

# GARB OIL & POWER CORP

## FORM 10-Q (Quarterly Report)

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Address	1185 GOODEN XING LARGO, FL, 33778
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Industry	Industrial Machinery & Equipment
Sector	Industrials
Fiscal Year	12/31

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

(Mark One)

☒ **QUARTERLY REPORT PURSUANT SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2016

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**Commission File No. 000-14859**

**GARB OIL & POWER CORPORATION**

(Exact name of registrant as specified in its charter)

**Utah**

(State or other jurisdiction of  
incorporation or organization)

**87-0296694**

(I.R.S. Employer Identification. No.)

**1185 Gooden Xing**

**Largo, FL**

(Address of principal executive offices)

**33778**

(Zip Code)

Registrant's Telephone Number, Including Area Code: **(888) 573-6622**

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐

Non-accelerated filer ☐

(Do not check if a smaller reporting company)

Accelerated filer ☐

Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act.) Yes ☐ No ☒

The number of shares of issuer's common stock outstanding as of July 28, 2016: 47,497,578,456.

FORM 10-Q

FOR THE six months ended June 30, 2016

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## USE OF CERTAIN DEFINED TERMS

Except as otherwise indicated by the context, references in this report to “we,” “us,” “our,” “our Company,” “the Company”, or “Garb” are to the combined business of Garb Oil & Power Corporation and its consolidated subsidiaries.

In addition, unless the context otherwise requires and for the purposes of this report only:

- “Commission” refers to the Securities and Exchange Commission;
- “Exchange Act” refers to the Securities Exchange Act of 1934, as amended;
- “Securities Act” refers to the Securities Act of 1933, as amended; and
- “management of the Company” or “management” refers to the following individuals, who represent the directors and executive officers of the Company as of the date of this quarterly report on Form 10-Q, and those officers and directors that were appointed on August 21, 2013:
  - o Tammy Taylor is the Company’s current Chief Executive Officer, President, Director and Principal Financial Officer,
  - o M. Aimee Coleman is current Corporate Secretary and Principal Accounting Officer.

## CAUTIONARY STATEMENT RELATED TO FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements. The Securities and Exchange Commission encourages companies to disclose forward-looking information so that investors can better understand a company’s future prospects and make informed investment decisions. This quarterly report on Form 10-Q and other written and oral statements that we make from time to time contain such forward-looking statements that set out anticipated results based on management’s plans and assumptions regarding future events or performance. We have tried, wherever possible, to identify such statements by using words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” “will” and similar expressions in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future actions, future performance or results of current and anticipated sales efforts, expenses, the outcome of contingencies, such as legal proceedings, and financial results. A list of factors that could cause our actual results of operations and financial condition to differ materially is set forth below:

- Our ability to continue as a going concern.
- Our ability to achieve profitability and history of losses.
- Our need for significant additional capital to fund our business plan.
- Our ability to attract customers to our products.
- Economic conditions that have an adverse effect on consumer and corporate spending.
- Changes in applicable Federal and State manufacturing laws and regulations that have an adverse effect on our operations.
- The market price for shares of our common stock has been and may continue to be highly volatile and the impact of penny stock rules on the liquidity of our common stock.

We caution that the factors described herein and other factors could cause our actual results of operations and financial condition to differ materially from those expressed in any forward-looking statements we make and that investors should not place undue reliance on any such forward-looking statements. Further, any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of anticipated or unanticipated events or circumstances. New factors emerge from time to time, and it is not possible for us to predict all of such factors. Further, we cannot assess the impact of each such factor on our results of operations or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

# PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

### Garb Oil & Power Corporation and Subsidiaries Consolidated Balance Sheets

	<u>June 30, 2016</u> (Unaudited)	<u>December 31, 2015</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash	\$ 2,607	\$ 3
Receivables, net	-	-
<b>Total current assets</b>	<u>2,607</u>	<u>3</u>
Property and equipment, net	<u>1,127,133</u>	<u>1,142,297</u>
<b>Total assets</b>	<u>\$ 1,129,740</u>	<u>\$ 1,142,300</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 1,917,632	\$ 1,712,684
Related party payable	9,620	12,120
Notes payable, net	2,482,987	1,960,965
Derivative liability	4,085,176	3,787,124
Notes payable - related party, net	189,320	185,475
Derivative liability - related party	52,976	57,766
Capital lease payable	1,341,094	1,292,349
Accrued interest	1,980,895	1,833,854
Accrued interest - related party	76,408	62,346
Wage and payroll taxes payable	454,471	387,971
<b>Total current liabilities</b>	<u>12,590,579</u>	<u>11,292,654</u>
<b>Total liabilities</b>	<u>12,590,579</u>	<u>11,292,654</u>

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**Garb Oil & Power Corporation and Subsidiaries**  
**Consolidated Balance Sheets**  
(Continued)

	<u><b>June 30, 2016</b></u> <b>(Unaudited)</b>	<u><b>December 31, 2015</b></u>
<b>Mezzanine Equity:</b>		
Class A preferred as of June 30, 2016; (\$.0001 par value) 1,000,000 shares authorized, 24 shares outstanding as of June 30, 2016 and 24 shares outstanding as of December 31, 2015	-	-
Class B preferred as of June 30, 2016; (\$2.50 par value) 10,000,000 shares authorized, 4,419,918 shares outstanding as of June 30, 2016 and 4,419,918 shares issued and outstanding as of December 31, 2015	11,049,795	11,049,795
Preferred Class A additional paid in capital	1,486,010	1,486,010
Preferred Class B additional paid in capital	14,093,628	14,093,628
<b>Total mezzanine equity</b>	<b>26,629,433</b>	<b>26,629,433</b>
<b>Stockholders' Deficit:</b>		
Common stock as of June 30, 2016; (no par value) 50,000,000,000 shares authorized, 47,497,578,456 shares outstanding at June 30, 2016 and 47,497,578,456 shares outstanding at December 31, 2015	(13,723,527)	(13,723,527)
Accumulated deficit	(24,366,745)	(23,056,260)
<b>Total stockholders' deficit</b>	<b>(38,090,272)</b>	<b>(36,779,787)</b>
<b>Total liabilities, mezzanine equity and stockholders' deficit</b>	<b>\$ 1,129,740</b>	<b>\$ 1,142,300</b>

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

**Garb Oil & Power Corporation and Subsidiaries**  
**Consolidated Statements of Operations**

	<b>For the three months ended</b>	
	<b>June 30, 2016</b>	<b>June 30, 2015</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
OPERATING EXPENSES		
Selling, general and administrative	\$ 156,164	\$ 133,171
Total Operating Expenses	<u>156,164</u>	<u>133,171</u>
LOSS FROM OPERATIONS	<u>(156,164)</u>	<u>(133,171)</u>
OTHER INCOME (EXPENSE)		
(Loss) on write-off of subscription receivable	-	(403,815)
Gain on write-off of debt	104,315	-
Loss on derivative liability valuation	(319,449)	(187,153)
Interest expense	(455,568)	(309,760)
Interest expense - related party	(8,999)	-
Total Other Income (Expense)	<u>(679,701)</u>	<u>(900,728)</u>
LOSS BEFORE INCOME TAXES	<u>(835,865)</u>	<u>(1,033,899)</u>
PROVISION (BENEFIT) FOR INCOME TAXES	<u>-</u>	<u>-</u>
NET LOSS	<u>\$ (835,865)</u>	<u>\$ (1,033,899)</u>
BASIC AND DILUTED LOSS PER COMMON SHARE ATTRIBUTABLE TO GARB OIL & POWER SHAREHOLDERS	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
WEIGHTED AVERAGE OF COMMON SHARES OUTSTANDING	<u>47,497,578,456</u>	<u>47,497,578,456</u>

