

# SCOOBEEZ GLOBAL, INC.

## (OTC PINK BASIC DISCLOSURE GUIDELINES)

### 1) NAME OF THE ISSUER AND ITS PREDECESSOR (IF ANY).

Scoobeez Global, Inc. previously known as ABT Holdings, Inc. (the "Company") was incorporated under the laws of the state of Idaho in 1957 under the original name of Abot Mining Company. The Company's legal name was changed to ABT Mining Co. Inc. on March 12, 2007, then again to ABT Holdings, Inc. on August 14, 2015. Effective February 22, 2017, the Company's legal name was changed to Scoobeez Global, Inc. on February 20, 2017 pursuant to Section 53-504 of Idaho Code and the Company's Articles of Incorporation.

### 2) ADDRESS OF THE ISSUER'S PRINCIPAL EXECUTIVE OFFICES.

#### Company Headquarters

396 S Pasadena Avenue,  
Pasadena, CA 91105  
T: +1 818.302.0100  
E: ir@abtholdings.com  
W: www.abtholdings.com

#### Scoobeez Headquarters

396 S Pasadena Avenue,  
Pasadena, CA 91105  
T: +1 844.726.6233  
E: partners@scoobeez.com  
W: www.scoobeez.com

#### IR Contact

N/A

### 3) SECURITY INFORMATION

**Trading Symbol:** SCBZ

#### **Exact title and class of securities outstanding:**

As of December 31, 2016:

#### **COMMON STOCK:**

Authorized	1,200,000,000 shares
Outstanding	167,986,266 shares

**Par value per common stock:** \$0.0001 per share.

Traditionally the company has not paid any dividends and there are no preemptive rights associated with the common stock. Each share is entitled to one vote. There are no provisions in the charter and or bylaws that would delay, defer and or prevent change in control of issuer.

**PREFERRED STOCK:**

Authorized	25,000,000 share
Outstanding	21,650,000 share

**Par value per preferred stock:** \$0.001 per share.

The holder of the Series A Preferred Stock shall have ten thousand (10,000) votes for every one vote of common stock. The shares of Series A Preferred Stock shall be convertible on a one for fifteen (15) basis with the common shares of the Company at any time after the date of issuance of such shares at the office of this Company into fully paid and non-assessable shares of common stock of the Company.

On October 7, 2016, the Board of Directors have determined that it is advisable and in the best interests of the Company to amend the Certificate of Designation, Preference, and Rights of Series A Preferred Stock (the "Series A COD"). In substantially the form, the Company increased the number of authorized shares of Series A Preferred Stock, par value \$0.001 per share, from 20,000,000 to 25,000,000.

On October 7, 2016, Mr. Shahan Ohanessian ("Mr. Ohanessian") entered certain Assignment Agreement dated as of October 7, 2016, by and between Mr. Ohanessian and Hillair Capital Management LLC ("Hillair"). According to which Mr. Ohanessian assigned 1,650,000 shares of the Company's Series A Preferred Stock (the "Subject Shares") to Hillair (the "Assignment").

On October 21, 2016, the Company reissued to Mr. Ohanessian 1,650,000 shares of the Company's Series A Preferred Stock to compensate him for the Subject Shares.

**CUSIP NUMBER:** 00084L102\*

On August 11, 2015, as per the approval of the Shareholder and upon the resolution adopted by the Board, the Company filed an amendment. The amendment was duly adopted under the Title 30, Idaho Code and by the Articles of Incorporation, whereby the name of the Company was changed from ABT Mining Co. Inc. to ABT Holdings, Inc.

The Company submitted Issuer Company-Related Action Notification Form ("Corporate Actions – Name Change Amendment") to Financial Industry Regulatory Authority (FINRA) for approval. The Company changed its CUSIP from 00084J 107 to 00084L102. The Corporate Actions were approved and became effective as of September 1, 2015. The Board determined that it is in the best interest of the Corporation and its stockholders to change the name to reflect its current business model and in line with its future growth and expansion plan.

**REVERSE SPLIT & NAME CHANGE**

On April 16, 2015, the Company's Board has determined that it is in the best interest of the Corporation and its stockholders to change the name from Abot Mining Co. to ABT Mining Co. Inc. on OTC Markets/OTC Pink Marketplace ("Name Change"). The Company also decided to effectuate a 2,300 for 1 reverse stock split ("Reverse Stock Split") with respect to the common stock of the Corporation, with all the fractional shares rounded to the nearest whole. The Company submitted Issuer Company-Related Action Notification Form ("Corporate Actions") to Financial Industry Regulatory Authority (FINRA) for approval. As a result, the Company changed its CUSIP from 003734 100 to 00084J 107. The Corporate Actions were approved and became effective as of May 19, 2015.

**TRANSFER AGENT**

Columbia Stock Transfer Company  
1869 E Seltice Way #292  
Post Falls ID 83854  
Phone: 208-664-3544  
www.columbiastock.com

Is the Transfer Agent registered under the Exchange Act?

Yes: ☒

No: ☐

**List any restrictions on the transfer of security:**

None.

**Describe any trading suspension orders issued by the SEC in the past 12 months.**

None.

#### **4) ISSUANCE HISTORY**

##### **COMMON STOCK (PRE-SPLIT) BEFORE MAY 19, 2015**

At December 31, 2010, the Company had issued 2,973 (6,837,078) of stock as founder shares upon formation valued at par. The Company has authorized 995,000,000 million shares at a par value of \$0.0001.

On May 18, 2011 the Company issued 8,0435 (185,000,000) shares for cash of \$18,500. On May 26, 2012, the shares were redeemed.

On October 31, 2011, and on November 16, 2011, the Company issued a cumulative of 65,223 (150,000,000) shares of stock for debt reduction of \$150,000. As of December 31, 2011, the officer of the company contributed services of \$150,000.

On September 8, 2011, the Company issued 282,609 (650,000,000) shares of stock for cash of \$65,000 to Morris Rafi. The Cash was not received and was reflected on the Balance Sheet as Common Stock Subscribed. On September 10, 2012, the Company transferred 282,609 (650,000,000) shares to Imran Firoz, its officer from Morris Rafi who was to contribute \$65,000. The Company recognized the transfer of stock for services to its officer of \$1,170,000, which represented the market price of the stock at the date of transfer. The \$65,000 owed on subscribed stock was negated.

On December 11, 2011, the Company entered an agreement to issued 20,000,000 shares for investment. These shares were not issued and are shown in the equity section of the balance sheet as Common Stock to be issued for \$1,000,000. The amount was derived from the shares to be issued multiplied by the market price at December 6, 2011.

On April 22, 2013, the amount of authorized capital common stock of the Company increased to One billion and two hundred million shares (1,200,000,000), and the par value shall remain the same at \$0.0001. The amendment to the Articles of Incorporation was consented to and approved by shareholders holding a majority (67.19%) of the shares of common of stock outstanding and entitled to vote thereon.

**Under Rule 504 of Regulation D of the Securities Act of 1933, as amended (“Rule 504”):**

Date	No. of shares offered	No. of shares sold	Price of shares offered/sold	Price of shares sold	Trading status of the shares
5/31/2012	7,500,000	7,500,000	0.0033/0.0033	0.0033	Free Trading
7/7/2012	14,500,000	14,500,000	0.0012/0.0012	0.0012	Free Trading
7/23/2012	21,500,000	21,500,000	0.0012/0.0012	0.0012	Free Trading
8/28/2012	20,000,000	20,000,000	0.0013/0.0013	0.0013	Free Trading
9/21/2012	26,500,000	26,500,000	0.0008/0.0008	0.0008	Free Trading
10/4/2012	27,500,000	27,500,000	0.0007/0.0007	0.0007	Free Trading
1/7/2013	23,000,000	23,000,000	0.0009/0.0009	0.0009	Free Trading
3/7/2013	20,000,000	20,000,000	0.0008/0.0008	0.0008	Free Trading
4/22/2013	25,000,000	25,000,000	0.0006/0.0006	0.0006	Free Trading
5/14/2013	18,000,000	18,000,000	0.0006/0.0006	0.0006	Free Trading
11/4/2013	35,000,000	35,000,000	0.0004/0.0004	0.0004	Free Trading
1/7/2014	23,000,000	23,000,000	0.0004/0.0004	0.0004	Free Trading
	<b>261,500,000</b>	<b>261,500,000</b>	<b>\$0.0008</b>		

The Company issued Officer's Certificate to Transfer Agent, Attorney, and Investor where the Company stated that it is offering shares of its common stock to the Investor according to an exemption from registration provided under Rule 504 of Regulation D of the Securities Act of 1933, as amended ("Rule 504").

The Company filed a Company Related Corporate Action Notification with FINRA to implement a 1-for-2,300 reverse split of the Company's issued and outstanding common stock (the "Reverse Stock Split") with all the fractional shares rounded to the nearest whole, as authorized at a special meeting of shareholders held on April 16, 2015. The Reverse Stock Split became effective at the opening of trading on the OTC Pink Marketplace on May 19, 2015 (the "Effective Date"). As of the Effective Date, every 2,300 shares of issued and outstanding common stock were combined into one issued share of common stock. The Company did not issue any fractional shares in connection with the Reverse Stock Split. Total cash payments made by the Company to stockholders of fractional shares were not material.

## **COMMON STOCK AFTER MAY 19, 2015**

### **Common Shares Issued for Acquisition of AutoClaim Domain Name**

On May 27, 2015, the Company issued 150,000,000 Common Shares and a Convertible Promissory Note in an amount of \$500,000 to Shahan Ohanessian (the "Seller") according to the Asset Purchase Agreement.

The Company acquired all powers and privileges of the AutoClaim Domain. These rights included but not limited to make, have made, use, or sell under patent law; to copy, adapt, distribute, display, and perform under copyright law; and to use and disclose under trade secret law, also known as Distribution Rights embodied in or comprising the AutoClaim Domain.

Further, the Company also acquired the business model, all United States and foreign patents and patents application, all trade secrets, know-how, confidential or proprietary information. The Company also acquired all trademarks, service marks and trade names, all market research and intelligence, contact lists, marketing materials, business plans, notes, documents and other intellectual property rights and legal protections in every and all countries and jurisdiction.

### **Common Shares Issued for Parseghian Note**

On May 28, 2015, the Company issued 2,000,000 shares to a certain noteholder against the Convertible Promissory Note for \$150,000 ("Parseghian Note"). On July 27, 2015, the Company issued 550,000 shares to under Parseghian Note. On August 18, 2015, the Company issued 300,000 shares under Parseghian Note. On June 30, 2016, the Company issued 5,100,000 shares as a final settlement to a certain noteholder against the Convertible Promissory Note for \$150,000.

### **Common Shares Issued for Thrush Note**

On June 1, 2015, the Company issued 1,250,000 shares to a certain noteholder against the Convertible Promissory Note for \$65,000 ("Thrush Note"). The Company settled the note with a cash settlement of \$45,000 on January 19, 2016.

### **Common Shares Issued for Rising Star Mining Consultants**

In August 6, 2015, the Company issued 20,000 shares to a certain noteholder as a settlement amount against the Convertible Promissory Note ("Peterson Note") for \$175,000. In August 6, 2015, the Company issued 15,000 shares to a certain noteholder as a settlement amount against the Convertible Promissory Note ("Ortega Note") for \$95,000. In August 6, 2015, the Company issued 15,000 shares to a certain noteholder as a settlement amount against the Convertible Promissory Note ("Baron Note") for \$50,000.

### **Common Shares Issued for Scoobeez Transaction**

On August 27, 2015, the Company entered an agreement to purchase 76% equity (the "Purchased Shares") of Scoobeez Inc., a California Corporation and its related business subsidiaries for cash and stock. The 'Related business subsidiaries' included but not limited to Scoobur LLC (California), IScootRental LLC (Nevada) and Scoobeez Global, Inc. (Idaho). Scoobeez is an "On Demand" door-to-door logistics and delivery service company that primarily utilizes scooters and motorcycles along with cars to facilitate "Same Day" deliveries.

The Company agreed to issue common stock for Scoobeez Investment. These shares were not issued to founders of Scoobeez and were shown in the equity section of the balance sheet as Common Stock to be issued for \$1,200,000. The amount derived from the shares to be issued multiplied by the market price as quoted on OTC Pink Marketplace on August 27, 2015. The cash component of Scoobeez Investment is \$96,000, and \$36,000 has been paid to the Sellers as of September 9, 2015. The total fair value at the date of acquisition is estimated to be \$1,296,000.

On January 22, 2016, the Company settled Benjamin Art's note with a face value of \$720,000 and rescinded 15% equity interest of Benjamin Art in Scoobeez for a cash settlement of \$125,000.

As a result of this settlement, Company's ownership interest in Scoobeez has increased to 89.41% as tabulated below:

<b>Name of Shareholder</b>	<b>At the Acquisition Date August 27, 2015</b>	<b>After Settlement January 22, 2016</b>
ABT Holdings, Inc.	76.00%	89.41%
Benjamin Art	15.00%	-
Grigori Sedrakyan	9.00%	10.59%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

As a result of this settlement, Company's ownership interest in Related business subsidiaries has increased to 89.41% as tabulated below:

<b>Name of Shareholder</b>	<b>At the Acquisition Date August 27, 2015</b>	<b>After Settlement January 22, 2016</b>
ABT Holdings, Inc.	76.00%	89.41%
Benjamin Art	15.00%	-
Grigori Sedrakyan	9.00%	10.59%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

On March 31, 2016, the Company issued 1,800,000 shares to Grigori Sedrakyan as a settlement amount for the combined Convertible Promissory Note(s) of \$540,000.

#### **Common Shares Issued for Consulting**

On January 1, 2016, the Company agreed to issue 319,784 shares to a CorProminence, LLC ("Consultant") for marketing and consulting services provided by the Consultant for the period from January 1, 2016, to March 31, 2016. The Company issued these shares on March 31, 2016.

#### **Common Shares Issued for Investment**

On February 1, 2016, the Company issued Peter Rosenthal Irrevocable Trust (IDIT) 10/31/12 ("Buyer1"), 797,500 restricted securities ("Securities"). Upon receipt of such Securities, the Buyer1 paid the Company the purchase price of One Hundred and Thirty-Four Thousand and Eight Hundred and Fifty dollars (\$134,850) at price of shares sold at \$0.18 per share.

On February 1, 2016, the Company issued Barbara C. Rosenthal Irrevocable Trust (IDIT) 10/31/12 ("Buyer2"), 797,500 restricted securities ("Securities"). Upon receipt of such Securities, the Buyer2 paid the Company the purchase price of One Hundred and Thirty-Four Thousand and Eight Hundred and Fifty dollars (\$134,850) at price of shares sold at \$0.18 per share.

On April 21, 2016, the Company issued 2,400,000 shares to Richard Dolan for an investment of \$350,000.

#### **Common Shares Issued for Settlement of Scoobeez LV, LLC**

On April 21, 2016, the Company issued 560,000 shares to The Silard Family Trust for settlement related to the subsidiary of the Company.

On July 23, 2016, the Company issued 67,300 shares to unrelated parties for settlement related to the subsidiary of the Company.

#### **Common Shares Issued for Settlement of Peter Rosenthal Note**

On June 30, 2016, the Company issued 975,000 shares as a final settlement to Peter Rosenthal to settle all promissory notes dated September 21, 2015, September 24, 2015, and October 1, 2015.

### **SERIES A PREFERRED STOCK**

#### **Preferred Shares Authorized**

On March 3, 2015, the Board of Directors of the Company created and authorized 20,000,000 shares of Preferred Stock of the Company, par value \$.001 (the "Series A Preferred Stock"). The stated par value of the Series A Preferred Stock shall be \$.001. The holders of the Series A Preferred Stock shall have ten thousand (10,000) votes for every one vote of common stock.

The shares of Series A Preferred Stock shall be convertible on a one for one hundred (100) basis with the common shares of the Company at any time after the date of issuance of such shares at the office of this Company into fully paid and non-assessable shares of common stock of the Company.

On March 06, 2015, the Company issued 1,600,000 shares of Series A Preferred Stock to Imran Firoz for services rendered.

#### **Preferred Shares Issued for Acquisition of AutoClaim App**

On May 27, 2015, the Company issued 18,400,000 shares, representing 92% of the issued and outstanding of Series A Preferred Stock to Shahan Ohanessian according to an Asset Purchase Agreement, whereby the Company acquired all rights, intellectual property rights and domain name for our AutoClaim software.

#### **Amendment to Preferred Shares**

On December 21, 2015, according to the authority vested in the Board of Directors by the Certificate of Incorporation of the Company and by the majority shareholders', the Board of Directors of the Company amended the conversion of Series A Preferred Stock from one for hundred to one for fifteen.

#### **Common Stock Warrant & Preferred Shares Issued for Capital Management Transaction**

On October 7, 2016, the Board of Directors have determined that it is advisable and in the best interests of the Company to amend the Certificate of Designation, Preference, and Rights of Series A Preferred Stock (the "Series A COD"). The Amendment was to increase the number of authorized shares of Series A Preferred Stock, par value \$0.001 per share, from 20,000,000 to 25,000,000.

On October 7, 2016, the Company agreed to sell, and Hillair Capital Investments L.P ("Hillair"), severally and not jointly, agree to purchase, up to an aggregate of \$5,800,000 in Principal Amount of the Debentures (corresponding to an aggregate Subscription Amount of up to \$5,000,000). The Company issued a Warrant registered in the name of Hillair to purchase up to certain number of shares of Common Stock equal to 100% of the initial Principal Amount of the Debenture to be issued to Hillair divided by \$0.50, with an exercise price per share equal to \$0.50.

In connection to the above transaction, Mr. Shahan Ohanessian ("Mr. Ohanessian") entered certain Assignment Agreement dated as of October 7, 2016, by and between Mr. Ohanessian and Hillair. According to which Mr. Ohanessian assigned 1,650,000 shares of the Company's Series A Preferred Stock (the "Subject Shares") to Hillair (the "Assignment").

On October 21, 2016, the Company reissued to Mr. Ohanessian 1,650,000 shares of the Company's Series A Preferred Stock to compensate him for the Subject Shares.

As of December 31, 2016, and December 31, 2015, the Company has 167,986,266 and 154,569,137 shares of common stock, respectively and 21,650,000 and 20,000,000 shares of preferred stock, respectively issued and outstanding.

**Subsequent Event**

On January 30, 2017, the Company issued a combined Senior Secured Convertible Debenture ("CN") for \$8,584,000 with Hillair Capital Investment L.P. ("Lender"). This CN combines previous Senior Secured Convertible Debenture ("CN") for \$5,800,000 issued on October 7, 2016. This CN has a quarterly interest only payment that bears interest at a rate of 8% per annum, and matures January 1, 2019.

For CN dated January 30, 2017, the Company issued a Securities Purchase Agreement to the lender, which consists of issuing 371,200 of Series and warrants to purchase up to 5,568,000 Company's common stock with an exercise price of \$0.50, exercisable on or before the expiration date.

## 5) Financial Statements

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### Annual REPORT

For the Year Ended December 31, 2016

# SCOOBEEZ GLOBAL, INC.

<b>Idaho</b>	<b>396 S Pasadena Avenue, Pasadena, California</b>	<b>91105</b>
(State or other jurisdiction of incorporation)	(Address of principal executive offices)	(Zip Code)
<b>+1 818.302.0100</b>	<b><a href="mailto:shahan@abtholdings.com">shahan@abtholdings.com</a></b>	<b>abtholdings.com</b>
(Phone)	(Email)	(Website)

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## FORWARD-LOOKING STATEMENTS

This Annual Report contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact are “forward-looking statements” for purposes of federal and state securities laws, including, but not limited to, any projections of earnings, revenue or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning proposed new products or developments; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing. Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and inherent risks and uncertainties.

Forward-looking statements may include the words “may,” “could,” “will,” “estimate,” “intend,” “continue,” “believe,” “expect,” “desire,” “goal,” “should,” “objective,” “seek,” “plan,” “strive” or “anticipate,” as well as variations of such words or similar expressions, or the negatives of these words. These forward-looking statements present our estimates and assumptions only as of the date of this report. Except for our ongoing obligation to disclose material information as required by the securities laws, we do not intend, and undertake no obligation, to update any forward-looking statement. We caution readers not to place undue reliance on any such forward-looking statements. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual outcomes will likely vary materially from those indicated.



**SCOOBEEZ GLOBAL, INC.**  
**( FORMERLY KNOWN AS ABT HOLDINGS, INC.)**  
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**(UNAUDITED)**

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**SCOUBEZ GLOBAL, INC.**  
**( FORMERLY KNOWN AS ABT HOLDINGS, INC.)**  
**CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
<b>Assets</b>		
Current assets:		
Cash	\$ 502,170	\$ 1,094,696
Accounts receivable	5,730,630	1,180,844
Advances to shareholder	1,020,877	-
Other current assets	48,973	36,390
Current assets	<u>7,302,650</u>	<u>2,311,930</u>
Property and equipment, net	513,450	304,710
Acquired intangible assets, net	146,114	233,778
Other assets	353,045	321,125
Goodwill	1,424,494	1,424,494
Total assets	<u><u>\$ 9,815,854</u></u>	<u><u>\$ 4,596,037</u></u>
<b>Liabilities and Stockholders' Deficit</b>		
Current liabilities:		
Accounts payable	\$ 4,722,733	\$ 526,173
Accrued liabilities	2,086,340	681,035
Merchant financing (net of discount of \$305,000 and \$0, respectively)	1,136,408	-
Line of credit	281,699	385,000
Deferred revenue - current	145,000	155,000
Lease obligation - current	186,697	99,575
Notes payable - current	527,386	32,951
Convertible notes payable - current	5,800,000	784,500
Related party notes payable - noncurrent	94,075	229,413
Unearned license fees	-	150,000
Settlement liability	720,000	700,000
Current liabilities	<u>15,700,338</u>	<u>3,743,647</u>
Notes payable - noncurrent	-	152,685
Convertible notes payable - noncurrent	-	628,575
Related party notes payable - current	-	60,000
Deferred revenue - noncurrent	425,270	576,252
Lease incentive liability	278,097	290,774
Lease obligations	-	129,797
Deferred tax liabilities	48,000	48,000
Total liabilities	<u>16,451,705</u>	<u>5,629,730</u>
Commitments and contingencies (Note 12)	-	-
Stockholders' Deficit:		
Preferred stock, par value \$0.001, 21,650,000 shares authorized, 20,000,000 issued and outstanding	21,650	20,000
Common stock, par value \$0.0001, 1,200,000,000 shares authorized; 167,984,622 and 154,617,538 shares issued and outstanding, as of December 31, 2016 and December 31, 2015, respectively	16,800	15,462
Additional paid-in capital	12,536,398	5,198,555
Accumulated deficit	(18,432,456)	(6,702,038)
Total parent stockholders' deficit	<u>(5,857,608)</u>	<u>(1,468,021)</u>
Noncontrolling interest	(72,166)	434,328
Total stockholders' deficit	<u>(5,929,774)</u>	<u>(1,033,693)</u>
Total liabilities and stockholders' deficit	<u><u>\$ 9,815,854</u></u>	<u><u>\$ 4,596,037</u></u>

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

**SCOUBEZ GLOBAL, INC.**  
**( FORMERLY KNOWN AS ABT HOLDINGS, INC.)**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

	Year Ended December 31, 2016	Year Ended December 31, 2015
Revenues	\$ 25,522,638	\$ 5,011,551
Cost of revenues	<u>21,419,117</u>	<u>3,638,600</u>
<b>Gross profit</b>	<b>6,103,521</b>	<b>1,372,951</b>
Operating expenses:		
General and administrative (includes stock based compensation of \$19,187 and \$76,500, respectively)	12,641,502	1,115,027
Sales and marketing	85,912	38,900
Depreciation and amortization	<u>170,841</u>	<u>76,688</u>
<b>Total operating expenses</b>	<b><u>12,898,255</u></b>	<b><u>1,153,927</u></b>
Operating loss	(6,002,734)	219,024
Other income (expense):		
Interest expense	(1,545,776)	(125,690)
Other expense	(10,213)	(699,995)
Other income		
Gain (loss) on settlement of debt	(3,846,189)	310,243
Loss from impairment of asset	<u>(40,000)</u>	<u>(774,000)</u>
<b>Total other expense</b>	<b><u>(5,442,178)</u></b>	<b><u>(1,289,442)</u></b>
Loss before provision for income taxes	(12,236,912)	(1,070,418)
Provision for income taxes	-	148,365
Net loss	<u>\$ (12,236,912)</u>	<u>\$ (1,218,783)</u>
Net income (loss) attributable to noncontrolling interest	(506,494)	27,115
Net loss attributable to controlling interest	\$ (11,730,480)	\$ (1,245,898)
Net loss per common share, basic and diluted	\$ (0.07)	\$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	161,819,266	92,323,291

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

**SCOOBZ GLOBAL, INC.**  
**( FORMERLY KNOWN AS ABT HOLDINGS, INC.)**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT**  
**(UNAUDITED)**

	Preferred stock		Common stock		Additional Paid-in Capital	Accumulated Deficit	Total Parent Stockholders' Deficit	Non- controlling interest	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount					
<b>December 31, 2015</b>	<b>20,000,000</b>	<b>\$ 20,000</b>	<b>154,617,538</b>	<b>\$ 15,462</b>	<b>\$ 5,198,555</b>	<b>\$ (6,702,038)</b>	<b>\$ (1,468,021)</b>	<b>\$ 434,328</b>	<b>\$ (1,033,693)</b>
Common shares issued for cash	-	-	3,995,000	400	619,300	-	619,700	-	619,700
Common shares issued for PSP cancellation fee	-	-	627,300	63	445,320	-	445,383	-	445,383
Common shares issued for services	-	-	319,784	32	19,156	-	19,188	-	19,188
FV of warrants issued for CN	-	-	-	-	148,575	-	148,575	-	148,575
FV of preferred shs issued for CN	1,650,000	1,650	-	-	790,350	-	792,000	-	792,000
Acquisition of additional interest in subsidiary	-	-	-	-	237,231	-	237,231	(271,455)	(34,224)
Common shares issued for debt settlements	-	-	8,425,000	843	5,344,408	-	5,345,251	-	5,345,251
Contributed capital	-	-	-	-	4,958	-	4,958	-	4,958
Net loss	-	-	-	-	-	(11,730,418)	(11,730,418)	-	(11,730,418)
Net loss attributable to noncontrolling interest								(506,494)	(506,494)
<b>December 31, 2016 (unaudited)</b>	<b><u>21,650,000</u></b>	<b><u>\$ 21,650</u></b>	<b><u>167,984,622</u></b>	<b><u>\$ 16,800</u></b>	<b><u>\$ 12,808,711</u></b>	<b><u>\$ (18,432,456)</u></b>	<b><u>\$ (5,586,153)</u></b>	<b><u>\$ (343,621)</u></b>	<b><u>\$ (5,929,774)</u></b>

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

**SCOOBEZ GLOBAL, INC.**  
**( FORMERLY KNOWN AS ABT HOLDINGS, INC.)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

	<b>Year ended December 31, 2016</b>	<b>Year ended December 31, 2015</b>
<b>OPERATING ACTIVITIES</b>		
Net loss	\$ (12,236,912)	\$ (685,429)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	195,020	7,723
Amortization of debt discount	420,349	76,688
Amortization of FV warrants issued with CN	148,575	-
Loss (gain) on settlement of debt	4,335,082	(310,243)
PSP license cancellation cost	198,992	-
Loss from impairment of asset	40,000	774,000
Stock-based compensation	19,187	76,500
Bad debt	200,000	40,000
Changes in operating assets and liabilities:		
Accounts receivable	(4,549,786)	(644,792)
Prepays and other current assets	(12,583)	(9,500)
Accounts payable	4,196,560	(243)
Accrued liabilities	1,685,305	214,818
Deferred revenue	(310,982)	662,000
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(5,671,193)</b>	<b>201,522</b>
<b>INVESTING ACTIVITIES</b>		
Other assets	(108,021)	(10,000)
Purchase of property and equipment	(293,032)	(19,272)
Acquisition of business, net of cash received	-	(34,581)
Acquisition of additional interest in subsidiary	(34,224)	-
Issuance of note receivable	(200,000)	(100,000)
Payments received on note receivable	-	60,000
Advances to shareholder	(1,319,356)	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(1,954,633)</b>	<b>(103,853)</b>
<b>FINANCING ACTIVITIES</b>		
Contributed capital	4,958	12,640
Proceeds from sales of common stock	619,700	-
Proceeds from merchant financing	2,200,216	-
Payments on merchant financing	(1,036,850)	-
Payments on line of credit	(103,301)	-
Proceeds from notes payable	500,000	120,000
Payments on notes payable	(8,220)	(108,068)
Proceeds from convertible notes payable	4,859,801	-
Payments on convertible notes payable	(135,776)	-
Payments on related party notes payable	(214,760)	-
Payments on lease obligation	(154,638)	-
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>6,531,130</b>	<b>24,572</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(592,526)</b>	<b>122,241</b>
<b>CASH AT BEGINNING OF PERIOD</b>	<b>1,094,696</b>	<b>-</b>
<b>CASH AT END OF PERIOD</b>	<b>\$ 502,170</b>	<b>\$ 122,241</b>
<b>SUPPLEMENTAL CASH FLOW DISCLOSURE:</b>		
<b>CASH PAID FOR:</b>		
Interest	\$ 13,444	\$ -
Income taxes	\$ -	\$ -
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Conversions of notes payable into common stock	\$ -	\$ 33,425
Debt settled through the issuance of common stock	\$ 869,837	\$ -
Common stock issued rescinded	\$ -	\$ 1,000,000
Preferred shares issued for asset	\$ -	\$ 178,100
Common shares issued for asset	\$ -	\$ 95,900
Related party note payable issued for asset	\$ -	\$ 507,500

Convertible notes payable issued for acquisition of company

\$	-	\$	1,260,000
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Cancellation of PSP license settled through issuance of common stock	\$	246,391	\$	-
Property and equipment purchased with financing agreement	\$	<u>73,004</u>	\$	<u>46,697</u>

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

**SCOOBEEZ GLOBAL, INC.**  
**( FORMERLY KNOWN AS ABT HOLDINGS, INC.)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 1. BUSINESS DESCRIPTION AND NATURE OF OPERATIONS**

ABT Holdings, Inc. (the "Company"), previously known as ABT Mining Co., was incorporated under the laws of the state of Idaho in 1957 under the original name of Abot Mining Company. The Company's legal name was changed to ABT Mining Co. Inc. on March 1, 2007. Effective August 14, 2015, the Company's legal name was changed to ABT Holdings, Inc.

The Company's overall business strategy is to operate as a diversified holding company, which is primarily engaged in investing, acquiring, developing, operating and growing various businesses that will generate attractive returns, and provide significant free cash flow to the Company in order to maximize value of its shareholders. Consequently, during the year ended December 31, 2016, the Company decided to take a more diversified approach to its current and future operations, which include, but are not limited to, acquisitions of advanced technology driven assets and businesses that improve value and productivity in critical areas of the value chain, enhance the life of end-users and customer experiences, and positively impact local and global commerce as it is rolled out in the domestic and international markets.

The Company's target portfolio companies are designed to be market leaders in their respective sectors by providing critical products and services that enable them to re-imagine the current revenue model, improve customer service, and streamline the decision-making process.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation and Principles of Consolidation***

The accompanying consolidated financial statements includes the accounts of ABT Holdings, Inc. and Scoobeez, Inc. ("Scoobeez"), excluding the 9% non-controlling interest at December 31, 2016. All significant intercompany accounts and transactions have been eliminated. The consolidated statements of operations include the results of entities acquired from the date of the acquisition for accounting purposes.

The summary of significant accounting policies presented below is designed to assist in understanding the Company's unaudited condensed financial statements. Such unaudited condensed financial statements and accompanying notes are the representations of the Company's management, who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America ("GAAP") in all material respects, and have been consistently applied in preparing the accompanying unaudited condensed financial statements.

***Unaudited Interim Financial Information***

The accompanying interim consolidated balance sheet as of December 31, 2016, the consolidated statements of operations, stockholders' deficit, and cash flows for the years ended December 31, 2016 and 2015, and the related information contained in the notes to the consolidated financial statements are unaudited. These unaudited interim financial statements and notes have been prepared on the same basis as the audited financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary for a fair statement of the Company's consolidated financial position as of December 31, 2016, and its results of operations and cash flows for the years ended December 31, 2016 and 2015. The results of operations for the years ended December 31, 2016 are not necessarily indicative of the results to be expected for the year ending December 31, 2016 or any other interim period or for any other future year.

***Non-Controlling Interests***

Non-controlling interests represent the portion of equity in a subsidiary not attributable, directly or indirectly, to a parent. The Company's accompanying consolidated financial statements include all assets, liabilities, revenues and expenses at their consolidated amounts, which include the amounts attributable to the Company and the non-controlling interest. The Company recognizes as a separate component of equity and earnings the portion of income or loss attributable to non-controlling interests based on the portion of the entity not owned by the Company.

The Company adopted the provisions of the Financial Accounting Standards Board's ("FASB") authoritative guidance regarding non-controlling interests in consolidated financial statements. The guidance requires the Company to clearly identify and present ownership interests in subsidiaries held by parties other than the Company in the consolidated financial statements within the equity section. It also requires the amounts of consolidated net earnings attributable to the Company and to the non-controlling interests to be clearly identified and presented on the face of the consolidated statements of operations. At December 31, 2016, the Company owned 91% of Scoobeez and 9% is owned by the former individual shareholders; see Note 5 for additional information.



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

***Financial Statement Preparation and Use of Estimates***

The Company's consolidated financial statements were prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of consolidated financial statements in conformity with GAAP requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and the related disclosures at the date of the financial statements, as well as the reported amounts of revenue and expenses during the periods presented. Estimates include revenue recognition, the allowance for doubtful accounts, website and internal-use software development costs, goodwill, depreciable lives of property and equipment, recoverability of intangible assets with finite lives and other long-lived assets, legal contingencies and stock-based compensation. Actual results could materially differ from these estimates.

