

TPT Global Tech, Inc.

CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

As of

September 30, 2018

TPT Global Tech, Inc.

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TPT Global Tech, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

	As of	
	September 30, 2018	December 31, 2017
	(Unaudited)	
CURRENT ASSETS		
Cash and cash equivalents	\$ 16,794	\$ 36,380
Accounts receivable, net	687,149	25,385
Prepaid expenses and other current assets	196,058	14,059
Total current assets	\$ 900,001	\$ 75,824
NON-CURRENT ASSETS		
Property and equipment, net	\$ 3,118,532	\$ 2,814,067
Customer base, net	468,142	29,998
Developed technology, net	5,331,269	5,724,935
Film Library, net	972,800	---
Goodwill	559,995	70,995
Deposits and other assets	71,025	57,469
Total non-current assets	\$ 10,521,763	\$ 8,697,464
TOTAL ASSETS	\$ 11,421,764	\$ 8,773,288

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 3,579,038	\$ 2,401,028
Accrued interest on debt	302,244	182,452
Current portion of debt – third party	697,965	195,106
Current portion of debt – third party, convertible	10,000	---
Current portion of debt – related party, net of discount	9,131,078	7,557,590
Current portion of debt – related party, convertible	205,688	250,000
Customer liability	338,725	338,725
Capital leases	119,089	101,347
Capital leases – related party	449,103	449,103
Accrued interest related to capital leases	166,162	135,217
Vehicle leases	882	5,195
Deferred revenue	2,306	10,925
Total current liabilities	\$ 15,002,281	\$ 11,626,688
NON-CURRENT LIABILITIES		
Long term portion:		
Debt – third party, net of current portion	\$ 5,000	\$ 2,819
Debt – related party, convertible, net of current portion	476,200	62,000
Total non-current liabilities	481,200	64,819
Total liabilities	\$ 15,483,481	\$ 11,691,507
Commitments and contingencies – See Note 8	---	---

STOCKHOLDERS' DEFICIT

Preferred stock, \$.001 par value 100,000,000 shares authorized:

Convertible Preferred Series A - 1,000,000 shares issued and outstanding as of September 30, 2018 and December 31, 2017	\$	1,000	\$	1,000
Convertible Preferred Series B - 2,588,693 shares issued and outstanding as of September 30, 2018 and December 31, 2017		2,589		2,589
Convertible Preferred Series C – 3,000,000 shares designated, zero shares issued and outstanding as of September 30, 2018 and December 31, 2017		---		---

Common stock, \$.001 par value, 1,000,000,000 shares authorized, 136,953,904 shares issued and outstanding as of September 30, 2018 and December 31, 2017		136,954		136,954
Subscriptions payable		59,943		25,235
Additional paid-in capital		12,471,077		10,341,442
Accumulated deficit		(16,733,280)		(13,425,439)
Total stockholders' deficit		<u>(4,061,717)</u>		<u>(2,918,219)</u>

TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$	<u>11,421,764</u>	\$	<u>8,773,288</u>
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See accompanying notes to condensed unaudited consolidated financial statements.

TPT Global Tech, Inc.
CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
REVENUES:				
Products	\$ 26,650	\$ 130,051	\$ 105,080	\$ 404,126
Services	174,825	347,133	535,624	1,378,596
Total Revenues	<u>\$ 201,475</u>	<u>\$ 477,184</u>	<u>\$ 640,704</u>	<u>\$ 1,782,722</u>
COST OF SALES:				
Products	\$ 27,609	\$ 128,181	\$ 110,004	\$ 393,296
Services	286,956	224,804	725,020	938,426
Total Costs of Sales	<u>\$ 314,565</u>	<u>\$ 352,985</u>	<u>\$ 835,024</u>	<u>\$ 1,331,722</u>
Gross profit (loss)	<u>\$ (113,090)</u>	<u>\$ 124,199</u>	<u>\$ (194,320)</u>	<u>\$ 451,000</u>
EXPENSES:				
Sales and marketing	\$ 9,225	\$ 18,981	\$ 49,123	\$ 32,302
Professional	474,861	162,509	1,153,540	609,920
Payroll and related	193,824	84,424	564,580	364,777
General and administrative	175,570	186,847	495,306	626,862
Depreciation	53,151	43,873	140,897	131,619
Amortization	182,523	228,685	551,723	686,055
Total expenses	<u>\$ 1,089,155</u>	<u>\$ 725,319</u>	<u>\$ 2,955,170</u>	<u>\$ 2,451,515</u>
OTHER INCOME (EXPENSE)				
Derivative expense	---	(7,912)	---	(7,912)
Interest expense	(79,810)	(44,465)	(158,351)	(122,135)
Total other income expenses	<u>\$ (79,810)</u>	<u>\$ (52,377)</u>	<u>\$ (158,351)</u>	<u>\$ (130,047)</u>
Net loss before income taxes	(1,282,055)	(653,497)	(3,307,841)	(2,130,562)
Income taxes	---	---	---	---
NET LOSS	<u><u>\$ (1,282,055)</u></u>	<u><u>\$ (653,497)</u></u>	<u><u>\$ (3,307,841)</u></u>	<u><u>\$ (2,130,562)</u></u>
Loss per common share: Basic and diluted	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>	<u>\$ (0.02)</u>	<u>\$ (0.02)</u>
Weighted average number of common shares outstanding:				
Basic and diluted	<u>136,953,904</u>	<u>136,953,904</u>	<u>136,953,904</u>	<u>136,953,904</u>

See accompanying notes to condensed unaudited consolidated financial statements

TPT Global Tech, Inc.
CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the nine months ended September 30,
2018 **2017**