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

**Garb Oil & Power Corporation and Subsidiaries**  
**Consolidated Statements of Operations**

	<b>For the six months ended</b>	
	<b>June 30, 2016</b>	<b>June 30, 2015</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
OPERATING EXPENSES		
Selling, general and administrative	\$ 259,316	\$ 331,504
Total Operating Expenses	<u>259,316</u>	<u>331,504</u>
LOSS FROM OPERATIONS	<u>(259,316)</u>	<u>(331,504)</u>
OTHER INCOME (EXPENSE)		
(Loss) on write-off of subscription receivable	-	(403,815)
Gain on write-off of debt	104,315	-
Loss on derivative liability valuation	(253,262)	(416,278)
Interest expense	(884,316)	(495,984)
Interest expense - related party	(17,906)	-
Total Other Income (Expense)	<u>(1,051,169)</u>	<u>(1,316,077)</u>
LOSS BEFORE INCOME TAXES	<u>(1,310,485)</u>	<u>(1,647,581)</u>
PROVISION (BENEFIT) FOR INCOME TAXES	<u>-</u>	<u>-</u>
NET LOSS	<u>\$ (1,310,485)</u>	<u>\$ (1,647,581)</u>
BASIC AND DILUTED LOSS PER COMMON SHARE ATTRIBUTABLE TO GARB OIL & POWER SHAREHOLDERS	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
WEIGHTED AVERAGE OF COMMON SHARES OUTSTANDING	<u>47,497,578,456</u>	<u>47,497,578,456</u>

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



**Garb Oil & Power Corporation and Subsidiaries**  
**Consolidated Statements of Cash Flows**

	<b>For the six months ended</b>	
	<b>June 30, 2016</b>	<b>June 30, 2015</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (1,310,485)	\$ (1,647,581)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	15,164	14,429
Loss on subscription receivable write-off	-	403,815
(Gain) on debt write-off	(104,315)	-
Debt issued for interest expense	560,500	100,751
Amortization of debt discount	8,195	55,968
Loss on derivative liability valuation	253,262	416,278
Accretion of present value of capital lease	62,745	39,770
Loan fees	-	36,000
Changes in operating assets and liabilities:		
Accounts payable and accrued expenses	204,948	340,133
Accrued interest	204,683	119,665
Related party payable	(2,500)	1,833
Related party accrued interest	17,907	47,460
Wages and payroll taxes payable	66,500	66,500
<b>Net cash used in operating activities</b>	<b>(23,396)</b>	<b>(4,979)</b>

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**Garb Oil & Power Corporation and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
(Continued)

	<b>For the six months ended</b>	
	<b>June 30, 2016</b>	<b>June 30, 2015</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Cash flows from investing activities</b>	<b>-</b>	<b>-</b>
<b>Cash flows from financing activities:</b>		
Proceeds from notes payable	40,000	5,040
Payments on capital lease	(14,000)	-
<b>Net cash provided by financing activities</b>	<b>26,000</b>	<b>5,040</b>
Net increase (decrease) in cash	2,604	61
Cash at beginning of period	3	196
Cash at end of period	<u>2,607</u>	<u>257</u>
<b>Supplemental disclosures of cash flow information:</b>		
<b>Cash paid for:</b>		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -
<b>Non-cash financing activities:</b>		
Accrued interest reclassified to note principal	\$ 10,172	\$ 7,521
Debt discount	\$ 40,000	\$ 5,040
Adjustment to net present value for capital lease	\$ -	\$ 85,913

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

**Garb Oil & Power Corporation and Subsidiaries**  
Notes to Consolidated Financial Statements  
(Unaudited)

For the six months ended June 30, 2016 and 2015

**Note 1 – Organization, Nature of Business, and Significant Accounting Principles**

***Organization and Nature of Business to Date***

Garb Oil & Power Corporation (the “Company” or “Garb”) was incorporated in the State of Utah in 1972 under the name Autumn Day, Inc. The Company changed its name to Energy Corporation International in 1978 and to Garb-Oil Corporation of America in 1981, which marked the start of the Company’s development state in the energy and recycling industries. The Company changed its name to Garb Oil & Power Corporation in 1985 and then to Garb Corporation in May 2013. In February 2014, the Company changed its name back to Garb Oil & Power Corporation.

On October 27, 2009, the Company entered into an agreement to purchase Resource Protection Systems GmbH, a company organized and currently active under the laws of Germany (“RPS”). The purchase was for all outstanding shares, as well as for specified RPS assets and liabilities. The RPS specified assets were not transferred to the Company and therefore the purchase was not fully consummated. On January 15, 2010, RPS purchased 80% of the issued and outstanding stock of Newview S.L., a company organized under the laws of Spain (“Newview”). The Company, RPS and Newview were considered entities under common control.

Effective August 21, 2013, all of the Company’s executive officers and directors at the time resigned and therefore the Company, RPS and Newview were no longer considered to be entities under common control. Also effective August 21, 2013, following the resignation of the Company’s management at the time, Ms. Tammy Taylor was appointed as the Company’s Chief Executive Officer, President and Principal Financial Officer, and Ms. M. Aimee Coleman was appointed as the Company’s Corporate Secretary and Principal Accounting Officer. Ms. Taylor was also appointed as the Company’s sole director.

On January 24, 2014 the Company signed a letter of intent (the “LOI”) and a collaborative effort agreement (the “CE Agreement”) with Shredderhotline.com Company (“Shredderhotline”) and Dan Scott Burda, Shredderhotline’s President/Owner. In general, the CE Agreement provided that the two ranking executive officers of both companies’ will collaborate on future sales and operations within a newly formed wholly owned subsidiary of the Company, Garb Global Services, Inc. (“Garb Global”). On November 18, 2014, the Company and Shredderhotline mutually determined that their business interests had diverged and the Company and Shredderhotline released one another from their rights and obligations under the LOI and CE Agreement both dated January 24, 2014. Garb Global continues as a wholly owned operating subsidiary of the Company but, to date, has had no operations or activity. As of June 30, 2016, the Company’s consolidated financial statements include the accounts of Garb and Garb Global. All intercompany accounts and transactions have been eliminated in consolidation.

***Basis of Presentation***

The unaudited interim financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). The financial statements and notes are presented as permitted on Form 10-Q and do not contain information included in the Company’s annual statements and notes. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these consolidated financial statements be read in conjunction with the December 31, 2015 audited financial statements and the accompanying notes thereto included in our annual report on Form 10-K. While management believes the procedures followed in preparing these unaudited financial statements are reasonable, the accuracy of the amounts are in some respects dependent upon the facts that will exist, and procedures that will be accomplished by the Company later in the year.

These consolidated unaudited financial statements reflect all adjustments, including normal recurring adjustments which, in the opinion of management, are necessary to present fairly the operations and cash flows for the periods presented.

### ***Fair Value of Financial Instruments***

The Company's financial instruments include accounts receivable, accounts payable and accrued expenses, related party payable, notes payable, related party notes payable and derivative liabilities. The principal balance of accounts receivable, accounts payable and accrued expenses, related party payable, notes payable and related party notes payable approximate fair value because current interest rates and terms available to the Company for similar instruments are substantially the same.

Derivative liabilities are recorded at fair value. The Company uses a framework for measuring fair value with a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value as follows:

Level 1. Observable inputs such as quoted prices in active markets;

Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3. Unobservable inputs in which there is little or no market data, which requires the reporting entity to develop its own assumptions.