***Cash and Cash Equivalents***

Cash includes demand deposits with banks or financial institutions. Cash equivalents include short-term, highly liquid investments that are both readily convertible to known amounts of cash, and that are so near their maturity that they present minimal risk of changes in value because of changes in interest rates. The Company's cash equivalents include only investments with original maturities of three months or less. The Company regularly maintains cash in excess of federally insured limits at financial institutions.

***Accounts Receivable***

Accounts receivable primarily represents the amount due from one customer for which almost all of our revenues are generated. Receivables from this customer are due on a net 30 days basis. At December 31, 2016, the Company has determined that no allowance is required. Bad debt expense for the year ended December 31, 2016 and 2015 was not significant.

***Advertising***

The Company recognizes advertising expenses when incurred. The Company incurred approximately \$102,800 and \$3,700 in advertising costs for the year December 31, 2016 and 2015, respectively.

***Property and Equipment***

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed principally on the straight-line method over the estimated useful life of each type of asset which ranges from three to five years. Leasehold improvements are depreciated over the life of the asset or the corresponding lease agreement, whichever is shorter. Major improvements are capitalized, while expenditures for repairs and maintenance are expensed when incurred. Upon retirement or disposition, the related costs and accumulated depreciation are removed from the accounts, and any resulting gains or losses are credited or charged to income.

***Intangible Assets***

Intangible assets with finite useful lives are amortized using the straight-line method over their useful lives and are reviewed for impairment. The Company evaluates intangible assets and other long-lived assets for impairment whenever events or circumstances indicate that they may not be recoverable, or at least annually. Recoverability is measured by comparing the carrying amount of an asset group to the future undiscounted net cash flows expected to be generated by that asset group. If this comparison indicates impairment, the amount of impairment to be recognized is calculated as the difference between the carrying value and the fair value of the asset group, generally measured by discounting estimated future cash flows. There were no impairment indicators present during the year ended December 31, 2016.

***Goodwill***

Goodwill represents the excess of the cost of an acquired business over the fair value of the assets acquired at the date of acquisition. Absent any special circumstances that could require an interim test, the Company has elected to test for goodwill impairment at September 30 of each year.

The Company tests for impairment using a two-step process. The first step of the goodwill impairment test identifies if there is potential goodwill impairment. If step one indicates that an impairment may exist, a second step is performed to measure the amount of the goodwill impairment, if any, by comparing the implied fair value of goodwill with the carrying amount. If the implied fair value of goodwill is less than the carrying amount, a write-down is recorded. The Company determined there was no goodwill impairment during the year ended December 31, 2016 and 2015.

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***Fair Value of Financial Instruments***

Fair value is defined as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of non-performance risk including our own credit risk.

In addition to defining fair value, the standard expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels which is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

Level 1 – inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.

Level 2 – inputs are based upon significant observable inputs other than quoted prices included in Level 1, such as quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – inputs are generally unobservable and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The carrying value of the Company’s financial assets and liabilities, which consist of cash, prepaid expenses and other current assets, accounts payable and accrued liabilities, advances from related parties and notes payable, approximate their fair value due to the short maturity of such instruments. The Company does not have any level 2 or 3 financial instruments. Unless otherwise noted, it is management’s opinion that the Company is not exposed to significant interest, exchange, or credit risks arising from these financial instruments.

***Lease Incentive Receivable and Liability***

For the Company’s operating leases, the Company recognizes rent expenses on a straight-line basis over the term of the leases. Accordingly, the Company records the difference between cash rent payments and the recognition of rent expenses as a lease incentive liability in the consolidated balance sheets. The Company has landlord-funded leasehold improvements that are recorded as lease incentive receivable which are being amortized as a reduction of rent expense over the non-cancelable terms of the operating leases.

***Revenue Recognition***

**On-Demand Delivery Business**

In general, the Company recognizes revenue when (i) persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered to the customer, (iii) the fee is fixed or determinable and (iv) collectability is reasonably assured. The Company considers a signed agreement, a binding contract with the customer or other similar documentation reflecting the terms and conditions under which products or services will be provided to be persuasive evidence of an arrangement.

The Company generates local revenues primarily when customers place an order for delivery through our website, our mobile application or one of the Company’s listed phone numbers. Revenues are generally recognized as soon as our Delivery Associate ("DA") makes the delivery.

Scoobeez generates revenues from the Enterprise Client when the Enterprise Client’s customer or end-user places an order on the platform through their mobile applications for a two-hour delivery or one-hour delivery, and those order requests (“Deliverables”) are delivered by Scoobeez’s DAs in coordination with Scoobeez’s Dispatcher or Enterprise Client’ designees from delivery stations, sort centers, fulfillment centers, and/or other distribution points (including merchant locations) (collectively known as the “Distribution Points”). These deliverables are accepted by Scoobeez Monday through Sunday, 365 days a year, at times and days designated by our Enterprise Client. Revenue is recognized once delivery is made.

Tips received by our DAs are reimbursed by the Enterprise Client and paid out to DAs. The Company recognizes these tips as flow throw income and expenses.

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In certain scenarios, Scoobeez subcontracts ("Logistics Services Agreement - LSA") the Main Contract to a Service Provider, who desires to perform services, including offering messenger, preferred delivery and courier services to such persons as it shall be directed by Scoobeez. The PSP fee for this limited Authorized Territory in this Agreement will generally range from \$200,000 to \$300,00 paid at the time of signing the Agreement. This fee allows the Service Provider the first right of refusal in the event Scoobeez desires to offer new Logistics Service Agreements in the Authorized Territory. The initial payments are recorded as deferred revenues, and license revenues are recognized over the terms of the agreement on a straight-line basis, generally 3 – 5 years.

In accordance with Accounting Standards Codification ("ASC") 605-45, Principal Agent Considerations, the gross sales of the Service Provider will be included/consolidated with the Company's revenues. The amount of revenue recorded by the Company is based on the entire amount generated from the reports between Scoobeez and Enterprise Client or other similar business or enterprise customers. The contractual rates with the Service Provider will be paid to the Service Provider and will be recorded as Cost of Sales. The administrative costs incurred for processing the transactions and providing support services are included in General and Administrative expenses in the consolidated statements of operations.

Other costs of revenue consist of mainly the labor costs of dispatchers and drivers.

***Concentrations of Credit Risk***

Cash

The Company maintains its cash balances at a single financial institution. The balance may at times exceed insured limits.

Revenues

During the year ended December 31, 2016 and 2015, the Company has one significant customer. Revenues generated from this single customer represented approximately 98% and 93% of total revenue for the year ended December 31, 2016 and 2015, respectively. Approximately 100% of accounts receivable was due from this single customer at December 31, 2016 and December 31, 2015. The loss of this customer would have a significant impact on the Company's operations.

***Legal Proceedings***

The Company is currently involved in certain legal proceedings. The Company discloses a loss contingency if there is at least a reasonable possibility that a material loss has been incurred. The Company records its best estimate of a loss related to pending legal proceedings when the loss is considered probable and the amount can be reasonably estimated. Where a range of loss can be reasonably estimated with no best estimate in the range, the Company records the minimum estimated liability. As additional information becomes available, the Company assesses the potential liability related to pending legal proceedings and revises its estimates and updates its disclosures accordingly. The Company's legal costs associated with defending itself are recorded to expense as incurred.

***Basic and Diluted Loss per Share***

The Company follows ASC 260, Earnings Per Share, to account for earnings per share. Basic earnings per share ("EPS") calculations are determined by dividing net loss by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per share calculations are determined by dividing net income by the weighted average number of common shares and dilutive common share equivalents outstanding. During periods when common stock equivalents, if any, are anti-dilutive, they are not considered in the computation. As of December 31, 2016, the Company had 300 million potentially dilutive shares related to 20 million preferred shares which were excluded from the diluted net loss per share as the effects would have been anti-dilutive. As of September 30, 2015, the Company had approximately 778.4 million potentially dilutive shares related to four convertible notes and 20 million preferred shares which were excluded from the diluted net loss per share as the effects would have been anti-dilutive.

***Recent Accounting Pronouncements***

In November 2015, the FASB issued Accounting Standards Update ("ASU") 2015-17, Income Taxes – Balance Sheet Classification of Deferred Taxes. The purpose of the standard is to simplify the presentation of deferred taxes on a classified balance sheet. Under current GAAP, deferred income tax assets and liabilities are separated into current and noncurrent amounts in the balance sheet. The amendments in ASU 2015-17 require that all deferred tax assets and liabilities be classified as noncurrent in the balance sheet. The ASU is effective beginning in the first quarter of 2017, but with early adoption permitted, and may be applied either prospectively or retrospectively. The Company has elected to early adopt ASU 2015-17 on a retrospective basis effective in the fourth quarter of 2015. The adoption of ASU 2015-17 impacted the presentation of the Company's deferred tax assets and liabilities in the consolidated balance sheets and certain disclosures, but did not have an impact on the results of operations or cash flow fair values. See Note 16 for further details.

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In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) , which supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, including most industry-specific requirements. ASU 2014-09 establishes a five-step revenue recognition process in which an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. ASU 2014-09 also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, which defers the effective date of ASU 2014-09 by one year. ASU 2014-09 will be effective for the Company in the first quarter of 2018. Management is currently evaluating the impact the adoption of ASU 2014 - 09 will have on the Company's consolidated financial position, results of operations or cash flows. The Company currently anticipates applying the modified retrospective approach when adopting the standard.

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements Going Concern, which requires management to evaluate, at each annual and interim reporting period, whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date the financial statements are issued and provide related disclosures. ASU 2014-15 is effective for annual periods ending after December 15, 2016 and interim periods thereafter. The guidance is not expected to have a material impact on the Company's consolidated financial statements.

In April 2015, FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs, which changes the presentation of debt issuance costs in financial statements. ASU 2015-03 requires an entity to present such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of debt issuance costs will continue to be reported as interest expense. ASU 2015-03 is effective for annual reporting periods beginning after December 15, 2015. The guidance did not have a material impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 840), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The amendments in this standard are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, for a public entity. Early adoption of the amendments in this standard is permitted for all entities and the Company must recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The Company is currently in the process of evaluating the effect this guidance will have on its consolidated financial statements and related disclosures.

*Other*

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force) and the United States Securities and Exchange Commission did not or are not believed by management to have a material impact on the Company's present or future financial statements.

**NOTE 3. GOING CONCERN**

The Company's consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company reported a net loss of approximately \$11,500,000 for the year ended December 31, 2016 and an accumulated deficit of approximately \$18,200,000 at December 31, 2016. These factors raise substantial doubt for the Company to continue as a going concern.

The Company's ability to continue as a going concern may be dependent on the success of management's plans discussed below. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

To the extent the Company's operations are not sufficient to fund the Company's capital requirements, the Company may attempt to enter into a revolving loan agreement with financial institutions or attempt to raise capital through the sale of additional capital stock or through the issuance of debt. In October 2016, the Company issued a convertible debenture in the amount of \$5,800,000 with an investment company, which was used to fund operations and pay debts. The Company intends to continue its efforts in growing its facilities service operations, as well as raising funds through private placement offering and debt financing.

**NOTE 4. ADVANCE TO SHAREHOLDER**

During the year ended December 31, 2016, the Company advanced a total of approximately \$1,400,000 to its Chief Executive Officer (CEO), who is also the majority shareholder. This amount was offset against company expenses paid by the CEO of approximately \$81,000, accrued officer salary of approximately \$280,000 and the note payable of approximately \$19,000 due to the same Officer. See Note 11 regarding the note payable. The balance as of December 31, 2016 of approximately \$1,020,000 is reflected on the balance sheet as advance to shareholder.

Subsequent to December 31, 2016, the Company advanced additional amount of approximately \$300,000 to its Chief Executive Officer. The total amount of the advances to the CEO of approximately \$1,700,000 was paid off with in the form of cash of approximately \$1,370,000, offset against accrues salaries of \$310,000 and note payable due to CEO.

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**NOTE 5. OTHER CURRENT ASSETS AND OTHER ASSETS**

At December 31, 2016, other current assets consist mainly of approximately \$49,000 advances to employees for hardship reasons. The advances to employees bear no interest and are due on demand.

At December 31, 2016, other assets consist of approximately \$275,000 in lease incentive receivable (see Note 13 for additional information), \$60,000 in rent security deposits and \$76,000 of prepaid expenses.

**NOTE 6. ACQUISITION OF BUSINESS**

On August 27, 2015, the Company entered into a formal agreement to purchase 76% of outstanding equity (the "Purchased Shares") of Scoobeez for \$36,000 in cash, a \$60,000 short term note payable and \$1,200,000 in convertible promissory notes totaling \$1,296,000 in consideration. Scoobeez is an "On Demand" door-to-door logistics and delivery service company that primarily utilizes scooters and motorcycles along with cars to facilitate "Same Day" deliveries.

The excess of the consideration transferred in the acquisition over the net amounts assigned to the fair value of the assets acquired was recorded as goodwill, which represents the opportunity to expand the on-demand delivery services and enhance the breadth and depth of the Company's networks. The goodwill related to this acquisition of \$1,424,494 is expected to be deductible for income tax purposes through amortization over 15-year period.

There were no acquisition-related costs incurred to effect the acquisition and no such costs have been expensed during the period. The Company conducted its own internal valuation analysis and no finder's fees; advisory, legal, accounting, valuation, and other professional or consulting fees were paid out. The general administrative costs, including the costs of maintaining acquisition documentation; and costs of registering and issuing debt and equity securities were incurred by the Company.

The assets acquired and liabilities assumed of Scoobeez were recorded at their estimated fair values as of the closing dates of August 27, 2015. The following table summarizes the final purchase price allocation of acquisition-date fair values of the assets and liabilities acquired in connection with the Scoobeez acquisition:

Cash and cash equivalents	\$ 1,419
Loan receivable from officer	14,640
Customer relationships	119,000
Non-compete	55,000
Trademarks	89,000
Goodwill	1,424,494
Accounts payable	(340)
Total purchase price plus cash acquired	1,703,213
Cash acquired	(1,419)
Fair value of non-controlling interest	(407,213)
Fair value of notes payable issued	(1,260,000)
Net cash paid	\$ 34,581

The estimated fair values of the intangible assets acquired was determined based upon a third-party valuation using a combination of the income and cost approaches to measure the fair value of the customer relationships, non-competes and trademarks. The fair value of the non-competes was measured based on variation of income approach, typically a "with-without" enterprise cash flow analysis. The fair value of the trademarks was measured based on the relief from royalty method. The income approach, specifically the residual earnings method, was used to value the customer relationships.

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The fair value of non-controlling interest is calculated by multiplying the fair value of the net identifiable assets acquired from Scoobeez by the non-controlling percentage:

Cash and cash equivalents	\$ 1,419
Loan receivable from officer	14,640
Customer relationships	119,000
Non-compete	55,000
Trademarks	89,000
Goodwill	1,418,000
Accounts payable	(340)
Total fair value of net identifiable assets	1,696,719
Non-controlling interest percentage of ownership	24%
Fair value of non-controlling interest	\$ 407,213

On January 22, 2016, the Company purchase an additional 15% of outstanding equity of Scoobeez for \$34,224 in cash in consideration. The fair value of non-controlling interest was reduced proportionally based on the fair value of the additional interest acquired in the amount of \$271,455.

The results of operations of Scoobeez have been included in the Company's consolidated financial statements since August 28, 2015. The total amount of revenues and net income from the acquisitions included in the Company's operating results since the respective acquisition dates through September 30, 2015 were \$520,778 and \$109,835, respectively.

**NOTE 7. GOODWILL AND ACQUIRED INTANGIBLE ASSETS**

The changes in the carrying amount of goodwill for the year December 31, 2016 were as follows:

	<b>Goodwill</b>	<b>Accumulated Impairment Losses</b>	<b>Net Book Value</b>
Balance as of December 31, 2015	\$ 1,424,494	\$ -	\$ 1,424,494
Acquisitions	-	-	-
Balance as of December 31, 2016	\$ 1,424,494	\$ -	\$ 1,424,494

The components of acquired intangible assets as of December 31, 2016, and December 31, 2015 were as follows:

	<b>31-Dec-16</b>			<b>31-Dec-15</b>		
	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Net Carrying Value</b>	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Net Carrying Value</b>
Customer relationships	\$ 119,000	\$ (42,970)	\$ 76,028	\$ 119,000	\$ (13,222)	\$ 105,778
Non-compete	55,000	(19,861)	35,139	55,000	(6,111)	48,889
Trademarks	89,000	(32,139)	56,861	89,000	(9,889)	79,111
Acquired intangible assets, net	\$ 263,000	\$ (94,970)	\$ 168,030	\$ 263,000	\$ (29,222)	\$ 233,788

Amortization expense for acquired intangible assets was \$65,748, and \$7,306 for the year December 31, 2016 and 2015, respectively.

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During the year ended September 30, 2015, the Company recorded additions to acquired intangible assets of \$263,000 as a result of the acquisition of Scoobeez. The components of the acquired intangibles assets added during the year ended September 30, 2015 were as follows:

	<b>Year Ended 31-Dec-15</b>	<b>Amortization Period (years)</b>
Customer and vendor relationships	\$ 119,000	3
Non-compete	55,000	3
Trademarks	89,000	3
<b>Total</b>	<b><u>\$ 263,000</u></b>	

Estimated future amortization expense of acquired intangible assets as of December 31, 2016, was as follows:

2016 (3 months)	\$ 21,919
2017	87,667
2018	58,444
<b>Total</b>	<b><u>\$ 168,030</u></b>

As of December 31, 2016, the estimated remaining weighted-average useful life of the Company's acquired intangibles was 1.9 years. The Company recognizes amortization expense for acquired intangibles on a straight-line basis.

#### **NOTE 8. PROPERTY AND EQUIPMENT**

At December 31, 2016 and December 31, 2015, property and equipment consisted of:

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Furniture and fixtures	\$ 40,652	\$ 8,757
Office equipment	437,750	276,095
Vehicles	14,600	14,600
Leasehold improvements	212,358	25,073
	705,360	324,525
Accumulated depreciation	(191,910)	(19,815)
<b>Total</b>	<b><u>\$ 513,450</u></b>	<b><u>\$ 304,710</u></b>

During the year December 31, 2016 and 2015, depreciation expense was \$172,095 and \$129,272, respectively. As of December 31, 2016, equipment purchased under capital leases had a cost of approximately \$321,000 and accumulated depreciation of approximately \$111,000.

#### **NOTE 9. RELATED PARTY TRANSACTIONS**

As of December 31, 2016, and December 31, 2015, the Company has accrued officers' compensation due to the Chief Executive Officer and Chief Financial Officer in the amount of approximately \$524,000 and \$286,000, respectively.

During the year ended December 31, 2016, the Company received cash advances of \$36,676 from its Chief Executive Officer. This amount was reflected in the note payable due to the same Officer. See Note 11.

During the year ended December 31, 2016, the Chief Executive Officer (CEO) paid expenses of approximately \$81,000 on behalf of the Company. This amount was offset against advance to CEO. See paragraph below.

During the year ended December 31, 2016, the Company advanced a total of approximately \$1,400,000 to its Chief Executive Officer (CEO), who is also the majority shareholder. This amount was offset against company expenses paid by the CEO of approximately \$81,000, accrued officer salary of approximately \$280,000 and the note payable of approximately \$19,000 due to the same Officer. See Note 11 regarding the note payable. The balance as of December 31, 2016 of approximately \$1,020,000 is reflected on the balance sheet as advance to shareholder.

Subsequent to December 31, 2016, the Company advanced additional amount of approximately \$300,000 to its Chief Executive Officer. The total amount of the advances to the CEO of approximately \$1,700,000 was paid off with in the form of cash of approximately \$1,370,000, offset against accrues salaries of \$310,000 and note payable due to CEO.

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**NOTE 10. LINE OF CREDIT**

On November 30, 2015, the Company obtained a \$400,000 revolving line of credit from Premier Business Bank to be used to fund operations. The line of credit has a maturity date of November 3, 2016 with a variable interest rate equal to the Wall Street Journal's prime rate plus 1.50% (5.00% at December 31, 2016); and a floor of 4.75% per annum. At December 31, 2016, the Company has drawn \$281,699 on the line of credit. In addition, the line of credit is secured by all of the Company's real and personal property (tangible or intangible) and contains various financial and non-financial covenants. As of December 31, 2016, the Company is in compliance with these covenants. Subsequent to December 31, 2016, a related party paid off the line of credit on behalf of the Company. The Company is in the process of formalizing a new agreement with the related party for the debt amount.

**NOTE 11. NOTES PAYABLE**

Convertible Notes Payable

On December 31, 2013, the Company issued a non-interest bearing convertible promissory note ("CPN") of \$150,000, due December 31, 2013, as payment for the accrued salary due to its Chief Financial Officer at that time. This CPN was then assigned to a third-party on the same day. This CPN could be converted at any time and had a conversion price of \$0.0005 per share and did not provide for adjustment to the fixed conversion price based on split ratio. During the year ended December 31, 2015, the third party converted \$1,425 of the CPN into 2,850,000 shares of the Company's common stock. On June 30, 2016, the Company issued 5,100,000 shares of common stock as a final settlement of all amounts due under the CPN in the amount of \$148,575. The shares were fair valued at \$3,366,000 and the excess of fair value over the debt amount of \$3,217,425 was recorded as loss on settlement of debt. The value of the shares was based upon the closing market price of the Company's common stock on the date of the settlement.

On October 1, 2014, the Company issued a CPN of \$65,000 to an individual for consulting services related to marketing and website development. This CPN bore interest at a rate of 7.7% per annum and was due September 30, 2015. This CPN could be converted at any time and had a conversion price of \$0.0004 per share and did not provide for adjustment to the fixed conversion price based on split ratio. During the year ended December 31, 2015, the noteholder converted \$500 of the CPN into 1,250,000 shares of the Company's common stock. The Company determined a beneficial conversion feature existed at the date of issuance and recorded \$16,250 as a debt discount during the year ended December 31, 2014. During the year ended December 31, 2015, the Company amended the terms of the note to adjust the conversion price to a variable conversion price of 45% of the lowest trading price in the preceding 10 days, with a conversion price floor of \$0.0004. As the modification was significant, it was treated as an extinguishment for accounting purposes. A new beneficial conversion feature was recorded on the date of modification in the amount of \$64,500. Due to the short-term nature of the convertible promissory note, the discount was amortized using the straight-line method. The Company recorded amortization of debt discount of \$76,688 as interest expense related to this note during the year ended September 30, 2015. On January 19, 2016, the Company settled all amounts due with principal of \$64,500 and accrued interest of \$6,545 under this CPN through a cash payment of \$45,000 and issued 550,000 shares of common stock. The shares were fair valued at \$57,750 and the excess of fair value over the CPN and accrued interest amount of \$31,705 was recorded as loss on settlement of debt. The value of the shares was based upon the closing market price of the Company's common stock on the date of the settlement.

On October 10, 2014, the Company issued a CPN of \$175,000 to an individual for consulting services related to identifying and evaluating mining projects in Mexico. This CPN bore interest at a rate of 9.875% per annum and was due October 9, 2015. This CPN could be converted at any time and had a conversion price of \$2.07 and provides for adjustment to fixed conversion price based on split ratio. On August 6, 2015, the Company settled the CPN by issuing 20,000 shares of its common stock to the consultant, and the remaining principal balance of \$162,400 and accrued interest of \$13,506 has been forgiven by the noteholders and recorded as a gain from forgiveness of debt.

On October 30, 2014, the Company issued a CPN of \$95,000 to an individual for consulting services. This CPN bore interest at a rate of 8.0% per annum and was due October 29, 2015. This CPN could be converted at any time and had a conversion price of \$2.30 and provided for adjustment to fixed conversion price based on split ratio. On August 6, 2015, the Company settled the CPN by issuing 15,000 shares of its common stock as payment of to the consultant, and the remaining principal balance of \$85,550 and accrued interest of \$5,854 has been forgiven by the noteholders and recorded as a gain on settlement of debt.

On November 14, 2014, the Company issued a CPN of \$50,000 to an individual for consulting services. The CPN bore interest at 6.5% per annum and was due November 13, 2015. This CPN could be converted at any time and had a conversion price of \$1.61 and provided for adjustment to fixed conversion price based on split ratio. On August 6, 2015, the Company settled the CPN by issuing 15,000 shares of its common stock as payment of \$9,450 to the consultant, and the remaining principal balance of \$40,550 and accrued interest of \$2,383 has been forgiven by the noteholders and recorded as a gain on settlement of debt.



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On August 27, 2015, with connection with the acquisition of Scoobeez, the Company issued two non-interest bearing convertible promissory notes “Notes” of \$720,000 and \$480,000, due August 26, 2016, to the two owners of Scoobeez in exchange for a total ownership interest of 76%. These Notes could be converted at or after the maturity date of the Notes, and the conversion price was based on the trailing 7-day volume weighted average price (VWAP) of the Company's common stock. The conversion price at the date of issuance was \$0.53. The balance of these Notes as of December 31, 2015 was \$1,200,000. If the Notes were held to maturity, derivative accounting will apply. On January 22, 2016, the Company settled one of the individuals Notes with a face value of \$720,000 and rescinded his 15% equity interest in Scoobeez for a cash settlement of \$125,000, of which \$90,776 was applied to the note and \$34,224 was applied to the equity interest. The remaining amount of the note of \$629,224 was recorded as gain on settlement of debt. As a result of this settlement, Company's ownership interest in Scoobeez increased to 91%. On March 31, 2016, the Company issued 1,800,000 common shares to the other individual as a settlement amount against the combined Notes of \$540,000 (CNP of \$480,000 and notes payable of \$60,000). The shares were fair valued at \$1,278,000 based on the closing market price of the Company's common stock on the date of the settlement, and the excess of fair value over the debt amount of \$738,000 was recorded as loss on settlement of debt.

### **Debt Financing**

During the year ended December 31, 2016, the Company obtained several merchant loans that total approximately \$2,200,000 with several lenders to be used to fund operations. These loans include origination fees and have a maturity date of that ranges from 3 to 4 months with annual interest rates ranging from 12% to 33% and are secured by the Company's accounts receivable. The net amount received by the Company was approximately \$1,600,000 and approximately \$600,000 was recorded as debt discount. During the year ended December 31, 2016, approximately \$300,000 of the debt discount was amortized and recorded as interest expense. During the year ended December 31, 2016, the Company made payments of approximately \$1,100,000. At December 31, 2016, the merchant loan net of the unamortized debt discount was approximately \$600,000. These loans contain various financial and non-financial covenants. As of December 31, 2016, the Company is in compliance with these covenants.

Subsequent to December 31, 2016, the Company obtained several additional merchant loans with similar terms as noted in the above paragraph that total approximately \$2,500,000 with several lenders to be used to fund operations.

### **October 2016 Securities Purchase Agreement and Debenture**

On October 7, 2016 (the “Closing Date”), the Company entered into a securities purchase agreement dated as of the Closing Date (the “Purchase Agreement”) with Hillair Capital Investment L.P. (the “Purchaser” or “Hillair”). The Purchase Agreement provided that, upon the terms and subject to the conditions set forth therein, the Purchaser would invest \$5,000,000 (“Investment Amount”) in exchange for a Convertible Debenture (the “Debenture”) in the principal amount of \$5,800,000 (the “Principal Amount”), and issuing 1,650,000 series A preferred stock and warrants to purchase an aggregate of 11,600,000 shares of the Company's common stock, par value \$0.001 per share, for an exercise price of \$0.50 per share for a period of five (5) years from the Closing Date (the “Warrants”). Pursuant to the Purchase Agreement, on the Closing Date, the Company issued the Debenture and Warrant to the Purchaser. The Debenture is secured by all of the Company's real and personal property (tangible or intangible) and contains various financial and non- financial covenants.

The Purchase Agreement contains customary representations, warranties and covenants by, among and for the benefit of the parties. The Company also agreed to pay up to \$100,000 of reasonable attorneys' fees and expenses incurred by the Purchaser in connection with the transaction. The Purchase Agreement also provides for indemnification of the Purchaser and its affiliates in the event that the Purchaser incurs losses, liabilities, obligations, claims, contingencies, damages, costs and expenses related to a breach by the Company of any of its representations, warranties or covenants under the Purchase Agreement.

The Debenture has a 16% original issue discount and was originally schedule to mature on October 1, 2018. The Principal Amount of the Debenture accrues interest at the rate of 8% per annum based on the \$5,800,000 note agreement payable quarterly in cash (or if certain conditions are met, in stock at the Company's option) on January 1, April 1, July 1 and October 1. The Debenture is convertible at any time, in whole or in part, at the Purchaser's option into shares of the Company's Common Stock at a conversion price equal to \$0.50, which is the volume weighted average price (“VWAP”) of the Company's Common Stock five days prior to the execution of the Debenture (subject to adjustment) (the “Conversion Price”).

The Company recorded \$800,000 of debt discounts related to the above note issuances during the year ended December 31, 2016. The debt discounts are being amortized over the term of the debt. Amortization of debt discounts for the year ended December 31, 2016 was \$93,900 and the unamortized debt discount was approximately \$706,000.

The Company calculated the 1,650,000 preferred shares at relative fair value, which was \$79,200 and recorded the interest expense during the year ended December 31, 2016.

The Warrants were exercisable in whole or in part, at an initial exercise price per share of \$0.50, subject to adjustment. The exercise price and number of shares of the Company's common stock issuable under the Warrants (the “Warrant Shares”) were subject to adjustments for stock dividends, splits, combinations, subsequent rights offerings and pro rata distributions. Any adjustment to the exercise price shall similarly cause the number of warrant shares to be adjusted so that the total value of the Warrants would have increased. In the event that the Warrant Shares were not included in an effective registration statement, the Warrants could be exercised on a cashless basis. The Company calculated the 11,600,000 warrants at relative fair value, which was \$3,190,000 and amortized to interest expense during the year ended December 31, 2016. No warrants were exercised during the year ending December 31, 2016.

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The Purchase Agreement and Debenture contains various financial and non- financial covenants. In the purchase agreement Schedule 3.1(r) “Transactions With Affiliates and Employees.” Set forth that none of the officers or directors of the Company or any Subsidiary and, to the Knowledge of the Company, none of the employees of the Company or any Subsidiary is presently a party to any transaction with the Company or any Subsidiary (other than for services as employees, officers and directors), including, without limitation, any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from providing for the borrowing of money from or lending of money to, or otherwise requiring payments to or from any officer, director or such employee or, to the Knowledge of the Company, any entity in which any officer, director or any such employee has a substantial interest or is an officer, director, trustee, stockholder, member or partner, in each case in excess of \$120,000 other than for: (i) payment of salary or consulting fees for services rendered, (ii) reimbursement for expenses incurred on behalf of the Company and (iii) other employee benefits, including stock option agreements under any stock option plan of the Company.

As Disclosed in Note 4 and 9, during the year ended December 31, 2016, the Company advanced a total of approximately \$1,400,000 to its Chief Executive Officer (CEO), who is also the majority shareholder. This event caused a default to occur.

If any Event of Default occurs, which means the Company fails to observe or perform any other covenant or agreement contained in the Debentures or the Purchase Agreement, the outstanding principal amount of this Debenture, plus accrued but unpaid interest, liquidated damages and other amounts owing in respect thereof through the date of acceleration, shall become, at the Holder’s election, immediately due and payable in cash at the Mandatory Default Amount.

At December 31, 2016 and subsequent to December 31, 2016, the Purchaser has not executed or enforced immediate demand payment from the Company. The Company has re-classified the debenture as a current liability.

Notes Payable – related parties

The Company’s notes payable to related parties consist of the following:

	December 31, 2016	December 31, 2015
0% note payable to Executive Officer, principal due on demand	\$ 94,075	\$ -
6% note payable to the CEO, principal and accrued interest due on demand	-	229,413
0% note payable to a related individual, principal due on demand	-	60,000
Total notes payable to related parties	94,075	289,413
Less: current	(94,075)	(229,413)
Notes payable to related parties, non-current	\$ -	\$ 60,000

Notes Payable

The Company’s notes payable consist of the following:

	December 31, 2016	December 31, 2015
6% notes payable to a third-party, principal and accrued interest are due on demand	\$ 27,386	\$ 26,205
14% notes payable to an individual, principal and accrued interest are due in July 2017	500,000	-
10% notes payable to an individual, principal and accrued interest are due in July 2016	-	102,685
Two 0% notes payable to an individual, issued for services, principal due in 2016	-	50,000
8% notes payable to a third-party, with \$175 monthly payments with a maturity of September 30, 2019, balance satisfied in full in February 2016	-	6,746
Total loans payable	527,386	185,637
Less: current	(527,386)	(32,951)
Loans payable, non-current	\$ -	\$ 152,685

On June 30, 2016, the Company issued 975,000 shares as a final settlement to the noteholder in relation to his promissory notes above totaling \$150,000 and accrued interest of \$5,217. The shares were fair valued at \$643,500 based on the closing market price of the Company's common stock on the date of the settlement, and the excess of fair value over the debt amount of \$488,284 was recorded as a loss on settlement of debt.

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**NOTE 12. UNEARNED LICENSE FEE AND DEFERRED REVENUE**

As of December 31, 2015, the Company had executed PSP license agreements for authorized territories of San Francisco, California for \$270,000 in license fees; San Diego, California for \$200,000; and Las Vegas, Nevada for \$300,000 in license fees. These license agreements contain an initial term of five years. In May 2016, the Company cancelled the PSP license agreements with authorized territories of Nevada ("Licensee"). In connection with the cancellation, the Company issued the Licensee 627,300 common shares. The shares were fair valued at \$445,383 based on the closing market price of the Company's common stock on the date of the settlement. The unrecognized portion of the deposit in the amount of \$255,000 was netted against a net receivable balance due from the licensee in the amount of \$8,609. The excess of fair value of the shares over the settlement amount of \$198,992 was expensed within general and administrative expenses during the year ended December 31, 2016.