Cash flows from operating activities:		
Net loss	\$ (3,307,841)	(2,130,562)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	140,897	131,619
Amortization	551,723	686,055
Accretion of interest	---	3,104
Derivative expense	---	7,912
Share-based compensation: Common stock	615,684	3,764
Stock options	152,879	---
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	25,098	(30,642)
Decrease (increase) in prepaid expenses and other assets	(719)	179,258
Increase in accounts payable and accrued expenses	1,006,076	515,191
Increase in customer liability	---	89,375
Increase (decrease) in other liabilities	(20,025)	6,779
Net cash used in operating activities	\$ (836,228)	(538,187)
Cash flows from investing activities:		
Net cash received from acquisition	\$ 41,927	---
Net cash provided by investing activities	\$ 41,927	---
Cash flows from financing activities:		
Proceeds from stock subscriptions	367,500	35,000
Proceeds from debt – related party	439,300	400,500
Proceeds from debt – third party	21,064	94,933
Payments for debt and leases	(48,836)	(61,567)
Payments on leases	(4,313)	(8,388)
Net cash provided by financing activities	\$ 774,715	460,478
Net decrease in cash	\$ (19,586)	(77,709)
Cash and cash equivalents - beginning of period	\$ 36,380	93,286
Cash and cash equivalents - end of period	\$ 16,794	15,577

See accompanying notes to condensed unaudited consolidated financial statements

TPT Global Tech, Inc.
CONDENSED UNAUDITED CONSOLIDATED STATEMENTS
OF CASH FLOWS - CONTINUED

Supplemental Cash Flow Information:

Cash used for:

		2018		2017
Interest expense	\$	---	\$	15,147
Taxes	\$	---	\$	---

Non-Cash Investing and Financing Activity:

		2018		2017
Common stock issued for prepaid expenses	\$	479,250	\$	---
Common stock issued for acquisition	\$	845,000	\$	---
Note Payable issued for acquisition, net of discount	\$	1,533,217	\$	---
Stock subscription used for conversion of debt	\$	2,000	\$	---

See accompanying notes to condensed unaudited consolidated financial statements

TPT Global Tech, Inc.
NOTES TO
CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Company was originally incorporated in 1988 in the state of Florida. TPT Global, Inc., a Nevada corporation formed in June 2014, merged with Ally Pharma US, Inc., a Florida corporation, (“Ally Pharma”, formerly known as Gold Royalty Corporation) in a “reverse merger” wherein Ally Pharma issued 110,000,000 shares of Common Stock, or 80% ownership, to the owners of TPT Global, Inc. in exchange for all outstanding common stock of TPT Global Inc. and Ally Pharma agreed to change its name to TPT Global Tech, Inc. (jointly referred to as “the Company” or “TPTG”).

The following acquisitions have resulted in entities or assets which have been consolidated into TPTG. In 2014 the Company acquired all the assets of K Telecom and Wireless LLC (“K Telecom”) and Global Telecom International LLC (“Global Telecom”). Effective January 31, 2015, TPTG completed its acquisition of 100% of the outstanding stock of Copperhead Digital Holdings, Inc. (“Copperhead Digital”) and Subsidiaries, TruCom, LLC (“TruCom”), Nevada Utilities, Inc. (“Nevada Utilities”) and CityNet Arizona, LLC (“CityNet”). In October 2015, the Company acquired the assets of Port2Port Inc. (“Port2Port”) and Digithrive Inc. (“Digithrive”). Effective September 30, 2016, the company acquired 100% ownership in San Diego Media Inc. (“SDM”). In December 2016, we acquired the Lion Phone technology. In October and November 2017, we entered into agreements to acquire Blue Collar, Inc. (“Blue Collar”), and certain assets of Matrixsites, Inc. (“Matrixsites”) which we have completed. The Blue Collar transaction closed as of September 1, 2018 and the acquisition of certain assets of Matrixsites closed on October 31, 2017.

We are based in San Diego, California, and operate as a Media Content Hub for Domestic and International syndication Technology/Telecommunications company operating on our own proprietary Global Digital Media TV and Telecommunications infrastructure platform and also provide technology solutions to businesses domestically and worldwide. We offer Software as a Service (SaaS), Technology Platform as a Service (PAAS), Cloud-based Unified Communication as a Service (UCaaS) and carrier-grade performance and support for businesses over our private IP MPLS fiber and wireless network in the United States. Our cloud-based UCaaS services allow businesses of any size to enjoy all the latest voice, data, media and collaboration features in today's global technology markets. We also operate as a Master Distributor for Nationwide Mobile Virtual network Operators (MVNO) and Independent Sales Organization (ISO) as a Master Distributor for Pre-Paid Cellphone services, Mobile phones, Cellphone Accessories and Global Roaming Cellphones.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared according to the instructions to Form 10-Q and Section 210.8-03(b) of Regulation S-X of the Securities and Exchange Commission (“SEC”) and, therefore, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been omitted.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine months ended September 30, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018.

These condensed consolidated financial statements should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2017. The condensed consolidated balance sheet at September 30, 2018, has been derived from the consolidated financial statements at that date, but does not include all of the information and footnotes required by GAAP.

Our condensed consolidated financial statements include the accounts of K Telecom and Global Telecom, Copperhead Digital, SDM and Blue Collar. All intercompany accounts and transactions have been eliminated in consolidation.

Basic and Diluted Net Income (Loss) Per Share

The Company computes net income (loss) per share in accordance with ASC 260, “Earning per Share”. ASC 260 requires presentation of both basic and diluted earnings per share (“EPS”) on the face of the income statement. Basic EPS is computed by dividing net income (loss) available to common shareholder (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti-dilutive.