The fair value hierarchy for recurring fair value measurements is as follows:

	Fair Value as of June 30, 2016	Fair Value Measurements at June 30, 2016 Using Fair Value Hierarchy		
		Level 1	Level 2	Level 3
Liabilities:				
Derivative liability	\$ 4,085,176	\$ -	\$ -	\$ 4,085,176
Derivative liability - related party	\$ 52,976	\$ -	\$ -	\$ 52,976

(Also see Note 5 – Derivative Liability and Note 7 – Derivative Liability – Related Party)

### ***Receivables***

As of June 30, 2016 and December 31, 2015 the Company's receivables include \$249,051 related to cash received by former management without supportive cash receipts and \$350,000 accounts receivable derived from sales derived from sales of products and services to customers operating as recyclers and tire wholesalers. Amounts that have been invoiced are recorded in accounts receivable when revenue recognition criteria have been met. The Company's allowance for doubtful accounts is based on its historical bad debt experience and on current management's evaluation of its ability to collect individual outstanding balances. The Company had an allowance for doubtful accounts of \$599,051 as of June 30, 2016 and December 31, 2015.

### ***Revenue Recognition To Date***

Revenue is recognized when the following criteria are met: 1. persuasive evidence of an arrangement exists, which is generally in the form of a signed contract which specifies a fixed price, 2. the sales amount is determinable, 3. when title is transferred, which is when goods shipped to the customer has been received and accepted or services have been rendered, and 4. collection is reasonably assured. The Company engages in product sales.

### ***Note 2 – Going Concern***

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the ordinary course of business. As shown in the consolidated financial statements, the Company has incurred a net loss of \$1,310,485 for the six months ended June 30, 2016 and has a net accumulated deficit of \$24,366,745. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amount and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate sufficient cash flows to meet its obligations on a timely basis, to obtain additional financing as may be required, and its ability to continue its implementation of operations. Management is continuing its efforts to obtain the necessary financing as may be required to generate sufficient cash flows for current and future operations. Management is pursuing avenues of generating cash or revenues during the next twelve months. The Company is also attempting to interest purchasers, or potential purchasers, of shredders, recycling equipment and new tires, and establishing manufacturing plants. The Company also continues to pursue financing to build and operate its own waste refinement and recycling industrial manufacturing plants.

There is no assurance that the Company will be able to obtain additional cash flow from operations or to obtain additional financing. If these are not available to the Company, the Company may not be able to continue operations. While management remains confident that transactions will proceed, no assurances can be expressed as to the Company's continuing viability in the absence of revenues. Current funding has come from operations and sales and the Company is currently in negotiations with several investment sources for equity investment in the company, which if successful, will satisfy long-term operations and capital expenditures. There are no guarantees that such negotiations will be successful.

### **Note 3 – Related Party Transactions**

Related party payable consisted of the following at June 30, 2016:

	<u>June 30, 2016</u>
Accounts payable to Tammy Taylor, Chief Executive Officer, due on demand, no interest, unsecured	\$ 9,493
Accounts payable to Corporate Business Advisors, Inc., due on demand, no interest, unsecured	127
<b>Total</b>	<b><u>\$ 9,620</u></b>

As of June 30, 2016 and December 31, 2015 the related party accrued interest was \$76,408 and \$62,346, respectively.

See Notes 6 and 7 for discussions on the related party note payable and the related party derivative liability balances, respectively.

### **Note 4 – Notes Payable**

Both secured and unsecured notes payable balance net of discounts as of June 30, 2016 and December 31, 2015 were \$2,482,987, net of debt discounts of \$32,220 and \$1,960,965, net of debt discounts of \$414, respectively.

#### **January 1, 2003 Note**

A \$68,493 unsecured promissory note was entered into on January 1, 2003, is due on demand and plus interest of 12%. The balance of the Note as of June 30, 2016 and December 31, 2015 was \$68,493, net of debt discounts of \$0.

#### **January 1, 2003 Note**

A \$165,000 unsecured promissory note was entered into on January 1, 2003, is due on demand and plus interest of 12%. The balance of the Note as of June 30, 2016 and December 31, 2015 was \$165,000, net of debt discounts of \$0.

#### **January 21, 2003 Note**

A \$20,000 unsecured promissory note was entered into on January 21, 2003, is due on demand and plus interest of 10%. The balance of the Note as of June 30, 2016 and December 31, 2015 was \$20,000, net of debt discounts of \$0.

**June 24, 2006 Note**

A \$53,000 promissory note was entered into on June 24, 2006 secured by sales contract and officer guarantee, is due on demand, plus interest of 12% and plus a \$5,000 default interest penalty per week. During the year ended December 31, 2013, the Company and the note holder entered into a debt settlement agreement on this note and the January 3, 2002 Note that resulted in forgiveness of the June 24, 2006 Note principal over \$35,000 and all accrued interest. During the year ended December 31, 2015, the Company paid \$20,000 cash payments toward the June 24, 2006 Note that was settled as a principal only note. The balance of the Note as of June 30, 2016 and December 31, 2015 was \$15,000, net of debt discounts of \$0.

**July 5, 2006 Note**

A \$2,250 unsecured promissory note was entered into on July 5, 2006, was due September 5, 2006, plus interest of 5% per month and is in default. The balance of the Note as of June 30, 2016 and December 31, 2015 was \$2,250, net of debt discounts of \$0.

**July 5, 2006 Note**

A \$2,750 unsecured promissory note was entered into on July 5, 2006, was due September 5, 2006, plus interest of 5% per month and is in default. The balance of the Note as of June 30, 2016 and December 31, 2015 was \$2,750, net of debt discounts of \$0.

**October 11, 2007 Note**

A \$129,327 unsecured promissory note was entered into on October 11, 2007, is due on demand, plus interest of 18% from October 7, 2005 through January 6, 2006 then \$500 per week through April 1, 2009, then \$5,000 per month. During the year ended December 31, 2012, the Company issued a total of 15,250,000,000 shares of common stock at an average conversion price of \$.000001, or \$15,250 as repayment to the original debt holder for principal and accrued interest. During the year ended December 31, 2013 the original debt holder assigned \$6,000 worth of note's accrued interest. During the year ended December 31, 2012 the original debt holder assigned \$49,000 worth of note's principle and accrued interest. The balance of the October 11, 2007 Note owed to the original debt holder as of June 30, 2016 and December 31, 2015 was \$327, net of debt discounts of \$0.

During the year ended December 31, 2012, the Company issued a total of 6,350,000,000 shares of common stock at an average conversion price of \$.000006, or \$35,750, as repayment for a portion of the year ended December 31, 2012 Assigned October 11, 2007 Note. The Assigned October 11, 2007 Notes balances total \$13,250 as of June 30, 2016 and December 31, 2015, net of debt discounts of \$0.

**December 31, 2009 Note**

A \$6,000 unsecured promissory note was entered into on December 31, 2009, is due on demand and plus interest of 36%. The balance of the Note as of June 30, 2016 and December 31, 2015 was \$6,000, net of debt discounts of \$0.

**December 31, 2009 Note**

A \$7,500 unsecured promissory note was entered into on December 31, 2009, is due on demand and plus interest of 10%. The balance of the Note as of June 30, 2016 and December 31, 2015 was \$7,500, net of debt discounts of \$0.

**December 31, 2009 Note**

A \$3,000 unsecured promissory note was entered into on December 31, 2009, is due on demand and plus interest of 36%. The balance of the Note as of June 30, 2016 and December 31, 2015 was \$3,000, net of debt discounts of \$0.

**June 23, 2010 Note**

On June 23, 2010 the Company converted \$43,217 of accounts payable into an unsecured promissory note. The note bears interest at 6% per annum and is due on demand. The balance of the June 22, 2010 Note as of June 30, 2016 and December 31, 2015 was \$43,217, net of debt discounts of \$0.