During the year ended December 31, 2016, the Company entered into verbal agreement with the licensee of authorized territories of San Francisco ("SF") for an additional PSP license agreement for the Berkeley area for \$250,000. This license agreement contains the same terms as the San Francisco license. In January 2017, the Company entered into a verbal agreement with the licensee to cancel both of these PSP license agreements. The Company is working with the licensee to draft a cancelling agreement that will take place in the first quarter of 2017. The unrecognized portion of the deposit will be netted against receivables due from the SF and any remaining amount due will be repaid.

The Licensee shall have an exclusive right within the scope of this agreement to perform the services using the Scoobeez system in the authorized territory. The Company will provide training, marketing or other support to the licensee.

The Company recorded the total license fee received as deferred revenue and will earn and record as license revenue over the initial period of 5 years. During the year ended December 31, 2016 and 2015, the Company recognized \$129,583 and \$5,000, respectively in PSP license agreement revenues. Deferred revenue was \$596,672 as of December 31, 2016.

As of December 31, 2015, the Company had signed a future license agreement with two individuals for the right to become a future licensee when it becomes available. The deposit amount received under this agreement was \$150,000. The Company record the total amount of \$150,000 as unearned license fees at December 31, 2015. In February 2016, the Company cancelled the future license agreements with the two individuals for the right to become a future licensee. The Company paid back the deposit amount of \$150,000.

**NOTE 13. COMMITMENTS AND CONTINGENCIES**

Office Facility and Other Operating Leases

The Company has various operating lease agreements for its office facilities which expire at various dates through March 2021. The terms of the lease agreements provide for rental payments on a graduated basis. The Company can, after the initial lease term, renew its leases for an additional five years under right of first offer terms at fair value at the time of renewal. The Company recognizes rent expense on a straight-line basis over the lease term.

The lease agreement for the facility located at 3710 Verdugo Rd. Montrose California, has provided for an option to purchase the facility for \$1,750,000, from April 1, 2016 through January 5, 2019. Pursuant to the terms of this lease, the landlord will also reimburse \$275,000 to the Company as a tenant allowance for the Company's tenant improvements which is reflected within other assets on the accompanying consolidated balance sheet at December 31, 2016. As of December 31, 2016, the Company has not commenced any lease hold improvements and has not received any reimbursement. On November 17, 2016, the Company exercised the option and completed the purchase of the facility for \$1,395,000. The initial option purchase price was reduced by the leasehold incentive amount of \$275,000 and an additional discount of \$80,000. On November 22, 2016, the Company sold the same facility to a third-party for \$1,615,000. The Company is still determining the impact of this transaction.

On April 29, 2016, the Company signed a one-year commercial lease agreement for facility located at 396 S. Pasadena Ave, Pasadena California, which will expire in May 2017. The terms of the lease provide for equal monthly lease payments of approximately \$7,047.

During the year ended December 31, 2016, the Company signed several commercial lease agreements for facilities located in various states. The terms of the lease agreements provide for equal monthly lease payments.

Rental expense was approximately \$175,000 and \$2,500 for the year December 31, 2016 and 2015, respectively.

During the year ended December 31, 2016, the Company signed two operating vehicle lease agreements for its officers, which expire in July 2017. The terms of the lease agreements provide for equal monthly lease payments of approximately \$1,800. The Company made approximately \$16,000 in lease payments for the year ended December 31, 2016.

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Future minimum lease payments under the Company's operating lease agreements that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2016, were as follows:

<b>Year Ending December 31,</b>	<b>Annual Rent</b>
2017	176,000
2018	168,000
2019	149,000
2020	130,000
Thereafter	33,000
<b>Total</b>	<b>\$ 656,000</b>

Equipment Capital Leases

During the year ended September 30, 2106 and year ended December 31, 2015, the Company capitalized approximately \$73,000 and \$248,000, respectively, of office equipment with a two year, interest free, monthly lease installment payment plan, which expire at various dates through 2017 and 2018. During the year ended December 31, 2016 and year ended December 31, 2015, the Company paid approximately \$115,600, and \$18,600 in lease payments and the remaining lease obligation as of December 31, 2016, was approximately \$149,900.

Future minimum lease payments under the Company's capital lease agreements as of December 31, 2016, were as follows:

<b>Year Ending December 31,</b>	<b>Annual Rent</b>
2017	129,800
2018	20,100
<b>Total</b>	<b>\$ 149,900</b>

Employment Agreement

Effective May 27, 2015, the Company is obligated to pay its Chief Executive Officer and the Chief Financial Officer a salary of \$15,000 each per month with increases each succeeding year should the agreement be approved annually by the Company. There are also provisions for performance based bonuses. These agreements have not been formalized. During the year ended December 31, 2016 and 2015, the Company recorded \$371,638 and \$160,000, respectively, in officer compensation.

Pending Litigation

On October 27, 2015, a class action lawsuit was filed in Superior Court for the State of California in County of Los Angeles against the Company, Scoobeez, and Amazon alleging that delivery drivers or drivers' associates for the new Amazon Prime Now service have been wrongfully paid as independent contractors. The Company is required to assess the appropriateness of the consolidated financial statement disclosures regarding this pending litigation. The Company's ability to assess this contingent liability depends upon receiving information from the Company's attorneys. As of February 2, 2017, all parties have agreed to settle the lawsuit for \$720,000 and are pending the final settlement documents to be signed. Based on this status, the Company initially record a contingent liability of \$700,000 in the estimated amount as of December 31, 2015 and increased the amount to actual as of December 31, 2016.

The following factors were considered in determining whether accrual and/or disclosure is required with respect to pending or threatened litigation and actual or possible claims and assessments:

- The period in which the underlying cause of the pending or threatened litigation or of the actual or possible claim or assessment occurred from date of hire of plaintiffs to date of conversion to employee.
- The degree of probability of an unfavorable outcome as per Company is probable, hence the Company has accrued the loss and disclosed the contingency.
- The ability to make a reasonable estimate of the amount of loss equal to is approximately as per Management's estimate.

The Company reviews these provisions at least quarterly and adjusts them accordingly to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and updated information.

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**NOTE 14. STOCKHOLDERS' DEFICIT**

***Authorized Shares***

As of December 31, 2016, the authorized capital stock of the Company consists of 25,000,000 shares of preferred stock, par value \$0.001 per share and 1,200,000,000 shares of common stock, par value \$0.0001 per share. As of December 31, 2016, the Company had 167,984,622 common shares issued and outstanding and 21,650,000 million preferred shares issued and outstanding.

On March 3, 2015, pursuant to the authority vested in the Board of Directors by the Certificate of Incorporation of the Company and by the majority shareholders, the Board of Directors of the Company created and authorized 20,000,000 shares of Preferred Stock of the Company with a par value of \$0.001 (the "Series A Preferred Stock"). The stated value of the Series A Preferred Stock shall be the par value, \$0.001. The holder of the Series A Preferred Stock shall have ten thousand (10,000) votes for every one vote of common stock. The shares of Series A Preferred Stock shall be convertible on a one for one hundred (100) basis with the common shares of the Company at any time after the date of issuance of such shares at the office of this Company into such number of fully paid and non-assessable shares of common stock of the Company.

In the event of any liquidation, dissolution or winding up of this Corporation, either voluntary or involuntary, the holder of Series A Preferred Stock may at his sole option elect to receive, prior and in preference senior to any distribution of any of the assets of this Corporation to the holders of common stock or other classes of preferred stock by reason of their ownership thereof, an amount per share equal to \$0.001 for the outstanding shares of Series A Preferred Stock.

On December 21, 2015, pursuant to the authority vested in the Board of Directors by the Certificate of Incorporation of the Company and by the majority shareholders, the Board of Directors of the Company amended the conversion of Series A Preferred Stock from one for 100 to one for 15.

On October 7, 2016, pursuant to the authority vested in the Board of Directors by the Certificate of Incorporation of the Company and by the majority shareholders, the Board of Directors of the Company increased the number of authorized Series A Preferred Stock from 20,000,000 to 25,000,000 authorized shares.

***Reverse Split***

The Company filed a Company Related Corporate Action Notification with FINRA to implement a 1-for- 2,300 reverse split of the Company's issued and outstanding common stock (the "Reverse Stock Split") with all the fractional shares rounded to the nearest whole, as authorized at a special meeting of shareholder held on April 16, 2015. The Reverse Stock Split became effective at the opening of trading on the OTC Pink Marketplace on May 19, 2015 (the "Effective Date"). As of the Effective Date, every 2,300 shares of issued and outstanding common stock were combined into one issued share of common stock. No fractional shares were issued in connection with the Reverse Stock Split. Total cash payments made by the Company to stockholders in lieu of fractional shares was not material. All share and per share amounts relating to the common stock, and the conversion ratios of preferred stock included in the financial statements and notes have been restated to reflect the reverse stock split.

***Common Stock***

During the year ended December 31, 2016, the Company issued 8,425,000 shares of common stock to certain notes holders as payment against certain convertible notes payable and other note payable. The shares were fair valued at \$5,345,250, and the excess of fair value over the debt amount of \$4,475,413 was recorded as a loss on settlement of debt. See Note 11 for additional information.

During the year ended December 31, 2016, certain shareholders contributed capital in the amount of \$4,960 to the Company.

On January 1, 2016, the Company agreed to issue 319,784 shares to a consultant in lieu of marketing and consulting services provided by the consultant for period from January 1, 2016 to March 31, 2016. The shares were fair valued at \$19,187 and recorded as consulting expense.

On February 1, 2016, the Company issued 1,595,000 restricted common shares to two individuals at a purchase price of \$0.17 per share for total proceeds of \$269,700.

On April 21, 2016, subject to the terms and conditions of the Stock Purchase Agreement by and between a third party, the Company issued 2,400,000 shares for an investment of \$350,000. The Securities were issued with a restrictive legend.

On April 21, 2016, the Company issued 560,000 shares to a third party for certain settlement related to Scoobeez and Scoobeez NV LLC, a former licensee partner of Scoobeez. The shares were fair value at \$397,600. See Note 12 for additional information.

On July 23, 2016, the Company issued 67,300 shares to unrelated parties for certain settlement related to Scoobeez and Scoobeez NV LLC, a former licensee partner of Scoobeez. the shares were fair value at \$47,783. See Note 12 for additional information.

**SCOUBEZ GLOBAL, INC.**  
**( FORMERLY KNOWN AS ABT HOLDINGS, INC.)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

***Preferred Stock and warrants***

On October 7, 2016, pursuant to issuance of a Senior Secured Convertible Debenture (“CN”) for \$5,800,000 with Hillair Capital Investment L.P. (“Lender”) the Company issued a Securities Purchase Agreement to the lender, which consists of issuing 1,650,000 of series A preferred stock and a warrant to purchases up to 11,600,000 of Company’s common stock with an exercise price of \$0.50, exercisable on or before the expiration date. Please refer to Note 11 for more details.

The Company calculated the 1,650,000 preferred shares at relative fair value, which was \$792,000 and recorded the debt issuance expense during the year ended December 31, 2016.

The Company calculated the 11,600,000 warrants at relative fair value, which was \$3,190,000 and amortized to interest expense \$148,575 during the year ended December 31, 2016. No warrants were exercised during the year ending December 31, 2016.

Warrant valuation models require the input of certain assumptions and changes in assumptions used can materially affect the fair value estimate. The warrants have been valued using the Black-Scholes pricing model with assumptions of a five year term, common stock price of \$0.28 per share, exercise price of \$0.50 per share, 1085.65% expected volatility, 1.80% risk-free interest rate and a dividend yield of 0%. Expected volatility was based on average volatilities of a sampling of four companies with similar attributes to the Company as the Company has a limited trading history. The risk free rate for the contractual life of the warrants was based on the U.S. Treasury yield at the time of grant.

**NOTE 15. SUBSEQUENT EVENTS**

Subsequent to December 31, 2016, the Chief Executive Officer (CEO) paid additional expenses of approximately \$70,000 on behalf of the Company. This amount was offset against advance to CEO. See paragraph below.

Subsequent to December 31, 2016, the Company advanced additional amount of approximately \$300,000 to its Chief Executive Officer (CEO). The total amount of the advances to the CEO of approximately \$1,700,000 was paid off with in the form of cash of approximately \$1,200,000, offset against expenses paid by the CEO on behalf of the company of \$140,000 accrues salaries of \$310,000 and note payable due to CEO. Please referred to Note 9 for more details.

**Debt Financing**

Subsequent to December 31, 2016, the Company obtained several additional merchant loans with similar terms as disclosed in Note 10 that total approximately \$2,500,000 with several lenders to be used to fund operations.

On January 30, 2017, the Company issued a combined Senior Secured Convertible Debenture (“CN”) for \$8,584,000 with Hillair Capital Investment L.P. (“Lender”). This CN combines previous Senior Secured Convertible Debenture (“CN”) for \$5,800,000 issued on October 7, 2016. This CN has a quarterly interest only payment that bears interest at a rate of 8% per annum, and matures January 1, 2019.

For CN dated January 30, 2017, the Company issued a Securities Purchase Agreement to the lender, which consists of issuing 371,200 of Series and warrants to purchase up to 5,568,000 Company’s common stock with an exercise price of \$0.50, exercisable on or before the expiration date.

Please refer to Note 11 for conversion and other similar provisions.



**SCOOBEEZ, INC.**  
**FINANCIAL STATEMENTS**  
**for the Period Ended**  
**AUGUST 26, 2015**  
*Together with*  
*Independent Auditors' Report*

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## INDEPENDENT AUDITORS' REPORT

**The Board of Directors and Shareholders**  
**ABT Holdings, Inc.**  
**Pasadena, California**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Scoobeez, Inc. (the "Company") which comprise the balance sheet as of August 26, 2015, and the related statements of operations, stockholders' equity and of cash flows for the period from September 23, 2014 ("Inception") through August 26, 2015, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Scoobeez, Inc. as of August 26, 2015, and the results of its operations and its cash flows for the period then ended, in conformity with accounting principles generally accepted in the United States of America.

*dbb mckennon*  
Newport Beach, California  
February 14, 2017

**SCOOBEEZ, INC.****Balance Sheet****August 26,  
2015**

Assets		
Current Assets		
Cash	\$	276
Accounts receivable		4,976
Prepaid expenses		340
Due from related party		15,640
Total Assets	\$	21,232
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$	5,648
Total Liabilities		5,648
Commitments and contingencies (Note 4)		
Stockholders' Equity		
Common stock, no par value, 1,000,000 shares authorized, 25,000 shares issued and outstanding		-
Additional paid-in capital		25,475
Accumulated deficit		(9,891)
Total Stockholders' Equity		15,584
Total Liabilities and Stockholders' Equity	\$	21,232

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

**SCOOBEEZ, INC.**

**Consolidated Statement of Operations**

	<b>From Inception to August 26, 2015</b>
Revenues	\$ 114,248
Cost of revenues	79,192
Gross profit	35,056
Operating expenses:	
General and administrative	43,289
Sales and marketing	1,658
Total operating expenses	44,947
Net loss	\$ (9,891)

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

**SCOOBEEZ, INC.**

**Consolidated Statement of Shareholders' Deficit**

	<b>Common Stock</b>		<b>Additional Paid-In Capital</b>	<b>Accumulated Deficit</b>	<b>Total Stockholders' Equity</b>
	<b>Shares</b>	<b>Amount</b>			
<b>Balance at Inception</b>	-	\$ -	\$ -	\$ -	\$ -
Shares issued to founders	25,000	-	-	-	-
Shareholder contributions	-	-	25,475	-	25,475
Net loss	-	-	-	(9,891)	(9,891)
<b>Balance at August 26, 2015</b>	25,000	\$ -	\$ 25,475	\$ (9,891)	\$ 15,584

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

**SCOOBEEZ, INC.**

**Consolidated Statement of Cash Flows**

	<b>From Inception to August 26, 2015</b>
Cash flows from operating activities:	
Net loss	\$ (9,891)
Changes in operating assets and liabilities	
Accounts receivable	(4,976)
Prepaid expenses	(340)
Accounts payable	5,648
Net cash used in operating activities	(9,559)
Cash flows from investing activities:	
Advances to related party	(15,640)
Net cash used in investing activities	(15,640)
Cash flows from financing activities:	
Shareholder contributions	25,475
Net cash provided by financing activities	25,475
Net increase in cash	276
Cash, beginning of period	-
Cash, end of period	\$ 276
Supplemental disclosure of cash flow information:	
Cash paid during the period for:	
Interest	\$ -
Income taxes	\$ -

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

**SCOOBEEZ, INC.**  
**Notes to the Financial Statements**

**NOTE 1. BUSINESS DESCRIPTION AND NATURE OF OPERATIONS**

Scoobeez, Inc. ("Scoobeez" or the "Company"), is a California Corporation incorporated in September 2014 ("Inception"). Scoobeez began its operations to serve the Greater Los Angeles Area by providing local (five-mile radius) messaging and courier services. Scoobeez business model is particularly dependent on independent contractors, which are used in addition to its dedicated founders. The nature of Scoobeez business, with its on-demand, often unscheduled and unique delivery model, requires a varying number of drivers on any given day and time of day to complete a set service.

Scoobeez services consist of On Demand/One to Two Hours and Same Day/Next Day door-to-door logistics and real-time delivery services that primarily utilizes cars along with scooters and motorcycles to facilitate same day deliveries. Scoobeez handles everything from legal documents, important medications, food and produce, office supplies and other customized requests. Scoobeez operates its services from Glendale, California covering most of Los Angeles and Orange County.

While several Scoobeez' customers use traditional courier services, certain customers critically depend on Scoobeez for expedited same-day or less than 24-hour delivery on a daily basis. These customers, including but not limited to pharmacies, restaurants, automobile parts, and law firms, must deliver confidential documents on very strict deadlines and use Scoobeez to ensure rapid delivery. These are just a few examples of Scoobeez' primary customer markets.

Until the acquisition of Scoobeez by ABT Holdings, Inc. on August 27, 2015, Scoobeez had continued to expand through local growth in the areas mentioned above with brand recognition through social media and online campaigns. On August 27, 2015, the Company entered into a formal agreement with ABT Holdings, Inc., whereby ABT Holdings, Inc. agreed to purchase 76% of the outstanding equity of Scoobeez for \$36,000 in cash, a \$60,000 short term note payable and \$1,200,000 in convertible promissory notes totaling \$1,296,000 in consideration. Following the acquisition, Scoobeez became a subsidiary of ABT Holdings, Inc.

For accounting purposes, this transaction will be treated as a forward-acquisition, whereby the assets acquired, and liabilities assumed of Scoobeez will be reported at fair value, in accordance with Accounting Standards Codification ("ASC") 805, Business Combinations. The excess of the consideration transferred in the acquisition over the net amounts assigned to the fair value of the assets acquired was recorded as goodwill, which represents the opportunity to expand the on-demand delivery services and enhance the breadth and depth of the Company's networks.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Financial Statement Preparation and Use of Estimates***

The Company's financial statements were prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and the related disclosures at the date of the financial statements, as well as the reported amounts of revenue and expenses during the periods presented. Estimates include revenue recognition, the allowance for doubtful accounts, and depreciable lives of property and equipment. Actual results could materially differ from these estimates.

***Cash and Cash Equivalents***

Cash includes demand deposits with banks or financial institutions. Cash equivalents include short-term, highly liquid investments that are both readily convertible to known amounts of cash, and that are so near their maturity that they present minimal risk of changes in value because of changes in interest rates. The Company's cash equivalents include only investments with original maturities of three months or less.

***Fair Value of Financial Instruments***

Fair value is defined as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of non-performance risk including our own credit risk.

**SCOOBEEZ, INC.**  
**Notes to the Financial Statements**

In addition to defining fair value, the standard expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels which is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

Level 1 – inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.

Level 2 – inputs are based upon significant observable inputs other than quoted prices included in Level 1, such as quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – inputs are generally unobservable and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The carrying value of the Company’s financial assets and liabilities approximate their fair value due to the short maturity of such instruments. The Company does not have any level 2 or 3 financial instruments.

***Revenue Recognition***

***On-Demand Delivery Business***

In general, the Company recognizes revenue when (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered to the customer, (iii) the fee is fixed or determinable and (iv) collectability is reasonably assured. The Company considers a signed agreement, a binding contract with the customer or other similar documentation reflecting the terms and conditions under which products or services will be provided to be persuasive evidence of an arrangement.

Scoobeez generates revenues primarily when customers place an order for delivery through its website, its mobile application or one of its listed phones numbers. Often Scoobeez charges its clients a base fee, with additional fees based on the time of the day, number of stops, number of miles and type of vehicle used. For short distances, Scoobeez may charge its customers on a per drop basis. Scoobeez maintains ongoing contractual and non-contractual relationships with its customers. These deliveries are accepted by Scoobeez Monday through Sunday, 365 days a year, at times and days designated by customers. Revenue is recognized once delivery is made and confirmation obtained from the customer.

Costs of revenue consist of mainly the labor costs of dispatchers and drivers.

***Provision for Income Taxes***

The provision for income taxes is determined using the asset and liability method. Under this method, deferred tax assets and liabilities are calculated based upon the temporary differences between the financial statement and income tax bases of assets and liabilities using the enacted tax rates that are applicable in a given year.

The Company utilizes a two-step approach to recognizing and measuring uncertain tax positions (“tax contingencies”). The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount which is more than 50% likely to be realized upon ultimate settlement. The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments and which may not accurately forecast actual outcomes. The Company includes interest and penalties related to tax contingencies in the provision for income taxes in the statement of operations. Management of the Company does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

The Company has identified the United States Federal tax returns as its “major” tax jurisdiction. As of the date of this filing the Company has not filed its 2015 federal or state tax return. Further, the United States Federal return years 2014 through 2015 are still subject to tax examination by the United States Internal Revenue Service; however, we do not currently have any ongoing tax examinations. The Company is subject to examination by the California Franchise Tax Board for the years ended 2014 through 2015 and currently does not have any ongoing tax examinations.

**SCOOBEEZ, INC.**  
**Notes to the Financial Statements**

***Concentrations of Credit Risk***

**Cash**

The Company maintains its cash balances at a single financial institution. The balance may at times exceed insured limits.

***Legal Proceedings***

The Company is currently involved in certain legal proceedings. The Company discloses a loss contingency if there is at least a reasonable possibility that a material loss has been incurred. The Company records its best estimate of a loss related to pending legal proceedings when the loss is considered probable and the amount can be reasonably estimated. Where a range of loss can be reasonably estimated with no best estimate in the range, the Company records the minimum estimated liability. As additional information becomes available, the Company assess the potential liability related to pending legal proceedings and revises its estimates and updates its disclosures accordingly. The Company's legal cost associated with defending itself are recorded to expense as incurred.

**NOTE 3. DUE FROM RELATED PARTY**

As of August 26, 2015, the Company advanced a total of \$15,640 to its Chief Executive Officer. These advances bear no interest and are due on demand.

**NOTE 4. COMMITMENTS AND CONTINGENCIES**

***Office Facility Lease***

The Company has an operating lease agreement for its office facilities which expires on June 30, 2019. The terms of the lease agreements provide for rental payments on a graduated basis. The Company recognizes rent expense on a straight-line basis over the lease term.

Rental expense was \$29,050 from Inception to August 26, 2015, of which \$23,800 was paid for directly by the Company's Chief Executive Officer and recorded as additional shareholder contributions.

Future annual minimum lease payments under the Company's operating lease agreements that have initial or remaining non-cancelable lease terms in excess of one year as of August 26, 2015, were as follows:

**Year Ending December 31,**

2015 (four months)	\$	13,804
2016		42,234
2017		43,500
2018		44,804
2019		22,962
<b>Total</b>	<b>\$</b>	<b>167,304</b>

**NOTE 5. STOCKHOLDERS' EQUITY**

***Authorized Shares***

As of August 26, 2015, the authorized capital stock of the Company consists of 1,000,000 shares of common stock, no par value. As of August 26, 2015, the Company had 25,000 common shares issued and outstanding, which were issued to the two founders upon Inception.

During the period ended August 26, 2015, certain shareholders contributed capital in the amount of \$25,475 to the Company.



## **6) Describe the Issuer's Business, Products and Services**

### **A. a description of the issuer's business operations;**

ABT Holdings, Inc. previously known as ABT Mining Co. (the "Company") was incorporated under the laws of the state of Idaho in 1957 under the original name of Abot Mining Company. The Company's legal name was changed to ABT Mining Co. Inc. with the State of Idaho on March 1, 2007. Effective August 14, 2015, the Company's legal name is now ABT Holdings, Inc. The name change was amended with the State of Idaho on August 14, 2015, per Section 53-504 of Idaho Code and by the Articles of Incorporation.

The Company's overall business strategy is to operate as a diversified holding company, which is primarily engaged in investing, acquiring, developing, managing and growing various revenue generating businesses.

The Company filed a Company Related Corporate Action Notification with FINRA to implement a 1-for-2,300 reverse split of the Company's issued and outstanding common stock (the "Reverse Stock Split") with all the fractional shares rounded to the nearest whole, as authorized at a special meeting of shareholders held on April 16, 2015. The Reverse Stock Split became effective at the opening of trading on the OTC Pink Marketplace on May 19, 2015 (the "Effective Date"). As of the Effective Date, every 2,300 shares of issued and outstanding common stock were combined into one issued share of common stock. The Company did not issue fractional shares for the Reverse Stock Split. Total cash payments made by the Company to stockholders for fractional shares were not material.

On May 27, 2015, the Company expanded its asset and business portfolio with the acquisition of a mobile app asset, known as the AutoClaim App and Autoclaim.com domain name. The AutoClaim Mobile App provides series of benefits to auto insurance claim industry at an operational and strategic level including but not limited to improving customer service, streamlining data management for effective decision making on claims, improving capital efficiency by correctly managing claims portfolio and many other benefits. At the end of the third quarter of fiscal 2016, the Company expects to launch its AutoClaim App which will allow the Company to earn recurring revenues. These revenues is expected to come from advertising rebates, commission, and/or subscription fees from accident service providers, including tow trucks, body shops, doctors, auto repair shops, windshield repair vendors, attorneys, marketing agencies, and others.

On August 11, 2015, the name of the Company was changed from ABT Mining Co. Inc. to ABT Holdings, Inc. On August 27, 2015, the Company acquired 76% of the outstanding equity of Scoobeez, Inc., a California Corporation, an "On Demand" door-to-door logistics and real-time delivery service company that primarily utilizes cars along with scooters and motorcycles to facilitate "Same Day" deliveries. The Company issued convertible notes in an aggregate amount of \$1,200,000, and paid \$96,000 in cash, for a total purchase price of \$1,296,000.

On September 28, 2015, the Company decided not to engage in the exploration, discovery, and production of precious and semi-precious metals and metal properties. The Company rescinded its option agreement on its Aztlan 8 B mining claim in Nayarit, Mexico. The Company is no longer involved in any mining activities.

The Company's executive office is located at 396 S. Pasadena Avenue, Pasadena, CA 91101. The Company's telephone number is (818)-302-0100.

**Legal Names, Organizations, Jurisdictions of Organization and Organizational Identification**

**Numbers** The table below describes the full and exact legal name as it appears in each respective certificate or articles of incorporation, limited liability membership agreement or similar organizational document, in each case as amended to date, the type of organization, the jurisdiction of organization (or formation, as applicable), and the organizational identification number of each related companies are as follows:

Name of Related Business	Type of Organization	Jurisdiction of Organization/Formation	Organizational Identification Number
Scoobeez	Corporation	California	C3713413
Scoobeez Global, Inc.	Corporation	Idaho	C206793
Scoobur LLC	LLC	California	C2967349
IScootRental, LLC <sup>(1)</sup>	LLC	Nevada	E0524822014-1

As a result of settlement in January 22, 2016, Company's ownership interest in Scoobeez and Related business subsidiaries has increased to 89.41%.

<sup>(1)</sup> On October 7, 2016, the Company decided to dissolve the Nevada limited liability company.

**Acquisitions of Equity Interests or Assets**

The Company has acquired the equity interests of another entity or substantially all the assets of another entity within the past five (5) years:

Date of Acquisition	Description of Acquisition
05/27/15	AutoClaim App/Domain
08/07/15	Scoobeez Global, Inc.
08/27/15	Scoobeez
08/27/15	Scoobur LLC
08/27/15	IScootRental, LLC

**Intellectual Property**

Set forth below is a list of all copyrights, patents and trademarks and other intellectual property owned or used, or hereafter adopted, held or used, by the Company and its subsidiaries:

Company Name	Copyrights	Filing Date	Status	Registration No.
Scoobeez	Word Mark	10/20/2014	Current/Live	4759570
Scoobeez	Word Mark	03/17/2014	Dead	-
Scoobeez/Scoobur	scoobeez.com	10/20/2014	Live/Registered	<b>86429104</b>
ABT Holdings, Inc	Carwash On Demand	02/16/2016	Live/Office Action	<b>86909435</b>
ABT Holdings, Inc.	Carwash Anywhere	02/16/2016	Live/Office Action	<b>86909437</b>
ABT Holdings, Inc.	Locksmith On Demand	02/16/2016	Live/Office Action	<b>86909483</b>
ABT Holdings, Inc.	Don't Drive Without It	02/16/2016	Live/Allowed	<b>86909446</b>

Any encroachment upon the company's proprietary information, including the unauthorized use of its brand name or trademarks, the use of a similar name by a competing company or a lawsuit initiated either by our Company or against our Company for infringement upon proprietary information or improper use of a trademark, may affect our ability to create brand name recognition, cause customer confusion and/or have a detrimental effect on its business due to the cost of defending any potential litigation related to infringement. Litigation or proceedings before the U.S. or International Patent and Trademark Offices may be necessary in the future to enforce our intellectual property rights, to protect our trademarks, trade secrets and domain name and/or to determine the validity and scope of the proprietary rights of others. Any such

litigation or adverse proceeding could result in substantial costs and diversion of resources and could seriously harm our business operations and/or results of operations.

### **Reverse Split**

The Company filed a Company Related Corporate Action Notification with FINRA to implement a 1-for-2,300 reverse split of the Company's issued and outstanding common stock (the "Reverse Stock Split") with all the fractional shares rounded to the nearest whole, as authorized at a special meeting of shareholder held on April 16, 2015. The Reverse Stock Split became effective at the opening of trading on the OTC Pink Marketplace on May 19, 2015 (the "Effective Date"). As of the Effective Date, every 2,300 shares of issued and outstanding common stock were combined into one issued share of common stock. The Company did not issue any fractional shares for the Reverse Stock Split. Total cash payments made by the Company to stockholders of fractional shares was not material.

### **Government Regulations**

To the best of its knowledge, there are currently no known existing or probable government regulations that may adversely affect the Company's business, as the company operates in the online sector, specifically related to cellular phone applications, as well as product delivery services. However, if the regulations related to cellular phone applications and software or product delivery services change or become regulated by a federal or state agency, it could affect the amount of revenue generated by our Company, as we may need to use revenue or working capital to comply with any new regulations.

The Company will be subject to local and international laws and regulations that relate directly or indirectly to its operations, such as the Securities Act of 1933, the Securities and Exchange Act of 1934, and the Idaho Corporations Act. It will also be subject to common business and tax rules and regulations pertaining to the operation of its business, such as the United States Internal Revenue Tax Code, and the Idaho State Tax Code. The Company will also be subject to proprietary regulations such as United States Trademark and Patent Law as it applies to the intellectual property of third parties. The Company believes that the effects of existing or probable governmental regulations will be additional responsibilities of the management of the Company to ensure that the Company is in compliance with securities regulations as they apply to the Company's products as well as ensuring that the company does not infringe on any proprietary rights of others with respect to its products. The Company will also need to maintain accurate financial records in order to remain compliant with securities regulations as well as any corporate tax liability it incurs.

### **Employees**

As of the date of this registration, the Company has 198 full-time employees. The Company has 2,169 full time and part-time employees. The median age of employees is 34.

There are currently no employment agreements with our officers and directors, and although the Company does not believe this will occur, our officers and directors may choose to terminate their employment at any time. The Company's activities are managed by the Company's Directors and Officers.

The officers of the company have the same powers and duties with respect to the management of the business affairs for the Company and the oversight of the day-to-day management operations for the Company as officers of a business would have. They perform such other reasonable duties (taking into consideration the person's position in the Company) as may be prescribed by the Board of Directors of the Company from time to time. They are obligated to use best efforts to serve the Company faithfully and promote its best interests and shall devote all his or her business time, attention and services to the faithful and competent discharge of such duties.

### **B. Date and State (or Jurisdiction) of Incorporation:**

Date of Incorporation: 11 Feb 1957

Jurisdiction of Incorporation: Idaho

### **C. the issuer's primary and secondary SIC Codes;**

**D. the issuer's fiscal year end date;**  
December 31

**E. principal products or services, and their markets;**

### **Business Segments**

Currently, the Company's main businesses are divided into two main segments:

#### **AutoClaim App – Mobile Accident Documentation Software**

AutoClaim is a free mobile app that enables users to document vehicle accidents and manage the insurance claim process while giving them access to accident-related service providers. AutoClaim also provides users with non-accident and accident-related discounts and offers (collectively known as deals) for automobile-related products and services.

AutoClaim Mobile App provides series of benefits to auto insurance claim industry at an operational and strategic level including but not limited to improving customer service, streamlining data management for effective decision making on claims, improving capital efficiency by correctly managing claims portfolio and many other benefits.

