financial statements of Fusion Interactive are attached hereto

Financial statement information is considered current until the due date for the subsequent report (as set forth in the qualifications section above). To remain qualified for Current Information, a company must post its Annual Report within 90 days from its fiscal year-end date and Quarterly Reports within 45 days of each fiscal quarter-end date.

5) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations. In answering this item, please include the following:

- A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

Fusion Interactive custom engineers brilliant communication solutions for partners who deliver value-added services to clients. Our mobile cloud services enable global telecommunication companies, mobile virtual network operators, financial institutions, city portals, consumer product companies, media firms, and businesses to communicate with their clients more effectively.

- B. Please list any subsidiaries, parents, or affiliated companies.

Fusion Interactive operates through two subsidiaries: Phonefusion Inc. (www.phonefusion.com) and Konnect Global LLC (www.konnectglobal.net). The CEO of Phonefusion is Michael Self. The president of Konnect Global is Jerson Cayo

- C. Describe the issuers' principal products or services.

PhoneFusion provides products and services that typically target system integrators located primarily in the United States, who then integrate these products for their clients. Typical clients include marketing agencies and system integrators, including companies that provide solutions in the call center and emergency services sectors.

Konnect Global targets small businesses throughout the United States, and provides audio, video, conferencing, and business automation services. It focuses its marketing efforts on member-based organizations such as chambers of commerce, associations, tourist bureaus, and destination management organizations.

6) Issuer's Facilities

The goal of this section is to provide a potential investor with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer and the extent in which the facilities are utilized.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer, give the location of the principal plants and other property of the issuer and describe the condition of the properties. If the issuer does not have complete ownership or control of the property (for example, if others also own the property or if there is a mortgage on the property), describe the limitations on the ownership.

If the issuer leases any assets, properties or facilities, clearly describe them as above and the terms of their leases.

The Company, through its subsidiary, leases a 5,000 square foot building in Fort Lauderdale, Florida.

7) Company Insiders (Officers, Directors, and Control Persons)

The goal of this section is to provide an investor with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial shareholders.

Using the tabular format below, please provide information, as of the period end date of this report, regarding any person or entity owning 5% of more of any class of the issuer's securities, as well as any officer, and any director of the company, or any person that performs a similar function, regardless of the number of shares they own. **If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity in the note section.**

Name of Officer/Director or Control Person	Affiliation with Company (e.g. Officer Title /Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Note
<u>Andy Rouse</u>	<u>CEO/Director</u>	<u>London, UK</u>	7,500,000	-	-	_____
<u>Michael Armandi</u>	<u>Director</u>	<u>New York, NY</u>	-	-	-	_____
<u>Michael Self</u>	<u>President of Phonefusion</u>	<u>Fort Lauderdale, FL</u>	<u>3,419,608</u>	<u>Series A Preferred</u>	<u>50.6%</u>	_____
<u>Jerson Cayo</u>	<u>President of Konnect Global</u>	<u>Orlando, FL</u>	-	-	-	_____
<u>Phone Fusion II Series Velocity Partners International LLC</u> (Yvon Cormier)	<u>5% Holder</u>	<u>New Brunswick, Canada</u>	<u>30,000</u>	<u>Series B Preferred</u>	<u>100%</u>	

8) Legal/Disciplinary History

A. Please identify whether any of the persons or entities listed above have, in the past 10 years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

None

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

None

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

None

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

None

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

None

9) Third Party Providers

Please provide the name, address, telephone number and email address of each of the following outside providers:

Securities Counsel

Name: Jonathan D. Leinwand
Firm: Jonathan Leinwand, P.A.
Address 1: 18305 Biscayne Blvd. Suite 200
Address 2: Aventura, FL 33180
Phone: 954-903-7856
Email: jonathan@jdlpa.com

Accountant or Auditor

Name: _____
Firm: _____
Address 1: _____
Address 2: _____
Phone: _____
Email: _____

Investor Relations

Name: _____
Firm: _____
Address 1: _____
Address 2: _____
Phone: _____
Email: _____

Other Service Providers

Provide the name of any other service provider(s) that **that assisted, advised, prepared or provided information with respect to this disclosure statement**. This includes counsel, broker-dealer(s), advisor(s) or consultant(s) or provided assistance or services to the issuer during the reporting period.

Name: _____
Firm: _____
Nature of Services: _____
Address 1: _____
Address 2: _____
Phone: _____
Email: _____

10) Issuer Certification

Principal Executive Officer:

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

I, Andy Rouse certify that:

1. I have reviewed this quarterly report of Fusion Interactive Corp;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

April 14, 2021 [Date]

/s/ Andy Rouse [CEO's Signature]

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

Principal Financial Officer:

I, Andy Rouse certify that:

1. I have reviewed this quarterly report of Fusion Interactive Corp;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

April 14, 2021 [Date]

/s/ Andy Rouse [CFO's Signature]

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

FUSION INTERACTIVE CORP. AND SUBSIDIARY
Consolidated Financial Statements
For the Nine Months Ended September 30, 2020 and 2019
(Unaudited)

FUSION INTERACTIVE CORP. AND SUBSIDIARY

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FUSION INTERACTIVE CORP. AND SUBSIDIARY

Consolidated Balance Sheets

(Unaudited)