**June 29, 2010 Note**

On June 29, 2010 the Company issued an unsecured promissory note to a professional services provider for \$300,000 related to consulting services rendered. The note bears interest at 18% per annum and has a maturity date of July 1, 2010. The note agreement contains a 10% penalty clause if the Company fails to make payment at the maturity date. On July 2, 2010 the Company was in default of the note and recorded penalties of \$30,296 to interest expense. During the year ended December 31, 2011, the professional services provider (“Assignor”) entered into \$309,250 worth of certain assignment of debt agreements with several investors (“Assignees”) pursuant to which the Assignor granted, transferred and set over until the Assignees its right, title and interest in the June 29, 2010 Note including, without limitation, all rights, interest terms, benefits and advantages of the Assignor to be derived here from and burdens, obligations and liabilities to be derived thereunder. The balance of the June 29, 2010 Note owed to the professional services provider as of June 30, 2016 and December 31, 2015 was \$21,046, net of debt discounts of \$0.

During the year ended December 31, 2012, the Company issued a total of 324,285,714 shares of common stock at an average conversion price of \$.00012, or \$39,000, as repayment for several of the year ended December 31, 2011 Assigned June 29, 2010 Note. The Assigned June 29, 2010 Notes balances as of June 30, 2016 and December 31, 2015 was \$57,000, net of debt discounts of \$0.

**December 29, 2010 Note**

On December 29, 2010 the Company issued an unsecured promissory note to a professional services provider for \$50,000 related to consulting services rendered. The note bears interest at 18% per annum and has a maturity date of December 31, 2010. The note agreement contains a 10% penalty clause if the Company fails to make payment at the maturity date. On December 31, 2010 the Company was in default of the Note and recorded penalties of \$5,049 to interest expense. The balance of the December 29, 2010 Note as of June 30, 2016 and December 31, 2015 was \$55,049, net of debt discounts of \$0.

**September 22, 2011 Note**

On September 22, 2011 the Company issued an unsecured convertible note in the principal amount of \$20,000 in exchange for \$20,000 in cash consideration. The note bears interest at 8% per annum, has a maturity date of September 22, 2012 and has a 24% default interest rate should the note go into default. On September 23, 2012 the Company defaulted on the note and the note interest per annum increased to 24%. During June 2016 the Company determined, since the debt holder dissolved during 2015 and no executed debt agreement, wrote off the \$20,000 of principal and the accrued interest to date. The balance of the September 22, 2011 Note as of June 30, 2016 was \$0 and December 31, 2015 was \$20,000, net of debt discounts of \$0.

**October 1, 2011 Note**

On October 1, 2011 the Company issued an unsecured promissory note to a professional services provider for \$40,700 related to consulting services rendered. The note bears interest at 10% per annum and has a maturity date of April 1, 2012. On April 2, 2012 the Company defaulted on the note. The balance of the October 1, 2011 Note as of June 30, 2016 and December 31, 2015 was \$40,700, both net of debt discounts of \$0.

**November 2, 2011 Note**

On November 2, 2011 the Company issued an unsecured convertible note in the principal amount of \$33,000 in exchange for \$33,000 in cash consideration. The note bears interest at 8% per annum, has a maturity date of November 2, 2012 and has a 24% default interest rate should the note go into default. On November 3, 2012 the Company defaulted on the note and the note interest per annum increased to 24%. During June 2016 the Company determined, since the debt holder dissolved during 2015 and no executed debt agreement, wrote off the \$33,000 of principal and the accrued interest to date. The balance of the November 2, 2011 Note as of June 30, 2016 was \$0 and December 31, 2015 was \$33,000, net of debt discounts of \$0.

**December 30, 2011 Note 3**

On December 30, 2011 the Company issued an unsecured promissory note in the principal amount of \$22,000 in exchange for \$22,000 in cash consideration. The note bears interest at 10% per annum and has a maturity date of June 30, 2012. On July 1, 2012 the Company defaulted on the note. The balance of the December 30, 2011 Note 3 as of June 30, 2016 and December 31, 2015 was \$22,000, both net of debt discounts of \$0.

**March 7, 2012 Note**

On March 7, 2012 the Company borrowed \$10,000 pursuant to an unsecured convertible note. The note bears interest at 7% per annum and has a maturity date of January 24, 2013. The note agreement contains a change in the interest rate to 20% default interest rate should the note go into default. On January 25, 2013 the Company defaulted on the note and the note interest per annum increased to 20%. The balance of the March 7, 2012 Note as of June 30, 2016 and December 31, 2015 was \$10,000, net of debt discounts of \$0.

**May 16, 2012 Note**

On May 16, 2012 the Company borrowed \$20,000 pursuant to an unsecured convertible note. The note bears interest at 15% per annum, has a maturity date of February 16, 2013, and unpaid accrued interest is added to the note's principal balance at the end of each quarter. The note agreement contains a change in the interest rate to \$500 per day default interest rate (or the highest rate allowed by law) should the note go into default. On February 17, 2013 the Company defaulted on the note and the note interest increased to \$500 per day. During the six months ended June 30, 2016, \$2,559 accrued interest was added to the note's principal balance. During the year ended December 31, 2015, \$4,585 accrued interest was added to the note's principal balance. During the year ended December 31, 2014, \$8,901 accrued interest was added to the note's principal balance. The balance of the May 16, 2012 Note as of June 30, 2016 was \$36,045 including added accrued interest to date of \$16,045 and December 31, 2015 was \$33,486 including added accrued interest to date of \$13,486, both net of debt discounts of \$0.

**May 23, 2012 Note**

On May 23, 2012 the Company borrowed \$15,000 pursuant to an unsecured convertible note. The note bears interest at 15% per annum, has a maturity date of May 23, 2013, and unpaid accrued interest is added to the note's principal balance at the end of each quarter. The note agreement contains a change in the interest rate to \$500 per day default interest rate (or the highest rate allowed by law) should the note go into default. On May 24, 2013 the Company defaulted on the note and the note interest increased to \$500 per day. During the six months ended June 30, 2016, \$1,919 accrued interest was added to the note's principal balance. During the year ended December 31, 2015, \$3,439 accrued interest was added to the note's principal balance. During the year ended December 31, 2014, \$6,676 accrued interest was added to the note's principal balance. The balance of the May 23, 2012 Note as of June 30, 2016 was \$27,033 including added accrued interest to date of \$12,033 and December 31, 2015 was \$25,115 including added accrued interest to date of \$10,115, both net of debt discounts of \$0.

**June 16, 2012 Note**

On June 16, 2012 the Company issued a \$700,000 unsecured convertible note in exchange for consolidating and paying in full the unsecured notes' outstanding principal and accrued interest that are identified below. The principal total of the notes consolidated into the June 16, 2012 Note was \$544,787 with the Company recognizing the additional \$155,213 principal as consulting services expense. The note bears interest at 6% per annum and has a maturity date of June 16, 2014. The note agreement contains a change in the interest rate to 24% default interest rate should the note go into default. On June 17, 2014 the Company defaulted on the note and the note interest per annum increased to 24%. During the year ended December 31, 2015, the Company issued a total of 1,428,571 429 shares of common stock at an average conversion price of \$0.0007, or \$100,000 as partial repayment of the June 16, 2012 Note. The balance of the June 16, 2012 Note as of June 30, 2016 and December 31, 2015 was \$600,000, net of debt discounts of \$0.