AutoClaim intends to generate revenues from:

- Accident vendor referral services, through listings of accident service providers
- Automobile-related discounts and deals from local, regional, and national vendors and service providers
- User-data-based deals (weather-related, extended warranty, insurance, car lease or purchase) from local, regional, and national vendors
- Customized white label mobile accident documentation systems for insurance companies, municipalities, governments and enterprises with large fleet vehicles
- Data warehousing and management

The auto accident market represents an opportunity for providing mobile accident documentation connectivity to insurance carriers, auto accident-related vendors, and vehicle maintenance providers. Its key features include:

- A step-by-step guide and checklist for documenting an auto accident.
- A step-by-step guide and checklist for submitting an insurance claim.
- A comprehensive accident follow-up-management platform.
- Connectivity to insurance carriers.
- A claims tracking system.

Access to a wide range of accident service providers and vendors — including vehicle repair shops, chiropractors, attorneys, and others — within the accident vicinity and in the home base of users to assist them through the claim process.

#### **AutoClaim App Development**

The AutoClaim App (the "App") was completed in June 2016. The completion included but not limited to: back office reporting and analytics, user management, listing management, permission/app management, payment integration with various merchant services, membership system for featured and advertising, iOS and Android application, and data integration – where the Company has integrated all the information with over 55,000 listings for the local deal section.

The App was submitted to Apple and Google Play in June 2016 and was approved in the month of July 2016. The soft launch of the App was successfully completed in July 2016 as the App was placed in the Apple and Google Play for beta testers with limited access and can be downloaded by invite only. The Company is currently evaluating user experience and usability of key features of the App.

The Company is currently developing a highly interactive website for the App and preparing marketing and sales strategy. The App is expected to be officially launched to the public in the fourth quarter of fiscal 2016 and shall be available for free download from Apple Store and Google Play.

#### **AutoClaim App Commercial Version**

The commercial version of AutoClaim App can significantly reduce the time and paperwork required in expediting the insurance claim documentation process. When commercial drivers are equipped with the AutoClaim App, they can quickly and easily document all post- accident events at the scene of the accident such as instant photographic exchange of all parties' driver license & insurance, and registration documents thus eliminating information exchange errors. The App further records the time and pictures of the accident location, vehicle damage and injuries to all parties. The App will also make documents available for live viewing at the headquarters and management offices of respected companies nationwide.

For the period ending September 30, 2016, the Company has not made any sales in connection with AutoClaim App. The Company evaluated this investment and determined that there was no impairment was warranted.

#### **Scoobeez, Inc. – On-Demand Delivery Business**

Scoobeez service consists of an On Demand/One to Two Hour and Same Day/Next Day door-to-door logistics and real-time delivery service that primarily utilizes cars along with scooters and motorcycles to facilitate same day deliveries. Scoobeez generates revenues primarily when customers place an order for delivery through its website, its mobile application or one of the Company's listed phones. The Company is the majority shareholder in Scoobeez and manages its day-to-day operations.

Scoobeez currently operates in Northern and Southern California, Illinois, Texas and Nevada. Scoobeez has pre-existing contractual arrangements ("Main Contract") with on-demand mobile apps, retailers, e-tailers, logistic companies, and carriers. These entities are engaged in the business of transporting products, including groceries, food from restaurants, alcohol, and other product lines carried by supermarket chains and retail warehouses to their customers/end-users from delivery stations, sort centers, fulfillment centers, and other distribution points, including merchant locations.

Scoobeez has contract agreements with large enterprise client(s), whereby Scoobeez (also known as the Delivery Service Provider, "DSP") provides last mile logistics necessary to deliver packages to Enterprise Client's customers. Scoobeez receives fees for services which are usually directly tied to planned routes. These routes are the number of deliveries in each area that Enterprise Client plans for a single person and Vehicle for delivery on a specific shift and day and that in turn is assigned by Scoobeez to a person and Vehicle for delivery on a specific shift and day. Scoobeez trains its drivers (Delivery Associates) for approximately two full weeks consisting of in-house presentations, as well as working full-length shifts during which they perform numerous practice deliveries and dry runs. At the fulfillment centers, Scoobeez dispatchers work side by side with Enterprise Client's dispatchers in assigning work to and monitoring the Delivery Associates.

For On Demand/One to Two Hour Delivery, each Delivery Associate stationed at the fulfillment centers receives a route planner slip ranging from 1 to 2-hour routes, number of the assigned packages, the sequence of deliveries, estimated transit time between deliveries, and customers' names and addresses. After finishing one window's deliveries, Delivery Associates return to the fulfillment center (or merchant location) to receive their assignments for the next delivery window. The only material variation for Delivery Associates stationed at merchant locations is that they receive their assignments via the Mobile App, instead of at the warehouse. Delivery Associates perform all the delivery jobs in their personal vehicles.

For Same Day/Next Day Delivery, each Delivery Associate usually uses Scoobeez' rented, leased or owned cargo vans. In some cases, Delivery Associate may use their personal vans. The Delivery Associates typically receives a route planner slip ranging from 6 to 10-hour routes, number of the assigned packages ranging from 80 to 120 packages, sequence of deliveries, estimated transit time between deliveries, and customers' names and addresses.

As of January 15, 2016 – Scoobeez reclassified all its Delivery Associates as W-2 employees. Delivery Associates compensation now includes overtime, double-time, an hourly reimbursement rate and tips, and employee drivers are provided with pay stubs listing the pay period, hours worked, the rate of pay, tips, and tax withholdings.

For On Demand/One to Two Hour Delivery, the Company is operating and contracting for 10 distribution points/locations at the end of September 30, 2016. These locations are San Francisco, CA, Redondo Beach, CA, Santa Monica, CA, Irvine, CA, Silver Lake, CA, San Diego, CA, Berkeley, CA, Sacramento, CA, Chicago, IL, Las Vegas, NV.

For Same Day/Next Day Delivery the Company is operating and contracting for 23 distribution points/locations at the end of September 30, 2016. These locations are Alsip, IL, Chicago, IL, Lisle, IL, Farmers Branch, TX, Garland, TX, Ft. Worth, TX, Inglewood, CA, Buena Park, CA (A), Commerce, CA, Irvine (2), CA, Riverside, CA, Hawthorne, CA, Miami (2), FL, Miami Gardens, FL, San Diego, CA, Carlsbad, CA, San Jose, CA, San Leandro, CA, San Francisco, CA, Richmond, CA and San Antonio, TX.

In some cases, Scoobeez subcontracts part or full portion of the Main Contract to a qualified Service Provider, who desires to perform services, including offering messenger, preferred delivery, and courier services. As part of the subcontract, Scoobeez often charges a Preferred Service Provider ("PSP") fee to the Service Provider in the range of Two Hundred Thousand US Dollars (\$200,000) to Three Hundred Thousand US Dollars (\$300,000) paid at the time of signing the subcontract.

#### **Discontinued Operations – Mining Asset**

Prior to September 28, 2015, the Company was an exploration stage company with a focus in Nayarit, Mexico from December 11, 2011, which did not realize any revenues from its planned operations. It was primarily engaged in the acquisition, exploration and development of mineral properties.

On September 28, 2015, the Company decided not to engage in the exploration, discovery, and production of precious and semi-precious metals and metal properties. The Company rescinded its option agreement on its Aztlan 8 B mining claim in Nayarit, Mexico. The Company is no longer involved in any mining activities at this point.

### **7) Describe the Issuer's Facilities**

#### Office Facility Leases

The Company has various operating lease agreements for its office facilities which expire at various dates through March 2021. The terms of the lease agreements provide for rental payments on a graduated basis. The Company can, after the initial lease term, renew its leases for an additional five years under right of first offer terms at fair value at the time of renewal. The lease agreement for the facility located at 3710 Verdugo Rd. Montrose California, has provides for an option to purchase the facility for \$1,750,000, from April 1, 2016 through January 5, 2019. The Company recognizes rent expense on a straight-line basis over the lease term.

Pursuant to the terms of one of these leases, the landlord will reimburse \$275,000 to the Company as tenant allowance for the Company's tenant improvement which is reflected within other assets on the accompanying consolidated balance sheet at December 31, 2015. As of December 31, 2015, the Company has not commenced any lease hold improvements and has not received any reimbursement.

Rental expense was \$27,600 and \$0 for the years ended December 31, 2015 and 2014, respectively.

During the year ended December 31, 2015, the Company signed two operating vehicle lease agreements for its officers, which expire at July 2017. The terms of the lease agreements provide for equal monthly lease payments of approximately \$1,800. The Company made approximately \$8,800 in lease payments for the year ended December 31, 2015.

Future minimum lease payments under the Company's operating lease agreements that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2015 were as follows:

<b>Year Ending December 31</b>	<b>Annual Rent</b>
2016	\$154,000
2017	176,000
2018	168,000
2019	149,000
2020	130,000
2021	33,000
<b>Total</b>	<b><u>\$810,000</u></b>

#### Equipment Capital Leases

During the year ended December 31, 2015, the Company capitalized approximately \$248,000 of office equipment with a two year, interest free, monthly lease installment payment plan, which expire at various dates through 2017 and 2018. During the year ended December 31, 2015, the Company paid approximately \$18,600 of lease payment and the remaining lease obligation as of December 31, 2015, was approximately \$229,000.

Future minimum lease payments under the Company's capital lease agreements as of December 31, 2015 were as follows:

<b>Year Ending December 31</b>	<b>Annual Rent</b>
2016	\$100,000
2017	99,000
2018	31,000
<b>Total</b>	<b><u>\$230,000</u></b>

We do not have any policies regarding investments in real estate, securities or other forms of property.

## **8) Officers, Directors, and Control Persons**

### **A. Names of Officers, Directors, and Control Persons.**

#### **A1. Shahan Ohanessian, President, Chairman, Director of Scoobeez Global, Inc.**

A business history of Mr. Ohanessian follows:

With more than 25 years of marketing experience at several software and business development companies, Mr. Ohanessian leads the Company with strong marketing, management and organizational skills.

Prior to joining Scoobeez, Mr. Ohanessian lead one of the first online claims management companies in 2001. The start-up company started in one location in Southern California and grew to nationwide offices managing more than 4,000 vendors and handling 1000's of claim. Mr. Ohanessian also led online video streaming and encoding companies from start up to huge revenue.

Mr. Ohanessian studied computer science and engineering at University of Southern California (USC).

1. Full name; Shahan Ohanessian
2. Business address; 225 S Lake Ave, Suite 300, Pasadena, CA 91101 ("Pasadena Office"), and 640 Irving Avenue, Glendale, CA 91201 ("Glendale Office").
3. Employment history (which must list all previous employers for the past 5 years, positions held, responsibilities and employment dates); See Bio
4. Board memberships and other affiliations; None.
5. Compensation by the issuer; \$15,000 per month, effective July 1, 2015.
6. Number and class of the issuer's securities beneficially owned by each such person. 150,000,000 Common Shares or 89.50% of issued and outstanding, 18,400,000 Series A Preferred Stock or 92.00% of issued and outstanding.

#### **A2. Imran Firoz, (Former) CFO, Director of ABT Holdings, Inc.**

As of March 2017, Mr. Imran Firoz is no longer the CFO, and Director of Scoobeez Global, Inc. (formerly ABT Holdings, Inc.) The Company is currently looking for new CFO.

1. Full name; Imran Firoz
2. Number and class of the issuer's securities beneficially owned by each such person. 282,609 Common Shares or 0.17% of issued and outstanding, 1,600,000 Series A Preferred Stock or 8.00% of issued and outstanding.

### **B. Legal/Disciplinary History. Please identify whether any of the foregoing persons have, in the last five years, been the subject of:**

#### **B1: Shahan Ohanessian**

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses); **None**
2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities; **None**



3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; **None** or
4. The entry of an order by a self-regulatory organization that permanently or temporarily barred suspended or otherwise limited such person's involvement in any type of business or securities activities. **None**

**B2: Imran Firoz (former CFO)**

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses); **None**
2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities; **None**
3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; **None** or
4. The entry of an order by a self-regulatory organization that permanently or temporarily barred suspended or otherwise limited such person's involvement in any type of business or securities activities. **None**

**C. Beneficial Shareholders. Provide a list of the name, address and shareholdings or the percentage of shares owned by all persons beneficially owning more than ten percent (10%) of any class of the issuer's equity securities. If any of the beneficial shareholders are corporate shareholders, provide the name and address of the person(s) owning or controlling such corporate shareholders and the resident agents of the corporate shareholders.**

<b>Name &amp; Address <sup>(1)</sup></b>	<b>Number of Shares Beneficially Owned</b>	<b>Class</b>	<b>Percentage of Class <sup>(2)</sup></b>
Shahan Ohanessian, President	150,000,000	Common	89.50%
Imran Firoz, CFO (former)	282,609	Common	00.17%
All Directors & Officers	150,282,609	Common	89.67%

<sup>(1)</sup> Unless noted otherwise, the address for all persons listed is c/o the Company at 396 S Pasadena Avenue, Pasadena, CA 91105.

<sup>(2)</sup> The above percentages are based on 167,599,137 shares of common stock outstanding as of June 30, 2016.

<b>Name &amp; Address <sup>(3)</sup></b>	<b>Number of Shares Beneficially Owned</b>	<b>Class</b>	<b>Percentage of Class <sup>(4)</sup></b>
Shahan Ohanessian, President	18,400,000	Preferred	85.00%
Imran Firoz, CFO (former)	1,600,000	Preferred	7.00%
Hillair Capital Investment L.P	1,650,000	Preferred	8.00%
All Directors & Officers	21,650,000	Preferred	100.00%

<sup>(3)</sup> Unless noted otherwise, the address for all persons listed is c/o the Company at 396 S Pasadena Avenue, Pasadena, CA 91105.

<sup>(4)</sup> The above percentages are based on 21,650,000 shares of Series A preferred stock outstanding as of June 30, 2016.

## 9) Third Party Providers

### LEGAL COUNSEL

**Marc J. Ross, Esq.**

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**Jason Conger**

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Avenue | Suite 204 |  
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Fax: 541.383.3968  
E: jconger@lynchconger.com

### ACCOUNTANT OR AUDITOR

**Auditor – Scoobeez****DBBMCKENNON**

Russ Boyer  
CEO, President, Director  
Certified Public Accountants /  
Registered Firm - PCAOB  
T: 858-217-4035

Office - San Diego  
T: 949-200-3292

Office - Newport Beach  
F: 949-200-3281  
www.dbbmckennon.com

San Diego  
16959 Bernardo Center Drive,  
Ste 202  
San Diego, CA 92128

Orange County  
20321 SW Birch St, Ste 200  
Newport Beach, CA 92660

**Accountant – Scoobeez****Uribe Bookkeeping Solutions LLC**

Eileen Uribe  
T: +1 562-458-7632  
E: uribebookkeepingsolutions@gmail.com

**IR & Marketing CONSULTANT**

N/A

**OTHER ADVISOR**

N/A

**I, Shahan Ohanessian, certify that:**

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

Date: April 17, 2017



(Shahan Ohanessian)

Chief Executive Officer, Director

**Scoobeez Global, Inc.**

## **EXHIBIT A – MATERIAL CONTRACTS**

## **PURCHASE AGREEMENT**

This PURCHASE AGREEMENT (this "Agreement") is made and entered into as of August 24, 2015 by and among ABT Holdings, Inc. formerly known as ABT Mining Co. Inc., an Idaho corporation (the "Company"), Benjamin Art and Grigori Sedrakyan (collectively known as the "Member Shareholders" or "Sellers"), individuals residing in Glendale, California.

WHEREAS, Member Shareholders, on a fully diluted basis, collectively and directly own 100% of all issued and outstanding equity and membership interests ("Company Shares") in following entities - Scoobeez, a California Corporation, Scoobur LLC, a California Limited Liability Company, I Scooter Rental LLC, a Nevada Corporation, and Scoobeez Global, Inc., an Idaho Corporation (collectively known as "Scoobeez");

WHEREAS, Sellers desire to sell, and the Company desires to purchase, free and clear of any and all liens (as defined herein), an aggregate of 76.00% of Company Shares in Scoobeez (Schedule II) for an aggregate purchase price of \$1,296,000 (Schedule I), as set forth herein; and

NOW, THEREFORE, in consideration of the foregoing premises and the covenants, agreements and representations and warranties contained herein, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

### **ARTICLE I**

#### **PURCHASE AND SALE; CLOSING**

Section 1.1 Purchase and Sale. Upon the terms and subject to the conditions of this Agreement, Sellers agree to sell, convey, assign, transfer and deliver to the Company, and the Company agrees to purchase from Sellers, 76.00% Company Shares (the "Purchased Shares") of Scoobeez, free and clear of any and all mortgages, pledges, encumbrances, liens, security interests, options, charges, claims, deeds of trust, deeds to secure debt, title retention agreements, rights of first refusal or offer, limitations on voting rights, proxies, voting agreements, limitations on transfer or other agreements or claims of any kind or nature whatsoever (collectively, "Liens"), in such amounts set forth on Schedule I hereto in respect of each Seller.

Section 1.2 Purchase Price. Upon the terms and subject to the conditions of this Agreement, in consideration of the aforesaid sale, conveyance, assignment, transfer and delivery to the Company of the Purchased Shares, the Company shall pay to Sellers, for an aggregate amount in two convertible notes of one million and two hundred thousand dollars (\$1,200,000, the "Convertible Notes" or "Notes", Schedule I) with the first Convertible Note to be issued to Benjamin Art for seven hundred and twenty thousand dollars (\$720,000) and the second Convertible Note to be issued to Grigori Sedrakyan for four hundred and eighty thousand dollars (\$480,000), and the third cash to Grigori Sedrakyan or his nominated assignee for sixty thousand dollars (\$60,000) to be paid in 360 days as per the schedule within this document and thirty six thousand dollars (\$36,000) in cash to Sellers for a total purchase price of one million three hundred and twenty thousand (\$1,296,000). The parties hereto intend that, immediately following the Agreement, Scoobeez will be a regular subsidiary of the Company.

Section 1.3 Expenses. Except as expressly set forth in this Agreement, all fees and expenses incurred by each party hereto in connection with the matters contemplated by this Agreement shall be borne by the party incurring such fee or expense, including without limitation the fees and expenses of any investment banks, attorneys, accountants or other experts or advisors retained by such party.

Section 1.4 Closing. The consummation of the transactions contemplated by this Agreement (the "Closing") shall take place on August 27, 2015 (the "Closing Date"), provided that the obligations of the

Sellers and the Company to consummate the transactions contemplated by this Agreement shall be conditioned upon there being no injunction or other order, judgment, law, regulation, decree or ruling or other legal restraint or prohibition having been issued, enacted or promulgated by a court or other governmental authority of competent jurisdiction that would have the effect of prohibiting or preventing the consummation of the transactions contemplated hereunder.

#### Section 1.5 Closing Delivery.

(a) At or prior to the Closing Date, in accordance with Section 1.1 hereof, each Seller shall deliver or cause to be delivered to the Company, at an address to be designated in writing by the Company, the certificates representing the Purchased Shares to be purchased on the Closing Date as set forth on Schedule I hereto in respect of each Seller, duly and validly endorsed or accompanied by stock powers duly and validly executed in blank and sufficient to convey to the Company good, valid and marketable title in and to such Purchased Shares, free and clear of any and all Liens.

(b) On the Closing Date, upon confirmation from the Company that all documents have been delivered in accordance with Section 1.1 and Section 1.5(a) hereof, the Company shall deliver or cause to be delivered to Sellers the cash amounts not later than thirty days from the date of this Agreement set forth on Schedule I hereto in respect of each Seller, by wire transfer of available funds to such accounts, on behalf of Sellers, has specified in writing prior to such Closing Date.

(c) Each party hereto further agrees to execute and deliver such other instruments as shall be reasonably requested by a party hereto to consummate the transactions contemplated by this Agreement.

## ARTICLE II

### COVENANTS

#### Section 2.1 Public Announcement; Public Filings.

(a) Upon execution of this Agreement, the Company shall issue a press release as shall be mutually agreed by the Company and Sellers. No party hereto nor any of its respective Affiliates shall issue any press release or make any public statement relating to the transactions contemplated hereby (including, without limitation, any statement to any governmental or regulatory agency or accrediting body) that is inconsistent with, or are otherwise contrary to, the statements in the press release.

(b) Promptly following the date hereof, Sellers shall cause to be filed with the relevant State and regulatory authorities an amendment to their most recent Statement of Information, and prior to filing will provide the Company and its counsel a reasonable opportunity to review and comment upon such amendment.

Section 2.2 Confidentiality. Sellers shall not disclose and shall maintain the confidentiality of (and shall cause their respective Affiliates, directors, officers and employees to not disclose and to maintain the confidentiality of) any non-public information which relates to the business, legal or financial affairs of the Company (the "Confidential Information"). Sellers shall use at least the same degree of care to safeguard and to prevent the disclosure, publication or dissemination of the Confidential Information as they respectively employ to avoid unauthorized disclosure, publication or dissemination of their own information of a similar nature, but in no case less than reasonable care. In the event that a Seller (or any Affiliate, director, officer or employee) is requested or required (by oral question, interrogatory, request for information or documents, subpoena, civil investigative demand or similar process) to disclose any Confidential Information, Seller shall (a) notify the Company promptly so that the Company may seek a protective order or other appropriate remedy and (b) cooperate with the Company in any effort the Company undertakes to obtain a protective order or other remedy. In the event that no such protective

order or other remedy is obtained, the applicable party shall disclose to the person compelling disclosure only that portion of the Confidential Information which such party is advised by counsel is legally required and shall exercise reasonable efforts to obtain reliable assurance that confidential treatment is accorded the Confidential Information so disclosed.

### ARTICLE III

#### REPRESENTATIONS AND WARRANTIES OF SELLERS

Each of Sellers hereby makes, severally with respect to itself or himself only and not with respect to any other such party, the following representations and warranties to the Company:

Section 3.1 Existence; Authority. Such Seller, as applicable, is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization. Such Seller, as applicable, has all requisite competence, power and authority to execute and deliver this Agreement and the Amendment, to perform its or his obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby and has taken all necessary action to authorize the execution, delivery and performance of this Agreement and the Amendment.

Section 3.2 Enforceability. This Agreement has been duly and validly executed and delivered by such Seller, as applicable, and, upon its execution and delivery, the Amendment will be duly and validly executed and delivered by such party, and, assuming due and valid authorization, execution and delivery by the Company, this Agreement and the Amendment will constitute the legal, valid and binding obligations of such Seller, as applicable, enforceable against such person in accordance with its terms, except as such enforceability may be affected by bankruptcy, insolvency, moratorium and other similar laws relating to or affecting creditors' rights generally and general equitable principles.

Section 3.3 Ownership. Such Seller is the beneficial owner of the Purchased Shares set forth opposite its name on Schedule I hereto, free and clear of any and all Liens. Such Seller has full power and authority to transfer full legal ownership of its respective Purchased Shares to the Company, and such Seller is not required to obtain the approval of any person or governmental agency or organization to effect the sale of the Purchased Shares.

Section 3.4 Good Title Conveyed. All Purchased Shares sold by such Seller hereunder, shall be free and clear of any and all Liens and good, valid and marketable title to such Purchased Shares will effectively vest in the Company at the Closing.

Section 3.5 Absence of Litigation. There is no suit, action, investigation or proceeding pending or, to the knowledge of such Seller, as applicable, threatened against such party that could impair the ability of such Seller to perform its obligations hereunder or to consummate the transactions contemplated hereby.

#### Section 3.6 Other Acknowledgments.

(a) Each of Sellers hereby represents and acknowledges, severally with respect to itself or himself only and not with respect to any other such party, that it or he is a sophisticated investor and that it or he knows that the Company may have material Confidential Information concerning the Company and its condition (financial and otherwise), results of operations, businesses, properties, plans and prospects and that such information could be material to Sellers' decision to sell the Purchased Shares or otherwise materially adverse to Sellers' interests. Each of Sellers acknowledges and agrees, severally with respect to itself or himself only and not with respect to any other such party, that the Company shall have no obligation to disclose to it or him any such information and hereby waives and releases, to the fullest

extent permitted by law, any and all claims and causes of action it has or may have against the Company and their respective Affiliates, officers, directors, employees, agents and representatives based upon, relating to or arising out of nondisclosure of such information or the sale of the Purchased Shares hereunder.

(b) Each of Sellers further represents, severally with respect to itself or himself only and not with respect to any other such party, that it or he has adequate information concerning the business and financial condition of the Company to make an informed decision regarding the sale of the Purchased Shares and has, independently and without reliance upon the Company, made its or his own analysis and decision to sell the Purchased Shares. With respect to legal, tax, accounting, financial and other considerations involved in the transactions contemplated by this Agreement, including the sale of the Purchased Shares, such Seller, as applicable, is relying on the Company (or any agent or representative thereof). Such Seller, as applicable, has carefully considered and, to the extent it or he believes such discussion necessary, discussed with professional legal, tax, accounting, financial and other advisors the suitability of the transactions contemplated by this Agreement, including the sale of the Purchased Shares. Each of Sellers, acknowledges, severally with respect to itself or himself only and not with respect to any other such party, that none of the Company or any of their respective directors, officers, subsidiaries or Affiliates has made or makes any representations or warranties, whether express or implied, of any kind except as expressly set forth in this Agreement.

(c) Each of Sellers represents, severally with respect to itself only and not with respect to any other such party, that (1) the sale of the applicable Purchased Shares by such Seller (i) was privately negotiated in an independent transaction and (ii) does not violate any rules or regulations applicable to such Seller.

#### ARTICLE IV

##### REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company makes the following representations and warranties to Sellers:

Section 4.1 Existence; Authority. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Idaho. The Company has all requisite corporate power and authority to execute and deliver this Agreement, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby and has taken all necessary corporate action to authorize the execution, delivery and performance of this Agreement.

Section 4.2 Enforceability. This Agreement has been duly and validly executed and delivered by the Company and, upon its execution and delivery, and, assuming due and valid authorization, execution and delivery by Sellers, this Agreement constitute the legal, valid and binding obligations of the Company, enforceable against it in accordance with its terms, except as such enforceability may be affected by bankruptcy, insolvency, moratorium and other similar laws relating to or affecting creditors' rights generally and general equitable principles. The purchase of the Purchased Shares by the Company (i) was privately negotiated in an independent transaction and (ii) does not violate any rules or regulations applicable to the Company.

Section 4.3 Absence of Litigation. There is no suit, action, investigation or proceeding pending or, to the knowledge of the Company, threatened against such party that could impair the ability of the Company to perform its obligations hereunder or to consummate the transactions contemplated hereby.



## ARTICLE V

### MISCELLANEOUS

Section 5.1 Survival. Each of the representations, warranties, covenants, and agreements in this Agreement or pursuant hereto shall survive the Closing. Notwithstanding any knowledge of facts determined or determinable by any party by investigation, each party shall have the right to fully rely on the representations, warranties, covenants and agreements of the other parties contained in this Agreement or in any other documents or papers delivered in connection herewith. Each representation, warranty, covenant and agreement of the parties contained in this Agreement is independent of each other representation, warranty, covenant and agreement. Except as expressly set forth in this Agreement, no party has made any representation warranty, covenant or agreement.

Section 5.2 Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given (and shall be deemed to have been duly given if so given) by hand delivery, cable, telecopy or mail (registered or certified, postage prepaid, return receipt requested) to the respective parties hereto addressed as follows:

**If to the Company:**

ABT Holdings, Inc.  
225 S Lake Avenue, Suite 300,  
Pasadena, CA 91101  
Attention: Shahan Ohanessian  
President and Secretary

**If to any Seller, Benjamin Art and Grigori Sedrakyan**

c/o Scoobeez  
640 Irving Avenue,  
Glendale, CA 91201

Section 5.3 Certain Definitions. As used in this Agreement, (a) the term "Affiliate" shall have the meaning set forth in Rule 12b-2 under the Securities Exchange Act of 1934, as amended, and shall include persons who become Affiliates of any person subsequent to the date hereof; and (b) the Company, and each Seller are referred to herein individually as a "party" and collectively as "parties."

Section 5.4 Specific Performance. The Company, on the one hand, and Sellers, on the other hand, acknowledge and agree that the other would be irreparably injured by a breach of this Agreement and that money damages are an inadequate remedy for an actual or threatened breach of this Agreement. Accordingly, the parties agree to the granting of specific performance of this Agreement and injunctive or other equitable relief as a remedy for any such breach or threatened breach, without proof of actual damages, and further agree to waive any requirement for the securing or posting of any bond in connection with any such remedy. Such remedy shall not be deemed to be the exclusive remedy for a breach of this Agreement, but shall be in addition to all other remedies available at law or equity.

Section 5.5 No Waiver. Any waiver by any party hereto of a breach of any provision of this Agreement shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Agreement. The failure of a party hereto to insist upon strict adherence to any term of this Agreement on one or more occasions shall not be considered a waiver or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.

Section 5.6 Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding. The parties agree that the court making any such determination of invalidity or unenforceability shall have the power to reduce the scope, duration or area of, delete specific words or phrases in, or replace any such invalid or unenforceable provision with one that is valid and enforceable and that comes closest to expressing the intention of such invalid or unenforceable provision, and this Agreement shall be enforceable as so modified after the expiration of the time within which the judgment may be appealed.

Section 5.7 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided that this Agreement (and any of the rights, interests or obligations of any party hereunder) may not be assigned by any party without the prior written consent of the other parties hereto (such consent not to be unreasonably withheld) except as set forth in Section 1.5(a). Any purported assignment of a party's rights under this Agreement in violation of the preceding sentence shall be null and void.

Section 5.8 Entire Agreement; Amendments. This Agreement (including any Schedules and Exhibits hereto) constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all other prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof and, except as expressly set forth herein, is not intended to confer upon any person other than the parties hereto any rights or remedies hereunder. This Agreement may be amended only by a written instrument duly executed by the parties hereto or their respective permitted successors or assigns.

Section 5.9 Headings. The section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

Section 5.10 Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of Idaho, without giving effect to choice of law principles thereof that would cause the application of the laws of any other jurisdiction

Section 5.11 Submission to Jurisdiction. Each of the parties irrevocably submits to the exclusive jurisdiction and service and venue in any federal or state court sitting in the State of Idaho for the purposes of any action, suit or proceeding arising out of or with respect to this Agreement. Each of the parties irrevocably and unconditionally waives any objections to the laying of venue of any action, suit or proceeding relating to this Agreement in any federal or state court sitting in the State of Idaho, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES THE RIGHT TO A TRIAL BY JURY.

Section 5.12 Counterparts; Facsimile. This Agreement may be executed in counterparts, including by facsimile or PDF electronic transmission, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement.

Section 5.13 Further Assurances. Upon the terms and subject to the conditions of this Agreement, each of the parties hereto agrees to execute such additional documents, to use commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other parties in doing, all things necessary, proper or advisable to consummate or make effective, in the most expeditious manner practicable, the transactions contemplated by this Agreement.

Section 5.14 Interpretation. The parties acknowledge and agree that this Agreement has been negotiated at arm's length and among parties equally sophisticated and knowledgeable in the matters covered hereby. Accordingly, any rule of law or legal decision that would require interpretation of any ambiguities in this Agreement against the party that has drafted it is not applicable and is hereby waived.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first written above.

**ABT Holdings, Inc. (formerly known as ABT Mining Co. Inc.)**

By: 

Name: Shahen Ohanessian

Title: President and Secretary

**Seller of Purchased Shares of Scoobeez (Benjamin Art)**

By: 

Name: Benjamin Art

Title: Owner of Scoobeez

**Seller of Purchased Shares of Scoobeez (Grigori Sedrakyan)**

By: 

Name: Grigori Sedrakyan

Title: Owner of Scoobeez

## Schedule I

### Payments to Sellers

<b>Name of Seller</b>	<b>Issue Date</b>	<b>Convertible Note</b>	<b>Maturity Date</b>
Benjamin Art	Closing Date	\$720,000	1 year anniversary
Grigori Sedrakyan	Closing Date	\$480,000	1 year anniversary
Grigori Sedrakyan or his Assignee	Closing Date	\$60,000	365 days

- I. Benjamin Art – Convertible Note, Face Value: \$720,000
- II. Grigori Sedrakyan – Convertible Note, Face Value: \$480,000
- III. Grigori Sedrakyan or his Assignee – Cash Consideration: \$60,000
- IV. Cash Consideration: The Company promises to pay to Scoobeez, a cash consideration of \$36,000 no later than 30 days from the closing date of this Agreement. Sellers have the right to convert the Note into common stock of the Company equaling the face value of the after one year anniversary of this Agreement.
- V. Conversion Rights: Further, The Holder shall have the right on or after 365 days from the date of this Note to convert all or any part of the outstanding and unpaid principal amount of this Note into fully paid and non- assessable shares of Common Stock, as such Common Stock exists on the Issue Date, or any shares of capital stock or other securities of the Borrower into which such Common Stock shall hereafter be changed or reclassified at the conversion price (the "Conversion Price") determined as provided herein (a "Conversion"); provided, however, that in no event shall the Holder be entitled to convert any portion of this Note in excess of that portion of this Note upon conversion of which the sum of (1) the number of shares of Common Stock beneficially owned by the Holder and its affiliates (other than shares of Common Stock which may be deemed beneficially owned through the ownership of the unconverted portion of the Notes or the unexercised or unconverted portion of any other security of the Borrower subject to a limitation on conversion or exercise analogous to the limitations contained herein) and (2) the number of shares of Common Stock issuable upon the conversion of the portion of this Note with respect to which the determination of this proviso is being made, would result in beneficial ownership by the Holder and its affiliates of more than 4.99% of the outstanding shares of Common Stock.

## Schedule II

### Share Structure after Issuance of Purchased Shares

<b>Name of Seller</b>	<b>ABT's Shares and Ownership %</b>	<b>Benjamin's Shares and Ownership %</b>	<b>Grigori's Shares and Ownership %</b>	<b>Total</b>
Scoobeez	76.00%	15.00%	9.00%	<b>100.00%</b>
Scoobur LLC	76.00%	15.00%	9.00%	<b>100.00%</b>
Scoobeez LLC	76.00%	15.00%	9.00%	<b>100.00%</b>
I Scooter Rental LLC	76.00%	15.00%	9.00%	<b>100.00%</b>
Scoobeez Global, Inc.	76.00%	15.00%	9.00%	<b>100.00%</b>

## ASSET PURCHASE AGREEMENT

**THIS ASSET PURCHASE AGREEMENT** (the “Agreement”) is made and entered into this May 27, 2015 **by and between:**

SHAHAN OHANESSIAN (referred to hereafter as “Seller”),

**AND:**

ABT MINING CO., INC. a Idaho corporation (“Buyer”).