	September 30, 2020	December 31, 2019
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 195,194	\$ 298,291
Escrow	2,500	600
Accounts receivable, net	638,986	810,230
Loans receivable - related parties	290,755	290,755
Other receivables	21,000	21,000
Due from related parties	149,572	148,823
Other current assets	-	2,050
Total Current Assets	<u>1,298,007</u>	<u>1,571,749</u>
Furniture and equipment, net	2,167	3,735
Goodwill and intangible assets, net	275,000	275,000
Security deposits	36,120	36,120
TOTAL ASSETS	<u>\$ 1,611,294</u>	<u>\$ 1,886,604</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 3,090,154	\$ 2,709,335
Deferred revenue	58,078	59,727
Notes payable	40,000	247,770
Convertible notes payable	507,767	409,807
Current portion of debt settlement	60,000	60,000
Derivative liabilities	337,331	65,482
Other current liabilities	<u>765,306</u>	<u>333,706</u>
Total Current Liabilities	4,858,636	3,885,827
LONG-TERM LIABILITIES:		
Long term portion of debt settlement	<u>1,237,500</u>	<u>1,282,500</u>
Total Long-Term Liabilities	1,237,500	1,282,500
TOTAL LIABILITIES	<u>6,096,136</u>	<u>5,168,327</u>
Commitments and contingencies	-	-
STOCKHOLDERS' DEFICIT:		
Convertible preferred stock, Series A, \$0.001 par value, 6,750,000 shares authorized, 6,750,000 and 6,750,000 shares issued and outstanding, respectively	6,750	6,750
Convertible preferred stock, Series B, \$0.001 par value, 30,000 shares authorized, 30,000 and 30,000 shares issued and outstanding, respectively	30	30
Common stock; 750,000,000 shares authorized at \$0.001 par value, 12,005,330 and 12,005,330 shares issued and outstanding, respectively	12,005	12,005
Additional paid-in capital	9,195,540	9,195,540
Accumulated deficit	<u>(13,699,167)</u>	<u>(12,496,048)</u>
TOTAL STOCKHOLDERS' DEFICIT	<u>(4,484,842)</u>	<u>(3,281,723)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	<u>\$ 1,611,294</u>	<u>\$ 1,886,604</u>

The accompanying notes are an integral part of these consolidated financial statements

FUSION INTERACTIVE CORP. AND SUBSIDIARY

Consolidated Statements of Operations

(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
REVENUES, NET	\$ 1,266,547	\$ 708,443	\$ 3,037,054	\$ 1,999,709
COST OF SALES	1,807,593	298,868	2,523,982	821,841
GROSS PROFIT	(541,046)	409,575	513,072	1,177,868
OPERATING EXPENSES				
General and administrative	195,400	245,529	737,570	767,228
Sales and marketing	66,565	66,564	199,694	226,397
Research and development	151,534	79,783	463,820	194,099
Depreciation and amortization	507	507	1,567	1,240
TOTAL OPERATING EXPENSES	<u>414,006</u>	<u>392,383</u>	<u>1,402,651</u>	<u>1,188,964</u>
INCOME (LOSS) FROM OPERATIONS	(955,052)	17,192	(889,579)	(11,096)
OTHER INCOME (EXPENSES)				
Interest expense, net	(13,983)	(12,512)	(38,031)	(38,664)
Change in derivative liabilities	(169,189)	(72,065)	(271,849)	(40,770)
Other income	733	(2,682)	(3,660)	186
TOTAL OTHER INCOME (EXPENSES)	<u>(182,439)</u>	<u>(87,259)</u>	<u>(313,540)</u>	<u>(79,248)</u>
NET LOSS	\$ <u>(1,137,491)</u>	\$ <u>(70,067)</u>	\$ <u>(1,203,119)</u>	\$ <u>(90,344)</u>
LOSS PER SHARE	\$			
Basic and diluted	\$ <u>(0.09)</u>	\$ <u>(0.01)</u>	\$ <u>(0.10)</u>	\$ <u>(0.01)</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING				
Basic and diluted	<u>12,005,305</u>	<u>12,005,305</u>	<u>12,005,305</u>	<u>12,005,305</u>

The accompanying notes are an integral part of these consolidated financial statements

FUSION INTERACTIVE CORP. AND SUBSIDIARY

Consolidated Statements of Cash Flows

(Unaudited)

	For the Nine Months Ended September 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (1,203,119)	\$ (90,343)
Adjustment to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,568	1,239
Change in derivative liabilities	271,849	40,770
Changes in operating assets and liabilities:		
Escrow	(1,900)	-
Accounts receivable	171,244	(343,643)
Due from related parties	(749)	(8,954)
Other current assets	2,050	(2,860)
Security deposits	-	(35,000)
Accounts payable and accrued expenses	380,819	252,680
Deferred revenue	(1,649)	(2,285)
Other current liabilities	431,600	203,997
NET CASH PROVIDED BY OPERATING ACTIVITIES	51,713	15,601
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds to related party loans	-	(2,000)
Purchase of property and equipment	-	(3,465)
NET CASH USED IN INVESTING ACTIVITIES	-	(5,465)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments towards notes payable	(182,770)	(85,000)
Proceeds from convertible notes payable	72,960	16,749
Payments towards debt settlement	(45,000)	(45,000)
NET CASH USED IN FINANCING ACTIVITIES	(154,810)	(113,251)
Net decrease in cash and cash equivalents	(103,097)	(103,115)
Cash and cash equivalents at beginning of year	298,291	243,416
Cash and cash equivalents at end of period	\$ 195,194	\$ 140,301
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -

The accompanying notes are an integral part of these consolidated financial statements

FUSION INTERACTIVE CORP. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Unaudited)

NOTE 1 – ORGANIZATION

Fusion Interactive Corp. (“Fusion”) was incorporated in the State of Washington on March 13, 2000, as Bentley Capital Corporation.com Inc. Fusion went through several name and business changes between 2004 and 2014 (most recently The Good Water Company, Inc.). On July 7, 2014, Fusion and PhoneFusion, Inc. (“PhoneFusion”) approved the merger of Fusion Unified Communications, a wholly owned Subsidiary of the Company created for the purposes of the merger, and PhoneFusion, both Delaware corporations (collectively, the “Company”). PhoneFusion was incorporated in the state of Delaware on July 10, 2007.

The merger was accounted for as a reverse merger and a recapitalization in accordance with accounting principles generally accepted in the United States of America. As a result, these unaudited consolidated financial statements reflect the: (i) historical results of PhoneFusion, Inc. prior to the merger, (ii) combined results of the Company following the merger, and (iii) acquired assets and liabilities at their historical cost. The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America.