Accordingly, as of September 30, 2018, the Company excluded the following common stock equivalents from dilutive EPS:

Series A Preferred Stock	126,806,506
Series B Preferred Stock	2,588,692
Stock Options	3,093,120
Convertible Debt	<u>3,381,775</u>
	<u>135,870,093</u>

Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results will differ and could differ materially from those estimates.

Financial Instruments and Fair Value of Financial Instruments

Our primary financial instruments at September 30, 2018 and 2017 consisted of cash equivalents, accounts receivable, accounts payable and debt. We apply fair value measurement accounting to either record or disclose the value of our financial assets and liabilities in our financial statements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A fair value hierarchy requires an entity to maximize the use of observable inputs, where available, and minimize the use of unobservable inputs when measuring fair value.

Described below are the three levels of inputs that may be used to measure fair value:

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

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Recently Adopted Accounting Pronouncements

On January 1, 2018, we adopted the new accounting standard ASC 606, *Revenue from Contracts with Customers*, and all of the related amendments (“New Revenue Standard”). In our evaluations and in adopting the modified retrospective approach for contracts and revenue in general, there was no difference in our revenue recognition practices upon adoption that resulted in adjustments material to the consolidated financial statements. We expect the impact of the adoption of the New Revenue Standard to continue to be immaterial on an ongoing basis. The majority of our revenue continues to be recognized per our policy described below.

In June 2018, the FASB issued ASU No. 2018-07, *Improvements to Nonemployee Share-Based Payment Accounting*, which amends ASC 718, *Compensation – Stock Compensation*. This ASU requires that most of the guidance related to stock compensation granted to employees be followed for non-employees, including the measurement date, valuation approach, and performance conditions. The expense is recognized in the same period as though cash were paid for the good or service. The effective date is the first quarter of fiscal year 2020,

with early adoption permitted, including in interim periods. The ASU has been adopted using a modified-retrospective transition approach. The adoption is not considered to have a material effect on the consolidated financial statements.

Management has reviewed other recently issued accounting pronouncements and have determined there are not any that would have a material impact on the condensed consolidated financial statements.

Revenue Recognition Policy

We have been recognizing revenue in prior years when the following four basic criteria have been met: (1) persuasive evidence of an arrangement exists, (2) delivery has occurred or services have been rendered, (3) the fee is fixed or determinable and (4) collection is reasonably assured. On a going forward basis, we will follow the New Revenue Standard with the following five criteria as part of our process 1) identify the contract, 2) identify separate performance obligations, 3) determine the transaction price, 4) allocate the transaction price among the performance obligations, and 5) recognize revenue when the performance obligations are satisfied.

Revenue generated from product sales, cell phones and telecommunications equipment, is recognized as revenue upon transfer of the title and risk of loss of the products to third-party customers, less a reserve for estimated product returns and other incentive arrangements including rebates.

Revenue generated from sales of telecommunications services are recognized as the transaction with the customer is considered closed and begins receiving and accepts the services that were the result of the transaction.

For products that include installation, if the installation meets the criteria to be considered a separate element, product revenue is recognized upon delivery, and installation revenue is recognized when the installation is complete. For sales that include customer-specified acceptance criteria, revenue is recognized after the acceptance criteria have been met. Certain of our products require specialized installation. Revenue for these products is deferred until installation is completed. Revenue from services is deferred and recognized over the contractual period, or as services are rendered and accepted by the customer. Some of our sales transactions qualify as multiple-element arrangements which require us to identify separate units of accounting within the arrangement and allocate the transaction consideration across these separate accounting units. For arrangements that include non-software elements, the transaction's consideration is allocated to each unit of accounting based on its relative selling price. When applying the relative selling price method, the selling price of each deliverable is determined based upon the following hierarchy of evidence: vendor-specific objective evidence, which is generally based upon historical prices in stand-alone transactions; third-party evidence, which is generally based on market data on sales of similar products and services, if available; and management's best estimate of selling price. Management's best estimate of selling price is generally based upon the following considerations: stand-alone sales prices, established price lists, costs to produce and profit margins for similar products.

For cloud-based solutions, we use the relative fair value method to allocate transaction consideration to each unit of accounting, whereby the evidence used in the determination of fair value estimates are based solely on vendor specific objective evidence. To the extent that vendor specific objective evidence does not exist for delivered elements of the transaction, we apply the residual method.

With regard to media production services, we receive oral and written agreements from each client to perform defined work. Work may include creation of marketing materials and/or content creation and may be short term or long term. The agreements reflect the expected performance obligations and milestones and understandings of the transaction price and details. When the performance obligations and milestones are met, we recognize transaction prices that are allocated or applicable to those performance obligations and milestones.

Reclassifications

Certain prior period amounts were reclassified to conform to the current period presentation.

NOTE 2 – ACQUISITIONS

Blue Collar Acquisition

The Company entered into an Acquisition and Purchase Agreement on November 3, 2017, but amended on February 9, 2018, March 29, 2018 and August 16, 2018, to be effective September 1, 2018 with Blue Collar Inc. (“Blue Collar”), a Media Production and California Corporation and its shareholders, to acquire 100% of the outstanding ownership of Blue Collar, including equipment, furniture and other assets, for 6,500,000 shares of restricted Common Stock and \$1,600,000 (which was determined to have a fair value of approximately \$1,533,000) in a Seller note payable that is to be paid within eight months of September 1,

2018, as amended in August 2018, and bears annual interest of 3% (12% interest upon default). See Notes 7 and 11. The acquisition is a key element in the Company's overall strategic plans. Control took place on September 1, 2018 with the addition of senior company personnel being added to the Board of Directors of Blue Collar and on all bank accounts, among other things.