### **WHEREAS:**

Buyer agrees to acquire under the terms specified herein the right, title, interest, and benefit of proprietary technology known as “AutoClaim App” from Seller, also known as Technology Rights; and

### **WHEREAS:**

Buyer also agrees to acquire all powers and privileges of the AutoClaim App including but not limited to make, have made, use, or sell under patent law; to copy, adapt, distribute, display, and perform under copyright law; and to use and disclose under trade secret law, also known as Distribution Rights embodied in or comprising the AutoClaim App.; and

### **WHEREAS:**

Buyer agrees to acquire the business model, all United States and foreign patents and patents application, all trade secrets, know-how, confidential or proprietary information, all trademarks, service marks and trade names, all market research and information, contact lists, marketing materials, business plans, notes, documents and other intellectual property rights and legal protections in every and all countries and jurisdictions owned or claimed by Seller, also known as Proprietary and Intellectual Property Rights.

NOW THEREFORE, the Parties agree to the following:

### **DEFINITIONS:**

1. **“Business Day”** shall mean any calendar day (other than Saturday and Sunday) on which the banks in New York City, New York USA are open for and conducting business.
2. **“Reasonable Business Period”** shall mean that period of time necessary to complete any act or action that a reasonable person in the conduct of a commercial enterprise would require in the venue the act is required to be preformed, subject to unforeseen delays, TIME IS OF THE ESSENCE emphasized.
3. **“Due Diligence Period”** shall apply to the calendar period following the date that the Letter of Intent was fully executed by the parties hereto and concluding the day of the Closing.
4. **“Effective Date”** Shall mean the transaction contemplated herein shall be effective as of 12:01 a.m. on the date of Closing.

**NOW, THEREFORE,** in consideration of the acknowledgements, promises, mutual covenants herein and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

Section 1. **PURCHASE AND SALE.** Seller agrees to sell all their interest to Buyer, and Buyer agrees to purchase all the Seller's interest from Sellers subject to the terms and conditions contained herein, as follows:

(a) Buyer agrees to acquire under the terms specified herein the right, title, interest, and benefit of proprietary technology known as "AutoClaim App" from Seller, also known as Technology Rights; and

(b) Buyer also agrees to acquire all powers and privileges of the AutoClaim App including but not limited to make, have made, use, or sell under patent law; to copy, adapt, distribute, display, and perform under copyright law; and to use and disclose under trade secret law, also known as Distribution Rights embodied in or comprising the AutoClaim App.; and

(c) Buyer agrees to acquire the business model, all United States and foreign patents and patents application, all trade secrets, know-how, confidential or proprietary information, all trademarks, service marks and trade names, all market research and information, contact lists, marketing materials, business plans, notes, documents and other intellectual property rights and legal protections in every and all countries and jurisdictions owned or claimed by Seller, also known as Proprietary and Intellectual Property Rights.

Section 2. **PURCHASE PRICE.** Buyer agrees to pay to Seller the following for the Assets known collectively as AutoClaim App:

Buyer shall issue to Seller or his nominees Eighteen Million Four Hundred Thousand (18,400,000) shares of Series A Preferred Stock of Buyer with a 1 for 100 conversion and a 1 for 10,000 voting right representing 92% of the issued and outstanding Series A Preferred Stock.

Section 3. **CLOSING.**

3.1 **Date of Closing.** The closing of the transaction (the Closing) shall be held at Irvine, California or such other place as the parties may agree on or before May 27, 2015 subject to any extension by section 3.2 below. At the Closing, Sellers shall assign and transfer to Buyer evidence of owner ship in Seller, right and title to all assets, and all equity in Seller free and clear of all liens and encumbrances. Buyer shall provide all stock certificates in proper format subject to the terms of this agreement.

3.2 **Extension of Closing.** Notwithstanding the provisions of Section 3.1 to the contrary, Buyer shall be entitled to an extension of the Closing date of up to Fifteen (15) days.

3.3 **Effective Date Cooperation.** The parties acknowledge that from the date of the Letter of Intent through the Closing and after the Effective Date, cash may be received by one party but belong to another party and/or trade payables and receivables may be paid by one party yet be the responsibility of another party. The parties agree to cooperate, document on the running accounting statement any such monies, credits and /or debits, and give the non-receiving party notice, within fifteen (15) days, of receipt of any post Effective Date cash or accrual of any trade payables by a party for which payment is due to or from a party. Upon such reconciliation, either party owing money to another party shall pay the amount owed within fifteen (15) days of said reconciliation.



#### Section 4. **REPRESENTATIONS AND WARRANTIES OF SELLER**

In order to induce the Buyer to enter into this Agreement and the transactions contemplated hereby, Sellers, hereby represent and warrant to the Buyer as follows:

**4.1 Authority.** Sellers have full power and authority to enter into and perform their obligations under this Agreement. This Agreement constitutes, and all assignments, agreements and other instruments and documents to be executed and delivered by Sellers in connection with this Agreement will constitute, Seller's legal, valid and binding obligations, enforceable against Sellers in accordance with their respective terms.

**4.2 Ownership.** Seller is the true and lawful beneficial and record owner/managers of all of Seller and Seller has good and marketable title thereto, free and clear of claims, pledges, liens, security interests, charges or other encumbrances. Seller has full right and power and authority to sell, transfer and deliver title. Upon delivery of the Preferred and Common shares at Closing as contemplated in this Agreement, Seller will transfer to the Buyer valid and marketable title thereto.

**4.3 Financial Statements.** Other than as set forth and as disclosed herein Seller makes no representations regarding the financial conditions, business or affairs of Seller.

**4.4 No Subsidiaries.** Seller does not own, either directly or indirectly, or have any investment in, own, or otherwise control, any corporation or other entity, or is a party to any partnership agreement, joint venture, or similar agreement.

**4.5 Other Business Names.** Seller and their predecessors and any companies acquired by or merged into them have not used any other business names in the past calendar year.

**4.6 Sites.** Seller has complied in all material respects with all municipal, state and federal statutes, ordinances, rules and regulations applicable to its respective business, included but not limited to, zoning, building, environmental and occupational, safety and health regulations.

**4.7 Leases.** Seller is not in default under any lease or subject to obtaining neither necessary consent nor will they be in default as a result of the execution of this Agreement or closing of the transactions contemplated hereby.

**4.8 Tangible Personal Property.** Seller is not in default under any such equipment leases and is not aware of any fact which, with notice and/or passage of time, would constitute such a default.

**4.9 Intangible Personal Property.** Seller has not received written notice of any claims or demands with respect to items of intangible personal property, and to Seller's best knowledge, there are no claims or demands against Seller with respect to any of such items of intangible personal property. No proceedings have been instituted, or are pending against Seller, or to the knowledge of Seller, have been threatened against Seller to challenge the rights of Seller with respect to any such assets. Seller has not received written notice of any claims or demands relating to their right to use all trade names, trade secrets, or customer lists which they have used or which they are now using in connection with the business transacted by Seller. Seller has the unrestricted right to use, free from any rights or claims of others, all trade names, trade secrets, and customer lists which it has used or which it is now using in connection with its business.

**4.10 Assets and Inventory.** As of the Effective Date, Seller will have good and marketable title in and to all of its assets and inventory, which is or will be free and clear of any security interests, consignments, liens, judgments, encumbrances, restrictions, or claims of any kind, other than as expressly provided in this Agreement.

**4.11 Current Employees and Employment Practices.** Seller represents that all employees of Seller are employees at will. No employment discrimination or unfair labor practice, charge or complaint against Seller has been filed, nor to the knowledge of Seller, is threatened to be filed with any court, agency or other entity having jurisdiction over Seller. To the knowledge of Seller, Seller has not been threatened by any former employee with any suit alleging wrongful termination or other discriminatory wrongful or tortuous conduct in connection with the employment relationship. None of the employees of Seller are represented by any labor organization or to the knowledge of Seller is there currently any union organizing activities with respect to such employees, nor has there been any such organizing activity within the past one (1) year. Seller has not engaged in any collective bargaining or similar agreement with any labor organization.

**4.12 Insurance.** Seller shall deliver prior to closing original or copies of any and all insurance policies which Seller has in effect covering itself or its employees, officers or directors, inventory, and equipment. Seller has had general liability insurance policies in full force and effect from the date Seller was formed through the Effective Date as part of the coverage afforded under a policy written to Seller.

**4.13 Compliance with Applicable Laws.** Seller represents that Seller is in compliance in all material respects with all federal, state, county, municipal, and governmental agency, laws, ordinances, rules, regulations, judgments, orders or decrees applicable to the conduct of its business or to the assets owned, used, or occupied by Seller, and have not received notice or advice to the contrary. Neither this Agreement nor the consummation of the transactions contemplated herein will (a) violate an order, writ, injunction, statute, rule or regulation applicable to Seller or (b) require the consent, approval, authorization or permission of or the filing with or the notification of any federal, state, local or foreign government agency except that necessary to comply with the laws rules and regulations of the State of Arizona, and the United States.

**4.14 Environmental Compliance.**

Seller represents that:

(a) Seller is not in violation of any federal, state or local laws, statutes, codes, ordinances, rules, regulations, permits or orders relating to or addressing the environment, health, waste or safety (collectively, "Environmental Laws"), which shall include, but not be limited to, the use, handling or disposal of the record keeping, notification and recording requirements respecting any pollutant, hazardous substance, radioactive substance, toxic substance, solid waste, hazardous waste, medical waste, radioactive waste, special waste, petroleum or petroleum derived substance or waste, asbestos, or any hazardous or toxic constituent thereof (collectively "Hazardous Substance") or work place or worker safety and health, nor have they received any written notices alleging that they are in violation of any such Environmental Laws; nor are they subject to any administrative or judicial proceeding alleging any violation of any such Environmental Laws, federal, state or local laws, statutes, codes, ordinances, rules, regulations, permits relating to the environment, health, medical waste or safety.

(b) There is no pending lawsuit or administrative proceeding or, to Seller's knowledge, threatened claim alleging that Seller is liable under any Environmental Law, including, without limitation, any Environmental Law related to the on-site or off-site disposal of Hazardous Substances. Seller has not received written notice from any person, including but not limited to any federal, state, or local governmental agency, alleging that Seller is liable under any applicable Environmental Law, including without limitation, any Environmental Law, related to the on-site or off-site disposal of Hazardous Substances.

(c) To Seller's knowledge, there have been no releases, spills or discharges of Hazardous Substances on or underneath any of the real property leased by Seller which are the responsibility of Seller, and Seller has not disposed of Hazardous Substances on, at or under such properties.

**4.15 Taxes.** Seller represents that no assessments or additional tax liabilities (including all federal, state and local taxes, charges, penalties and interest) have been proposed or to the best of Sellers knowledge threatened against Seller or any of its assets, and Seller has not executed any waiver of the statute of limitations on the assessment or collection of such tax liabilities. There are no federal, state or local tax liens upon any of Seller assets other than inchoate liens for taxes not yet due and payable. There is no pending, to the Sellers knowledge, threatened audits against Seller. All current tax returns for Seller have been timely filed and are complete and accurate. All returns, declarations, reports, estimates, information returns and statements ("Returns") required to be filed under any federal, state, local or foreign authority by Sellers have been filed and were in all material respects (and, as to Returns not yet due and filed on the date hereof, will be) true, complete, correct and filed on a timely basis. All taxes due and owing, or required to be withheld or collected by Sellers have been fully paid. Seller has adequate reserves to pay all taxes not yet due, including any taxes resulting from the transactions contemplated hereunder.

Except as may be required by the Internal Revenue Service (or state taxing authority) to clearly reflect the income or loss of Seller or any members of its consolidated group, Seller will not take any action or fail to take any action that could have the effect of reducing the amount of any net operating loss or other tax attribute attributable to Seller pursuant to the Code or any similar law of any other taxing jurisdiction, including, without limitation, the filing of any amended return or the reattribution of any net operating losses or similar items from Seller, or any affiliate of Seller.

**4.16 Litigation.** Seller represents that there are no actions, suits or proceedings pending or to their knowledge threatened against Seller which materially affect the ability of Seller to perform under this Agreement.

## **Section 5. LIMITATIONS ON REPRESENTATIONS AND WARRANTIES.**

**5.1 Limitations on Representations and Warranties.** The Seller shall not be deemed to have made to Buyer any representation or warranty other than those expressly made by the Seller hereof. Without limiting the generality of the foregoing, and notwithstanding any otherwise express representations and warranties made by the Seller hereof, Seller makes no representation or warranty to Buyer with respect to:

(a) any projections, estimates, or budgets heretofore delivered to or made available to Buyer of future revenues, expenses or expenditures or future results of operations; or

(b) except as expressly covered by a representation and warranty contained in Sellers Representations hereof, any other information or documents (financial or otherwise) made available to Buyer or its counsel, accountants or advisors with respect to Seller; notwithstanding the foregoing, the Sellers shall be liable if Sellers has knowingly furnished any other information or documents to Buyer which is materially incomplete or materially false.

**5.2 Due Diligence Investigation.** Buyer acknowledges that:

(a) Buyer will and does have the opportunity to visit with Seller and meet with the managing representatives of Seller to discuss the business and the assets, liabilities, financial condition, cash flow and operations of the business; and all materials and information requested by Buyer shall be provided to Buyer to Buyers reasonable satisfaction.

(b) Buyer acknowledges that it will make its own independent examination, investigation, analysis and evaluation of Seller. The Seller acknowledges that the Buyer will have full and complete access to all of the books, records and assets of Seller and the opportunity to personally inspect the assets, operations and talk with the personnel employed by Seller to the extent it has desired to do so with respect to this transaction.

(c) Buyer acknowledges that it will undertake such due diligence, as time is of the essence, (including but not limited to a review of the assets, liabilities, books, records and contracts of Seller) as Buyer deems adequate, including that described above.

## Section 6. **REPRESENTATIONS AND WARRANTIES OF BUYER**

In order to induce the Seller to enter into this Agreement and the transactions contemplated hereby, Buyer hereby represents and warrants to Seller as follows:

**6.1 Company Organization and Authority.** Buyer is a corporation formed under the State of Idaho and has full power and authority to conduct Buyer's business as now conducted and to enter into and perform Buyer's obligations under this Agreement. This Agreement constitutes, and all agreements and other instruments and documents to be executed and delivered by Buyer will constitute, Buyer's legal, valid law binding obligations, enforceable against Buyer in accordance with their respective terms.

Buyer, by Buyer's authorized representative's signature in whom authority rest to bind the Buyer hereto, has authorized the execution and delivery of this Agreement, the documents of transfer and assignment contemplated hereby and the consummation of all the transactions contemplated herein and the performance of all obligations of Buyer pursuant to this Agreement.

## Section 7. **COVENANTS AND AGREEMENTS OF SELLERS AND BUYER**

**7.1 Accounting; Cooperation of Parties.** Buyer will assist Seller in the production of information for the preparation of financial statements and tax returns of Buyer that may become due of for which a taxing authority requires information with respect to this transaction.

## Section 8. **DELIVERIES OF SELLER AT CLOSING**

The Seller shall deliver the following at the Closing:

**8.1 Evidence of Ownership.** Seller will deliver to the Buyer duly endorsed documents transferring ownership with respect to title of assets of Seller.

**8.2 Consents and Approvals.** Seller shall have obtained all consents and approvals required for the transfer of such ownership to the Buyer.

**8.3 Sellers Documents.** The Seller shall have caused to be delivered to Buyer, at or before Closing, the following:

(a) A list of all assets owned by Seller along with intellectual property owned by Seller being delivered to Buyer.

**8.4 Other Assurances.** The Seller shall have delivered to the Buyer such other and further certificates, assurances and documents as Buyer may reasonably request in order to evidence the accuracy of the representations and warranties made pursuant to Seller's Representations, the performance of covenants

and agreements to be performed by Sellers at or prior to the Closing, and the fulfillment of the conditions to Buyer's obligation.

## Section 9. **DELIVERIES OF BUYER AT CLOSING**

The Buyer shall deliver the following at Closing:

**9.1 Issuance of Stock Certificates.** The Buyer shall issue the Preferred A and Common Stock Certificates as payment of the Purchase Price in the manner described in this Agreement.

**9.2 Resolution of Board of Directors.** Buyer shall deliver to the Seller the Agreed Board of Directors Resolution authorizing the acquisition of Sellers Assets and the appointment of Seller's nominees to the Board of Directors of Buyer.

**9.3 Execution of Convertible Notes.** The Buyer shall execute the Convertible Promissory Note in favor of Seller.

**9.2 Other Assurances.** The Buyer shall have delivered to the Seller such other and further certificates, assurances and documents as Sellers may reasonably request in order to evidence the accuracy of the representations and warranties made pursuant to Buyers Representations, and, the performance of covenants and agreements to be performed by Buyer at or prior to the Closing, and the fulfillment of the conditions to Seller's obligations.

## Section 10. **INDEMNIFICATION**

In addition to the indemnities included elsewhere in this Agreement, the parties hereto agree to indemnify and hold each other harmless as follows:

**10.1 Indemnification by Seller.** The Seller agrees to indemnify and hold the Buyer harmless at all times after the date of this Agreement from, against and in respect of:

(a) Any and all loss, liability, damage or deficiency resulting from any misrepresentation, breach of warranty or non-fulfillment of any covenants or agreements on the part of the Sellers contained herein or in any certificate or document furnished by the Sellers pursuant hereto and any loss or damage resulting from any claims, litigations, actions, suits, proceedings, judgments, counsel fees, costs and expenses incident to such misrepresentation, breach or non-fulfillment.

**10.2 Indemnification by the Buyer.** The Buyer agrees to indemnify and hold the Sellers harmless at all times after the date of this Agreement from and against any and all loss, liability, damage or deficiency resulting from (i) any misrepresentation, breach of warranty or non-fulfillment of any covenants or agreements on the part of the Buyer contained herein or in any certificate or document furnished by the Buyer pursuant hereto and any loss or damage resulting from any claims, litigation, actions, suits, proceedings, judgments, counsel fees, costs and expenses incident to such misrepresentations, breach or non-fulfillment; and (ii) all liabilities arising out of or in connection with the operation of Seller after the Effective Date.

**10.3 Third Party Claims.** Should any claim be made by a person not a party to this Agreement with respect to any matter to which the foregoing indemnity relates, the party against whom such claim is asserted (the "Indemnified Party") within a reasonable period of time, shall give written notice to the other party (the "Indemnifying Party") of any such claim, and the Indemnifying Party shall thereafter defend or settle any such claim, at its sole expense, on its own behalf and with counsel of its selection. In such defense

or settlement of any claims, the Indemnified Party shall cooperate with the Indemnifying Party to the maximum extent reasonably possible. Any payment resulting from such defense or settlement, together with the total expense thereof, shall be binding on Sellers and Buyer for the purpose of this paragraph.

**10.4 Settlement.** Notwithstanding the foregoing, should any claim be made by a person not a party to this Agreement with respect to any matter to which the foregoing indemnity relates, the Indemnified Party, on not less than thirty (30) days' notice to the Indemnifying Party, may make settlement of such claim, and such settlement shall be binding on the Indemnifying Party and the Indemnified Party for the purpose of third party claims; provided, however, that if within said thirty (30) day period the Indemnifying Party shall have requested the Indemnified Party not to settle such claim and to deny such claim at the expense of the Indemnifying Party, the Indemnified Party will promptly comply and the Indemnifying Party shall have the right to defense on its own behalf with counsel of its selection. Any payment or settlement resulting from such claim, together with the total expense thereof, shall be binding on Seller and Purchaser for the purpose of this paragraph.

**10.5 Mediation.** In the event of any claim or dispute between the parties arising out of this Agreement, the parties agree to resolve any such dispute or disagreement by submitting such dispute first to mediation pursuant to the following procedures:

The parties shall mediate any dispute or disagreement upon the written demand of any party with a mediator chosen by mutual agreement of all parties in disagreement, pursuant to the following terms and conditions. In the event the parties to the mediation are unable to agree on a mediator each party shall appoint one mediator and the two appointed mediators shall appoint a third.

(a) **Best Efforts.** The parties agree to use their best efforts to resolve their dispute by mediation before proceeding to other means.

(c) **Fees and Costs.** The fees and costs of the mediation shall conform to the then current fee schedule of AMA. Fees and costs of the mediation shall be borne equally by Purchaser and the Seller and each party shall pay its own professional fees and costs regardless of the mediation decision.

## **Section 11. FURTHER ASSURANCES; ACCESS AND INFORMATION; CONDITIONS PRECEDENT**

**11.1 Further Assurances.** The Seller and Buyer all hereby covenant and agree that at any time and from time to time they will promptly execute and deliver to the others such further instruments and documents and take such further action as the parties may from time to time reasonably request in order to further carry out the intent and purpose of this Agreement. Sellers and Buyer agree to execute and complete any and all Exhibits and supply any and all documentation necessary to complete the Agreement on or before Closing Date of this Agreement. Buyer and Seller agree to cooperate in the filing of applications, permits, forms, licenses, governing authority approvals, SEC filings, and any other documentation otherwise necessary to meet the Parties obligations under this Agreement and specifically the first sentence of this paragraph.

**11.2 Access and Information.** Buyer and its agents, attorneys, accountants and representatives have had full access to the respective properties, affairs, books, records, contracts and documents of Seller, including, without limitation, all contracts, leases, evidence of indebtedness and audit work papers of the internal auditors of the respective businesses, as Buyer has reasonably requested. Until the Closing, Buyer shall not disclose and shall cause its agents, attorneys, accountants and representatives not to disclose to any other party any confidential data or information secured, and, if the Closing does not occur as herein provided, Buyer will promptly return at Buyer's expense, all books, records and other documents and papers obtained and all copies thereof.

**11.3 Conditions Precedent.** The obligations of the Sellers and Buyer to consummate the transactions contemplated by this Agreement are subject to the following conditions precedent:

- (a) Approval of the material terms of this Agreement by the Board of Directors of Buyer;
- (b) Any regulatory SEC or other state approval.
- (c) In addition to the Certificates, Buyer has all operating authority, licenses, franchises, permits, certificates, consents, rights and privileges, as are necessary or appropriate to the operation of its business as now conducted and proposed to be conducted and which the failure to possess would have a material adverse effect on the assets, operations or financial condition of Quintessence.
- (d) It is mutually and collectively agreed between all parties to this Agreement that;

(1) Any measure of lapse, interruption, and or impairments of any Licenses, material trademark, service mark, copyright, trade name, or any application with respect thereto, and any paragraph of this Agreement, may at the discretion of the Buyer constitute a suspension and or termination of this entire Agreement.

(2) The parties hereto agree that the suspension and or termination of this Agreement is subject to the free will, and or right, and or obligation of either Sellers, Buyer to cure any and all lapse, interruption, and or impairments within a “reasonable business period.” This Agreement will be acknowledged as suspended, and not terminated, upon notice to all parties by the party intended to cure, together with any overt act to cure. Such notice to cure and lapse of time will constitute an adjustment of any time or calendar date period accordingly. Such notice constitutes the beginning of the “Reasonable Business Period”.

(3) Anything herein or elsewhere in this Agreement to the contrary and or notwithstanding, a failure to cure in the “Reasonable Business Period”, terminates this agreement at the option of the Buyer by operation of this section and clause, without further acts except that of notice, of any kind, to any party of this Agreement, and thereupon by operation of this paragraph terminated without future or past obligations or liability of any party.

## **Section 12. NATURE AND SURVIVAL OF REPRESENTATIONS**

**12.1** All representations, warranties, and agreements made by the Sellers in this Agreement, except as otherwise expressly stated, and shall survive the Closing and any investigation at any time made by or on behalf of the Sellers as follows:

(1) The representations, warranties and covenants contained in Sections 4.1 and 4.2 hereof shall survive forever;

(2) The representations, warranties, and covenants contained in Section 4.16 hereof shall survive for a period of six (6) months following the expiration of the relevant statute of limitations;

(3) The representations, warranties and covenants relating to all liabilities retained by Sellers or not specifically assumed by Buyer shall survive forever; and

(4) All other representations, warranties and covenants made hereunder by Sellers shall be effective for a period of twelve (12) calendar months following the Effective Date. Within said twelve calendar month period, Buyer must provide written notice to the Sellers of the breach of any representation, warranty or

covenant, pursuant to which Buyer asserts a claim stating with particularity all material facts then known to Purchaser relating to such claim.

### Section 13. MISCELLANEOUS

13.1 **THIRD PARTY BENEFICIARY.** Sellers and or Buyer, and or its successors and assigns are intended to be direct third-party beneficiaries of the covenants contained in this Agreement and may enforce the same in their own respective names, as applicable.

13.2 **NOTICES; ADDRESSES.** All notices, requests, demands, and other communications hereunder shall be in writing, and shall be deemed to have been duly given if delivered or mailed, first class postage prepaid, addressed as follows:

To Sellers:       Shahan Ohanessian – 225 S Lake Avenue, Suite 300 - Pasadena, CA 91101

To Buyer:        ABOT Mining Co. – 301 Simplicity Avenue – Irvine, CA 92620

13.3 **Expenses.** Except as otherwise provided herein, the parties hereto shall pay all of their own expenses relating to the transactions contemplated herein this Agreement of which shall include, without limitations, the fees and expenses of their respective legal counsel and financial advisors.

13.4 **Counterparts.** This Agreement may be executed simultaneously in two or more counterparts, each shall be deemed an original, but all of which together shall constitute one and the same instrument.

13.5 **Severability.** Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction, shall as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

13.6 **Assigns/Assignments.** This Agreement shall be binding upon and inure to the benefit of the parties hereto any and all successors, assigns, or other successors in interest of the Buyer, AS and the Sellers.

13.7 **Public Announcement.** No party will make any public announcements with respect to this transaction without the approval of the other parties, except as otherwise required by law, and SEC Rules and Regulations.

13.8 **Confidentiality.** Except to the extent the parties agree or are required by law to make information public, the parties agree to keep the terms of this Agreement confidential and not to disclose the contents of this Agreement to any party other than employees of a party who agree to maintain such confidentiality and the professional advisors and representatives of the parties.

13.9 **Remedies.** In the event that any party defaults or fails to perform any of the conditions or obligations of such party under this Agreement or any other agreement, document or instrument executed in connection with this Agreement, or in the event that any such party's representations or warranties contained herein or in any such other agreement, document or instrument are not true and correct as of the date hereof and as of the Closing, the other parties shall be entitled to exercise any and all rights and remedies available to them by or pursuant to this Agreement or at law or in equity, including specific performance.

13.10 **Captions.** The captions and headlines set forth in this Agreement are for convenience of reference only and shall not be constructed as part of this Agreement.



13.11 **Merger Clause.** This Agreement contains the final, complete and exclusive statement of the agreement between the parties with respect to the transactions contemplated herein and all prior or contemporaneous written or oral agreements with respect to the subject matter hereof are merged herein.

13.12 **Amendments.** No change, amendment, qualification or cancellation hereof shall be effective unless in writing and executed by all of the parties hereto by their duly authorized officers.

13.13 **Governing Law.** This Agreement shall be governed by, construed and enforced in accordance with the laws of the State of California.

13.14 **Force Majeure.** Neither party hereto shall be responsible for damages caused by the delay or failure to perform in whole or in part hereunder or noncompliance with any of the terms hereof when such delay, failure or noncompliance is caused by or results from acts of God, earthquakes, fires, floods, perils of sea, wars (declared or undeclared), terrorist acts, strikes, riots or any other causes beyond the control of the party who is in default or who is unable to comply with the terms of this Agreement, whether or not similar to those enumerated.

13.15 **Pronouns.** All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine or neuter, singular or plural, as the identity of the parties require.

**IN WITNESS WHEREOF,** Sellers and Buyer have executed this Agreement the day and year first above written.

Shahan Ohanessian  
("Seller")

/s/ Shahan Ohanessian

By: \_\_\_\_\_  
Shahan Ohanessian

For ABT Mining Co., Inc.  
("Buyer")

/s/ Imran Firoz

By: \_\_\_\_\_  
Imran Firoz  
President

## ASSET PURCHASE AGREEMENT

**THIS ASSET PURCHASE AGREEMENT** (the “Agreement”) is made and entered into this May 27, 2015 **by and between:**

SHAHAN OHANESSIAN (referred to hereafter as “Seller”),

**AND:**

ABT MINING CO., INC. a Idaho corporation (“Buyer”).

### **WHEREAS:**

Buyer agrees to acquire under the terms specified herein the right, title, interest, and benefit of proprietary technology known as “AutoClaim Domain” from Seller, also known as Technology Rights; and

### **WHEREAS:**

Buyer also agrees to acquire all powers and privileges of the AutoClaim Domain including but not limited to make, have made, use, or sell under patent law; to copy, adapt, distribute, display, and perform under copyright law; and to use and disclose under trade secret law, also known as Distribution Rights embodied in or comprising the AutoClaim Domain.; and

### **WHEREAS:**

Buyer agrees to acquire the business model, all United States and foreign patents and patents application, all trade secrets, know-how, confidential or proprietary information, all trademarks, service marks and trade names, all market research and information, contact lists, marketing materials, business plans, notes, documents and other intellectual property rights and legal protections in every and all countries and jurisdictions owned or claimed by Seller, also known as Proprietary and Intellectual Property Rights.

NOW THEREFORE, the Parties agree to the following:

### **DEFINITIONS:**

1. **“Business Day”** shall mean any calendar day (other than Saturday and Sunday) on which the banks in New York City, New York USA are open for and conducting business.
2. **“Reasonable Business Period”** shall mean that period of time necessary to complete any act or action that a reasonable person in the conduct of a commercial enterprise would require in the venue the act is required to be preformed, subject to unforeseen delays, TIME IS OF THE ESSENCE emphasized.
3. **“Due Diligence Period”** shall apply to the calendar period following the date that the Letter of Intent was fully executed by the parties hereto and concluding the day of the Closing.
4. **“Effective Date”** Shall mean the transaction contemplated herein shall be effective as of 12:01 a.m. on the date of Closing.

**NOW, THEREFORE,** in consideration of the acknowledgements, promises, mutual covenants herein and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

Section 1. **PURCHASE AND SALE.** Seller agrees to sell all their interest to Buyer, and Buyer agrees to purchase all the Seller's interest from Sellers subject to the terms and conditions contained herein, as follows:

(a) Buyer agrees to acquire under the terms specified herein the right, title, interest, and benefit of proprietary technology known as "AutoClaim Domain" from Seller, also known as AutoClaim Domain Rights; and

(b) Buyer also agrees to acquire all powers and privileges of the AutoClaim Domain including but not limited to make, have made, use, or sell under patent law; to copy, adapt, distribute, display, and perform under copyright law; and to use and disclose under trade secret law, also known as Distribution Rights embodied in or comprising the AutoClaim Domain.; and

(c) Buyer agrees to acquire the business model, all United States and foreign patents and patents application, all trade secrets, know-how, confidential or proprietary information, all trademarks, service marks and trade names, all market research and information, contact lists, marketing materials, business plans, notes, documents and other intellectual property rights and legal protections in every and all countries and jurisdictions owned or claimed by Seller, also known as Proprietary and Intellectual Property Rights.

**Section 2. PURCHASE PRICE.** Buyer agrees to pay to Seller the following for the Assets known collectively as AutoClaim Domain:

Buyer shall issue an additional 150,000,000 shares of Buyer's common stock to Seller and/or his nominees.

Buyer shall pay Seller a total of Five Hundred Thousand Dollars (\$500,000.00) which shall be in the form of a Convertible Promissory Note for the Domain name known as [www.autoclaim.com](http://www.autoclaim.com). Upon payment in full of the \$500,000.00 Seller shall convey to Buyer the right and title to the [www.autoclaim.com](http://www.autoclaim.com) domain name.

### Section 3. **CLOSING.**

**3.1 Date of Closing.** The closing of the transaction (the Closing) shall be held at Irvine, California or such other place as the parties may agree on or before May 27, 2015 subject to any extension by section 3.2 below. At the Closing, Sellers shall assign and transfer to Buyer evidence of owner ship in Seller, right and title to all assets, and all equity in Seller free and clear of all liens and encumbrances. Buyer shall provide all stock certificates in proper format subject to the terms of this agreement.

**3.2 Extension of Closing.** Notwithstanding the provisions of Section 3.1 to the contrary, Buyer shall be entitled to an extension of the Closing date of up to Fifteen (15) days.

**3.3 Effective Date Cooperation.** The parties acknowledge that from the date of the Letter of Intent through the Closing and after the Effective Date, cash may be received by one party but belong to another party and/or trade payables and receivables may be paid by one party yet be the responsibility of another party. The parties agree to cooperate, document on the running accounting statement any such monies, credits and /or debits, and give the non-receiving party notice, within fifteen (15) days, of receipt of any post Effective Date cash or accrual of any trade payables by a party for which payment is due to or from a party. Upon such reconciliation, either party owing money to another party shall pay the amount owed within fifteen (15) days of said reconciliation.

#### Section 4. **REPRESENTATIONS AND WARRANTIES OF SELLER**

In order to induce the Buyer to enter into this Agreement and the transactions contemplated hereby, Sellers, hereby represent and warrant to the Buyer as follows:

**4.1 Authority.** Sellers have full power and authority to enter into and perform their obligations under this Agreement. This Agreement constitutes, and all assignments, agreements and other instruments and documents to be executed and delivered by Sellers in connection with this Agreement will constitute, Seller's legal, valid and binding obligations, enforceable against Sellers in accordance with their respective terms.