The Company is a provider of unified communication services. Such services include mobile messaging, call management, VoIP, visual voicemail, audio and video conferencing, automated response and notification, Desktop-as-a-Service, storage, and more, all hosted in a distributed, fault-tolerant, highly performant, flexible cloud environment, managed through an intuitive interface with automated provisioning and easy user management. The Company also provides critical services that free a business from needing to deploy or maintain its own infrastructure, and allow for easy access to corporate resources from anywhere, at any time, on any device, thus giving rise to our tag line “Virtually Everywhere”.

On January 27, 2018, the Company entered into an acquisition agreement with Konnect Global, LLC (“Konnect”), whereby the Company acquired 100% of Konnect (see Note 6). Konnect Global LLC provides omni channel communications inclusive of messaging, voice, video and conferencing services. Konnect’s platform allows connectivity from around the world between any Konnect end point. The platform allows a complete end-to-end collaborative environment for families, consumers, and organizations differentiating it from other video conferencing systems such as Zoom and Go To Meeting or VOIP companies such as Vonage, Ring Central or 8x8.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The unaudited consolidated financial statements include the accounts of PhoneFusion, Inc. Intercompany accounts and transactions have been eliminated in consolidation. Certain comparative figures have been reclassified to conform to the current year's presentation.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions which affect the reporting of assets and liabilities as of the dates of the financial statements and revenues and expenses during the reporting period. These estimates primarily relate to the sales recognition, allowance for doubtful accounts, inventory obsolescence and asset valuations. Actual results could differ from these estimates. Management’s estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the unaudited consolidated financial statements in the periods they are determined to be necessary.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Generally Accepted Accounting Principles (“GAAP”) requires certain disclosures regarding the fair value of financial instruments. The fair value of financial instruments is made as of a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

FUSION INTERACTIVE CORP. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Unaudited)

GAAP defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal, or most advantageous market in which it would transact, and it considers assumptions that market participants would use when pricing the asset or liability.

GAAP establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the degree of subjectivity that is necessary to estimate the fair value of a financial instrument. GAAP establishes three levels of inputs that may be used to measure fair value:

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

Level 2 – Level 2 applies to assets or liabilities for which there are inputs other than quoted prices included within Level 1 that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

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

The following table presents assets and liabilities that are measured and recognized at fair value as of September 30, 2020 and December 31, 2019, on a recurring basis:

Assets and liabilities measured at fair value on a recurring basis at September 30, 2020	Level 1	Level 2	Level 3	Total Carrying Value
Derivative liabilities	\$ -	\$ (337,331)	\$ -	\$ (337,331)

Assets and liabilities measured at fair value on a recurring basis at December 31, 2019	Level 1	Level 2	Level 3	Total Carrying Value
Derivative liabilities	\$ -	\$ (65,482)	\$ -	\$ (65,482)

NEW ACCOUNTING PRONOUNCEMENTS

There are various updates recently issued, most of which represented technical corrections to the accounting literature or application to specific industries and are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

ACCOUNTS RECEIVABLE

Accounts receivable primarily consists of receivables from undeposited funds from the Company's credit card processor and receivables arising from the normal course of business from telecommunication services.

Accounts receivable are presented net of an allowance for doubtful accounts. The Company maintains allowances for doubtful accounts for estimated losses. The Company reviews the accounts receivable on a periodic basis and makes general and specific allowances when there is doubt as to the collectability of individual balances. In evaluating the collectability of individual receivable balances, the Company considers many factors, including the age of the balance, a customer's historical payment history, its current

FUSION INTERACTIVE CORP. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Unaudited)

credit-worthiness and current economic trends. Accounts are written off after exhaustive efforts at collection. At September 30, 2020 and December 31, 2019, the Company has established, based on a review of its outstanding balances, that no allowance is necessary.

CASH AND CASH EQUIVALENTS

The Company considers highly liquid investments with original maturities of three months or less when purchased as cash equivalents. The Company had no cash equivalents as of September 30, 2020 and December 31, 2019. At times throughout the year, the Company might maintain bank balances that may exceed Federal Deposit Insurance Corporation insured limits. Periodically, the Company evaluates the credit worthiness of the financial institutions, and has not experienced any losses in such accounts. At September 30, 2020 and December 31, 2019, the Company had \$0 over the insurable limit.

CONVERTIBLE INSTRUMENTS

The Company evaluates and accounts for conversion options embedded in its convertible instruments in accordance with professional standards for Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 815, *Derivatives and Hedging* ("ASC 815").

Professional standards generally provides three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. Professional standards also provide an exception to this rule when the host instrument is deemed to be conventional as defined under professional standards as "The Meaning of Conventional Convertible Debt Instrument".

The Company accounts for convertible instruments (when it has determined that the embedded conversion options should not be bifurcated from their host instruments) in accordance with professional standards when "Accounting for Convertible Securities with Beneficial Conversion Features," as those professional standards pertain to "Certain Convertible Instruments." Accordingly, the Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their earliest date of redemption. The Company also records when necessary deemed dividends for the intrinsic value of conversion options embedded in preferred shares based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note.

ASC 815 provides that, among other things, generally, if an event is not within the entity's control could or require net cash settlement, then the contract shall be classified as an asset or a liability.

INCOME TAXES

The Company accounts for income taxes under ASC 740-10-30, *Income Taxes*. Deferred income tax assets and liabilities are determined based upon differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance to the extent management concludes it is more likely than not that the assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statements of operations in the period that includes the enactment date.

At the adoption date of November 1, 2007, the Company had no unrecognized tax benefit which would affect the effective tax rate if recognized. The Company includes interest and penalties arising from the underpayment of income taxes in the statements of operations in the provision for income taxes. As of September 30, 2020 and December 31, 2019 the Company had no accrued interest

FUSION INTERACTIVE CORP. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Unaudited)

or penalties related to uncertain tax positions. The Company files an income tax return in the U.S. federal jurisdiction and the state of Delaware. With few exceptions, the Company is no longer subject to U.S. federal, state, and local, or non-U.S. income tax examinations by tax authorities for years before 2013.