The Company applied the acquisition method of accounting to the business combination and has valued each of the assets acquired and liabilities. The assets and liabilities were deemed to be recorded at fair value as of the acquisition date of September 1, 2018. The preliminary allocation of the purchase price was based on estimates of the fair value of the assets and liabilities assumed based on provisional amounts. The allocation of the excess purchase price is not final and the amounts allocated to intangible assets are subject to change pending the completion of final valuations of certain assets and liabilities as follows:

Provisional Purchase Price Allocation:

	TPT Global Tech
Effective	9-1-18
Purchaser	TPT Global Tech
Consideration Given:	
Common Stock	<u>6,500,000</u>
	6,500,000
Estimated Value	<u>\$.13</u>
Consideration Share Value	845,000
Note Payable	\$1,533,217
Liabilities:	
Bank debt	500,500
Lease payable	17,742
Accounts and other payables	<u>349,250</u>
Total Consideration Value	<u>\$3,245,709</u>
Consideration Received:	
Intangibles	\$2,058,000
Assets	
Current assets	728,790 (1)
Fixed assets	445,362
Other assets	<u>13,557</u>
Total Consideration Received	<u>\$3,245,709</u>

(1) Included is a receivable of \$424,531 that is provisional due to the fact that it represents a balance owing from a prior year media production customer completed contract, which is in the process of being verified by the Company and the customer.

Had the acquisition occurred on January 1, 2017, condensed proforma statement of operations for the nine months ended September 30, 2018 and 2017 would be as follows:

		<u>2018</u>		<u>2017</u>
Revenue	\$	1,999,181	\$	3,171,033
Cost of Sales		<u>1,460,895</u>		<u>2,113,710</u>
Gross Profit (Loss)	\$	538,286	\$	1,057,323
Expenses		(3,421,791)		(2,987,844)
Interest Expense		(202,127)		(164,682)
Income taxes		---		---
Net Loss	\$	<u>(2,681,378)</u>	\$	<u>(2,095,203)</u>

Included in the consolidated statement of operations for the nine months ended September 30, 2018 are the September results of operations for Blue Collar which are the following:

		<u>2018</u>
Revenue	\$	46,218
Cost of Sales		<u>61,694</u>
Gross Profit (Loss)	\$	(15,476)
Expenses		(66,311)
Interest Expense		(5,214)
Income taxes		---
Net Loss	\$	<u>(87,001)</u>

Total Industrial Plant Services, Inc. Acquisition and Subsequent Termination

On April 18, 2018, the Company entered into an Acquisition and Purchase Agreement in draft form with Total Industrial Plant Services, Inc. (“TIPS”), a Texas Corporation and its shareholders, to acquire the assets, intellectual property and technology for 3,000,000 shares of restricted Common Stock and \$2,500,000 payable at closing. A condition upon closing was that TIPS’ financial information, including existing contracts and projected contract revenue levels, was to be audited by a SEC Certified Public Accounting firm in accordance with SEC requirements.

Shortly after the date of the agreement, which was in draft form, the Company determined that the terms under the Acquisition and Purchase Agreement, on TIPS’ part, were unperformable and that several representations made by TIPS were not accurate. As such, the Company verbally terminated the Acquisition and Purchase Agreement. On August 29, 2018, the Company gave written notice of termination to TIPS.

Separately, during the due diligence phase, the Company extended TIPS \$37,950 in working capital. The Company was working with TIPS on a repayment plan but has made the determination to provide for an allowance for bad debt of 100% of this balance as of September 30, 2018.

HRS Agreement and Subsequent Rescission

On November 1, 2017, as amended February 9, 2018, the Company entered into an Acquisition and Purchase Agreement with Hollywood Riviera LLC and HRS Mobile LLC and their members who share common ownership to acquire 100% ownership interest in both of these companies for 3,265,000 restricted Common Stock and, and \$3,350,000 in cash to be used to retire debt and pay for ownership interests. In conjunction with this Acquisition, 3,265,000 shares of restricted Common Stock were issued during 2017. On March 28, 2018, by mutual agreement, this Agreement was rescinded and the 3,625,000 shares of common stock are being returned by the recipients and have been recorded as \$3,625 in stock subscription receivable as of September 30, 2018. These common shares have yet to be returned as of the issuance of these financial statements.

NOTE 3 – GOING CONCERN

The accompanying unaudited condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern.

Cash flows generated from operating activities were not enough to support all working capital requirements for the nine months ended September 30, 2018 and 2017. Financing activities described below, have helped with working capital and other capital requirements. We incurred \$3,307,841 and \$2,130,562, respectively, in losses, and we used \$836,228 and \$538,187, respectively, in cash for operations for the nine months ended September 30, 2018 and 2017. Cash flows from financing activities were \$774,715 and \$460,478 for the same periods. These factors raise substantial doubt about the ability of the Company to continue as a going concern for a period of one year from the issuance of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Subsequent to September 30, 2018, shareholders extended loans to the Company in the amount of approximately \$85,600 into debt that is convertible one dollar into one share of sock of Series C Preferred Stock that has been designated convertible into common stock at

\$0.15 per share and includes terms similar to the other Preferred Stock. In addition, related parties advanced the Company \$19,000 with no terms.