**4.2 Ownership.** Seller is the true and lawful beneficial and record owner/managers of all of Seller and Seller has good and marketable title thereto, free and clear of claims, pledges, liens, security interests, charges or other encumbrances. Seller has full right and power and authority to sell, transfer and deliver title. Upon delivery of the Preferred and Common shares at Closing as contemplated in this Agreement, Seller will transfer to the Buyer valid and marketable title thereto.

**4.3 Financial Statements.** Other than as set forth and as disclosed herein Seller makes no representations regarding the financial conditions, business or affairs of Seller.

**4.4 No Subsidiaries.** Seller does not own, either directly or indirectly, or have any investment in, own, or otherwise control, any corporation or other entity, or is a party to any partnership agreement, joint venture, or similar agreement.

**4.5 Other Business Names.** Seller and their predecessors and any companies acquired by or merged into them have not used any other business names in the past calendar year.

**4.6 Sites.** Seller has complied in all material respects with all municipal, state and federal statutes, ordinances, rules and regulations applicable to its respective business, included but not limited to, zoning, building, environmental and occupational, safety and health regulations.

**4.7 Leases.** Seller is not in default under any lease or subject to obtaining neither necessary consent nor will they be in default as a result of the execution of this Agreement or closing of the transactions contemplated hereby.

**4.8 Tangible Personal Property.** Seller is not in default under any such equipment leases and is not aware of any fact which, with notice and/or passage of time, would constitute such a default.

**4.9 Intangible Personal Property.** Seller has not received written notice of any claims or demands with respect to items of intangible personal property, and to Seller's best knowledge, there are no claims or demands against Seller with respect to any of such items of intangible personal property. No proceedings have been instituted, or are pending against Seller, or to the knowledge of Seller, have been threatened against Seller to challenge the rights of Seller with respect to any such assets. Seller has not received written notice of any claims or demands relating to their right to use all trade names, trade secrets, or customer lists which they have used or which they are now using in connection with the business transacted by Seller. Seller has the unrestricted right to use, free from any rights or claims of others, all trade names, trade secrets, and customer lists which it has used or which it is now using in connection with its business.

**4.10 Assets and Inventory.** As of the Effective Date, Seller will have good and marketable title in and to all of its assets and inventory, which is or will be free and clear of any security interests, consignments, liens, judgments, encumbrances, restrictions, or claims of any kind, other than as expressly provided in this Agreement.

**4.11 Current Employees and Employment Practices.** Seller represents that all employees of Seller are employees at will. No employment discrimination or unfair labor practice, charge or complaint against Seller has been filed, nor to the knowledge of Seller, is threatened to be filed with any court, agency or other entity having jurisdiction over Seller. To the knowledge of Seller, Seller has not been threatened by any former employee with any suit alleging wrongful termination or other discriminatory wrongful or tortuous conduct in connection with the employment relationship. None of the employees of Seller are represented by any labor organization or to the knowledge of Seller is there currently any union organizing activities with respect to such employees, nor has there been any such organizing activity within the past one (1) year. Seller has not engaged in any collective bargaining or similar agreement with any labor organization.

**4.12 Insurance.** Seller shall deliver prior to closing original or copies of any and all insurance policies which Seller has in effect covering itself or its employees, officers or directors, inventory, and equipment. Seller has had general liability insurance policies in full force and effect from the date Seller was formed through the Effective Date as part of the coverage afforded under a policy written to Seller.

**4.13 Compliance with Applicable Laws.** Seller represents that Seller is in compliance in all material respects with all federal, state, county, municipal, and governmental agency, laws, ordinances, rules, regulations, judgments, orders or decrees applicable to the conduct of its business or to the assets owned, used, or occupied by Seller, and have not received notice or advice to the contrary. Neither this Agreement nor the consummation of the transactions contemplated herein will (a) violate an order, writ, injunction, statute, rule or regulation applicable to Seller or (b) require the consent, approval, authorization or permission of or the filing with or the notification of any federal, state, local or foreign government agency except that necessary to comply with the laws rules and regulations of the State of Arizona, and the United States.

**4.14 Environmental Compliance.**

Seller represents that:

(a) Seller is not in violation of any federal, state or local laws, statutes, codes, ordinances, rules, regulations, permits or orders relating to or addressing the environment, health, waste or safety (collectively, "Environmental Laws"), which shall include, but not be limited to, the use, handling or disposal of the record keeping, notification and recording requirements respecting any pollutant, hazardous substance, radioactive substance, toxic substance, solid waste, hazardous waste, medical waste, radioactive waste, special waste, petroleum or petroleum derived substance or waste, asbestos, or any hazardous or toxic constituent thereof (collectively "Hazardous Substance") or work place or worker safety and health, nor have they received any written notices alleging that they are in violation of any such Environmental Laws; nor are they subject to any administrative or judicial proceeding alleging any violation of any such Environmental Laws, federal, state or local laws, statutes, codes, ordinances, rules, regulations, permits relating to the environment, health, medical waste or safety.

(b) There is no pending lawsuit or administrative proceeding or, to Seller's knowledge, threatened claim alleging that Seller is liable under any Environmental Law, including, without limitation, any Environmental Law related to the on-site or off-site disposal of Hazardous Substances. Seller has not received written notice from any person, including but not limited to any federal, state, or local governmental agency, alleging that Seller is liable under any applicable Environmental Law, including without limitation, any Environmental Law, related to the on-site or off-site disposal of Hazardous Substances.

(c) To Seller's knowledge, there have been no releases, spills or discharges of Hazardous Substances on or underneath any of the real property leased by Seller which are the responsibility of Seller, and Seller has not disposed of Hazardous Substances on, at or under such properties.

**4.15 Taxes.** Seller represents that no assessments or additional tax liabilities (including all federal, state and local taxes, charges, penalties and interest) have been proposed or to the best of Sellers knowledge threatened against Seller or any of its assets, and Seller has not executed any waiver of the statute of limitations on the assessment or collection of such tax liabilities. There are no federal, state or local tax liens upon any of Seller assets other than inchoate liens for taxes not yet due and payable. There is no pending, to the Sellers knowledge, threatened audits against Seller. All current tax returns for Seller have been timely filed and are complete and accurate. All returns, declarations, reports, estimates, information returns and statements ("Returns") required to be filed under any federal, state, local or foreign authority by Sellers have been filed and were in all material respects (and, as to Returns not yet due and filed on the date hereof, will be) true, complete, correct and filed on a timely basis. All taxes due and owing, or required to be withheld or collected by Sellers have been fully paid. Seller has adequate reserves to pay all taxes not yet due, including any taxes resulting from the transactions contemplated hereunder.

Except as may be required by the Internal Revenue Service (or state taxing authority) to clearly reflect the income or loss of Seller or any members of its consolidated group, Seller will not take any action or fail to take any action that could have the effect of reducing the amount of any net operating loss or other tax attribute attributable to Seller pursuant to the Code or any similar law of any other taxing jurisdiction, including, without limitation, the filing of any amended return or the reattribution of any net operating losses or similar items from Seller, or any affiliate of Seller.

**4.16 Litigation.** Seller represents that there are no actions, suits or proceedings pending or to their knowledge threatened against Seller which materially affect the ability of Seller to perform under this Agreement.

## **Section 5. LIMITATIONS ON REPRESENTATIONS AND WARRANTIES.**

**5.1 Limitations on Representations and Warranties.** The Seller shall not be deemed to have made to Buyer any representation or warranty other than those expressly made by the Seller hereof. Without limiting the generality of the foregoing, and notwithstanding any otherwise express representations and warranties made by the Seller hereof, Seller makes no representation or warranty to Buyer with respect to:

(a) any projections, estimates, or budgets heretofore delivered to or made available to Buyer of future revenues, expenses or expenditures or future results of operations; or

(b) except as expressly covered by a representation and warranty contained in Sellers Representations hereof, any other information or documents (financial or otherwise) made available to Buyer or its counsel, accountants or advisors with respect to Seller; notwithstanding the foregoing, the Sellers shall be liable if Sellers has knowingly furnished any other information or documents to Buyer which is materially incomplete or materially false.

**5.2 Due Diligence Investigation.** Buyer acknowledges that:

(a) Buyer will and does have the opportunity to visit with Seller and meet with the managing representatives of Seller to discuss the business and the assets, liabilities, financial condition, cash flow and operations of the business; and all materials and information requested by Buyer shall be provided to Buyer to Buyers reasonable satisfaction.

(b) Buyer acknowledges that it will make its own independent examination, investigation, analysis and evaluation of Seller. The Seller acknowledges that the Buyer will have full and complete access to all of the books, records and assets of Seller and the opportunity to personally inspect the assets, operations and talk with the personnel employed by Seller to the extent it has desired to do so with respect to this transaction.

(c) Buyer acknowledges that it will undertake such due diligence, as time is of the essence, (including but not limited to a review of the assets, liabilities, books, records and contracts of Seller) as Buyer deems adequate, including that described above.

## Section 6. **REPRESENTATIONS AND WARRANTIES OF BUYER**

In order to induce the Seller to enter into this Agreement and the transactions contemplated hereby, Buyer hereby represents and warrants to Seller as follows:

**6.1 Company Organization and Authority.** Buyer is a corporation formed under the State of Idaho and has full power and authority to conduct Buyer's business as now conducted and to enter into and perform Buyer's obligations under this Agreement. This Agreement constitutes, and all agreements and other instruments and documents to be executed and delivered by Buyer will constitute, Buyer's legal, valid law binding obligations, enforceable against Buyer in accordance with their respective terms.

Buyer, by Buyer's authorized representative's signature in whom authority rest to bind the Buyer hereto, has authorized the execution and delivery of this Agreement, the documents of transfer and assignment contemplated hereby and the consummation of all the transactions contemplated herein and the performance of all obligations of Buyer pursuant to this Agreement.

## Section 7. **COVENANTS AND AGREEMENTS OF SELLERS AND BUYER**

**7.1 Accounting; Cooperation of Parties.** Buyer will assist Seller in the production of information for the preparation of financial statements and tax returns of Buyer that may become due of for which a taxing authority requires information with respect to this transaction.

## Section 8. **DELIVERIES OF SELLER AT CLOSING**

The Seller shall deliver the following at the Closing:

**8.1 Evidence of Ownership.** Seller will deliver to the Buyer duly endorsed documents transferring ownership with respect to title of assets of Seller.

**8.2 Consents and Approvals.** Seller shall have obtained all consents and approvals required for the transfer of such ownership to the Buyer.

**8.3 Sellers Documents.** The Seller shall have caused to be delivered to Buyer, at or before Closing, the following:

(a) A list of all assets owned by Seller along with intellectual property owned by Seller being delivered to Buyer.

**8.4 Other Assurances.** The Seller shall have delivered to the Buyer such other and further certificates, assurances and documents as Buyer may reasonably request in order to evidence the accuracy of the representations and warranties made pursuant to Seller's Representations, the performance of covenants

and agreements to be performed by Sellers at or prior to the Closing, and the fulfillment of the conditions to Buyer's obligation.

## Section 9. **DELIVERIES OF BUYER AT CLOSING**

The Buyer shall deliver the following at Closing:

**9.1 Issuance of Stock Certificates.** The Buyer shall issue the Preferred A and Common Stock Certificates as payment of the Purchase Price in the manner described in this Agreement.

**9.2 Resolution of Board of Directors.** Buyer shall deliver to the Seller the Agreed Board of Directors Resolution authorizing the acquisition of Sellers Assets and the appointment of Seller's nominees to the Board of Directors of Buyer.

**9.3 Execution of Convertible Notes.** The Buyer shall execute the Convertible Promissory Note in favor of Seller.

**9.2 Other Assurances.** The Buyer shall have delivered to the Seller such other and further certificates, assurances and documents as Sellers may reasonably request in order to evidence the accuracy of the representations and warranties made pursuant to Buyers Representations, and, the performance of covenants and agreements to be performed by Buyer at or prior to the Closing, and the fulfillment of the conditions to Seller's obligations.

## Section 10. **INDEMNIFICATION**

In addition to the indemnities included elsewhere in this Agreement, the parties hereto agree to indemnify and hold each other harmless as follows:

**10.1 Indemnification by Seller.** The Seller agrees to indemnify and hold the Buyer harmless at all times after the date of this Agreement from, against and in respect of:

(a) Any and all loss, liability, damage or deficiency resulting from any misrepresentation, breach of warranty or non-fulfillment of any covenants or agreements on the part of the Sellers contained herein or in any certificate or document furnished by the Sellers pursuant hereto and any loss or damage resulting from any claims, litigations, actions, suits, proceedings, judgments, counsel fees, costs and expenses incident to such misrepresentation, breach or non-fulfillment.

**10.2 Indemnification by the Buyer.** The Buyer agrees to indemnify and hold the Sellers harmless at all times after the date of this Agreement from and against any and all loss, liability, damage or deficiency resulting from (i) any misrepresentation, breach of warranty or non-fulfillment of any covenants or agreements on the part of the Buyer contained herein or in any certificate or document furnished by the Buyer pursuant hereto and any loss or damage resulting from any claims, litigation, actions, suits, proceedings, judgments, counsel fees, costs and expenses incident to such misrepresentations, breach or non-fulfillment; and (ii) all liabilities arising out of or in connection with the operation of Seller after the Effective Date.

**10.3 Third Party Claims.** Should any claim be made by a person not a party to this Agreement with respect to any matter to which the foregoing indemnity relates, the party against whom such claim is asserted (the "Indemnified Party") within a reasonable period of time, shall give written notice to the other party (the "Indemnifying Party") of any such claim, and the Indemnifying Party shall thereafter defend or settle any such claim, at its sole expense, on its own behalf and with counsel of its selection. In such defense



or settlement of any claims, the Indemnified Party shall cooperate with the Indemnifying Party to the maximum extent reasonably possible. Any payment resulting from such defense or settlement, together with the total expense thereof, shall be binding on Sellers and Buyer for the purpose of this paragraph.

**10.4 Settlement.** Notwithstanding the foregoing, should any claim be made by a person not a party to this Agreement with respect to any matter to which the foregoing indemnity relates, the Indemnified Party, on not less than thirty (30) days' notice to the Indemnifying Party, may make settlement of such claim, and such settlement shall be binding on the Indemnifying Party and the Indemnified Party for the purpose of third party claims; provided, however, that if within said thirty (30) day period the Indemnifying Party shall have requested the Indemnified Party not to settle such claim and to deny such claim at the expense of the Indemnifying Party, the Indemnified Party will promptly comply and the Indemnifying Party shall have the right to defense on its own behalf with counsel of its selection. Any payment or settlement resulting from such claim, together with the total expense thereof, shall be binding on Seller and Purchaser for the purpose of this paragraph.

**10.5 Mediation.** In the event of any claim or dispute between the parties arising out of this Agreement, the parties agree to resolve any such dispute or disagreement by submitting such dispute first to mediation pursuant to the following procedures:

The parties shall mediate any dispute or disagreement upon the written demand of any party with a mediator chosen by mutual agreement of all parties in disagreement, pursuant to the following terms and conditions. In the event the parties to the mediation are unable to agree on a mediator each party shall appoint one mediator and the two appointed mediators shall appoint a third.

(a) **Best Efforts.** The parties agree to use their best efforts to resolve their dispute by mediation before proceeding to other means.

(c) **Fees and Costs.** The fees and costs of the mediation shall conform to the then current fee schedule of AMA. Fees and costs of the mediation shall be borne equally by Purchaser and the Seller and each party shall pay its own professional fees and costs regardless of the mediation decision.

## **Section 11. FURTHER ASSURANCES; ACCESS AND INFORMATION; CONDITIONS PRECEDENT**

**11.1 Further Assurances.** The Seller and Buyer all hereby covenant and agree that at any time and from time to time they will promptly execute and deliver to the others such further instruments and documents and take such further action as the parties may from time to time reasonably request in order to further carry out the intent and purpose of this Agreement. Sellers and Buyer agree to execute and complete any and all Exhibits and supply any and all documentation necessary to complete the Agreement on or before Closing Date of this Agreement. Buyer and Seller agree to cooperate in the filing of applications, permits, forms, licenses, governing authority approvals, SEC filings, and any other documentation otherwise necessary to meet the Parties obligations under this Agreement and specifically the first sentence of this paragraph.

**11.2 Access and Information.** Buyer and its agents, attorneys, accountants and representatives have had full access to the respective properties, affairs, books, records, contracts and documents of Seller, including, without limitation, all contracts, leases, evidence of indebtedness and audit work papers of the internal auditors of the respective businesses, as Buyer has reasonably requested. Until the Closing, Buyer shall not disclose and shall cause its agents, attorneys, accountants and representatives not to disclose to any other party any confidential data or information secured, and, if the Closing does not occur as herein provided, Buyer will promptly return at Buyer's expense, all books, records and other documents and papers obtained and all copies thereof.

**11.3 Conditions Precedent.** The obligations of the Sellers and Buyer to consummate the transactions contemplated by this Agreement are subject to the following conditions precedent:

- (a) Approval of the material terms of this Agreement by the Board of Directors of Buyer;
- (b) Any regulatory SEC or other state approval.
- (c) In addition to the Certificates, Buyer has all operating authority, licenses, franchises, permits, certificates, consents, rights and privileges, as are necessary or appropriate to the operation of its business as now conducted and proposed to be conducted and which the failure to possess would have a material adverse effect on the assets, operations or financial condition of Quintessence.
- (d) It is mutually and collectively agreed between all parties to this Agreement that;
  - (1) Any measure of lapse, interruption, and or impairments of any Licenses, material trademark, service mark, copyright, trade name, or any application with respect thereto, and any paragraph of this Agreement, may at the discretion of the Buyer constitute a suspension and or termination of this entire Agreement.
  - (2) The parties hereto agree that the suspension and or termination of this Agreement is subject to the free will, and or right, and or obligation of either Sellers, Buyer to cure any and all lapse, interruption, and or impairments within a “reasonable business period.” This Agreement will be acknowledged as suspended, and not terminated, upon notice to all parties by the party intended to cure, together with any overt act to cure. Such notice to cure and lapse of time will constitute an adjustment of any time or calendar date period accordingly. Such notice constitutes the beginning of the “Reasonable Business Period”.
  - (3) Anything herein or elsewhere in this Agreement to the contrary and or notwithstanding, a failure to cure in the “Reasonable Business Period”, terminates this agreement at the option of the Buyer by operation of this section and clause, without further acts except that of notice, of any kind, to any party of this Agreement, and thereupon by operation of this paragraph terminated without future or past obligations or liability of any party.

## **Section 12. NATURE AND SURVIVAL OF REPRESENTATIONS**

12.1 All representations, warranties, and agreements made by the Sellers in this Agreement, except as otherwise expressly stated, and shall survive the Closing and any investigation at any time made by or on behalf of the Sellers as follows:

- (1) The representations, warranties and covenants contained in Sections 4.1 and 4.2 hereof shall survive forever;
- (2) The representations, warranties, and covenants contained in Section 4.16 hereof shall survive for a period of six (6) months following the expiration of the relevant statute of limitations;
- (3) The representations, warranties and covenants relating to all liabilities retained by Sellers or not specifically assumed by Buyer shall survive forever; and
- (4) All other representations, warranties and covenants made hereunder by Sellers shall be effective for a period of twelve (12) calendar months following the Effective Date. Within said twelve calendar month period, Buyer must provide written notice to the Sellers of the breach of any representation, warranty or

covenant, pursuant to which Buyer asserts a claim stating with particularity all material facts then known to Purchaser relating to such claim.

### Section 13. MISCELLANEOUS

**13.1 THIRD PARTY BENEFICIARY.** Sellers and or Buyer, and or its successors and assigns are intended to be direct third-party beneficiaries of the covenants contained in this Agreement and may enforce the same in their own respective names, as applicable.

**13.2 NOTICES; ADDRESSES.** All notices, requests, demands, and other communications hereunder shall be in writing, and shall be deemed to have been duly given if delivered or mailed, first class postage prepaid, addressed as follows:

To Sellers:       Shahan Ohanessian – 225 S Lake Avenue, Suite 300 - Pasadena, CA 91101

To Buyer:        ABT Mining Co., Inc. – 301 Simplicity Avenue – Irvine, CA 92620

**13.3 Expenses.** Except as otherwise provided herein, the parties hereto shall pay all of their own expenses relating to the transactions contemplated herein this Agreement of which shall include, without limitations, the fees and expenses of their respective legal counsel and financial advisors.

**13.4 Counterparts.** This Agreement may be executed simultaneously in two or more counterparts, each shall be deemed an original, but all of which together shall constitute one and the same instrument.

**13.5 Severability.** Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction, shall as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

**13.6 Assigns/Assignments.** This Agreement shall be binding upon and inure to the benefit of the parties hereto any and all successors, assigns, or other successors in interest of the Buyer, AS and the Sellers.

**13.7 Public Announcement.** No party will make any public announcements with respect to this transaction without the approval of the other parties, except as otherwise required by law, and SEC Rules and Regulations.

**13.8 Confidentiality.** Except to the extent the parties agree or are required by law to make information public, the parties agree to keep the terms of this Agreement confidential and not to disclose the contents of this Agreement to any party other than employees of a party who agree to maintain such confidentiality and the professional advisors and representatives of the parties.

**13.9 Remedies.** In the event that any party defaults or fails to perform any of the conditions or obligations of such party under this Agreement or any other agreement, document or instrument executed in connection with this Agreement, or in the event that any such party's representations or warranties contained herein or in any such other agreement, document or instrument are not true and correct as of the date hereof and as of the Closing, the other parties shall be entitled to exercise any and all rights and remedies available to them by or pursuant to this Agreement or at law or in equity, including specific performance.

**13.10 Captions.** The captions and headlines set forth in this Agreement are for convenience of reference only and shall not be constructed as part of this Agreement.

13.11 **Merger Clause.** This Agreement contains the final, complete and exclusive statement of the agreement between the parties with respect to the transactions contemplated herein and all prior or contemporaneous written or oral agreements with respect to the subject matter hereof are merged herein.

13.12 **Amendments.** No change, amendment, qualification or cancellation hereof shall be effective unless in writing and executed by all of the parties hereto by their duly authorized officers.

13.13 **Governing Law.** This Agreement shall be governed by, construed and enforced in accordance with the laws of the State of California.

13.14 **Force Majeure.** Neither party hereto shall be responsible for damages caused by the delay or failure to perform in whole or in part hereunder or noncompliance with any of the terms hereof when such delay, failure or noncompliance is caused by or results from acts of God, earthquakes, fires, floods, perils of sea, wars (declared or undeclared), terrorist acts, strikes, riots or any other causes beyond the control of the party who is in default or who is unable to comply with the terms of this Agreement, whether or not similar to those enumerated.

13.15 **Pronouns.** All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine or neuter, singular or plural, as the identity of the parties require.

**IN WITNESS WHEREOF,** Sellers and Buyer have executed this Agreement the day and year first above written.

Shahan Ohanessian (“Seller”)

/s/ Shahan Ohanessian

By: \_\_\_\_\_  
Shahan Ohanessian

**For ABT Mining, Co., Inc.**  
 (“Buyer”)

/s/ Imran Firoz

By: \_\_\_\_\_ Imran  
Firoz  
President

This SECURITIES PURCHASE AGREEMENT (this “Agreement”) is dated as of October 7, 2016, between ABT Holdings, Inc., an Idaho corporation (the “Company”), and each purchaser identified on the signature pages hereto (each, including its successors and assigns, a “Purchaser” and collectively, the “Purchasers”).

WHEREAS, subject to the terms and conditions set forth in this Agreement and pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended (the “Securities Act”), and Rule 506 promulgated thereunder, the Company desires to issue and sell to each Purchaser, and each Purchaser, severally and not jointly, desires to purchase from the Company, securities of the Company as more fully described in this Agreement.

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants contained in this Agreement, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Company and each Purchaser agree as follows:

## ARTICLE I. DEFINITIONS

1.1 Definitions. In addition to the terms defined elsewhere in this Agreement: (a) capitalized terms that are not otherwise defined herein have the meanings given to such terms in the Debentures (as defined herein), and (b) the following terms have the meanings set forth in this Section 1.1:

“Additional Redemption Shares” shall have the meaning ascribed to such term in the Debentures.

“Affiliate” means any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person, as such terms are used in and construed under Rule 405 under the Securities Act. The term “control” (including the terms “controlled by” and “under common control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

“BHCA” shall have the meaning ascribed to such term in Section 3.1(oo).

“Board of Directors” means the board of directors of the Company.

“Business Day” means any day except any Saturday, any Sunday, any day which is a federal legal holiday in the United States or any day on which banking institutions in the State of New York are authorized or required by law or other governmental action to close.

“Closing” means the closing of the purchase and sale of the Securities pursuant to Section 2.1.

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“Closing Date” means the Trading Day on which all of the Transaction Documents have been executed and delivered by the applicable parties thereto, and all conditions precedent to (i) the Purchasers’ obligations to pay the Subscription Amount and (ii) the Company’s obligations to deliver the Securities, in each case, have been satisfied or waived.

“Closing Statement” means the Closing Statement in the form set forth on Annex A attached hereto.

“Commission” means the United States Securities and Exchange Commission.

“Common Stock” means the common stock of the Company, par value \$0.0001 per share, and any other class of securities into which such securities may hereafter be reclassified or changed.

“Common Stock Equivalents” means any securities of the Company or the Subsidiaries which would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any debt, preferred stock, right, option, warrant or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

“Company Counsel” means Sichenzia Ross Friedman Ference LLP, with offices located at 61 Broadway, 32nd Floor, New York, NY 10016.

“Conversion Price” shall have the meaning ascribed to such term in the Debentures.

“Conversion Shares” shall have the meaning ascribed to such term in the Debentures.

“Debentures” means the 8% Senior Secured Convertible Debentures due, subject to the terms therein, October 1, 2018, issued by the Company to the Purchasers hereunder, in the form of Exhibit A attached hereto.

“Disclosure Schedules” shall have the meaning ascribed to such term in Section 3.1.

“Disqualification Event” shall have the meaning ascribed to such term in Section 3.1(qq).

“Evaluation Date” shall have the meaning ascribed to such term in Section 3.1(s).

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“Exempt Issuance” means the issuance of (a) shares of Common Stock or options to employees, officers or directors of the Company pursuant to any stock or option plan duly adopted for such purpose, by a majority of the members of the Board of Directors;

provided, however, that the maximum aggregate number of shares of Common Stock which may be issued pursuant to this subsection (a) is 20,000,000 shares (subject to adjustment for forward and reverse stock splits and the like that occur after the date hereof), (b) securities upon the exercise or exchange of or conversion of any Securities issued hereunder and/or other securities exercisable or exchangeable for or convertible into shares of Common Stock issued and outstanding on the date of this Agreement, provided that such securities have not been amended since the date of this Agreement to increase the number of such securities or to decrease the exercise price, exchange price or conversion price of such securities (other than in connection with stock splits or combinations) or to extend the term of such securities, (c) securities issued pursuant to acquisitions or strategic transactions approved by a majority of the disinterested directors of the Company, provided that any such issuance shall only be to a Person (or to the equityholders of a Person) which is, itself or through its subsidiaries, an operating company or an owner of an asset in a business synergistic with the business of the Company and shall provide to the Company additional benefits in addition to the investment of funds, but shall not include a transaction in which the Company is issuing securities primarily for the purpose of raising capital or to an entity whose primary business is investing in securities and (d) the issuance of 1,650,000 Preferred Shares to one or more principals of the Company.

“Exercise Price” shall have the meaning ascribed to such term in the Warrants.

“FCPA” means the Foreign Corrupt Practices Act of 1977, as amended.

“Federal Reserve” shall have the meaning ascribed to such term in Section 3.1(oo).

“GAAP” shall have the meaning ascribed to such term in Section 3.1(h).

“Indebtedness” shall have the meaning ascribed to such term in Section 3.1(bb).

“Intellectual Property Rights” shall have the meaning ascribed to such term in Section 3.1(p).

“Issuer Covered Person” shall have the meaning ascribed to such term in Section 3.1(qq).

“Knowledge” means, with respect to a specific Person, the actual or constructive knowledge of such Person (or if such Person is an entity, any director, manager or other executive officer of such Person), after due inquiry.

“Legend Removal Date” shall have the meaning ascribed to such term in Section 4.1(c).

“Liens” means a lien, charge, pledge, security interest, encumbrance, right of first refusal, preemptive right or other restriction.

“Material Adverse Effect” shall have the meaning assigned to such term in Section 3.1(b).

“Material Permits” shall have the meaning ascribed to such term in Section 3.1(n).

“Maximum Rate” shall have the meaning ascribed to such term in Section 5.17.

“Money Laundering Laws” shall have the meaning ascribed to such term in Section 3.1(pp).

“OFAC” shall have the meaning ascribed to such term in Section 3.1(mm).

“PC” means Pryor Cashman LLP, with offices located at 7 Times Square, New York, New York 10036.

“Perfection Certificate” means the Perfection Certificate executed by the Company and delivered to the Purchasers hereunder, in the form of Exhibit B attached hereto.

“Person” means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

“Pledged Securities” means any and all certificates and other instruments representing or evidencing all of the capital stock and other equity interests of the Subsidiaries.

“Preferred Shares” means those certain shares of Series A Preferred Stock of the Company, par value \$0.001 per share, issuable by the Company to the Purchasers hereunder.

“Principal Amount” means, as to each Purchaser, the amounts set forth below such Purchaser’s signature block on the signature pages hereto next to the heading “Principal Amount,” in United States Dollars, which shall equal such Purchaser’s Subscription Amount multiplied by 1.16.

“Proceeding” means an action, claim, suit, investigation or proceeding (including, without limitation, an informal investigation or partial proceeding, such as a deposition), whether commenced or threatened.

“Public Company Date” means the date the Company (or any successor/surviving entity in a reverse merger or other business combination transaction) becomes subject to the reporting requirements under the Exchange Act.

“Public Information Failure” shall have the meaning ascribed to such term in Section 4.3(b).



“Public Information Failure Payments” shall have the meaning ascribed to such term in Section 4.3(b).

“Purchaser Party” shall have the meaning ascribed to such term in Section 4.10.

“Required Approvals” shall have the meaning ascribed to such term in Section 3.1(e).

“Required Minimum” means, as of any date, the maximum aggregate number of shares of Common Stock then issued or potentially issuable in the future pursuant to the Transaction Documents, including any Underlying Shares issuable upon exercise in full of all Warrants or conversion in full of all Debentures, ignoring any conversion or exercise limits set forth therein, and assuming that each of the Conversion Price and Exercise Price is at all times on and after the date of determination 75% of the then Conversion Price or Exercise Price, as applicable, on the Trading Day immediately prior to the date of determination.

“Rule 144” means Rule 144 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

“Rule 424” means Rule 424 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended or interpreted from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same purpose and effect as such Rule.

“Securities” means the Debentures, the Warrants, the Preferred Shares, the Conversion Shares, the Additional Redemption Shares and the Warrant Shares.

“Securities Act” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“Security Agreement” means the Security Agreement, dated as of the date hereof, among the Company and the Purchasers, in the form of Exhibit C attached hereto.

“Security Documents” shall mean the Security Agreement, the Subsidiary Guarantees, the original Pledged Securities, along with medallion guaranteed executed blank stock powers to the Pledged Securities, the Perfection Certificate, and any other documents and filing required thereunder in order to grant the Purchasers a second priority security interest in the assets of the Company and the Subsidiaries as provided in the Security Agreement, including all UCC-1 filing receipts.

“Short Sales” means all “short sales” as defined in Rule 200 of Regulation SHO under the Exchange Act (but shall not be deemed to include the location and/or reservation of borrowable shares of Common Stock).

“Subscription Amount” means, as to each Purchaser, the aggregate amount to be paid for Debentures and Warrants purchased hereunder as specified below such Purchaser’s name on the signature page of this Agreement and next to the heading “Subscription Amount,” in United States dollars and in immediately available funds.

“Subsidiary” means any subsidiary of the Company as set forth on Schedule 3.1(a) and shall, where applicable, also include any direct or indirect subsidiary of the Company formed or acquired after the date hereof.

“Subsidiary Guarantee” means the Subsidiary Guarantee, dated the date hereof, by each Subsidiary in favor of the Purchasers, in the form of Exhibit D attached hereto.

“Trading Day” means a day on which the principal Trading Market is open for trading.

“Trading Market” means any of the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the NYSE MKT, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange, OTCQB or OTCQX or the “Pink Sheets” published by OTC Markets, Inc. (or any successors to any of the foregoing).

“Transaction Documents” means this Agreement, the Debentures, the Warrants, the Security Documents, all exhibits and schedules thereto and hereto and any other documents or agreements executed in connection with the transactions contemplated hereunder.

“Transfer Agent” means Columbia Stock Transfer Company, the current transfer agent of the Company, with a mailing address of 1869 E Seltice Way #292, Post Falls, ID 83854 and a facsimile number of 855-664-3544, and any successor transfer agent of the Company.

“Underlying Shares” means the Conversion Shares, Warrant Shares and any shares issuable upon conversion of the Preferred Shares, in each case without respect to any limitation or restriction on the conversion of the Debentures or the exercise of the Warrants.

“Variable Rate Transaction” shall have the meaning ascribed to such term in Section 4.12(a).

“VWAP” means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on a Trading Market, the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if OTCQB or OTCQX is a Trading Market, the volume weighted average price of the Common Stock for such date (or the nearest preceding date) on OTCQB or OTCQX as applicable, (c) if the Common Stock is not then listed or quoted for trading on OTCQB or OTCQX and if prices for the

Common Stock are then reported in the “Pink Sheets” published by OTC Markets, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Stock so reported, or (d) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Purchasers of a majority in interest of the Securities then outstanding and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

“Warrants” means, collectively, the Common Stock purchase warrants delivered to the Purchasers at the Closing in accordance with Section 2.2(a) hereof, which Warrants shall be exercisable immediately and have a term of exercise equal to five years, in the form of Exhibit E attached hereto (the “Warrants”).