LONG LIVED ASSETS

The Company evaluates the carrying value and recoverability of its long-lived assets when circumstances warrant such evaluation by applying the provisions of ASC 360-35, *Property, Plant and Equipment, Subsequent Measurement* ("ASC 360-35"). ASC 360-35 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable through the estimated undiscounted cash flows expected to result from the use and eventual disposition of the assets. Whenever any such impairment exists, an impairment loss will be recognized for the amount by which the carrying value exceeds the fair value.

VALUATION OF GOODWILL AND INTANGIBLE ASSETS

The Company assesses goodwill and intangible assets for potential impairments at the end of each fiscal year, or during the year if an event or other circumstance indicates that we may not be able to recover the carrying amount of the asset. In evaluating goodwill and intangible assets for impairment, the Company first assesses qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount. If the Company concludes that it is not more likely than not that the fair value of a reporting unit is less than its carrying value, then no further testing of the goodwill and intangible assets assigned to the reporting unit is required. However, if the Company concludes that it is more likely than not that the fair value of a reporting unit is less than its carrying value, then the Company will perform a two-step goodwill and intangible assets impairment test to identify potential goodwill and intangible assets impairment and measure the amount of goodwill and intangible assets impairment to be recognized, if any.

In the first step of the review process, the Company compares the estimated fair value of the reporting unit with its carrying value. If the estimated fair value of the reporting unit exceeds its carrying amount, no further analysis is needed. If the estimated fair value of the reporting unit is less than its carrying amount, the Company proceeds to the second step of the review process to calculate the implied fair value of the reporting unit goodwill and intangible assets in order to determine whether any impairment is required. The Company calculates the implied fair value of the reporting unit goodwill and intangible assets by allocating the estimated fair value of the reporting unit to all of the assets and liabilities of the reporting unit as if the reporting unit had been acquired in a business combination. If the carrying value of the reporting unit's goodwill and intangible assets exceeds the implied fair value of the intangible assets, the Company recognizes an impairment loss for that excess amount. In allocating the estimated fair value of the reporting unit to all of the assets and liabilities of the reporting unit, the Company uses industry and market data, as well as knowledge of the industry and the Company's past experiences.

The Company bases its calculation of the estimated fair value of a reporting unit on the income approach. For the income approach, the Company uses internally developed discounted cash flow models that include, among others, the following assumptions: projections of revenues and expenses and related cash flows based on assumed long-term growth rates and demand trends; expected future investments to grow new units; and estimated discount rates. The Company bases these assumptions on its historical data and experience, third-party appraisals, industry projections, micro and macro general economic condition projections, and its expectations.

The Company had no goodwill and intangible assets impairment charges for the nine months ended September 30, 2020 and 2019, and as of the date of each of the most recent detailed tests, the estimated fair value of each of its reporting units exceeded its' respective carrying amount by more than 100% based on its models and assumptions.

RECOGNITION OF REVENUE

The Company recognizes revenue under Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers* ("ASC 606"). The core principle of this standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.

FUSION INTERACTIVE CORP. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Unaudited)

ASC 606 prescribes a five step process to achieve its core principle. The Company recognizes revenue from product sales as follows:

- I. Identify the contract with the customer.
- II. Identify the contractual performance obligations.
- III. Determine the amount of consideration/price for the transaction.
- IV. Allocate the determined amount of consideration/price to the contractual obligations.
- V. Recognize revenue when or as the performing party satisfies performance obligations.

The consideration/price for the transaction (performance obligation(s)) is determined as per the invoice for the products.

The Company derives its revenue from sales of its unified communication services. The Company recognizes revenue from product sales only when there is persuasive evidence of an arrangement, delivery has occurred, the sale price is determinable and collectability is reasonably assured and from fees as paid for in an online transaction.

STOCK BASED COMPENSATION

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

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

For the nine months ended September 30, 2020 and 2019, the Company had \$0 and \$0 in stock based compensation, respectively.

SEGMENT REPORTING

ASC 280-10, *Segment Reporting*, defines operating segments as components of a company about which separate financial information is available that is evaluated regularly by the chief decision maker in deciding how to allocate resources and in assessing performance. The Company reports according to one main segment.

RESEARCH AND DEVELOPMENT

Research and development costs relate to the development of new products, including significant improvements and refinements to existing products, and are expensed as incurred. Research and development expenses for the nine months ended September 30, 2020 and 2019 were \$463,820 and \$194,099, respectively.

ADVERTISING EXPENSE

The Company expenses advertising costs as they are incurred. Advertising expense for the nine months ended September 30, 2020 and 2019 were \$65,181 and \$43,167, respectively.

FUSION INTERACTIVE CORP. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Unaudited)

NOTE 3 – GOING CONCERN

The Company's unaudited consolidated financial statements have been prepared using generally accepted accounting principles in the United States of America applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has incurred a net loss of \$1,203,119 and \$90,343 during the nine months ended September 30, 2020 and 2019, respectively. Cash on hand will not be sufficient to cover debt repayments, operating expenses and capital expenditure requirements for at least twelve months from the unaudited consolidated balance sheet date. As of September 30, 2020 and December 31, 2019, the Company had working capital deficits of \$3,560,629 and \$2,314,078, respectively. In order to continue as a going concern, the Company will need, among other things, additional capital resources. Management's plan is to seek equity and/or debt financing. However, management cannot provide any assurances that the Company will be successful in accomplishing any of its plans.

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China, and has since spread to a number of other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, as of the time of the filing of this Quarterly Report, several states in the United States and elsewhere have declared states of emergency, and several countries around the world, including the United States, have taken steps to restrict travel. While the Company presently has no ongoing operations or employees, this situation could limit the market for a merger partner for a strategic business combination. Any of these uncertainties could have a material adverse effect on the business, financial condition or results of operations. In addition, a catastrophic event that results in the destruction or disruption of the Company's data centers or its critical business or information technology systems would severely affect the ability to conduct normal business operations and, as a result, the operating results would be adversely affected.