In order for us to continue as a going concern for a period of one year from the issuance of these financial statements, we will need to obtain additional debt or equity financing and look for companies with cash flow positive operations that we can acquire. There can be no assurance that we will be able to secure additional debt or equity financing, that we will be able to acquire cash flow positive operations, or that, if we are successful in any of those actions, those actions will produce adequate cash flow to enable us to meet all our future obligations. Most of our existing financing arrangements are short-term. If we are unable to obtain additional debt or equity financing, we may be required to significantly reduce or cease operations.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment and related accumulated depreciation as of September 30, 2018 and December 31, 2017 are as follows:

		<u>2018</u>	<u>2017</u>
Property and equipment	\$	3,743,305	3,297,943
Accumulated depreciation		<u>(624,773)</u>	<u>(483,876)</u>
Property and equipment, net	\$	<u>3,118,532</u>	<u>2,814,067</u>

Depreciation expense was \$140,897 and \$131,619 for the nine months ended September 30, 2018 and 2017, respectively.

NOTE 5 – DEBT FINANCING ARRANGEMENTS

Financing arrangements as of September 30, 2018 and December 31, 2017 are as follows:

		<u>2018</u>	<u>2017</u>
Business loans and advances (1)	\$	619,056	114,016
Convertible debt (2)		15,000	5,000
Factoring agreement (3)		<u>78,909</u>	<u>78,909</u>
Debt – third party	\$	<u>712,965</u>	<u>197,925</u>
Line of credit, related party secured by assets (4)	\$	3,043,390	3,043,390
Debt– other related party, net of discounts (5)		5,883,217	4,350,000
Convertible debt – related party (2)		681,888	312,000
Shareholder debt (6)		<u>204,471</u>	<u>164,200</u>
Debt – related party	\$	<u>9,812,966</u>	<u>7,869,590</u>
Total financing arrangements	\$	<u>10,525,931</u>	<u>8,067,515</u>
Less current portion:			
Debt – third party	\$	(707,965)	(195,106)
Debt – related party		<u>(9,336,766)</u>	<u>(7,807,590)</u>
		(10,044,731)	(8,002,696)
Total long term debt	\$	481,200	64,819

- (1) The terms of \$40,000 of this balance are similar to that of the Line of Credit which bears interest at adjustable rates, 1 month Libor plus 2%, 3.91% as of September 30, 2018, and is secured by assets of the Company, is due August 31, 2019, as amended, and included 8,000 stock options as part of the terms (see Note 7). \$500,500 is a line of credit that Blue Collar has with a bank, bears interest at Prime plus 1.125%, 6.13% as of September 30, 2018, and is due March 25, 2021. \$10,000 is an amount the bears interest at 6% when funded and through September 30, 2018, subsequently increased to 11% as it was due and not repaid on October 10, 2018. The remaining balances generally bear interest at approximately 10%, have maturity dates that are due on demand or are past due, are unsecured and are classified as current in the balance sheets.

- (2) During 2017, the Company issued convertible promissory notes in the amount of \$67,000 (comprised of \$62,000 from two related parties and \$5,000 from a former officer of CDH), all which are due May 1, 2020 and bear 6% annual interest (12% default interest rate). The convertible promissory notes are convertible, as amended, at \$0.25 per share. During 2016, the Company acquired SDM which consideration included a convertible promissory note for \$250,000 due August 31, 2018, as amended, does not bear interest, unless delinquent in which the interest is 12% per annum, and is convertible into common stock at \$1.00 per share. The SDM balance is \$205,688 as of September 30, 2018. During 2018, the Company issued convertible promissory notes in the amount of \$414,200 to related parties and \$10,000 to a non-related party which bear interest at 6% (11% default interest rate), are due 30 months from issuance and are convertible into Series C Preferred Stock at \$1.00 per share. Because the Series C Preferred Stock has a conversion price of \$0.15 per share, the issuance of Series C Preferred Stock promissory notes will cause a beneficial conversion feature of approximately \$39,000 upon exercise of the convertible promissory notes.
- (3) The Factoring Agreement with full recourse, due August 31, 2019, as amended, was established in June 2016 with a company that is controlled by a shareholder and is personally guaranteed by an officer of the Company. The Factoring Agreement is such that the Company pays a discount of 2% per each 30-day period for each advance received against accounts receivable or future billings. The Company was advanced funds from the Factoring Agreement for which \$78,909 in principal remained unpaid as of September 30, 2018 and December 31, 2017, respectively.
- (4) The Line of Credit originated with a bank and was secured by the personal assets of certain shareholders of Copperhead Digital. During 2016, the Line of Credit was assigned to the Copperhead Digital shareholders, who subsequent to the Copperhead Digital acquisition by TPTG became shareholders of TPTG, and the secured personal assets were used to pay off the bank. The Line of Credit bears a variable interest rate based on the 1 Month LIBOR plus 2.0%, 3.91% as of September 30, 2018, is payable monthly, and is secured by the assets of the Company. 1,000,000 shares of Common Stock of the Company have been reserved to accomplish raising the funds to pay off the Line of Credit. Since assignment of the Line of Credit to certain shareholders, which balance on the date of assignment was \$2,597,790, those shareholders have loaned the Company \$445,600 under the similar terms and conditions as the line of credit but most of which were also given stock options totaling 85,120 (see Note 7) and is due, as amended, August 31, 2019. During the nine months ended September 30, 2018, those same shareholders have loaned the Company money in the form of convertible loans of \$399,700 described in (2) above.
- (5) \$350,000 represents cash due to the prior owners of the technology acquired in December 2016 from the owner of the Lion Phone which is due to be paid as agreed by TPTG and the former owners of the Lion Phone technology and has not been determined. \$4,000,000 represents a promissory note included as part of the consideration of ViewMe Live technology acquired in 2017, later agreed to as being due and payable in full, with no interest with \$2,000,000 from debt proceeds intended to be obtained in the second or third quarter of 2018 and the remainder from proceeds from the second Company public offering intended to be in 2018. On September 1, 2018, the Company closed on its acquisition of Blue Collar. Part of the acquisition included a promissory note of \$1,600,000 (fair value of \$1,533,217, net of a discount to fair value of \$66,783 which will be amortized through expense through the due date of May 1, 2019) and interest at 3% from the date of closure. The promissory note is secured by the assets of Blue Collar.
- (6) The shareholder debt represents funds given to TPTG or subsidiaries by officers and managers of the Company as working capital. There are no written terms of repayment or interest that is being accrued to these amounts and they will only be paid back, according to management, if cash flows support it. They are classified as current in the balance sheets. Subsequent to September 30, 2018, an officer of the Company loaned the Company \$19,000 with no terms identified.