“Warrant Shares” means the shares of Common Stock issuable upon exercise of the Warrants.

## **ARTICLE II. PURCHASE AND SALE**

2.1 Closing. On the Closing Date, upon the terms and subject to the conditions set forth herein, substantially concurrent with the execution and delivery of this Agreement by the parties hereto, the Company agrees to sell, and the Purchasers, severally and not jointly, agree to purchase, up to an aggregate of \$5,800,000 in Principal Amount of the Debentures (corresponding to an aggregate Subscription Amount of up to \$5,000,000). Each Purchaser shall deliver to the Company, via wire transfer or a certified check, immediately available funds equal to such Purchaser’s Subscription Amount as set forth on the signature page hereto executed by such Purchaser, and the Company shall deliver to each Purchaser its respective Debenture, Warrant, Preferred Shares, as determined pursuant to Section 2.2(a), and the Company and each Purchaser shall deliver the other items set forth in Section

2.2 deliverable at the Closing. Upon satisfaction of the covenants and conditions set forth in Sections 2.2 and 2.3, the Closing shall occur at the offices of PC or such other location as the parties shall mutually agree.

### **2.2 Deliveries.**

- (a) On or prior to the Closing Date, the Company shall deliver or cause to be delivered to each Purchaser the following:
  - (i) this Agreement duly executed by the Company;
  - (ii) a legal opinion of Company Counsel, substantially in the form of Exhibit G attached hereto;
  - (iii) a Debenture with a principal amount equal to such Purchaser’s Subscription Amount multiplied by 1.16, registered in the name of such Purchaser;
  - (iv) a Warrant registered in the name of such Purchaser to purchase up

to a number of shares of Common Stock equal to 100% of the initial Principal Amount of the Debenture to be issued to such Purchaser divided by \$0.50, with an exercise price per share equal to \$0.50, subject to adjustment therein;

(v) 1,650,000 Preferred Shares; and

(vi) the Security Agreement, duly executed by the Company and each Subsidiary, along with all of the Security Documents, including the Subsidiary Guarantees, duly executed by the parties thereto, the original Pledged Securities and corresponding stock powers, and the Perfection Certificate.

(b) On or prior to the Closing Date, each Purchaser shall deliver or cause to be delivered to the Company the following:

(i) this Agreement duly executed by such Purchaser;

(ii) such Purchaser's Subscription Amount by wire transfer to the account specified in writing by the Company; and

(iii) the Security Agreement duly executed by such Purchaser.

### 2.3 Closing Conditions.

(a) The obligations of the Company hereunder in connection with the Closing are subject to the following conditions being met:

(i) the accuracy in all material respects (or, to the extent representations or warranties are qualified by materiality or Material Adverse Effect, in all respects) when made and on the Closing Date of the representations and warranties of the Purchasers contained herein (unless as of a specific date therein in which case they shall be accurate as of such date);

(ii) all obligations, covenants and agreements of each Purchaser required to be performed at or prior to the Closing Date shall have been performed; and

(iii) the delivery by each Purchaser of the items set forth in Section 2.2(b) of this Agreement.

(b) The respective obligations of the Purchasers hereunder in connection with the Closing are subject to the following conditions being met:

(i) the accuracy in all material respects (or, to the extent representations or warranties are qualified by materiality or Material Adverse Effect, in all respects) when made and on the Closing Date of the representations and warranties of the Company contained herein (unless as of a specific date therein in which case they shall be accurate as of such date);

- (ii) all obligations, covenants and agreements of the Company required to be performed at or prior to the Closing Date shall have been performed;
- (iii) the delivery by the Company of the items set forth in Section 2.2(a) of this Agreement;
- (iv) there shall have been no Material Adverse Effect with respect to the Company since the date hereof; and
- (v) from the date hereof to the Closing Date, trading in the Common Stock shall not have been suspended by the Commission or the Company's principal Trading Market and, at any time prior to the Closing Date, trading in securities generally as reported by Bloomberg L.P. shall not have been suspended or limited, or minimum prices shall not have been established on securities whose trades are reported by such service, or on any Trading Market, nor shall a banking moratorium have been declared either by the United States or New York State authorities nor shall there have occurred any material outbreak or escalation of hostilities or other national or international calamity of such magnitude in its effect on, or any material adverse change in, any financial market which, in each case, in the reasonable judgment of such Purchaser, makes it impracticable or inadvisable to purchase the Securities at the Closing.

### ARTICLE III. REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of the Company. Except as set forth in the Disclosure Schedules, which Disclosure Schedules shall be deemed a part hereof and shall qualify any representation or otherwise made herein to the extent of the disclosure contained in the corresponding section of the Disclosure Schedules, the Company hereby makes the following representations and warranties to each Purchaser, as of the date hereof and as of the Closing Date (unless as of a specific date therein in which case as of such date):

- (a) Subsidiaries. All of the direct and indirect subsidiaries of the Company are set forth on Schedule 3.1(a). The Company owns, directly or indirectly, all of the capital stock or other equity interests of each Subsidiary free and clear of any Liens, and all of the issued and outstanding shares of capital stock of each Subsidiary are validly issued and are fully paid, non-assessable and free of preemptive and similar rights to subscribe for or purchase securities.
- (b) Organization and Qualification. The Company and each of the Subsidiaries is an entity duly incorporated or otherwise organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization as set forth on Schedule 3.1(b)(i), with the requisite power and authority to own and use its properties and assets and to carry on its business as currently conducted. Neither the Company nor any Subsidiary is in violation nor default of any of the provisions of its respective certificate or articles of incorporation, bylaws or other organizational or charter documents. Each of the Company and the Subsidiaries is duly qualified to

conduct business and is in good standing as a foreign corporation or other entity in each jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary as set forth on Schedule 3.1(b)(ii), except where the failure to be so qualified or in good standing, as the case may be, could not have or reasonably be expected to result in, individually or in the aggregate: (i) a material adverse effect on the legality, validity or enforceability of any Transaction Document, (ii) a material adverse effect on the results of operations, assets, business, prospects or condition (financial or otherwise) of the Company and the Subsidiaries, or (iii) a material adverse effect on the Company's ability to perform in any material respect on a timely basis its obligations under any Transaction Document or to consummate the transactions contemplated hereby (any of (i), (ii) or (iii)), a "Material Adverse Effect") and no Proceeding has been instituted in any such jurisdiction revoking, limiting or curtailing or seeking to revoke, limit or curtail such power and authority or qualification.

(c) Authorization; Enforcement.

- (i) The Company has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by this Agreement and each of the other Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement and each of the other Transaction Documents by the Company and the consummation by it of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of the Company and no further action is required by the Company, the Board of Directors or the Company's stockholders in connection herewith or therewith other than in connection with the Required Approvals. This Agreement and each other Transaction Document to which it is a party has been (or upon delivery will have been) duly executed by the Company and, when delivered in accordance with the terms hereof and thereof, will constitute the valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except: (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.
- (ii) With respect to the Subsidiary Guarantee, each of the Subsidiaries has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by such agreement and otherwise to carry out its obligations thereunder. The execution and delivery of the Subsidiary Guarantees and the consummation by the Company of the transactions contemplated thereby have been duly authorized by all necessary action on the part of the Company, and no further action is required by the respective Subsidiary, its managers or its members in connection therewith. The Subsidiary Guarantee has been (or upon delivery will have been) duly executed by the respective Subsidiaries and, when delivered in accordance with the terms thereof, will constitute the valid and binding obligation of the respective Subsidiary enforceable against such Subsidiary in accordance with its terms, except: (A) as limited by general equitable principals and applicable bankruptcy, insolvency, reorganization,

moratorium and other laws of general application affecting enforcement of creditors' rights generally, (B) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (C) insofar as indemnification and contribution provisions may be limited by applicable law.

- (d) No Conflicts. The execution, delivery and performance by the Company of this Agreement and the other Transaction Documents to which it is a party, the issuance and sale of the Securities and the consummation by it of the transactions contemplated hereby and thereby do not and will not: (i) conflict with or violate any provision of the Company's or any Subsidiary's certificate or articles of incorporation, bylaws or other organizational or charter documents, (ii) conflict with, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, result in the creation of any Lien upon any of the properties or assets of the Company or any Subsidiary, or give to others any rights of termination, amendment, acceleration or cancellation (with or without notice, lapse of time or both) of, any agreement, credit facility, debt or other instrument (evidencing a Company or Subsidiary debt or otherwise) or other understanding to which the Company or any Subsidiary is a party or by which any property or asset of the Company or any Subsidiary is bound or affected, or (iii) subject to the Required Approvals, conflict with or result in a violation of any law, rule, regulation, order, judgment, injunction, decree or other restriction of any court or governmental authority to which the Company or a Subsidiary is subject (including federal and state securities laws and regulations), or by which any property or asset of the Company or a Subsidiary is bound or affected; except in the case of each of clauses (ii) and (iii), such as could not have or reasonably be expected to result in a Material Adverse Effect.
- (e) Filings, Consents and Approvals. The Company and the Subsidiaries are not required to obtain any consent, waiver, approval, authorization or order of, give any notice to, or make any filing or registration with, any court or other federal, state, local or other governmental authority or other Person in connection with the execution, delivery and performance by the Company and the Subsidiaries of the Transaction Documents, other than: (i) the filings required pursuant to Section 4.6 of this Agreement and (ii) the filing of Form D with the Commission and such filings as are required to be made under applicable state securities laws (collectively, the "Required Approvals").
- (f) Issuance of the Securities. The Securities are duly authorized and, when issued and paid for in accordance with the applicable Transaction Documents, will be duly and validly issued, fully paid and nonassessable, free and clear of all Liens imposed by the Company other than restrictions on transfer provided for in the Transaction Documents. The Underlying Shares, when issued in accordance with the terms of the Transaction Documents, will be validly issued, fully paid and nonassessable, free and clear of all Liens imposed by the Company other than restrictions on transfer provided for in the Transaction Documents. The Company has reserved from its duly authorized capital stock a number of shares of Common Stock for issuance of the Underlying Shares at least equal to the Required Minimum on the date hereof.

- (g) Capitalization. The capitalization of the Company is as set forth on Schedule 3.1(g), which Schedule 3.1(g) shall also include the number of shares of Common Stock owned beneficially, and of record, by Affiliates of the Company as of the date hereof. The Company has not issued any capital stock since June 30, 2016, other than pursuant to the exercise of employee stock options under the Company's stock option plans, the issuance of shares of Common Stock to employees pursuant to the Company's employee stock purchase plans and pursuant to the conversion and/or exercise of Common Stock Equivalents outstanding as of June 30, 2016. No Person has any right of first refusal, preemptive right, right of participation, or any similar right to participate in the transactions contemplated by the Transaction Documents. Except as set forth in Schedule 3.1(g) and as a result of the purchase and sale of the Securities hereunder, there are no outstanding options, warrants, scrip rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities, rights or obligations convertible into or exercisable or exchangeable for, or giving any Person any right to subscribe for or acquire any shares of Common Stock or the capital stock of any Subsidiary, or contracts, commitments, understandings or arrangements by which the Company or any Subsidiary is or may become bound to issue additional shares of Common Stock or Common Stock Equivalents or capital stock of any Subsidiary. The issuance and sale of the Securities hereunder will not obligate the Company or any Subsidiary to issue shares of Common Stock or other securities to any Person (other than the Purchasers) and will not result in a right of any holder of Company securities to adjust the exercise, conversion, exchange or reset price under any of such securities. Except as set forth in Schedule 3.1(g), there are no outstanding securities or instruments of the Company or any Subsidiary that contain any redemption or similar provisions, and there are no contracts, commitments, understandings or arrangements by which the Company or any Subsidiary is or may become bound to redeem a security of the Company or such Subsidiary. The company does not have any stock appreciation rights or "phantom stock" plans or any similar plan or agreement. All of the outstanding shares of capital stock of the Company are duly authorized, validly issued, fully paid and nonassessable, have been issued in compliance with all federal and state securities laws, and none of such outstanding shares was issued in violation of any preemptive rights or similar rights to subscribe for or purchase securities. No further approval or authorization of any stockholder, the Board of Directors or others is required for the issuance and sale of the Securities hereunder. There are no stockholders agreements, voting agreements or other similar agreements with respect to the Company's capital stock to which the Company is a party or, to the Knowledge of the Company, between or among any of the Company's stockholders.
- (h) SEC Reports; Financial Statements. The Company has made available, through the OTC Disclosure & News Service, its unaudited financial statements for the Company for the past two fiscal years and its unaudited financial statements for the quarter ended June 30, 2016. Such financial statements have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis during the periods involved ("GAAP"), except as may be otherwise specified in such financial statements or the notes thereto and except that unaudited financial statements may not contain all footnotes required by GAAP, and fairly present in all material respects the financial position of the Company and its consolidated



Subsidiaries as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, immaterial, year-end audit adjustments and none of such financial statements, when made available, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

- (i) Material Changes; Undisclosed Events, Liabilities or Developments. Since the date of the latest unaudited financial statements made available through the OTC Disclosure & News Service: (i) there has been no event, occurrence or development that has had or that could reasonably be expected to result in a Material Adverse Effect,
- (ii) the Company and the Subsidiaries have not incurred any liabilities (contingent or otherwise) other than (A) trade payables and accrued expenses incurred in the ordinary course of business consistent with past practice and (B) liabilities not required to be reflected in the Company's or the Subsidiaries' financial statements pursuant to GAAP,
- (iii) the Company and the Subsidiaries have not altered their method of accounting, (iv) the Company has not declared or made any dividend or distribution of cash or other property to its stockholders or purchased, redeemed or made any agreements to purchase or redeem any shares of its capital stock and (v) the Company has not issued any equity securities to any officer, director or Affiliate, except pursuant to existing Company stock option plans. Except for the issuance of the Securities contemplated by this Agreement or as set forth on Schedule 3.1(i), no event, liability, fact, circumstance, occurrence or development has occurred or exists or is reasonably expected to occur or exist with respect to the Company or its Subsidiaries or their respective businesses, properties, operations, assets or financial condition, that would be required to be disclosed by the Company under applicable securities laws at the time this representation is made or deemed made that has not been publicly disclosed at least one (1) Trading Day prior to the date that this representation is made.
- (j) Litigation. Except as set forth in Schedule 3.1(j), there is no action, suit, inquiry, notice of violation, proceeding or investigation pending or, to the Knowledge of the Company, threatened against or affecting the Company, any Subsidiary or any of their respective properties before or by any court, arbitrator, governmental or administrative agency or regulatory authority (federal, state, county, local or foreign) (collectively, an "Action") which (i) adversely affects or challenges the legality, validity or enforceability of, or adversely affects the performance by the Company or the Subsidiaries of their respective obligations under, any of the Transaction Documents or the Securities or (ii) could, if there were an unfavorable decision, have or reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any Subsidiary, nor any director or officer thereof, is or has been the subject of any Action involving a claim of violation of or liability under federal or state securities laws or a claim of breach of fiduciary duty. There has not been, and to the Knowledge of the Company, there is not pending or contemplated, any investigation by the Commission involving the Company or any current or former director or officer of the Company.
- (k) Labor Relations. No labor dispute exists or, to the Knowledge of the Company, is imminent with respect to any of the employees of the Company or the

Subsidiaries, which could reasonably be expected to result in a Material Adverse Effect. None of the Company's or its Subsidiaries' employees is a member of a union that relates to such employee's relationship with the Company or such Subsidiary, and neither the Company nor any of its Subsidiaries is a party to a collective bargaining agreement, and the Company and its Subsidiaries believe that their relationships with their employees are good. To the Knowledge of the Company, no director, manager or executive officer of the Company or any Subsidiary, is, or is now expected to be, in violation of any material term of any employment contract, confidentiality, disclosure or proprietary information agreement or non-competition agreement, or any other contract or agreement or any restrictive covenant in favor of any third party, and the continued employment of each such director, manager or executive officer does not subject the Company or any of its Subsidiaries to any liability with respect to any of the foregoing matters. The Company and its Subsidiaries are in compliance with all U.S. federal, state, local and foreign laws and regulations relating to employment and employment practices, terms and conditions of employment and wages and hours, except where the failure to be in compliance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

- (l) Compliance. Neither the Company nor any Subsidiary: (i) is in default under, in conflict with, or in violation or breach of (and no event has occurred that has not been waived that, with notice or lapse of time or both, would result in a default under, result in the acceleration of or create in any party the right to accelerate, terminate, modify or cancel), nor has the Company or any Subsidiary received notice of a claim that it is in default under, in conflict with, or in violation or breach of, any indenture, loan or credit agreement or any other agreement or instrument to which it is a party or by which it or any of its properties is bound (whether or not such default, conflict, violation or breach has been waived), (ii) is in violation of any judgment, decree or order of any court, arbitrator or other governmental authority or (iii) is or has been in violation of any statute, rule, ordinance or regulation of any governmental authority, including without limitation all foreign, federal, state and local laws relating to taxes, environmental protection, occupational health and safety, product quality and safety and employment and labor matters, except in each case as could not have or reasonably be expected to result in a Material Adverse Effect.
- (m) Environmental Laws. The Company and its Subsidiaries (i) are in compliance with all federal, state, local and foreign laws relating to pollution or protection of human health or the environment (including ambient air, surface water, groundwater, land surface or subsurface strata), including laws relating to emissions, discharges, releases or threatened releases of chemicals, pollutants, contaminants, or toxic or hazardous substances or wastes (collectively, "Hazardous Materials") into the environment, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials, as well as all authorizations, codes, decrees, demands, or demand letters, injunctions, judgments, licenses, notices or notice letters, orders, permits, plans or regulations, issued, entered, promulgated or approved thereunder ("Environmental Laws"), (ii) have received all permits licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses, and (iii) are in compliance with all terms and

conditions of any such permit, license or approval where in each clause (i), (ii) and (iii), the failure to so comply could be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect.

- (n) Regulatory Permits. The Company and the Subsidiaries possess all certificates, approvals, authorizations and permits issued by the appropriate federal, state, local or foreign regulatory authorities necessary to conduct their respective businesses as they are presently conducted, except where the failure to possess such permits could not have or reasonably be expected to result in a Material Adverse Effect (“Material Permits”), and neither the Company nor any Subsidiary has received any notice of proceedings relating to the revocation or modification of any Material Permit.
- (o) Title to Assets. The Company and the Subsidiaries have good and marketable title in fee simple to all real property owned by them and good and marketable title in all personal property owned by them that is material to the business of the Company and the Subsidiaries, in each case free and clear of all Liens, except for (i) Liens as do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company and the Subsidiaries and (ii) Liens for the payment of federal, state or other taxes, for which appropriate reserves have been made therefor in accordance with GAAP and, the payment of which is neither delinquent nor subject to penalties. Any real property and facilities held under lease by the Company and the Subsidiaries are held by them under valid, subsisting and enforceable leases with which the Company and the Subsidiaries are in compliance.
- (p) Intellectual Property. The Company and the Subsidiaries have, or have rights to use, all patents, patent applications, trademarks, trademark applications, service marks, trade names, trade secrets, inventions, copyrights, licenses and other intellectual property rights and similar rights as necessary or required for use in connection with their respective businesses as they are presently conducted and which the failure to so have could have a Material Adverse Effect (collectively, the “Intellectual Property Rights”). None of, and neither the Company nor any Subsidiary has received a notice (written or otherwise) that any of, the Intellectual Property Rights has expired, terminated or been abandoned, or is expected to expire or terminate or be abandoned, within two (2) years from the date of this Agreement. Neither the Company nor any Subsidiary has received, since the date of the latest unaudited financial statements made available through the OTC Disclosure & News Service, a written notice of a claim or otherwise has any Knowledge that the Intellectual Property Rights violate or infringe upon the rights of any Person, except as could not have or reasonably be expected to have a Material Adverse Effect. To the Knowledge of the Company, all such Intellectual Property Rights are enforceable and there is no existing infringement by another Person of any of the Intellectual Property Rights. The Company and its Subsidiaries have taken reasonable security measures to protect the secrecy, confidentiality and value of all of their Intellectual Property Rights, except where failure to do so could not have or reasonably be expected to have a Material Adverse Effect, individually or in the aggregate.

- (q) Insurance. The Company and the Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which the Company and the Subsidiaries are engaged that are sufficient for compliance with all applicable laws and contracts to which each of the Company and the Subsidiaries is a party or by which each of them is bound, including, but not limited to, directors and officers insurance coverage at least equal to the aggregate Subscription Amount. True and complete copies of such insurance policies have been made available to the Purchasers. Such insurance policies are in full force and effect and shall remain in full force and effect following the consummation of the transactions contemplated by this Agreement. Neither the Company nor any Subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business without a significant increase in cost.
- (r) Transactions With Affiliates and Employees. Except as set forth in Schedule 3.1(r), none of the officers or directors of the Company or any Subsidiary and, to the Knowledge of the Company, none of the employees of the Company or any Subsidiary is presently a party to any transaction with the Company or any Subsidiary (other than for services as employees, officers and directors), including, without limitation, any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from providing for the borrowing of money from or lending of money to, or otherwise requiring payments to or from any officer, director or such employee or, to the Knowledge of the Company, any entity in which any officer, director or any such employee has a substantial interest or is an officer, director, trustee, stockholder, member or partner, in each case in excess of \$120,000 other than for: (i) payment of salary or consulting fees for services rendered, (ii) reimbursement for expenses incurred on behalf of the Company and (iii) other employee benefits, including stock option agreements under any stock option plan of the Company.
- (s) Sarbanes-Oxley; Internal Accounting Controls. The Company and the Subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that: (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.
- (t) Certain Fees. Except as set forth on Schedule 3.1(t), no brokerage or finder's fees or commissions are or will be payable by the Company or any Subsidiaries to any broker, financial advisor or consultant, finder, placement agent, investment banker, bank or other Person with respect to the transactions contemplated by the Transaction Documents. The Purchasers shall have no obligation with respect to any fees or with respect to any claims made by or on behalf of other Persons for fees of a type

contemplated in this Section 3.1(t) that may be due in connection with the transactions contemplated by the Transaction Documents.

- (u) Private Placement. Assuming the accuracy of the Purchasers' representations and warranties set forth in Section 3.2, no registration under the Securities Act is required for the offer and sale of the Securities by the Company to the Purchasers as contemplated hereby. The issuance and sale of the Securities hereunder does not contravene the rules and regulations of the Trading Market on which any securities of the Company are listed or designated.
- (v) Investment Company. The Company is not, and is not an Affiliate of, and immediately after receipt of payment for the Securities, will not be or be an Affiliate of, an "investment company" within the meaning of the Investment Company Act of 1940, as amended. The Company shall conduct its business in a manner so that it will not become an "investment company" subject to registration under the Investment Company Act of 1940, as amended.
- (w) Registration Rights. Except as set forth on Schedule 3.1(w), no Person has any right to cause the Company to effect the registration under the Securities Act of any securities of the Company or any Subsidiaries.
- (x) Listing and Maintenance Requirements. The Company has not, in the twelve (12) months preceding the date hereof, received notice from any Trading Market on which the Common Stock is or has been listed or quoted to the effect that the Company is not in compliance with the listing or maintenance requirements of such Trading Market. The Company is, and has no reason to believe that it will not in the foreseeable future continue to be, in compliance with all such listing and maintenance requirements. The Common Stock is currently eligible for electronic transfer through the Depository Trust Company or another established clearing corporation and the Company is current in payment of the fees to the Depository Trust Company (or such other established clearing corporation) in connection with such electronic transfer.
- (y) Application of Takeover Protections. The Company and the Board of Directors have taken all necessary action, if any, in order to render inapplicable any control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or other similar anti-takeover provision under the Company's articles of incorporation (or similar charter documents) or the laws of its state of incorporation that is or could become applicable to the Purchasers as a result of the Purchasers and the Company fulfilling their obligations or exercising their rights under the Transaction Documents, including, without limitation, as a result of the Company's issuance of the Securities and the Purchasers' ownership of the Securities.
- (z) Disclosure. Except with respect to the material terms and conditions of the transactions contemplated by the Transaction Documents, the Company confirms that neither it nor any other Person acting on its behalf has provided any of the Purchasers or their agents or counsel with any information that it believes constitutes or might constitute material, non-public information. The Company understands and confirms that

the Purchasers will rely on the foregoing representation in effecting transactions in securities of the Company. All of the disclosure furnished by or on behalf of the Company to the Purchasers regarding the Company and its Subsidiaries, their respective businesses and the transactions contemplated hereby, including the Disclosure Schedules to this Agreement, is true and correct and does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. The press releases disseminated by the Company during the twelve (12) months preceding the date of this Agreement taken as a whole do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made and when made, not misleading. The Company acknowledges and agrees that no Purchaser makes or has made any representations or warranties with respect to the transactions contemplated hereby other than those specifically set forth in Section 3.2 hereof.

(aa) No Integrated Offering. Assuming the accuracy of the Purchasers' representations and warranties set forth in Section 3.2, neither the Company, nor any of its Affiliates, nor any Person acting on its or their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would cause this offering of the Securities to be integrated with prior offerings by the Company for purposes of (i) the Securities Act which would require the registration of any such securities under the Securities Act, or (ii) any applicable shareholder approval provisions of any Trading Market on which any of the securities of the Company are listed or designated.

(bb) Solvency. Based on the consolidated financial condition of the Company as of the Closing Date, after giving effect to the receipt by the Company of the proceeds from the sale of the Securities hereunder: (i) the fair saleable value of the Company's assets exceeds the amount that will be required to be paid on or in respect of the Company's existing debts and other liabilities (including known contingent liabilities) as they mature, (ii) the Company's assets do not constitute unreasonably small capital to carry on its business as now conducted and as proposed to be conducted including its capital needs taking into account the particular capital requirements of the business conducted by the Company, consolidated and projected capital requirements and capital availability thereof, and (iii) the current cash flow of the Company, together with the proceeds the Company would receive hereunder, were it to liquidate all of its assets, after taking into account all anticipated uses of the cash, would be sufficient to pay all amounts on or in respect of its liabilities when such amounts are required to be paid. The Company does not intend to incur debts beyond its ability to pay such debts as they mature (taking into account the timing and amounts of cash to be payable on or in respect of its existing debt). The Company has no Knowledge of any facts or circumstances which lead it to believe that it will file for reorganization or liquidation under the bankruptcy or reorganization laws of any jurisdiction within one (1) year from the Closing Date. Schedule 3.1(bb) sets forth as of the date hereof all outstanding secured and unsecured Indebtedness of the Company or any Subsidiary, or for which the Company or any Subsidiary has commitments. For the purposes of this Agreement,

“Indebtedness” means (x) any liabilities for borrowed money or amounts owed in excess of \$50,000 (other than trade accounts payable incurred in the ordinary course of business), (y) all guaranties, endorsements and other contingent obligations in respect of indebtedness of others, whether or not the same are or should be reflected in the Company’s consolidated balance sheet (or the notes thereto), except guaranties by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business; and (z) the present value of any lease payments in excess of \$50,000 due under leases required to be capitalized in accordance with GAAP. Neither the Company nor any Subsidiary is in default with respect to any Indebtedness.

(cc) Tax Status. Except for matters that would not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect, the Company and its Subsidiaries each (i) has made or filed all United States federal, state and local income and all foreign income and franchise tax returns, reports and declarations required by any jurisdiction to which it is subject, (ii) has paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations and (iii) has set aside on its books provision reasonably adequate for the payment of all material taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company or of any Subsidiary know of no basis for any such claim.

(dd) No General Solicitation. Neither the Company nor any Person acting on behalf of the Company has offered or sold any of the Securities by any form of general solicitation or general advertising. The Company has offered the Securities for sale only to the Purchasers pursuant to this Agreement and certain other “accredited investors” within the meaning of Rule 501 under the Securities Act.

(ee) Foreign Corrupt Practices. Neither the Company nor any Subsidiary, nor to the Knowledge of the Company or any Subsidiary, any agent or other person acting on behalf of the Company or any Subsidiary, has: (i) directly or indirectly, used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses related to foreign or domestic political activity, (ii) made any unlawful payment to foreign or domestic government officials or employees or to any foreign or domestic political parties or campaigns from corporate funds, (iii) failed to disclose fully any contribution made by the Company or any Subsidiary (or made by any Person acting on its behalf of which the Company is aware) which is in violation of law or (iv) violated in any material respect any provision of FCPA.

(ff) Accountants. The Company’s and the Subsidiaries’ accounting firms are set forth on Schedule 3.1(ff) of the Disclosure Schedules. To the Knowledge and belief of the Company, each such accounting firm is a registered public accounting firm as required by the Exchange Act.

(gg) Seniority. As of the Closing Date, no Indebtedness or other claim against the Company or the Subsidiaries is senior to the Debentures in right of payment, whether

with respect to interest or upon liquidation or dissolution, or otherwise, other than Indebtedness secured by purchase money security interests (which is senior only as to underlying assets covered thereby) and capital lease obligations (which is senior only as to the property covered thereby).

(hh) No Disagreements with Accountants and Lawyers. There are no disagreements of any kind presently existing, or reasonably anticipated by the Company to arise, between the Company and the Subsidiaries, on one hand, and their respective accountants and lawyers formerly or presently employed by the Company and the Subsidiaries, on the other hand, and the Company and the Subsidiaries are current with respect to any fees owed to their respective accountants and lawyers which could affect the Company's or the Subsidiaries' ability to perform any of their respective obligations under any of the Transaction Documents.

- (ii) Acknowledgment Regarding Purchasers' Purchase of Securities. The Company acknowledges and agrees that each of the Purchasers is acting solely in the capacity of an arm's length purchaser with respect to the Transaction Documents and the transactions contemplated thereby. The Company further acknowledges that no Purchaser is acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to the Transaction Documents and the transactions contemplated thereby and any advice given by any Purchaser or any of their respective representatives or agents in connection with the Transaction Documents and the transactions contemplated thereby is merely incidental to the Purchasers' purchase of the Securities. The Company further represents to each Purchaser that the Company's decision to enter into this Agreement and the other Transaction Documents has been based solely on the independent evaluation of the transactions contemplated hereby by the Company and its representatives.

(jj) Acknowledgment Regarding Purchaser's Trading Activity. Anything in this Agreement or elsewhere herein to the contrary notwithstanding (except for Sections 3.2(f) and 4.14 hereof), it is understood and acknowledged by the Company that: (i) none of the Purchasers has been asked by the Company to agree, nor has any Purchaser agreed, to desist from purchasing or selling, long and/or short, securities of the Company, or "derivative" securities based on securities issued by the Company or to hold the Securities for any specified term, (ii) past or future open market or other transactions by any Purchaser, specifically including, without limitation, Short Sales or "derivative" transactions, before or after the closing of this or future private placement transactions, may negatively impact the market price of the Company's publicly-traded securities, (iii) any Purchaser, and counter-parties in "derivative" transactions to which any such Purchaser is a party, directly or indirectly, may presently have a "short" position in the Common Stock and (iv) each Purchaser shall not be deemed to have any affiliation with or control over any arm's length counter-party in any "derivative" transaction. The Company further understands and acknowledges that (y) one (1) or more Purchasers may engage in hedging activities at various times during the period that the Securities are outstanding, including, without limitation, during the periods that the value of the Underlying Shares deliverable with respect to Securities are being determined, and (z) such hedging activities (if any) could reduce the value of the existing stockholders'



equity interests in the Company at and after the time that the hedging activities are being conducted. The Company acknowledges that such aforementioned hedging activities do not constitute a breach of any of the Transaction Documents.

(kk) Regulation M Compliance. The Company has not, and to its Knowledge no one acting on its behalf has, (i) taken, directly or indirectly, any action designed to cause or to result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of any of the Securities, (ii) sold, bid for, purchased, or paid any compensation for soliciting purchases of, any of the Securities, or

(iii) paid or agreed to pay to any Person any compensation for soliciting another to purchase any other securities of the Company, other than, in the case of clauses (ii) and (iii), compensation paid to the Company's placement agent in connection with the placement of the Securities.

(ll) Stock Option Plans. Each stock option granted by the Company under the Company's stock option plan was granted (i) in accordance with the terms of the Company's stock option plan and (ii) with an exercise price at least equal to the fair market value of the Common Stock on the date such stock option would be considered granted under GAAP and applicable law. No stock option granted under the Company's stock option plan has been backdated. The Company has not knowingly granted, and there is no and has been no Company policy or practice to knowingly grant, stock options prior to, or otherwise knowingly coordinate the grant of stock options with, the release or other public announcement of material information regarding the Company or its Subsidiaries or their financial results or prospects.

(mm) Office of Foreign Assets Control. Neither the Company nor any Subsidiary nor, to the Company's Knowledge, any director, manager, officer, agent, employee or Affiliate of the Company or any Subsidiary is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("OFAC").

(nn) U.S. Real Property Holding Corporation. Neither the Company nor any of its Subsidiaries is or has been a U.S. real property holding corporation within the meaning of Section 897 of the Internal Revenue Code of 1986, as amended, and the Company shall so certify upon Purchaser's request.

(oo) Bank Holding Company Act. Neither the Company nor any of its Subsidiaries or Affiliates is subject to the Bank Holding Company Act of 1956, as amended (the "BHCA") or to regulation by the Board of Governors of the Federal Reserve System (the "Federal Reserve"). Neither the Company nor any of its Subsidiaries or Affiliates owns or controls, directly or indirectly, five percent (5%) or more of the outstanding shares of any class of voting securities or twenty-five percent (25%) or more of the total equity of a bank or any entity that is subject to the BHCA or to regulation by the Federal Reserve. Neither the Company nor any of its Subsidiaries or Affiliates exercises a controlling influence over the management or policies of a bank or any entity that is subject to the BHCA or to regulation by the Federal Reserve.

(pp) Money Laundering. The operations of the Company and its Subsidiaries are and have been conducted at all times in compliance with applicable financial record-keeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, applicable money laundering statutes and applicable rules and regulations thereunder (collectively, the “Money Laundering Laws”), and no Action or Proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any Subsidiary with respect to the Money Laundering Laws is pending or, to the Knowledge of the Company or any Subsidiary, threatened.