There are no assurances that the Company will be able to either (1) achieve a level of revenues adequate to generate sufficient cash flow from operations; or (2) obtain additional financing through either private placements, public offerings and/or bank financing necessary to support the Company's working capital requirements. To the extent that funds generated from operations, any private placements, public offerings and/or bank financing are insufficient, the Company will have to raise additional working capital. No assurance can be given that additional financing will be available, or if available, will be on terms acceptable to the Company.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plans described in the preceding paragraph and eventually secure other sources of financing and attain profitable operations. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

NOTE 4 – LOSS PER SHARE

The Company utilizes the guidance per ASC 260, *Earnings Per Share*. Basic earnings per share is calculated on the weighted effect of all common shares issued and outstanding, and is calculated by dividing net income available to common stockholders by the weighted average shares outstanding during the period. Diluted earnings per share, which is calculated by dividing net income available to common stockholders by the weighted average number of common shares used in the basic earnings per share calculation, plus the number of common shares that would be issued assuming conversion of all potentially dilutive securities outstanding. The basic and diluted earnings per share for the three months and nine months ended September 30, 2020 and 2019 are as follows:

	September 30, 2020	September 30, 2019
Convertible notes	19,968,006	127,957,040
Series A preferred stock	6,750,000	6,750,000
Series B preferred stock	360,159,150	360,159,150
Total diluted shares	<u>386,877,156</u>	<u>494,866,190</u>

FUSION INTERACTIVE CORP. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Unaudited)

NOTE 5 – LOANS RECEIVABLE – RELATED PARTIES

Loans receivable – related parties consisted of the following officer loans at September 30, 2020 and December 31, 2019:

	September 30, 2020	December 31, 2019
J. Hollander	\$ 121,700	\$ 121,700
M. Self	83,555	83,555
R. Penn	85,500	85,500
Total	\$ 290,755	\$ 290,755

All related party loans bear no interest, are unsecured and are due on demand.

NOTE 6 – ACQUISITION OF KONNECT GLOBAL

On January 27, 2018, the Company entered into an acquisition agreement with Konnect Global, LLC (“Konnect”), whereby the Company acquired 100% of Konnect in exchange for a convertible promissory note for \$250,000 issued by the Company. This convertible promissory note was due on January 16, 2019 and bears simple interest of 8%. This convertible promissory note contains a provision for conversion at the holder's option including accrued interest, into the Company's common stock at a rate of 80% of the average closing prices during the last ten trading day period, including the date of conversion.

The following table summarizes the consideration paid for Konnect and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date, as well as the fair value at the acquisition date:

FUSION INTERACTIVE CORP. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Unaudited)

	January 26, 2018
Consideration:	
Note issued for 100% acquisition of Konnect	\$ 250,000
Total Consideration	\$ 250,000
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Tangible assets acquired:	
Cash	\$ 718
Total tangible assets acquired	\$ 718
Assumed liabilities:	
Accounts payable and accrued expenses	\$ 18,614
Convertible notes payable	25,000
Notes payable	62,515
Total assumed liabilities	\$ 106,129
Net tangible assets/liabilities	\$ (105,411)
Intangible assets acquired:	
Trademarks, customer lists, licenses	\$ 25,000
Total intangible assets acquired	\$ 25,000
Goodwill recognized	\$ 330,411

Goodwill:

At the time of the acquisition, the Company allocated the purchase price to the assets acquired and liabilities assumed at their estimated fair values as of the date of acquisition. The excess of the purchase price paid by the Company over the estimated fair value of net assets acquired has been recorded as goodwill. Goodwill represents the value associated with the acquired workforce and synergies related to the merger of the two companies.

The Company performed an assessment of goodwill on March 31, 2018 and determined that a full impairment to goodwill of \$318,617 was necessary.

FUSION INTERACTIVE CORP. AND SUBSIDIARY

Notes to Consolidated Financial Statements

(Unaudited)

NOTE 7 – FURNITURE AND EQUIPMENT, NET

Furniture and equipment, net consisted of the following at September 30, 2020 and December 31, 2019:

	September 30, 2020	December 31, 2019
Computer equipment and software	\$ 33,417	\$ 33,418
Office furniture and equipment	11,099	11,099
Subtotal	44,516	44,517
Less: accumulated depreciation	(42,349)	(40,782)
Furniture and equipment, net	\$ <u>2,167</u>	\$ <u>3,735</u>

Depreciation expense was \$1,567 and \$1,239 for the nine months ended September 30, 2020 and 2019, respectively.

NOTE 8 – GOODWILL AND INTANGIBLE ASSETS, NET

As of September 30, 2020 and December 31, 2019, the Company had a total of \$275,000 in intangible assets, of which \$250,000 represents the value of the license for the source code which is being used as the foundation of the Location Based Service Offering source code of the Company, and \$25,000 represents the trademarks, customer lists and licenses from the Konnect acquisition.

As of September 30, 2020 and December 31, 2019, the Company determined that no impairment of intangible assets was deemed necessary.

NOTE 9 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at September 30, 2020 and December 31, 2019:

	September 30, 2020	December 31, 2019
Accounts payable	\$ 1,120,128	\$ 1,079,354
Accrued expenses	605,719	315,403
Accrued compensation	1,162,723	1,126,429
Accrued interest	201,584	188,149
Total	\$ <u>3,090,154</u>	\$ <u>2,709,335</u>

NOTE 10 – NOTES PAYABLE

On May 20, 2010, the Company entered into a promissory note for \$200,000 from a third party. The note was originally due on May 20, 2012 and bears compounded interest of 10%. Interest on the unpaid balance shall accrue and be paid with the principal upon demand for payment, which shall occur the earlier of: (1) the date the Company closes on a financing of \$500,000 or (2) before May 20, 2012. The maturity date of the note has been extended by mutual agreement between the Company and the note holder to May 20, 2016.