See Lease financing arrangement in Note 8.

NOTE 6 - INCOME TAXES

The Company has approximately \$4,500,000 net operating loss carry forwards as of September 30, 2018, which expire in varying amounts, if unused.

NOTE 7 - STOCKHOLDERS' EQUITY

Preferred Stock

As of September 30, 2018, we had authorized 100,000,000 shares of Preferred Stock, of which certain shares had been designated as Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock.

Series A Convertible Preferred Stock

In February 2015, the Company designated 1,000,000 shares of Preferred Stock as Series A Preferred Stock.

The Series A Preferred Stock was designated in February 2016, has a par value of \$.001, is redeemable at the Company's option at \$100 per share, is senior to any other class or series of outstanding Preferred Stock or Common Stock and does not bear dividends. The Series A Preferred Stock has a liquidation preference immediately after any Senior Securities, as defined, and of an amount equal to \$100 per share. Holders of the Series A Preferred Stock shall, collectively have the right to convert all of their Series A Preferred Stock when conversion is elected into that number of shares of Common Stock of the Company, determined by the following formula: 60% of the issued and outstanding Common Shares as computed immediately after the transaction for conversion. For further clarification, the 60% of the issued and outstanding common shares includes what the holders of the Series A Preferred Stock may already hold in common shares at the time of conversion. The Series A Preferred Stock, collectively, shall have the right to vote as if converted prior to the vote to an amount of shares equal to 60% of the outstanding Common Stock of the Company.

In February 2015, the Board of Directors authorized the issuance of 1,000,000 shares of Series A Preferred Stock to Stephen Thomas, Chairman, CEO and President of the Company, valued at \$3,117,000 for compensation expense.

Series B Convertible Preferred Stock

In February 2015, the Company designated 3,000,000 shares of Preferred Stock as Series B Convertible Preferred Stock. There are 2,588,693 shares of Series B Convertible Preferred Stock outstanding as of September 30, 2018.

The Series B Preferred Stock was designated in February 2015, has a par value of \$.001, is not redeemable, is senior to any other class or series of outstanding Preferred Stock, except the Series A Preferred Stock, or Common Stock and does not bear dividends. The Series B Preferred Stock has a liquidation preference immediately after any Senior Securities, as defined and currently the Series A Preferred Stock, and of an amount equal to \$2.00 per share. Holders of the Series B Preferred Stock have a right to convert all or any part of the Series B Preferred Shares and will receive an equal amount of common shares at the conversion price of \$2.00 per share. The Series B Preferred Stock holders have a right to vote on any matter with holders of Common Stock and shall have a number of votes equal to that number of Common Shares on a one to one basis.

Series C Convertible Preferred Stock

In May 2018, the Company designated 3,000,000 shares of Preferred Stock as Series C Convertible Preferred Stock. There are no shares of Series C Convertible Preferred Stock outstanding as of September 30, 2018.

The Series C Preferred Stock was designated in May 2018, has a par value of \$.001, is not redeemable, is senior to any other class or series of outstanding Preferred Stock, except the Series A and Series B Preferred Stock, or Common Stock and does not bear dividends. The Series C Preferred Stock has a liquidation preference immediately after any Senior Securities, as defined and currently the Series A and B Preferred Stock, and of an amount equal to \$2.00 per share. Holders of the Series C Preferred Stock have a right to convert all or any part of the Series C Preferred Shares and will receive an equal amount of common shares at the conversion price of \$0.15 per share. The Series C Preferred Stock holders have a right to vote on any matter with holders of Common Stock and shall have a number of votes equal to that number of Common Shares on a one to one basis.

Common Stock and Capital Contributions

As of September 30, 2018, we had authorized 1,000,000,000 shares of Common Stock, of which 136,953,904 common shares are issued and outstanding.

Common Stock Contributions Related to Acquisitions

Effective November 1 and 3, 2017, an officer of the Company contributed 9,765,000 shares of restricted Common Stock to the Company for the acquisition of Blue Collar and HRS. These shares were subsequently issued as consideration for these acquisitions in November 2017. In March 2018, the HRS acquisition was rescinded and 3,625,000 shares of common stock are being returned by the recipients. The other transaction involved 6,500,000 shares for the acquisition of Blue Collar. In March 2018 and again in August 2018, this transaction was amended and closed on September 1, 2018. As such, as of September 30, 2018 both the 3,265,000 shares for the HRS transaction are reflected as subscriptions receivable based on their par value.