**Notes consolidated into the June 16, 2012 Note**

June 29, 2010 Note for consulting services, an assignee – \$19,000 remaining assigned principal plus accrued interest  
June 29, 2010 Note for consulting services, an assignee – \$12,500 remaining assigned principal plus accrued interest  
October 15, 2010 Note 1 for consulting services, an assignee – \$25,000 assigned principal plus accrued interest  
October 15, 2010 Note 2 for consulting services, an assignee – \$25,000 assigned principal plus accrued interest  
December 14, 2010 Note for cash received – \$3,902 remaining principal plus accrued interest  
January 24, 2011 Note for consulting services – \$615 principal plus accrued interest  
February 2, 2011 Note for consulting services – \$500 principal plus accrued interest  
February 24, 2011 Note for consulting services, an assignee – \$16,000 remaining assigned principal plus accrued interest  
April 1, 2011 Note 1 for consulting services – \$1,336 principal plus accrued interest  
April 1, 2011 Note 2 for consulting services, an assignee – \$50,000 assigned principal plus accrued interest  
May 12, 2011 Note for consulting services – \$100,000 principal plus accrued interest  
July 1, 2011 Note 1 for consulting services, an assignee – \$10,500 assigned principal plus accrued interest  
July 1, 2011 Note 2 for consulting services, an assignee – \$30,000 assigned principal plus accrued interest  
October 7, 2011 Note for cash received – \$25,000 principal plus accrued interest  
December 13, 2011 Note for consulting services – \$7,000 principal plus accrued interest  
January 13, 2012 Note for cash received – \$25,000 principal plus accrued interest  
February 15, 2012 Note for consulting services, an assignee – \$22,500 assigned principal plus accrued interest  
February 20, 2012 Note for consulting services, an assignee – \$40,000 assigned principal plus accrued interest

**July 2, 2012 Note**

On July 2, 2012 the Company borrowed \$15,000 pursuant to an unsecured convertible note. The note bears interest at 15% per annum, has a maturity date of July 2, 2013, and unpaid accrued interest is added to the note's principal balance at the end of each quarter. The note agreement contains a change in the interest rate to \$500 per day default interest rate (or the highest rate allowed by law) should the note go into default. During the six months ended June 30, 2016, \$1,850 accrued interest was added to the note's principal balance. During the year ended December 31, 2015, \$3,315 accrued interest was added to the note's principal balance. During the year ended December 31, 2014, \$5,892 accrued interest was added to the note's principal balance. The balance of the July 2, 2012 Note as of June 30, 2016 was \$26,056 including added accrued interest to date of \$11,056 and December 31, 2015 was \$24,207 including added accrued interest to date of \$9,207, both net of debt discounts of \$0.

**March 12, 2013 Note**

On March 12, 2013 the Company borrowed \$14,000 pursuant to an unsecured convertible note. The note bears interest at 10% per annum, has a maturity date of March 12, 2014, and accrues liquidating damages of \$250 per day added to the principal balance of the note that may be settled to some lower amount at the time of payment in full. The note agreement contains a change in the interest rate to 20% default interest rate should the note go into default. On March 13, 2014 the Company defaulted on the note and the note interest per annum increased to 20%. During the six months ended June 30, 2016, \$45,500 of accrued liquidating damages was added to the note's principal. During the year ended December 31, 2015, \$91,250 of accrued liquidating damages was added to the note's principal balance. During the year ended December 31, 2014, \$73,250 of accrued liquidating damages was added to the note's principal balance. The balance of the March 12, 2013 Note as of June 30, 2016 was \$224,000 including \$210,000 of accrued liquidating damages to date and December 31, 2015 was \$178,500 including \$164,500 of accrued liquidating damages to date, both net of debt discounts of \$0.

**April 17, 2013 Note**

On April 17, 2013 the Company borrowed \$3,000 pursuant to an unsecured promissory note. The note bears interest at 10% per annum and has a maturity date of June 15, 2013. On June 16, 2013 the Company defaulted on the note. The balance of the April 17, 2013 Note as of June 30, 2016 and December 31, 2015 was \$3,000, net of debt discounts of \$0.

**April 27, 2013 Note**

On April 27, 2013 the Company borrowed \$700 pursuant to an unsecured promissory note. The note bears interest at 10% per annum and has a maturity date of August 25, 2013. On August 26, 2013 the Company defaulted on the note. The balance of the April 27, 2013 Note as of June 30, 2016 and December 31, 2015 was \$700, net of debt discounts of \$0.

**May 19, 2014 Note**

On May 19, 2014 the Company entered into a \$60,000 unsecured convertible note for \$50,000 cash to be borrowed during the year ended December 31, 2015 plus a total of \$10,000 in loan fees the Company recorded as an administrative expense as cash was borrowed. The note bears interest at 8% per annum and has a maturity date 12 months after cash is borrowed. The note agreement contains a change in the interest rate to 20% default interest rate should the note go into default and required 300,000,000 shares of Company's common stock to be reserved, but was canceled on October 8, 2014. Also if the note should go into default, the note accrues liquidating damages of \$1,000 per day added to the principal balance of the note that may be settled to some lower amount at the time of payment in full. During the year ended December 31, 2014 the Company borrowed \$50,000 cash and incurred \$10,000 in loan fees. \$12,000 of the note has a maturity date of May 19, 2015, \$6,000 of the note has a maturity date of July 3, 2015, and \$42,000 of the note has a maturity date of September 18, 2015.

On May 20, 2015 the Company defaulted on the note and the entire note interest per annum increased to 20%. During the six months ended June 30, 2016, \$182,000 of accrued liquidating damages was added to the note's principal. During the year ended December 31, 2015, \$226,000 of accrued liquidating damages was added to the note's principal. The balance of the May 19, 2014 Note as of June 30, 2016 was \$468,000 including \$408,000 of accrued liquidating damages to date, net of debt discounts of \$0 and December 31, 2015 was \$286,000, net of debt discounts of \$0.

**June 3, 2014 Note**

On June 3, 2014 the Company entered into a \$6,250 unsecured convertible note for a \$5,000 cash loan plus \$1,250 in documentation fees the Company recorded as an administrative expense. The note bears interest at 0% per annum and has a maturity date of June 3, 2015. The note agreement contains a change in the interest rate to 10% default interest rate should the note go into default, interest accruing from the June 3, 2014 Note date. On June 4, 2015 the Company defaulted on the note and the note interest per annum increased to 10% accruing from the June 3, 2014 Note date. The balance of the June 3, 2014 Note as of June 30, 2016 was \$6,250, net of debt discounts of \$0 and December 31, 2015 was \$6,250, net of debt discounts of \$0.

**August 13, 2014 Note**

On August 13, 2014 the Company borrowed \$33,000 pursuant to a discounted unsecured convertible note amount of \$46,500 when the note matures. The \$13,500 discount will be an administrative expense once the note matures. The note bears interest at 0% per annum, has a maturity date of February 13, 2015 and has a 12% default interest rate should the note go into default. The note agreement required 3,000,000,000 shares of Company's common stock to be reserved, but was canceled on September 23, 2014. On February 14, 2015 the Company defaulted on the note and the note interest per annum increased to 12%. The balance of the August 13, 2014 Note as of June 30, 2016 was \$46,500 and December 31, 2015 was \$46,500, both net of debt discounts of \$0.

**September 10, 2014 Note**

On September 10, 2014 the Company entered into a \$29,000 unsecured convertible note for \$25,000 cash borrowed during the six months ended June 30, 2012 plus \$4,000 in loan fees the Company recorded as an administrative expense. The note bears interest at 8% per annum, has a maturity date of September 10, 2015, and accrues liquidating damages of \$1,000 per day added to the principal balance of the note that may be settled to some lower amount at the time of payment in full. The note agreement contains a change in the interest rate to 20% default interest rate should the note go into default. On September 11, 2015 the Company defaulted on the note and the note interest per annum increased to 20%. During the six months ended June 30, 2016, \$182,000 of accrued liquidating damages was added to the note's principal. During the year ended December 31, 2015, \$112,000 of accrued liquidating damages was added to the note's principal. The balance of the September 10, 2014 Note as of June 30, 2016 was \$323,000 including \$294,000 of accrued liquidating damages to date and December 31, 2015 was \$141,000, both net of debt discounts of \$0.