On October 3, 2016, in accordance with a judgement issued, the terms of this note were restructured whereby \$119,000 of the outstanding accrued interest was added to the original \$200,000 principal balance, along with \$3,770 in legal fees bringing the principal balance to \$322,770. In accordance with the judgment, the interest rate now follows the Florida judgment interest rates, and from the date of judgment through September 30, 2017, the interest rates ranged from 4.84%-6.77%. As a result of this judgment, the

FUSION INTERACTIVE CORP. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Unaudited)

Company incurred a gain on extinguishment of debt of \$41,118. As of February 27, 2020, this note was paid off in full. For the nine months ended September 30, 2020 and 2019, interest expense on this note totaled \$1,807 and \$11,333, respectively. As of September 30, 2020 and December 31, 2019 accrued interest on this note was \$42,678 and \$47,792, respectively.

On December 3, 2012, the Company entered into a promissory note for \$20,000 from a third party. The note was due on June 3, 2014 and bears simple interest of 8%. For the nine months ended September 30, 2020 and 2019, interest expense on this note totaled \$1,197 and \$1,197, respectively. As of September 30, 2020 and December 31, 2019 accrued interest on this note was \$12,520 and \$11,323, respectively.

On March 8, 2013, the Company entered into a promissory note for \$20,000 from a third party. The note was due on August 8, 2014 and bears simple interest of 8%. For the nine months ended September 30, 2020 and 2019, interest expense on this note totaled \$1,197 and \$1,197, respectively. As of September 30, 2020 and December 31, 2019 accrued interest on this note was \$12,103 and \$10,906, respectively.

NOTE 11 – CONVERTIBLE NOTES PAYABLE

On January 26, 2010, the Company entered into a convertible promissory note for \$50,000 from a third party. The note was due on July 26, 2011 and bears simple interest of 8%. The note and accrued interest is convertible into common stock of the Company at \$0.001 per share. The principal amount of the note at September 30, 2020 and December 31, 2019 is \$50,000, and the related accrued interest is \$42,718 and \$39,726, respectively. This note is currently in default.

On January 27, 2018, the Company entered into an acquisition agreement with Konnect Global, LLC (“Konnect”), whereby the Company acquired 100% of Konnect in exchange for a convertible promissory note for \$250,000 issued by the Company. This convertible promissory note was due on January 16, 2019 and bears simple interest of 8%. This convertible promissory note contains a provision for conversion at the holder's option including accrued interest, into the Company's common stock at a rate of 80% of the average closing prices during the last ten trading day period, including the date of conversion. The principal amount of the note at September 30, 2020 and December 31, 2019 is \$250,000, and the related accrued interest is \$53,534 and \$38,575, respectively. This note is currently in default.

As part of the acquisition of Konnect, the Company assumed a promissory note dated October 23, 2014 for \$25,000 from a third party. The note was due on October 23, 2015 and bears simple interest of 8%, with a default rate of 18% per annum. This note was later amended and restated on January 16, 2018 with the same terms. This convertible promissory note contains a provision for conversion at the holder's option including accrued interest, into the Company's common stock at a rate of 30% of the average of the five lowest intraday prices during the last twenty trading day period, including the date of conversion. For the nine months ended September 30, 2020 and 2019 interest expense on this note totaled \$2,749 and \$1,496. As of September 30, 2020 and December 31, 2019 accrued interest on this note was \$11,514 and \$8,765, respectively.

As part of the acquisition of Konnect, the Company assumed a convertible promissory note dated February 13, 2015, for \$15,515 from a third party. The note was due on February 13, 2016 and bears simple interest of 8%, with a default rate of 18% per annum. This note was later amended and restated on January 16, 2018 with the same terms. This convertible promissory note contains a provision for conversion at the holder's option including accrued interest, into the Company's common stock at a rate of 30% of the average of the five lowest intraday price during the last twenty trading day period, including the date of conversion. The principal amount of the note at September 30, 2020 and December 31, 2019 is \$15,515, and the related accrued interest is \$4,763 and \$3,057, respectively. This note is currently in default.

As part of the acquisition of Konnect, the Company assumed two convertible promissory notes dated September 16, 2016 and December 28, 2017, for \$10,000 and \$19,000, respectively, from a third party. On January 30, 2018 the Company entered into a grid convertible promissory note for \$15,000 from the same third party. On March 10, 2020, the Company entered into an amended and restated grid convertible promissory note with the holder of the original notes for \$74,000 bearing interest at 8% per annum, with a default interest rate of 18%. This convertible promissory note contains a provision for conversion at the holder's option including accrued interest, into the Company's common stock at a rate of 50% of the average VWAP during the last fifteen trading day period,

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including the date of conversion. The principal amount of the notes at September 30, 2020 and December 31, 2019 is \$78,252, and the related accrued interest is \$13,142 and \$5,799, respectively. This note is currently in default.

As part of the acquisition of Konnect, the Company assumed a convertible promissory note dated September 22, 2016, for \$8,000 from a third party. The note was due on September 22, 2017 and bears simple interest of 8%. This convertible promissory note contains a provision for conversion at the holder's option including accrued interest, into the Company's common stock at a rate of 70% of the trading price on the date of conversion. The principal amount of the note at September 30, 2020 and December 31, 2019 is \$8,000, and the related accrued interest is \$2,576 and \$2,097, respectively. This note is currently in default.

As part of the acquisition of Konnect, the Company assumed a convertible promissory note dated December 16, 2016, for \$10,000 from a third party. The note was due on December 16, 2017 and bears simple interest of 8%. This convertible promissory note contains a provision for conversion at the holder's option including accrued interest, into the Company's common stock at a rate of 70% of the trading price on the date of conversion. The principal amount of the note at September 30, 2020 and December 31, 2019 is \$10,000, and the related accrued interest is \$3,034 and \$2,435, respectively. This note is currently in default.