Common Stock for Expenses and Liabilities

During the nine months ended September 30, 2018, the Company entered into a two year agreement for legal services. The agreement provided for 4,000,000 shares of restricted common stock to be issued. 2,000,000 to be issued for previous legal services upon execution of the agreement in March 2018 and the remaining 2,000,000 in the form of stock options to purchase common stock at \$0.10 per share, of which the stock options would vest equally over 18 months. The value of the Company's common stock upon execution of the agreement was \$0.125 per share, or \$250,000 which was recorded as professional expenses during 2018. See stock options and warrants discussion below for the value of the 2,000,000 stock options

During the nine months ended September 30, 2018, the Company also entered into a twelve-month general consulting agreement with a third party to provide general business advisory services to be rendered through March 30, 2019 for 1,000,000 restricted shares of common stock and 1,000,000 options to purchase restricted common shares at \$0.10 per share for 36 months from the time of grant. The fair value of the common shares granted was based on the Company's stock price of \$0.155 per share, or \$155,000 of which \$81,808 was expensed during the period for the portion of service term complete as of September 30, 2018.

During the nine months ended September 30, 2018, the Company entered into a consulting agreement for market services for which it granted 2,500,000 shares of restricted common stock and will pay \$50,000. The per share value used was the Company's closing stock price of \$0.1297 on the date of the agreement, or a total of \$324,250. The shares are considered earned over six month of services beginning June 1, 2018. \$54,042 of expense per month will be recorded representing the value of the shares on the consummation date of the agreement amortized over six months or the time of services.

For these three agreements, the underlying stock for the stock options are intended to come from the contribution of stock by an officer of the Company. During the nine months ended September 30, 2018, the Company recorded \$547,976 as stock-based compensation related to these agreements. For future periods, the remaining value of the stock totaling \$180,845 will be amortized into the statement of operations consistent with the period for which the services will be rendered, which is two years for the legal agreement and one year for the general consulting agreement.

Common Stock Payable for Expenses and Liabilities

During the nine months ended September 30, 2018, 16,667 of common shares were subscribed to for a note payable on the balance sheet of \$2,000.

In August 2018, a majority of the outstanding voting shares of the Company voted through a consent resolution to support a consent resolution of the Board of Directors of the Company to add two new directors to the Board. As such, Arkady Shkolnik and Reginald Thomas were added as members of the Board of Directors. The total members of the Board of Directors after this addition is four. In accordance with agreements with the Company for his services as a director, Mr. Shkolnick is to receive \$25,000 per quarter and 5,000,000 shares of restricted common stock valued at approximately \$692,500 vesting quarterly over twenty-four months. The quarterly cash payments of \$25,000 will be paid in unrestricted common shares if the Company has not been funded adequately to make such payments. Mr. Thomas is to receive \$10,000 per quarter and 1,000,000 shares of restricted common stock valued at approximately \$120,000 vesting quarterly over twenty-four months. The quarterly payment of \$10,000 may be suspended by the Company if the Company has not been adequately funded.

Common Stock Contributions by Officer for Cash

During the nine months ended September 30, 2018, 3,675,000 restricted shares of Common Stock were subscribed to from investors for \$367,500 or \$0.10 per share, which stock was contributed by an officer of the Company as a capital contribution.

Stock Options and Warrants

We do not have any warrants outstanding as of September 30, 2018.

Stock options to purchase approximately 3,093,120 shares of common stock of the Company are outstanding as of September 30, 2018 related to debt issuances (see Note 5) at prices ranging from \$0.05 to \$0.22 per share.

In addition, the company granted through consulting arrangements primarily for legal work and general business support that included the issuance of stock options to purchase 3,000,000 options to purchase common shares at \$0.10 per share, 1,000,000 of which is fully vested and 2,000,000 which will vest over 18 months from date of grant. All these stock options have an exercise period of 24 to 36 months. The black scholes model was used to value the stock options. The inputs included the following:

- (1) Dividend yield of 0%
- (2) expected annual volatility of 307% - 311%
- (3) discount rate of 2.2% to 2.3%
- (4) expected life of 2 years, and
- (5) estimated fair value of the Company's common \$0.125 to \$0.155 per share.

During the nine months ended September 30, 2018, the Company recorded \$152,882 as stock-based compensation related to the stock options and the related service period for which services have been rendered. For future periods, the remaining value of the stock options totaling approximately \$243,973 will be amortized into the statement of operations consistent with the period for which the services will be rendered, which is two years for the legal agreement and one year for the general consulting agreement.

The following is a summary of all stock options outstanding as of September 30, 2018:

Grant Purpose	Grant Date	Number	Exercise Price	Expiration Date	Vesting
Part of debt issuance terms	Various prior to 2018	93,120	\$0.05 to \$0.22	12-31-2019	100%
Consulting	3-21-2018	1,000,000	\$0.10	3-20-2021	100%
Legal services	3-1-2018	2,000,000	\$0.10	2-28-2020	Monthly equally over 18 months from grant

Common Stock Reservations

The Company has reserved 1,000,000 shares of Common Stock of the Company for the purpose of raising funds to be used to pay off debt described in Note 5.

We have reserved 20,000,000 shares of Common Stock of the Company to grant to certain employee and consultants as consideration for services rendered and that will be rendered to the Company.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Lease Obligations

Future minimum lease payments are as follows:

<u>Obligation</u>	<u>2018</u>	<u>2019</u>	<u>In Default</u>	<u>Total</u>
Telecom Equipment Finance (1)	\$ -	449,103	--	\$ 449,103
Telecommunications Equipment Lease (2)	-	-	101,347	101,347
Production Equipment Lease (3)	7,605	10,137	--	17,742
Vehicles Leases	882	-	--	882
Total	\$ 8,487	459,240	101,347	\$ 569,074

(1) The Telecom Equipment Lease is with an entity owned and controlled by shareholders of the Company and is due August 31, 2019, as amended.