**January 30, 2015 Note 1**

On January 30, 2015 the Company borrowed \$4,200 pursuant to a discounted unsecured convertible note amount of \$5,040. The Company recorded the \$840 discount as an administrative expense. The note bears interest at 8% per annum, has a maturity date of January 30, 2016, and accrues liquidating damages of \$1,000 per day added to the principal balance of the note that may be settled to some lower amount at the time of payment in full. The note agreement contains a change in the interest rate to 20% default interest rate or the highest allowed by law should the note go into default and requires the Company to reserve 100,000,000 shares of the Company's common stock. On January 31, 2016 the Company defaulted on the note and the note interest per annum increased to 20%. During the six months ended June 30, 2016, \$151,000 of accrued liquidating damages was added to the note's principal. The balance of the January 30, 2015 Note 1 as of June 30, 2016 was \$156,040 including \$151,000 of accrued liquidating damages to date, net of debt discounts of \$0 and December 31, 2015 was \$4,626, net of debt discounts of \$414.

**April 20, 2016 Note 1**

On April 20, 2016 the Company borrowed \$20,000 pursuant to a discounted secured convertible note. The note bears interest at 12% per annum and has a maturity date of April 20, 2017. The note agreement contains a change in the interest rate to 24% default interest rate should the note go into default and requires the Company to reserve 500,000,000 shares of the Company's common stock. The balance of the April 20, 2016 Note 1 as of June 30, 2016 was \$3,890, net of debt discounts of \$16,110.

**April 20, 2016 Note 2**

On April 20, 2016 the Company borrowed \$20,000 pursuant to a discounted secured convertible note. The note bears interest at 12% per annum and has a maturity date of April 20, 2017. The note agreement contains a change in the interest rate to 24% default interest rate should the note go into default and requires the Company to reserve 500,000,000 shares of the Company's common stock. The balance of the April 20, 2016 Note 2 as of June 30, 2016 was \$3,890, net of debt discounts of \$16,110.

**Note 5 - Derivative Liability**

The Company's derivative liability consists of the embedded conversion feature of its convertible notes payable. As the notes payable have conversion rates that prevent calculating the number of shares into which they can convert, the conversion feature has been separated from the underlying notes and valued as a derivative liability.

Prior to 2014, it was believed that previous management could cause the counterparties to overlook this conversion feature, and settle for the value of the notes themselves. So they estimated the fair value of the derivative liability was zero. In 2014, new management reassessed the nature of the notes payable and determined that a possibility exists that the conversion feature could be utilized by holders of the notes. As a result, the Company estimated the fair value of the derivative liability as of June 30, 2016 was \$4,085,176 and December 31, 2015 was \$3,787,124.

Following is a table showing activity in the derivative liability account.

Balance January 1, 2015	\$2,250,243
Additions	10,040
Deletions	-
Change in derivative liability	1,531,841
Balance December 31, 2015	3,787,124
Additions	40,000
Deletions	-
Change in derivative liability	258,052
Balance June 30, 2016	<u>\$4,085,176</u>

The derivative liability was valued at June 30, 2016 using the Black Scholes option valuation model with the following inputs.

Expected life in years	0.75
Stock price volatility	143.0%
Discount rate	0.475%
Expected dividends	None

#### Note 6 - Notes Payable - Related Party

Unsecured related party notes payable balance net of discounts as of June 30, 2016 was \$189,320, net of debt discounts of \$0 and December 31, 2015 was \$185,475, net of debt discounts of \$0.

#### September 26, 2013 Note

On September 26, 2013 the Company issued an unsecured promissory note to Corporate Business Advisors, Inc. for \$150,000 as part of a non-cash select assets and liabilities purchase agreement. The note bears no interest and has a maturity date of August 31, 2014. On September 1, 2014 the Company defaulted on the note. On May 18, 2015, the Company issued a second unsecured promissory note to Corporate Business Advisors, Inc. in regard to the defaulted September 26, 2013 Note which increased the note interest to 18% on all unpaid principal balances since the original note's balance was created and continues until the note principal balance is paid in full. The balance of the September 26, 2013 Note as of June 30, 2016 and December 31, 2015 was \$150,000, net of debt discounts of \$0.

#### December 17, 2014 Note

On December 17, 2014 the Company entered into a \$25,000 unsecured convertible note with Corporate Business Advisors, Inc. for \$24,500 in total cash loans to date plus \$500 in documentation fees the Company recorded as an administrative expense. The note bears interest at 18% per annum, has a maturity date of February 17, 2015, and has a 24% default compound interest rate should the note remain in default after a five day grace period. On February 22, 2015 the Company remained defaulted on the note and the note interest increased to 24% compound interest. During the six months ended June 30, 2016, \$3,845 accrued interest was added to the note's principal balance. During the year ended December 31, 2015, \$5,475 accrued interest was added to the note's principal balance. The balance of the December 17, 2014 Note as of June 30, 2016 was \$34,320 including added accrued interest to date of \$9,320 and December 31, 2015 was \$30,475, both net of debt discounts of \$0.

#### January 30, 2015 Note 2

On January 30, 2015 the Company borrowed \$4,500 pursuant to a discounted unsecured convertible note amount of \$5,000. The Company recorded the \$500 discount as an administrative expense. The note bears interest at 18% per annum and has a maturity date of March 16, 2015. The note agreement contains a change in the interest rate to 24% default interest rate or the highest allowed by law should the note go into default. On March 17, 2015 the Company defaulted on the note and the note interest per annum increased to 24%. The balance of the January 30, 2015 Note 2 as of June 30, 2016 and December 31, 2015 was \$5,000, both net of debt discounts of \$0.

#### Note 7 - Derivative Liability – Related Party

The Company's derivative liability – related party consists of the embedded conversion feature of its convertible notes payable to a related party. As the notes payable to a related party have conversion rates that prevent calculating the number of shares into which they can convert, the conversion feature has been separated from the underlying notes and valued as a derivative liability – related party. During the year ended 2014, the Company entered into one convertible note payable to a related party. The estimated fair value of derivative liability – related party as of June 30, 2016 was \$52,976 and December 31, 2015 was \$57,766.

Following is a table showing activity in the derivative liability – related party account.

Balance January 1, 2015	\$ 33,987
Additions	5,000
Deletions	-
Change in derivative liability – related party	18,779
Balance December 31, 2015	57,766
Additions	-
Deletions	-
Change in derivative liability – related party	(4,790)
Balance June 30, 2016	\$ 52,976

The derivative liability – related party was valued at June 30, 2016 using the Black Scholes option valuation model with the following inputs.

Expected life in years	0.75
Stock price volatility	143.0%
Discount rate	0.475%
Expected dividends	None

#### **Note 8 – Capital Lease**

On September 1, 2014, the Company entered into a lease to own lease agreement for an office and warehouse's 16,838 square foot portion of the property's total 55,785 square foot space. The lease is considered a capital lease, therefore the building asset and an offsetting note payable has been recorded on the Company's books. Lease payments are \$7,000 per month with \$5,000 per month being applied to the \$1,385,000 purchase price. On January 5, 2016, the Company entered into an unsecured promissory note for the unpaid rents and utilities for \$109,500. The promissory note carries 0% interest and is due on January 5, 2017. On February 9, 2016, the Company entered into a new lease to own lease agreement for the same property to extend the term dates beyond the original agreement including extensions and to add an additional \$100,000 due at closing as a hold over fee. In addition, the unpaid rents and utilities promissory note was extended. These agreements that were entered into subsequent to the balance sheet date required retroactive reporting as of the balance sheet date. The balance of the February 9, 2016 capital lease agreement as of June 30, 2016 was \$1,341,094. The balance of the September 1, 2014 capital lease agreement as of December 31, 2015 was \$1,292,349.