On February 17, 2020 the Company entered into a convertible promissory note for \$5,000, due on February 28, 2022, bearing interest at 8% per annum, with a default interest rate of 18%. This convertible promissory note contains a provision for conversion at the holder's option including accrued interest, into the Company's common stock at a rate of 50% of the average VWAP during the last fifteen trading day period, including the date of conversion. The principal amount of the note at September 30, 2020 is \$5,000, and the related accrued interest is \$557.

On February 26, 2020 the Company entered into a convertible promissory note for \$5,000, due on February 28, 2022, bearing interest at 8% per annum, with a default interest rate of 18%. This convertible promissory note contains a provision for conversion at the holder's option including accrued interest, into the Company's common stock at a rate of 70% of the average VWAP during the last fifteen trading day period, including the date of conversion. The principal amount of the note at September 30, 2020 is \$5,000, and the related accrued interest is \$535.

On March 2, 2020 the Company entered into a convertible promissory note for \$10,000, due on March 2, 2022, bearing interest at 8% per annum, with a default interest rate of 18%. This convertible promissory note contains a provision for conversion at the holder's option including accrued interest, into the Company's common stock at a rate of 70% of the average VWAP during the last fifteen trading day period, including the date of conversion. The principal amount of the note at September 30, 2020 is \$10,000, and the related accrued interest is \$467.

On February 21, 2020 and March 6, 2020 the Company entered into a convertible promissory note for \$5,000 each, due on February 21, 2022 and March 6, 2022, respectively, bearing interest at 8% per annum, with a default interest rate of 18%. This convertible promissory note contains a provision for conversion at the holder's option including accrued interest, into the Company's common stock at a rate of 70% of the average VWAP during the last fifteen trading day period, including the date of conversion. The principal amount of the notes at September 30, 2020 is \$10,000, and the related accrued interest is \$473.

On February 20, 2020 and April 16, 2020 the Company entered into a convertible promissory note for \$10,000 each, due on February 20, 2022 and April 16, 2022, respectively, bearing interest at 8% per annum, with a default interest rate of 18%. This convertible promissory note contains a provision for conversion at the holder's option including accrued interest, into the Company's common stock at a rate of 70% of the average VWAP during the last fifteen trading day period, including the date of conversion. The principal amount of the notes at September 30, 2020 is \$20,000, and the related accrued interest is \$857.

On July 1, 2020, the Company entered into a grid convertible promissory note for up to \$100,000 from a third party. The note is due on December 31, 2021, and bears simple interest of 10%. This convertible promissory note contains a provision for conversion at the holder's option including accrued interest, into the Company's common stock at a rate of 50% of the average of the five lowest intraday trading prices during the last twenty trading day period, including the date of conversion. The principal amount of the note at September 30, 2020 is \$21,000, and the related accrued interest is \$114.

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NOTE 12 – DEBT SETTLEMENT

On October 31, 2016, the Company and DK entered into a Settlement Agreement that restructured the amounts due to DK. As part of the Settlement Agreement, Fusion assumed 50% of the total debt outstanding, or \$800,000, in exchange for Fusion to enter into a licensing agreement for the PhoneFusion Platform. Fusion has agreed to pay DK \$7,500 per month in its common stock until such time that DK has realized \$400,000 in proceeds from the sale of the common stock received. Once Fusion makes \$400,000 in stock payments to DK, and is not in default of the Settlement Agreement, then DK shall forgive the remainder of the debt that is due and owing.

PhoneFusion will be responsible for the payment of the \$800,000 due and owing to DK. PhoneFusion paid \$75,000 to DK on closing and will pay DK \$5,000 per month beginning March 1, 2017. Once PhoneFusion makes \$325,000 in additional payments to DK, and is not in default of the Settlement Agreement, then DK shall forgive the remainder of the debt that is due and owing. As of September 30, 2020 and December 31, 2019 the total outstanding balance of this debt settlement was \$1,297,500 and \$1,342,500, respectively, of which \$60,000 and \$60,000 is presented as the current portion of debt settlement on the unaudited consolidated balance sheet, respectively.

NOTE 13 – DERIVATIVE LIABILITY

Effective July 31, 2009, the Company adopted ASC 815 which defines determining whether an instrument (or embedded feature) is solely indexed to an entity's own stock. The conversion price of the Series B Preferred Stock is variable and subject to the fair value of the Company's common stock on the date of exercise. As a result, the Company has determined that the conversion feature is not considered to be solely indexed to the Company's own stock and is therefore not afforded equity treatment. In accordance with ASC 815, the Company has bifurcated the conversion feature of the instruments to be recorded as a derivative liability.

ASC 815 requires Company management to assess the fair market value of derivatives at each reporting period and recognize any change in the fair market value as items of other income or expense. The Company's only asset or liability measured at fair value on a recurring basis is its derivative liability associated with the Series B Preferred Stock.

At origination and subsequent revaluations, the Company valued the derivative liability using the Black-Scholes options pricing model under the following assumptions:

	September 30, 2020
Risk-free interest rate	0.11% – 2.84%
Expected options life (in years)	1.25 – 4.75
Expected dividend yield	-
Expected price volatility	181% – 385%

During the nine months ended September 30, 2020, the Company's derivative liability was \$337,331 and recognized a loss on derivative liability of \$271,849 in conjunction with revaluations of existing derivative liabilities.

During the year ended December 31, 2019, the Company's derivative liability was \$65,482 and recognized a gain on derivative liability of \$73,523 in conjunction with revaluations of existing derivative liabilities.

NOTE 14 – RELATED PARTY TRANSACTIONS

In addition to the related party loans receivable, the Company occupies approximately 3,200 rentable square feet and pays monthly rent in the amount of \$3,851. This amount is the equivalent of approximately \$15 per square foot per year which is on par with the real

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estate market place in the surrounding area for comparable premises. The property is owned by an officer and the term of the lease is for 36 months ending July 31, 2016. Effective July 31, 2016, this lease has been renewed on a year to year basis.