(2) The Telecommunications Equipment Lease requires payments of \$3,702 per month and is in default. See discussion below in Other Commitments and Contingencies.

(3) The Production Equipment Lease, maturing on April 15, 2019, required payments of \$2,535 per month and includes imputed interest at 8.5%. The lease was entered into in 2015 for the purchase of equipment in the amount of approximately \$120,000 (see Note 2).

Other Commitments and Contingencies

The Company has employment agreements with certain employees of SDM and K Telecom. The agreements are such that SDM and K Telecom, on a standalone basis in each case, must provide sufficient cash flow to financially support the financial obligations within the employment agreements.

In December 2016, a subsidiary's landlord agreed to terminate a facilities lease for 150,000 restricted shares of Common Stock valued at \$43,350 from a capital contribution of an officer of the Company. Subsequent to the agreement, the landlord requested more shares against the Company's agreement. As such, \$40,404 remains in liabilities payable to the landlord and the \$43,350 was expensed as rent previously. The matter is still unresolved. Management does not believe any negative resolution will have a material impact on the Company's consolidated financial statements.

The company has been named in a lawsuit by a former employee who was terminated by management in 2016. The employee was working under an employment agreement but was terminated for breach of the agreement. The former employee is suing for breach of contract and is seeking around \$75,000 in back pay and benefits. Management believes it has good and meritorious defenses and does not believe the outcome of the lawsuit will have any material effect on the financial position of the Company.

In December 2017, the Company learned that the new equipment lease identified herein for \$101,348 was included in a default judgement in a non-jurisdictional state of Pennsylvania for \$169,474 from a lawsuit by the lessor. Management is working with the lessor to settle this matter including a proposal for the equipment to be returned to the lessor and then a negotiated amount for any deficiency between the value given for the retired equipment and the \$101,348. When concluded, management does not believe the results will be significantly different than the liability of \$101,348 and accrued fees and interest of \$23,792 recorded.

As of September 30, 2018, the company has collected \$338,725 from one customer in excess of amounts due from that customer in accordance with the customer's understanding of the appropriate billings activity. The customer has filed a written demand for repayment by the Company of amounts owed. Management believes that the customer agreement allows them to keep the amounts under dispute. Given the dispute, the Company has reflected the amounts in dispute as a customer liability on the consolidated balance sheet as of September 30, 2018 and does not believe the outcome of the dispute will have a material effect on the financial position of the Company.

NOTE 9 – RELATED PARTY ACTIVITY

During the nine months ended September 30, 2018 and 2017, the Company entered into a lease for living space which is occupied by Stephen Thomas, Chairman, CEO and President of the Company. Mr. Thomas lives in the space and uses it as his corporate office. The company has paid approximately \$30,000 in rent and utility payments for this space for the nine months ended September 30, 2018.

There are shares issuances and capital contributions from an officer of the Company. See Note 7. Also, there are debt and lease balances outstanding due to shareholders of the Company. See Notes 5 and 7.

On April 17, 2018, the CEO of the Company, Stephen Thomas, signed an agreement with New Orbit Technologies, S.A.P.I. de C.V., a Mexican corporation, (“New Orbit”), majority owned and controlled by Stephen Thomas, related to a license agreement for the distribution of TPT licensed products, software and services related to Lion Phone and ViewMe Live within Mexico and Latin America (“License Agreement”). The License Agreement provides for New Orbit to receive a fully paid-up, royalty-free, non-transferable license for perpetuity with termination only under situations such as bankruptcy, insolvency or material breach by either party and provides for New Orbit to pay the Company fees equal to 50% of net income generated from the applicable activities. The transaction was approved by the Company’s Board of Directors in June 2018. There has been no activity on this agreement.

As is mentioned in Note 7, Reginal Thomas was appointed to the Board of Directors of the Company in August 2018. Mr. Thomas is the brother to the CEO Stephen J. Thomas III. According to an agreement with Mr. Reginal Thomas, he is to receive \$10,000 per quarter and 1,000,000 shares of restricted common stock valued at approximately \$120,000 vesting quarterly over twenty-four months. The quarterly payment of \$10,000 may be suspended by the Company if the Company has not been adequately funded.

NOTE 10 – GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets are comprised of the following:

	September 30, 2018			
	Gross carrying amount	Accumulated Amortization	Net Book Value	Useful Life
Customer Base	\$ 1,805,910	(1,337,768)	468,142	3-10
Developed Technology	\$ 6,221,600	(890,331)	5,331,269	9-11
Film Library	\$ 981,000	(8,200)	972,800	10
Goodwill	\$ 559,995	---	559,995	---

	December 31, 2017			
	Gross carrying amount	Accumulated Amortization	Net Book Value	Useful Life
Customer Base	\$ 1,422,100	(1,392,102)	29,998	3
Developed Technology	\$ 6,105,600	(380,666)	5,724,934	9
Goodwill	\$ 70,995	---	70,995	---

NOTE 11 – SUBSEQUENT EVENTS

Subsequent to September 30, 2018, shareholders extended loans to the Company in the amount of approximately \$85,600 for multiple debt agreements that have maturity dates ranging from April 2021 to May 2021, bear annual interest of 6% (11% default) and are convertible one dollar into one share of stock of Series C Preferred Stock that has been designated convertible into common stock at \$0.15 per share and includes terms similar to the other Preferred Stock. In addition, a company executive advanced the Company \$19,000 with no terms.