#### **Note 9 – Equity**

During the six months ended June 30, 2016, no shares of Capital Stock were issued and no options or warrants were issued or outstanding.

#### **Note 10 – Subsequent Events**

The Company has evaluated subsequent events pursuant to ASC Topic 855 from the balance sheet date through the date of this filing and determined that none have occurred.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Overview

The Company has a long history in the fast growing industry of waste recycling and specifically related to waste-to-energy, upon which the Company is building. Garb is organized to utilize both next-generation machines and new technologies to vertically integrate into the waste refinement, recycling and energy industries. The company emphasis is in profitable new and "green" solutions for waste-to-energy, alternate energy sources, gas drilling, fuel enhancements, improving energy usage efficiency and utilizing recycled material in producing both useful and desirable products manufactured in its own plants. The Company's use of its first industrial manufacturing property and equipment will be to manufacture wood pellets to be used as an alternate power fuel and for farm and agricultural applications. In addition, this manufacturing facility will utilize power saving technology including the use of recycled materials as fuel that will result in lower operating costs. Also, excess electricity will be generated that may be sold back to the power company, thereby generating an additional source of revenue.

Garb Oil & Power Corporation (the "Company" or "Garb") was incorporated in the State of Utah in 1972 under the name Autumn Day, Inc. The Company changed its name to Energy Corporation International in 1978 and to Garb-Oil Corporation of America in 1981, which marked the start of the Company's development state in the energy and recycling industries. The Company changed its name to Garb Oil & Power Corporation in 1985 and then to Garb Corporation in May 2013. In February 2014, the Company changed its name back to Garb Oil & Power Corporation. The Company's activities have consisted of raising capital and developing technology related to waste-to-energy electricity production, pyrolysis (extraction of oil, carbon, and steel from used tires), and recovery of used rubber from large off-the-road tires, repair and sale of used truck tires, sale of new truck tires and sale of industrial shredders.

On January 24, 2014, the Company signed a letter of intent (the "LOI") and a collaborative effort agreement (the "CE Agreement") with Shredderhotline.com Company ("Shredderhotline") and Dan Scott Burda, Shredderhotline's President/Owner. In general, the CE Agreement provides that the two ranking executive officers of both companies will collaborate on future sales and operations within a newly formed wholly owned subsidiary of the Company, Garb Global Services, Inc. ("Garb Global"). On November 18, 2014, the Company and Shredderhotline mutually determined that their business interests had diverged and the Company and Shredderhotline released one another from their rights and obligations under the LOI and CE Agreement both dated January 24, 2014. Garb Global continues as a wholly owned operating subsidiary of the Company but, to date, has had no operations or activity.

### Our Industry

The industry in which Garb is operating is still in its maturing stages. Technological developments, the economic climate and the growing global awareness of waste as a possible raw material resource, have changed the recycling industry, placing demands on the industry for new products and for new solutions. Garb is dedicated to creating products that increases energy efficiency and reduces the carbon footprint while helping to preserve the environment. With its knowledge of solutions, its comprehensive product portfolio, its experience and, above all, with personnel and advisors who understand the industry, Garb will provide superior products and services into profitable solutions that will provide the Company with a competitive advantage in the market and do our part in making the world a greener place while passing cost savings on to our customers.

### Our Markets

**Tires and Commercial Waste Shredders:** Garb's past has been resurrected by current management, new truck tires and commercial waste shredders. In addition, Garb is currently in the development stage to enter into the retread truck tire production and sales market.

**Waste-to-Energy:** Waste-to-energy is considered a renewable resource since its fuel source, garbage and other materials that have been destined to landfills, is sustainable and non-depletable. According to the U.S. Environmental Protection Agency, waste-to-energy is a "clean, reliable, renewable source of energy."

In 2013, Americans generated about 254 million tons of trash and recycled and composted about 87 million tons of this material, equivalent to a 34.3 percent recycling rate.

Opportunities abound in the recycling industry to produce power and Garb is developing this area.

**Biomass and Alternate Fuels:** The United States has been moving towards greater energy independence and the increase of clean renewable fuels. Biofuel is simple to use, biodegradable, nontoxic, and essentially free of sulfur and aromatics. Alternate energy sources can produce more net energy for less money than current technologies. Garb is currently pursuing multiple avenues in this growing arena.

**Useful products manufactured from recycled materials:** Garb is developing the potential for recycled materials to be utilized as raw materials in the production of useful products, alternate fuels, and energy. The first product being developed is to include recovered rubber in producing retread tires and as an alternate fuel source in the generation of electric power.

#### **Patents, Trademarks and Proprietary Data**

The Company has received United States Patent No. 5,299,748 on the OTR Tire Disintegrator System design which expired April 5, 2011, Patent No. 5,590,838 which expired January 7, 2014 and patent number 6,015,105 which expires January 18, 2018. An additional patent improvement was granted in Canada on July 6, 1999 as Canadian Patent No. 2,178,326 which expired March 23, 2015.

#### **Management Overview**

The Company is pursuing avenues of generating cash or revenues during the next twelve months. The Company is pursuing sales of new truck tires and made in the U.S. commercial waste shredders and is developing waste-to-energy, biomass alternate fuels, and manufacturing operations utilizing recycled materials. The Company continues to pursue financing to build and operate its own manufacturing plants. We believe that our current Company personnel and advisors have the necessary industry expertise and marketing skills to implement our business model.

#### **Results of Operations**

##### ***Comparison of the three months ended June 30, 2016 and June 30, 2015***

##### *Revenues*

During the three months ended June 30, 2016 and June 30, 2015, the Company recognized no revenues from sales.

##### *General and Administrative Expenses*

General and administrative expenses increased \$22,993 to \$156,164 for the three months ended June 30, 2016, from \$133,171 for the three months ended June 30, 2015. The increase was related to professional fees increasing \$22,339.

##### *Other Income (Expense)*

Other income (expense) increased by \$221,027 to \$(679,701) for the three months ended June 30, 2016, from a loss of \$(900,728) for the three months ended June 30, 2015. The decrease in subscription receivable write-off of \$403,815 was based on writing off aged balances during the three months ended June 30, 2015 and \$0 during the three months ended June 30, 2016. The increase in debt write-off of \$104,315 was based on writing off of debt for no executed debt agreements and the debt holder dissolved during 2015. The change in the gain (loss) on derivative liability valuation of \$(132,296) was due to an increase in the annualized volatility. The increase in interest expense of \$154,807 was primarily due to recognizing certain notes payables default interest amounts during the three months ended June 30, 2016 and the same certain notes payables did not incur default interest amounts during the three months ended June 30, 2015.

### *Net Loss*

Net loss was \$835,865 and \$1,033,899 for the three months ended June 30, 2016 and June 30, 2015, respectively. Net loss was due to a lack of revenues. While the Company has substantially decreased general and administrative expenses, we expect to continue to incur losses until such time as we can begin to generate consistent revenue from operations.

### ***Comparison of the six months ended June 30, 2016 and June 30, 2015***

#### *Revenues*

During the six months ended June 30, 2016 and June 30, 2015, the Company recognized no revenues from sales.

#### *General and Administrative Expenses*

General and administrative expenses decreased \$72,188 to \$259,316 for the six months ended June 30, 2016, from \$331,504 for the six months ended June 30, 2015. The decrease was related to professional fees decreasing \$68,631 and licenses, fees, and permits decreasing \$4,019.