As of September 30, 2020 and December 31, 2019, the Company advanced \$149,572 and \$148,823, respectively, to two officers and a business that is related to an officer of the Company.

NOTE 15 – STOCKHOLDERS' DEFICIT

The Company's authorized capital stock consists of 750,000,000 shares of common stock, \$0.001 par value per share, and 15,000,000 shares of preferred stock, par value \$0.001 per share. As of September 30, 2020 and December 31, 2019, there were 12,005,330 and 12,005,330 shares of common stock issued and outstanding, respectively, 6,750,000 and 6,750,000 of Series A Convertible Preferred Stock issued and outstanding, respectively, and 30,000 and 30,000 of Series B Convertible Preferred Stock issued and outstanding, respectively.

Preferred Stock

Our board of directors has the authority, without stockholder approval, to issue up to 15,000,000 shares of preferred stock, \$0.001 par value, of which 10,000,000 shares are designated as Series A Convertible Preferred Stock and 30,000 shares are designated as Series B Convertible Preferred Stock. The authorized preferred stock may be issued by the Board of Directors in one or more series and with the rights, privileges and limitations of the preferred stock determined by the Board of Directors. The rights, preferences, powers and limitations on different series of preferred stock may differ with respect to dividend rates, amounts payable on liquidation, voting rights, conversion rights, redemption provisions, sinking fund provisions, and other matters.

Series A Convertible Preferred Stock

The Company is authorized to issue 10,000,000 shares of Series A Convertible Preferred Stock with a stated value of \$1.00 and a par value of \$0.001. The terms of the Series A Convertible Preferred Stock are as follows:

- (i) Dividends – At issuance, there are no dividends due or payable on the Series A Convertible Preferred Stock. Any future terms with respect to dividends shall be determined by Board, consistent with the Company's certificate of incorporation.
- (ii) Liquidation and Redemption Rights – In the event of any liquidation, dissolution or winding up of the affairs of the Company, whether voluntary or involuntary, the holder of Series A Convertible Preferred Stock is entitled to receive assets of the Company, before the holders of Series B Preferred Stock or Common Stock. The Series A Convertible Preferred shall have first priority or preference with respect to any distribution of any Company assets.
- (iii) Rank – All shares of the Series A Convertible Preferred Stock rank:
 - a. Senior to the Company's common stock and any other class or series of capital stock of the Company subsequently created,
- (iv) Voting – The holder of Series A Convertible Preferred Stock shall not be entitled to vote
- (v) Conversion – All shares of Series A Convertible Preferred Stock are convertible into shares of Common Stock at a share price of \$1.00 per share.

Series B Convertible Preferred Stock

The Company is authorized to issue 30,000 shares of Series B Convertible Preferred Stock with a stated value of \$1.00 and a par value of \$0.001. The terms of the Series B Convertible Preferred Stock are as follows:

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- (i) Dividends – At issuance, there are no dividends due or payable on the Series B Convertible Preferred Stock. Any future terms with respect to dividends shall be determined by Board, consistent with the Company's certificate of incorporation.
- (ii) Liquidation and Redemption Rights – In the event of any liquidation, dissolution or winding up of the affairs of the Company, whether voluntary or involuntary, the holder of Series B Convertible Preferred Stock shall automatically have their shares converted into Common Stock at the applicable conversion rate.
- (iii) Rank – All shares of the Series B Preferred Stock rank:
 - a. Senior to the Company's common stock and any other class or series of capital stock of the Company subsequently created,
 - b. Junior to the Series A Preferred Stock
- (iv) Voting – The holder of Series B Convertible Preferred Stock shall be entitled to cast the number of votes equal to the number of whole shares of Common Stock into which the shares of Series B Convertible Preferred Stock held by such holder are convertible as of the record date for determining shareholders entitled to vote on such matter.
- (v) Conversion – Each share of Series B Convertible Preferred Stock is convertible into shares of Common Stock at a share rate equal to 0.1% of the total number of shares of Common Stock outstanding at the date of conversion.

Common Stock

The Company did not issue any common stock for the nine months ended September 30, 2020 and 2019.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

Commencing August 1, 2013, The Company leased its office facilities from an officer of the Company under a three year operating lease agreement expiring July 31, 2016. Effective July 31, 2016, this lease has been renewed on a year to year basis.

NOTE 17 – SUBSEQUENT EVENTS

On December 3, 2020, the Company entered into a grid promissory note for \$10,000 from a third party. The note is due on December 3, 2021, and bears simple interest of 4%. In the event of default, the interest will accrue at a rate equal to the lesser of 1½% per month, or the maximum rate allowed by law, compounded monthly, until paid.

On December 24, 2020, the Company entered into a grid promissory note for \$2,500 from a third party. The note is due on December 24, 2021, and bears simple interest of 4%. In the event of default, the interest will accrue at a rate equal to the lesser of 1½% per month, or the maximum rate allowed by law, compounded monthly, until paid.

On December 30, 2020, the Company entered into a grid promissory note for \$6,000 from a third party. The note is due on December 30, 2021, and bears simple interest of 4%. In the event of default, the interest will accrue at a rate equal to the lesser of 1½% per month, or the maximum rate allowed by law, compounded monthly, until paid.

On February 1, 2021 a third party converted \$5,900 of the principal balance of their convertible note payable issued on January 16, 2018 into 590,000 shares of the Company's common stock at a conversion rate of \$0.01 per share.

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On March 18, 2021, the Company entered into a grid promissory note for \$15,000 from a third party, with the possibility of further proceeds to the Company with the same terms. The note is due on March 18, 2022, and bears simple interest of 4%. In the event of default, the interest will accrue at a rate equal to the lesser of 1½% per month, or the maximum rate allowed by law, compounded monthly, until paid.

Management has evaluated all transactions and events after the balance sheet date through the date on which these financials were available to be issued and has determined that no additional disclosures are required.