#### *Other Income (Expense)*

Other income (expense) increased by \$264,908 to \$(1,051,169) for the six months ended June 30, 2016, from a loss of \$(1,316,077) for the six months ended June 30, 2015. The decrease in subscription receivable write-off of \$403,815 was based on writing off aged balances during the six months ended June 30, 2015 and \$0 during the six months ended June 30, 2016. The increase in debt write-off of \$104,315 was based on writing off of debt for no executed debt agreements and the debt holder dissolved during 2015. The change in the gain (loss) on derivative liability valuation of \$163,016 was due to a decrease in the annualized volatility. The increase in interest expense of \$406,238 was primarily due to recognizing certain notes payables default interest amounts during the six months ended June 30, 2016 and the same certain notes payables did not incur default interest amounts during the six months ended June 30, 2015.

### *Net Loss*

Net loss was \$1,310,485 and \$1,647,581 for the six months ended June 30, 2016 and June 30, 2015, respectively. Net loss was due to a lack of revenues. While the Company has substantially decreased general and administrative expenses, we expect to continue to incur losses until such time as we can begin to generate consistent revenue from operations.

### **Liquidity and Capital Resources**

Liquidity is the ability of an enterprise to generate adequate amounts of cash to meet its needs for cash requirements. The Company is not generating significant revenues. Operating expenses for the Company have been paid in part from short-term unsecured notes and the issuance of Company stock. The Company also has a stockholders' deficit of \$38,090,272 at June 30, 2016.

The Company has incurred indebtedness in order to finance its operations. As of June 30, 2016, the Company's total liabilities were \$12,590,579 with a working capital deficit of \$12,587,972. See Note 4 – Notes Payable, Note 5 - Derivative Liability, Note 6 – Notes Payable –Related Party, Note 7 – Derivative Liability – Related Party, and Note 8 – Capital Lease of the Company's financial statements appearing elsewhere in this quarterly report on Form 10-Q.

Net cash used in operating activities was \$(23,396) and \$(4,979) for the six months ended June 30, 2016 and June 30, 2015, respectively. Cash was primarily used to fund our net losses from operations.

Net cash from investing activities was \$0 and \$0 for the six months ended June 30, 2016 and June 30, 2015, respectively.

Net cash provided by financing activities was \$26,000 and \$5,040 for the six months ended June 30, 2016 and June 30, 2015, respectively. During the six months ended June 30, 2016, we received cash of \$40,000 from the issuance of notes payable, of which \$14,000 cash was used as repayment of financing activities.



## **Going Concern**

The financial statements accompanying this report have been prepared on a going concern basis, which implies that our Company will continue to realize its assets and discharge its liabilities and commitments in the normal course of business. Our Company has not generated sufficient revenues in the last two years to cover all operating and overhead costs, and has never paid any dividends and is unlikely to pay dividends in the immediate or foreseeable future. The continuation of our Company as a going concern is dependent upon the continued financial support from our shareholders, the ability of our Company to obtain necessary equity financing to achieve our operating objectives, and the attainment of profitable operations. As of June 30, 2016, our Company has accumulated losses of \$24,366,745. We do not have sufficient working capital to enable us to carry out our stated plan of operation for the next twelve months.

Due to the uncertainty of our ability to meet our current operating expenses and the capital expenses noted above in their report on the financial statements for the year ended December 31, 2015, the Company's independent auditors have included an explanatory paragraph regarding concerns about our ability to continue as a going concern. The continuation of our business is dependent upon our ability to raise additional financial support. The issuance of additional equity securities by the Company could result in a significant dilution in the equity interests of our current shareholders. Obtaining commercial loans, assuming those loans would be available, will increase our liabilities and future cash commitments.

## **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

Not applicable

## **Item 4. Controls and Procedures**

Under the supervision and with the participation of our current management, including our principal executive officer and principal financial officer (the "Certifying Officers"), we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of June 30, 2016. Based upon that evaluation, the Certifying Officers concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were not effective.

We believe that our consolidated financial statements contained in this quarterly report on Form 10-Q fairly present our financial position, results of operations and cash flows for the six months ended June 30, 2016 in all material respects.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

## **Changes in Internal Control Over Financial Reporting.**

There have been no changes in our internal control over financial reporting during the last fiscal quarter covered by this quarterly report on Form 10-Q that have materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **Other Controls and Procedures Information**

In order for the Company to have effective and strong internal controls over financial reporting, we believe the Company needs to be able to financially support bringing in-house the accounting and financial reporting functions. Management will be bringing in-house the accounting and financial reporting functions once we have consistent revenues to justify adding additional employees. This will include the Company obtaining a full time Chief Financial Officer.

**PART II – Other Information****Item 1. Legal Proceedings**

We are not a party to any material litigation, nor to the knowledge of management, is any litigation threatened against us that may materially affect us.

**Item 1A. Risk Factors**

Not required for smaller reporting companies.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

## Exhibit

No.	Description	Location
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer and Principal Financial Officer.	Filed herewith.
31.2	Rule 13a-14(a)/15d-14(a) Certification of Principal Accounting Officer.	Filed herewith.
32.1	Certification of Chief Executive Officer, Principal Financial Officer and Principal Accounting Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
101.INS	XBRL Instance Document	Filed herewith.
101.SCH	XBRL Taxonomy Extension Schema Document	Filed herewith.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	Filed herewith.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GARB OIL & POWER CORPORATION

Date: July 29, 2016

By: /s/ Tammy Taylor  
Tammy Taylor, Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Tammy Taylor</u> <u>Tammy Taylor</u>	<u>Chief Executive Officer and Director (principal executive officer and principal financial officer)</u>	<u>July 29, 2016</u>
<u>/s/ M. Aimee Coleman</u> <u>M. Aimee Coleman</u>	<u>Corporate Secretary (principal accounting officer)</u>	<u>July 29, 2016</u>

**Certifications**

I, Tammy Taylor, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended June 30, 2016 of Garb Oil & Power Corporation (the “registrant”);
2. Based on my knowledge, this report 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: July 29, 2016

By: /s/ Tammy Taylor

Tammy Taylor, Chief Executive Officer

(Principal Executive Officer and Principal Financial Officer)

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## Exhibit 31.2

### Certifications

I, M. Aimee Coleman, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended June 30, 2016 of Garb Oil & Power Corporation (the “registrant”);
2. Based on my knowledge, this report 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: July 29, 2016

By: /s/ M. Aimee Coleman

M. Aimee Coleman, Corporate Secretary  
(Principal Accounting Officer)

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## Section 1350 Certification

In connection with the Quarterly Report on Form 10-Q of Garb Oil & Power Corporation (the “Company”) for the quarterly period ended June 30, 2016 as filed with the Securities and Exchange Commission (the “Report”), I, Tammy Taylor, Chief Executive Officer and I, M. Aimee Coleman, Corporate Secretary of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of our my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 29, 2016

/s/ Tammy Taylor

Tammy Taylor, Chief Executive Officer  
(Principal Executive Officer and Principal Financial Officer)

Date: July 29, 2016

/s/ M. Aimee Coleman

M. Aimee Coleman, Corporate Secretary (Principal Accounting Officer)

A signed original of the written statements above required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to Garb Oil & Power Corporation and will be retained by Garb Oil & Power Corporation and furnished to the U.S. Securities and Exchange Commission or its staff upon request. The forgoing certifications are being furnished to the Securities and Exchange Commission as an exhibit to the Quarterly Report on Form 10-Q for the six months ended June 30, 2016, and they shall not be considered filed as part of such report.

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