(qq) No Disqualification Events. With respect to the Securities to be offered and sold hereunder in reliance on Rule 506 under the Securities Act, none of the Company, any of its predecessors, any Affiliated issuer, any director, executive officer or other officer of the Company participating in the offering hereunder, any beneficial owner of twenty percent (20%) or more of the Company’s outstanding voting equity securities, calculated on the basis of voting power, nor any promoter (as that term is defined in Rule 405 under the Securities Act) connected with the Company in any capacity at the time of sale (each, an “Issuer Covered Person”) is subject to any of the “Bad Actor” disqualifications described in Rule 506(d)(1)(i) to (viii) under the Securities Act (a “Disqualification Event”), except for a Disqualification Event covered by Rule 506(d)(2) or (d)(3). The Company has exercised reasonable care to determine whether any Issuer Covered Person is subject to a Disqualification Event. The Company has complied, to the extent applicable, with its disclosure obligations under Rule 506(e), and has furnished to the Purchasers a copy of any disclosures provided thereunder.

(rr) Other Covered Persons. The Company is not aware of any Person (other than any Issuer Covered Person) that has been or will be paid (directly or indirectly) remuneration for solicitation of purchasers in connection with the sale of any Regulation D Securities.

(ss) Notice of Disqualification Events. The Company will notify the Purchasers in writing, prior to the Closing Date, of (i) any Disqualification Event relating to any Issuer Covered Person and (ii) any event that would, with the passage of time, become a Disqualification Event relating to any Issuer Covered Person.

3.2 Representations and Warranties of the Purchasers. Each Purchaser, for itself and for no other Purchaser, hereby represents and warrants as of the date hereof and as of the Closing Date to the Company as follows (unless as of a specific date therein in which case as of such date):

- (a) Organization; Authority. Such Purchaser is either an individual or an entity duly incorporated or formed, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation with full right, corporate, partnership, limited liability company or similar power and authority to enter into and to consummate the transactions contemplated by the Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of the Transaction Documents and the performance by such Purchaser of the transactions contemplated by the Transaction Documents have been duly authorized by all necessary corporate,

partnership, limited liability company or similar action, as applicable, on the part of such Purchaser. Each Transaction Document to which it is a party has been duly executed by such Purchaser, and when delivered by such Purchaser in accordance with the terms hereof or thereof, will constitute the valid and legally binding obligation of such Purchaser, enforceable against it in accordance with its terms, except: (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

- (b) Own Account. Such Purchaser understands that the Securities are "restricted securities" and have not been registered under the Securities Act or any applicable state securities law and is acquiring the Securities as principal for its own account and not with a view to or for distributing or reselling such Securities or any part thereof in violation of the Securities Act or any applicable state securities law, has no present intention of distributing any of such Securities in violation of the Securities Act or any applicable state securities law and has no direct or indirect arrangement or understandings with any other Persons to distribute or regarding the distribution of such Securities in violation of the Securities Act or any applicable state securities law (this representation and warranty not limiting such Purchaser's right to sell the Securities in compliance with applicable federal and state securities laws). Such Purchaser is acquiring the Securities hereunder in the ordinary course of its business.
- (c) Purchaser Status. At the time such Purchaser was offered the Securities, it was, and as of the date hereof it is, and on each date on which it exercises any Warrants or converts any Debentures it will be an "accredited investor" as defined in Rule 501(a)(1), (a)(2), (a)(3), (a)(7) or (a)(8) under the Securities Act.
- (d) Experience of Such Purchaser. Such Purchaser, either alone or together with its representatives, has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Securities, and has so evaluated the merits and risks of such investment. Such Purchaser is able to bear the economic risk of an investment in the Securities and, at the present time, is able to afford a complete loss of such investment.
- (e) General Solicitation. Such Purchaser is not, to such Purchaser's Knowledge, purchasing the Securities as a result of any advertisement, article, notice or other communication regarding the Securities published in any newspaper, magazine or similar media or broadcast over television or radio or presented at any seminar or any other general solicitation or general advertisement.
- (f) Confidentiality. Other than to other Persons party to this Agreement or to such Purchaser's representatives, including, without limitation, its officers, directors, partners, legal and other advisors, employees, agents and Affiliates, such Purchaser has maintained the confidentiality of all disclosures made to it in connection with the transactions contemplated under the Transaction Documents (including the existence and

terms of the Transaction Documents). For avoidance of doubt, nothing contained herein shall constitute a representation or warranty, or preclude any actions, with respect to the identification of the availability of, or securing of, available shares to borrow in order to effect Short Sales or similar transactions in the future.

The Company acknowledges and agrees that the representations contained in this Section 3.2 shall not modify, amend or affect such Purchaser's right to rely on the Company's representations and warranties contained in this Agreement or any representations and warranties contained in any other Transaction Document or any other document or instrument executed and/or delivered in connection with this Agreement or the consummation of the transaction contemplated hereby.

#### **ARTICLE IV. OTHER AGREEMENTS OF THE PARTIES**

##### 4.1 Transfer Restrictions.

- (a) The Securities may only be disposed of in compliance with state and federal securities laws. In connection with any transfer of Securities other than pursuant to an effective registration statement or Rule 144, to the Company or to an Affiliate of a Purchaser or in connection with a pledge as contemplated in Section 4.1(b), the Company may require the transferor thereof to provide to the Company an opinion of counsel selected by the transferor and reasonably acceptable to the Company, the form and substance of which opinion shall be reasonably satisfactory to the Company, to the effect that such transfer does not require registration of such transferred Securities under the Securities Act. As a condition of transfer, any such transferee shall agree in writing to be bound by the terms of this Agreement and shall have the rights and obligations of a Purchaser under this Agreement.
- (b) The Purchasers agree to the imprinting, so long as is required by this Section 4.1, of a legend on any of the Securities in the following form:

[NEITHER] THIS SECURITY [NOR THE SECURITIES INTO WHICH THIS SECURITY IS [EXERCISABLE] [CONVERTIBLE]] HAS [NOT] BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS. THIS SECURITY [AND THE SECURITIES ISSUABLE UPON [EXERCISE] [CONVERSION] OF THIS SECURITY] MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT WITH A REGISTERED BROKER-

DEALER OR OTHER LOAN WITH A FINANCIAL INSTITUTION THAT IS AN “ACCREDITED INVESTOR” AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT OR OTHER LOAN SECURED BY SUCH SECURITIES.

The Company acknowledges and agrees that a Purchaser may from time to time pledge pursuant to a bona fide margin agreement with a registered broker-dealer or grant a security interest in some or all of the Securities to a financial institution that is an “accredited investor” as defined in Rule 501(a) under the Securities Act and who agrees to be bound by the provisions of this Agreement and, if required under the terms of such arrangement, such Purchaser may transfer pledged or secured Securities to the pledgees or secured parties. Such a pledge or transfer would not be subject to approval of the Company and no legal opinion of legal counsel of the pledgee, secured party or pledgor shall be required in connection therewith. Further, no notice shall be required of such pledge. At the applicable Purchaser’s expense, the Company will execute and deliver such reasonable documentation as a pledgee or secured party of Securities may reasonably request in connection with a pledge or transfer of the Securities, including, without limitation, if the Securities are subject to registration, the preparation and filing of any required prospectus supplement under Rule 424(b)(3) under the Securities Act or other applicable provision of the Securities Act to appropriately amend the list of selling stockholders thereunder.

- (c) Certificates evidencing the Underlying Shares shall not contain any legend (including the legend set forth in Section 4.1(b) hereof): (i) while a registration statement covering the resale of such security is effective under the Securities Act, (ii) following any sale of such Underlying Shares pursuant to Rule 144, (iii) if such Underlying Shares are eligible for sale under Rule 144 without restrictions or (iv) if such legend is not required under the applicable requirements of the Securities Act (including judicial interpretations and pronouncements issued by the staff of the Commission). The Company shall cause its counsel to issue a legal opinion to the Transfer Agent if required by the Transfer Agent to effect the removal of the legend hereunder and shall pay all fees and expenses associated therewith. If all or any portion of a Debenture is converted or Warrant is exercised at a time when there is an effective registration statement to cover the resale of the Underlying Shares, or if such Underlying Shares may be sold under Rule 144 or if such legend is not otherwise required under the applicable requirements of the Securities Act (including judicial interpretations and pronouncements issued by the staff of the Commission) then such Underlying Shares shall be issued free of all legends. The Company agrees that at such time as such legend is no longer required under this Section 4.1(c), or applicable law, it will, no later than three (3) Trading Days following the delivery by a Purchaser to the Company or the Transfer Agent of a certificate representing Underlying Shares, as applicable, issued with a restrictive legend (such third (3rd) Trading Day, the “Legend Removal Date”), deliver or cause to be delivered to such Purchaser a certificate representing such Underlying Shares that is free from all restrictive and other legends. The Company may not make any notation on its records or give instructions to the Transfer Agent that enlarge the restrictions on transfer set forth in this Section 4.1. Certificates for Underlying Shares subject to legend removal hereunder shall be transmitted by the Transfer Agent to the Purchaser by crediting the account of

the Purchaser's prime broker with the Depository Trust Company System as directed by such Purchaser.

- (d) In addition to such Purchaser's other available remedies, the Company shall pay to a Purchaser, in cash, the greater of (i) as partial liquidated damages and not as a penalty, for each \$1,000 of Underlying Shares (based on the VWAP of the Common Stock on the date such Securities are submitted to the Transfer Agent) delivered for removal of the restrictive legend, and subject to Section 4.1(c), \$10 per Trading Day (increasing to \$20 per Trading Day five (5) Trading Days after such damages have begun to accrue) for each Trading Day after the Legend Removal Date until such certificate is delivered without a legend; and (ii) if the Company has not delivered such certificates by the Legend Removal Date and if, after the Legend Removal Date, such Purchaser purchases (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by such Purchaser of all or any portion of the number of shares of Common Stock, or a sale of a number of shares of Common Stock equal to all or any portion of the number of shares of Common Stock that such Purchaser anticipated receiving from the Company without any restrictive legend, then, the amount, if any, by which (x) the Purchaser's total purchase price (including brokerage commissions and other out-of-pocket expenses, if any) for the shares of Common Stock so purchased exceeds the product of (y) (A) such number of Underlying Shares that the Company was required to deliver to such Purchaser by the Legend Removal Date, multiplied by (B) the lowest closing sale price of the Common Stock on any Trading Day during the period commencing on the date of the delivery by such Purchaser to the Company of the applicable Underlying Shares and ending on the date of such delivery and payment under this clause (ii).
- (e) Each Purchaser, severally and not jointly with the other Purchasers, agrees with the Company that such Purchaser will sell any Securities pursuant to either the registration requirements of the Securities Act, including any applicable prospectus delivery requirements, or an exemption therefrom, and that if Securities are sold pursuant to a Registration Statement, they will be sold in compliance with the plan of distribution set forth therein, and acknowledges that the removal of the restrictive legend from certificates representing Securities as set forth in this Section 4.1 is predicated upon the Company's reliance upon this understanding.

4.2 Acknowledgment of Dilution. The Company acknowledges that the issuance of the Securities may result in dilution of the outstanding shares of Common Stock, which dilution may be substantial under certain market conditions. The Company further acknowledges that its obligations under the Transaction Documents, including, without limitation, its obligation to issue the Underlying Shares pursuant to the Transaction Documents, are unconditional and absolute and not subject to any right of set off, counterclaim, delay or reduction, regardless of the effect of any such dilution or any claim the Company may have against any Purchaser and regardless of the dilutive effect that such issuance may have on the ownership of the other stockholders of the Company.

#### 4.3 Furnishing of Information; Public Information.

- (a) From and after the Public Company Date until such time that no Purchaser

owns Securities, the Company covenants to maintain the registration of the Common Stock under Section 12(b) or 12(g) of the Exchange Act, and to timely file (or obtain extensions in respect thereof and file within the applicable grace period) all reports required to be filed by the Company after the date hereof pursuant to the Exchange Act even if the Company is not then subject to the reporting requirements of the Exchange Act.

- (b) From and after the Public Company Date, if the Company (i) shall fail for any reason to satisfy the current public information requirement under Rule 144(c) or (ii) has ever been an issuer described in Rule 144 (i)(1)(i) or hereafter becomes such an issuer described in Rule 144 (i)(1)(i), and (y) the Company shall fail to satisfy any condition set forth in Rule 144(i)(2) (a “Public Information Failure”), then, in addition to such Purchaser’s other available remedies, the Company shall pay to a Purchaser, in cash, as partial liquidated damages and not as a penalty, by reason of any such delay in or reduction of its ability to sell the Securities, an amount in cash equal to two percent (2.0%) of the aggregate Subscription Amount of such Purchaser’s Securities on the day of a Public Information Failure and on every thirtieth (30th) day (pro-rated for periods totaling less than thirty (30) days) thereafter until the earlier of (a) the date such Public Information Failure is cured and (b) such time that such public information is no longer required for the Purchasers to transfer the Underlying Shares pursuant to Rule 144. The payments to which a Purchaser shall be entitled pursuant to this Section 4.3(b) are referred to herein as “Public Information Failure Payments.” Public Information Failure Payments shall be paid on the earlier of (i) the last day of the calendar month during which such Public Information Failure Payments are incurred and (ii) the third (3rd) Business Day after the event or failure giving rise to the Public Information Failure Payments is cured. In the event the Company fails to make Public Information Failure Payments in a timely manner, such Public Information Failure Payments shall bear interest at the rate of one and one-half percent (1.5%) per month (pro-rated for partial months) until paid in full. Nothing herein shall limit such Purchaser’s right to pursue actual damages for any Public Information Failure, and such Purchaser shall have the right to pursue all remedies available to it at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief.

4.4 Integration. The Company shall not sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in Section 2 of the Securities Act) that would be integrated with the offer or sale of the Securities in a manner that would require the registration under the Securities Act of the sale of the Securities or that would be integrated with the offer or sale of the Securities for purposes of the rules and regulations of any Trading Market such that it would require shareholder approval prior to the closing of such other transaction, unless shareholder approval is obtained before the closing of such subsequent transaction.

4.5 Conversion and Exercise Procedures. Each of the form of Notice of Exercise included in the Warrants and the form of Notice of Conversion included in the Debentures set forth the totality of the procedures required of the Purchasers in order to exercise the Warrants or convert the Debentures. Without limiting the preceding sentences, no ink-original Notice of Exercise or Notice of Conversion shall be required, nor shall any medallion guarantee (or other type of guarantee or notarization) of any Notice of Exercise or Notice of Conversion form be required in order to exercise the Warrants or

convert the Debentures. No additional legal opinion, other information or instructions shall be required of the Purchasers to exercise their Warrants or convert their Debentures. The Company shall honor exercises of the Warrants and conversions of the Debentures and shall deliver the applicable Underlying Shares in accordance with the terms, conditions and time periods set forth in the Transaction Documents.

- 4.6 Securities Laws Disclosure; Publicity. The Company shall by 9:00 a.m. (New York City time) on the Trading Day immediately following the date hereof, issue a press release disclosing the material terms of the transactions contemplated hereby. From and after the filing of such press release, the Company represents to the Purchasers that it shall have publicly disclosed all material, non-public information delivered to any of the Purchasers by the Company or any of its Subsidiaries or its Affiliates, or any of their respective officers, directors, managers, employees or agents in connection with the transactions contemplated by the Transaction Documents. In addition, effective upon the filing of such press release, the Company acknowledges and agrees that any and all confidentiality or similar obligations under any agreement, whether written or oral, between the Company, any of its Subsidiaries or its Affiliates, or any of their respective officers, directors, managers, employees or agents, on the one hand, and any of the Purchasers or any of their Affiliates, on the other hand, shall terminate. The Company and each Purchaser shall consult with each other in issuing any other press releases with respect to the transactions contemplated under the Transaction Documents, and neither the Company nor any Purchaser shall issue any such press release nor otherwise make any such public statement without the prior consent of the Company, with respect to any press release of any Purchaser, or without the prior consent of each Purchaser, with respect to any press release of the Company, which consent shall not be unreasonably withheld or delayed, except if such disclosure is required by law, in which case the disclosing party shall promptly provide the other party with prior notice of such public statement or communication. Notwithstanding the foregoing, the Company shall not publicly disclose the name of any Purchaser, or include the name of any Purchaser in any filing with any regulatory agency or Trading Market, without the prior written consent of such Purchaser, except to the extent such disclosure is required by law or Trading Market regulations, in which case the Company shall provide the Purchasers with prior notice of such disclosure permitted under this Section 4.6.
- 4.7 Shareholder Rights Plan. No claim will be made or enforced by the Company or, with the consent of the Company, any other Person, that any Purchaser is an “Acquiring Person” under any control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or similar anti-takeover plan or arrangement in effect or hereafter adopted by the Company, or that any Purchaser could be deemed to trigger the provisions of any such plan or arrangement, by virtue of receiving Securities under the Transaction Documents or under any other agreement between the Company and the Purchasers.
- 4.8 Non-Public Information. Except with respect to the material terms and conditions of the transactions contemplated by the Transaction Documents, which shall be disclosed pursuant to Section 4.6, the Company covenants and agrees that neither it, nor any other Person acting on its behalf will provide any Purchaser or its agents or counsel with any information that constitutes, or that the Company reasonably believes constitutes, material non-public information, unless prior thereto such Purchaser shall have consented to the receipt of such information and agreed with the Company to keep such information confidential. To the extent that the Company delivers any material, non-public information to a Purchaser without such Purchaser’s consent, the Company hereby covenants and agrees that such Purchaser shall not have any duty of confidentiality to the Company, any of its



Subsidiaries or its Affiliates, or any of their respective officers, directors, managers, employees or agents, nor a duty to the Company, any of its Subsidiaries or its Affiliates, or any of their respective officers, directors, managers, employees or agents, not to trade on the basis of such material, non-public information; provided, that the Purchasers shall remain subject to applicable law. To the extent that any notice provided in the Transaction Documents constitutes, or contains, material, non-public information regarding the Company or any of the Subsidiaries, the Company shall simultaneously (i) if prior to the Public Company Date, issue a press release disclosing the material, non-public information contained in such notice, or (ii) if after the Public Company Date, file such notice with the Commission pursuant to a Current Report on Form 8-K. The Company understands and confirms that each Purchaser shall be relying on the foregoing covenants of this Section 4.8 in effecting transactions in securities of the Company.

- 4.9 Use of Proceeds. Except as set forth on Schedule 4.9 attached hereto, the Company shall use the net proceeds from the sale of the Securities hereunder for working capital purposes and shall not use such proceeds: (a) for the satisfaction of any portion of the Company's debt (other than payment of trade payables in the ordinary course of the Company's business and prior practices), (b) for the redemption of any Common Stock or Common Stock Equivalents, (c) for the settlement of any outstanding litigation or (d) in violation of FCPA or OFAC regulations.
- 4.10 Indemnification of Purchasers. Subject to the provisions of this Section 4.10, the Company will indemnify and hold each Purchaser and its directors, officers, shareholders, members, partners, employees and agents (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title), each Person who controls such Purchaser (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the directors, officers, shareholders, agents, members, partners, employees and agents (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title) of such controlling Persons (each, a "Purchaser Party"), harmless from any and all losses, liabilities, obligations, claims, contingencies, damages, costs and expenses, including all judgments, amounts paid in settlements, court costs and reasonable attorneys' fees and costs of investigation that any such Purchaser Party may suffer or incur as a result of or relating to (a) any breach of any of the representations or warranties, or any failure to perform or comply with any covenants or agreements, made by the Company in this Agreement or in any other Transaction Documents or (b) any Proceeding instituted against any Purchaser Party, in any capacity, by any stockholder of the Company who is not an Affiliate of such Purchaser Party, with respect to any of the transactions contemplated by the Transaction Documents (unless such Proceeding is based upon a breach of such Purchaser Party's representations or warranties, or any failure of such Purchaser Party to perform or comply with any of its covenants or agreements, in this Agreement or in any other Transaction Documents, or any violations by such Purchaser Party of state or federal securities laws, or any conduct by such Purchaser Party which constitutes actual fraud, gross negligence or willful misconduct). If any Action or Proceeding shall be brought against any Purchaser Party in respect of which indemnity may be sought pursuant to this Agreement, such Purchaser Party shall promptly notify the Company in writing, and the Company shall have the right to assume the defense thereof with counsel of its own choosing reasonably acceptable to the Purchaser Party. Any Purchaser Party shall have the right to employ separate counsel in any such Action or Proceeding and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Purchaser Party except to the extent that (i) the employment thereof has been specifically authorized by the Company in writing, (ii) the Company has failed after a reasonable period of time to assume such

defense and to employ counsel or (iii) in such Action or Proceeding there is, in the reasonable opinion of counsel, a material conflict on any material issue between the position of the Company and the position of such Purchaser Party, in which case the Company shall be responsible for the reasonable fees and expenses of no more than one (1) such separate counsel. The Company will not be liable to any Purchaser Party under this Agreement (x) for any settlement by a Purchaser Party effected without the Company's prior written consent, which shall not be unreasonably withheld or delayed; or (y) to the extent, but only to the extent that a loss, claim, damage or liability is attributable to any Purchaser Party's gross negligence, willful misconduct, breach of any of the representations or warranties, or any failure to perform or comply with any of the covenants or agreements, made by such Purchaser Party in this Agreement or in any other Transaction Documents. The indemnification required by this Section

4.10 shall be made by periodic payments of the indemnity amount thereof during the course of the investigation or defense, as and when bills are received or are incurred. The indemnity agreements contained herein shall be in addition to any cause of action or similar right of any Purchaser Party against the Company or other Persons and any liabilities the Company may be subject to pursuant to applicable law.

#### 4.11 Reservation and Listing of Securities.

- (a) The Company shall maintain a reserve of the Required Minimum from its duly authorized shares of Common Stock for issuance pursuant to the Transaction Documents in such amount as may then be required to timely fulfill its obligations in full under the Transaction Documents.
- (b) If, on any date of determination, the number of authorized but unissued (and otherwise unreserved) shares of Common Stock is less than the Required Minimum on such date, then the Board of Directors shall use its best efforts to promptly amend the Company's certificate or articles of incorporation to increase the number of authorized but unissued shares of Common Stock to at least the Required Minimum at such time, as soon as possible and in any event not later than the seventy-fifth (75th) calendar day after such date of determination.
- (c) The Company shall, if applicable: (i) in the time and manner required by the principal Trading Market on which any of the Company's securities are listed or designated, prepare and file with such Trading Market an additional shares listing application covering a number of shares of Common Stock at least equal to the Required Minimum on the date of such application, (ii) take all steps necessary to cause such shares of Common Stock to be approved for listing or quotation on such Trading Market as soon as possible thereafter, (iii) provide to the Purchasers evidence of such listing or quotation and (iv) maintain the listing or quotation of such Common Stock on any date at least equal to the Required Minimum on such date on such Trading Market. The Company agrees to maintain the eligibility of the Common Stock for electronic transfer through the Depository Trust Company or another established clearing corporation, including, without limitation, by timely payment of fees to the Depository Trust Company or such other established clearing corporation in connection with such electronic transfer.

#### 4.12 Subsequent Equity Sales.

- (a) From the date hereof until such time as no Purchaser holds the Warrants, the Company shall be prohibited from effecting or entering into an agreement to effect any issuance by the Company or any of its Subsidiaries of Common Stock or Common Stock Equivalents (or any combination of units thereof) involving a Variable Rate Transaction. “Variable Rate Transaction” means a transaction in which the Company (i) issues or sells any debt or equity securities that are convertible into, exchangeable or exercisable for, or include the right to receive, additional shares of Common Stock either

(A) at a conversion price, exercise price or exchange rate or other price that is based upon, and/or varies with, the trading prices of or quotations for the shares of Common Stock at any time after the initial issuance of such debt or equity securities or (B) with a conversion price, exercise price or exchange price that is subject to being reset at some future date after the initial issuance of such debt or equity security or upon the occurrence of specified or contingent events directly or indirectly related to the business of the Company or the market for the Common Stock or (ii) enters into any agreement, including, but not limited to, an equity line of credit, whereby the Company may issue securities at a future determined price. Any Purchaser shall be entitled to obtain injunctive relief against the Company to preclude any such issuance, which remedy shall be in addition to any right to collect damages.

- (b) Notwithstanding the foregoing, this Section 4.12 shall not apply in respect of an Exempt Issuance, except that no Variable Rate Transaction shall be an Exempt Issuance.

4.13 Equal Treatment of Purchasers. No consideration (including any modification of any Transaction Document) shall be offered or paid to any Person to amend or consent to a waiver or modification of any provision of the Transaction Documents, unless the same consideration is also offered to all of the parties to such Transaction Documents. Further, the Company shall not make any payment of principal or interest on the Debentures in amounts which are disproportionate to the respective principal amounts outstanding on the Debentures at any applicable time. For the avoidance of doubt, this Section 4.13 constitutes a separate right granted to each Purchaser by the Company and negotiated separately by each Purchaser, and is intended for the Company to treat the Purchasers as a class and shall not in any way be construed as the Purchasers acting in concert or as a group with respect to the purchase, disposition or voting of Securities or otherwise.

4.14 Certain Transactions and Confidentiality. Each Purchaser, severally and not jointly with the other Purchasers, covenants that neither it, nor any Affiliate acting on its behalf, will execute any purchases or sales, including Short Sales, of any of the Company’s securities during the period commencing with the execution of this Agreement and ending at such time that the transactions contemplated by the Transaction Documents are first publicly announced pursuant to the initial press release as described in Section 4.6. Each Purchaser, severally and not jointly with the other Purchasers, covenants that until such time as the transactions contemplated by the Transaction Documents are publicly disclosed by the Company pursuant to the initial press release as described in Section 4.6, such Purchaser will maintain the confidentiality of the existence and terms of this transaction and the information included in the Transaction Documents and the Disclosure Schedules. Notwithstanding the foregoing, and notwithstanding anything contained in this Agreement to the contrary, the Company expressly acknowledges and agrees that (i) no Purchaser makes any representation, warranty or covenant hereby that it will not engage in effecting transactions in any securities of the Company after

the time that the transactions contemplated by the Transaction Documents are first publicly announced pursuant to the initial press release as described in Section 4.6, (ii) no Purchaser shall be restricted or prohibited from effecting any transactions in any securities of the Company in accordance with applicable securities laws from and after the time that the transactions contemplated by the Transaction Documents are first publicly announced pursuant to the initial press release as described in Section 4.6 and (iii) no Purchaser shall have any duty of confidentiality or duty not to trade in the securities of the Company to the Company or its Subsidiaries after the issuance of the initial press release as described in Section 4.6. Notwithstanding the foregoing, in the case of a Purchaser that is a multi-managed investment vehicle whereby separate portfolio managers manage separate portions of such Purchaser's assets and the portfolio managers have no direct knowledge of the investment decisions made by the portfolio managers managing other portions of such Purchaser's assets, the covenant set forth above shall only apply with respect to the portion of assets managed by the portfolio manager that made the investment decision to purchase the Securities covered by this Agreement. Notwithstanding the foregoing, no Purchaser shall engage in any Short Sales with respect to the Common Stock until the earlier of (i) the Maturity Date (as defined in the Debentures) or (ii) such time as the Debentures have been fully converted into Common Stock.

- 4.15 Form D; Blue Sky Filings. The Company agrees to timely file a Form D with respect to the Securities as required under Regulation D and to provide a copy thereof, promptly upon request of any Purchaser. The Company shall take such action as the Company shall reasonably determine is necessary in order to obtain an exemption for, or to qualify the Securities for, sale to the Purchasers at the Closing under applicable securities or "Blue Sky" laws of the states of the United States, and shall provide evidence of such actions promptly upon request of any Purchaser.

## ARTICLE V. MISCELLANEOUS

- 5.1 Termination. This Agreement may be terminated by any Purchaser, as to such Purchaser's obligations hereunder only and without any effect whatsoever on the obligations between the Company and the other Purchasers, by written notice to the other parties, if the Closing has not been consummated on or before October 13, 2016; provided, however, that such termination will not affect the right of any party to sue for any breach by any other party (or parties).
- 5.2 Fees and Expenses. At the Closing, the Company has agreed to reimburse Hillair Capital Management LLC, a Delaware limited liability company ("Hillair"), (i) the non-accountable sum of \$100,000 for its due diligence expenses, plus expenses associated with background checks of management and directors (or director/management candidates) made by Hillair (of which \$20,000 has been paid prior to the date hereof); (ii) its legal fees and expenses (of which \$10,000 has been paid prior to the date hereof) and (iii) reasonable travel expenses incurred by Hillair. The Company shall deliver to each Purchaser, prior to the Closing, a completed and executed copy of the Closing Statement, attached hereto as Annex A. Except as expressly set forth in the Transaction Documents to the contrary, each party shall pay the fees and expenses of its advisers, counsel, accountants and other experts, if any, and all other expenses incurred by such party incident to the negotiation, preparation, execution, delivery and performance of this Agreement and the other Transaction Documents. The Company shall pay all Transfer Agent fees (including, without limitation, any fees required for same-

day processing of any instruction letter delivered by the Company and any conversion or exercise notice delivered by a Purchaser), stamp taxes and other taxes and duties levied in connection with the delivery of any Securities to the Purchasers.

- 5.3 Entire Agreement. The Transaction Documents, together with the exhibits and schedules thereto, contain the entire understanding of the parties with respect to the subject matter hereof and thereof and supersede all prior agreements and understandings, oral or written, with respect to such matters, which the parties acknowledge have been merged into such documents, exhibits and schedules.
- 5.4 Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earliest of: (a) the date of transmission, if such notice or communication is delivered via facsimile or email attachment at the facsimile number or email address, respectively, as set forth on the signature pages attached hereto at or prior to 5:30 p.m. (New York City time) on a Trading Day, (b) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile or email attachment at the facsimile number or email address, respectively, as set forth on the signature pages attached hereto on a day that is not a Trading Day or later than 5:30 p.m. (New York City time) on any Trading Day, (c) the second (2nd) Trading Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service or (d) upon actual receipt by the party to whom such notice is required to be given. The address for such notices and communications shall be as set forth on the signature pages attached hereto.
- 5.5 Amendments; Waivers. No provision of this Agreement may be waived, modified, supplemented or amended except in a written instrument signed, in the case of an amendment, by the Company and the Purchasers holding at least sixty-seven percent (67%) in interest of the Securities then outstanding or, in the case of a waiver, by the party against whom enforcement of any such waived provision is sought; provided, that if any amendment, modification or waiver disproportionately and adversely impacts a Purchaser (or group of Purchasers) relative to the comparable rights and obligations of the other Purchasers, the consent of such disproportionately impacted Purchaser (or group of Purchasers) shall also be required. No waiver of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of any party to exercise any right hereunder in any manner impair the exercise of any such right. Any amendment effected in accordance with this Section 5.5 shall be binding upon each Purchase and holder of Securities and the Company.
- 5.6 Headings. The headings herein are for convenience only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof.
- 5.7 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns. The Company may not assign this Agreement or any rights or obligations hereunder without the prior written consent of each Purchaser (other than by acquisition by merger or consolidation with, or by sale of a substantial portion or all of the assets, stock or other equity of the Company to, any other Person). Any Purchaser may assign any or all of its rights under this Agreement to any Person to whom such Purchaser assigns or transfers any Securities; provided, that such transferee agrees in writing to be bound, with respect to the transferred Securities, by the provisions of the Transaction Documents that apply to the "Purchasers."

5.8 No Third Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective successors and permitted assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other Person, except as otherwise set forth in Section 4.10.

5.9 Governing Law. All questions concerning the construction, validity, enforcement and interpretation of the Transaction Documents shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflicts of law thereof. Each party agrees that all legal Proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Agreement and any other Transaction Documents (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, partners, members, employees or agents) shall be commenced exclusively in the state and federal courts sitting in the City of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the City of New York, Borough of Manhattan for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Documents), and hereby irrevocably waives, and agrees not to assert in any Action or Proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such Action or Proceeding is improper or is an inconvenient venue for such Proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such Action or Proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law. If any party hereto shall commence an Action or Proceeding to enforce any provisions of the Transaction Documents, then, in addition to the obligations of the Company under Section 4.10, the prevailing party in such Action or Proceeding shall be reimbursed by the non-prevailing party for its reasonable attorneys' fees and other costs and expenses incurred with the investigation, preparation and prosecution of such Action or Proceeding.

5.10 Survival. The representations and warranties contained herein shall survive the Closing and the delivery of the Securities.

5.11 Execution. This Agreement may be executed in two (2) or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to each other party, it being understood that the parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.

5.12 Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated

and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

- 5.13 Rescission and Withdrawal Right. Notwithstanding anything to the contrary contained in (and without limiting any similar provisions of) any of the other Transaction Documents, whenever any Purchaser exercises a right, election, demand or option under a Transaction Document and the Company does not timely perform its related obligations within the periods therein provided, then such Purchaser may rescind or withdraw, in its sole discretion from time to time upon written notice to the Company, any relevant notice, demand or election in whole or in part without prejudice to its future actions and rights; provided, however, that in the case of a rescission of a conversion of a Debenture or exercise of a Warrant, the applicable Purchaser shall be required to return any shares of Common Stock subject to any such rescinded conversion or exercise notice concurrently with the return to such Purchaser of the aggregate conversion or exercise price paid to the Company for such shares and the restoration of such Purchaser's right to acquire such shares pursuant to such Purchaser's Debenture or Warrant, as the case may be (including, issuance of a replacement debenture or warrant certificate evidencing such restored right).
- 5.14 Replacement of Securities. If any certificate or instrument evidencing any Securities is mutilated, lost, stolen or destroyed, the Company shall issue or cause to be issued in exchange and substitution for and upon cancellation thereof (in the case of mutilation), or in lieu of and substitution therefor, a new certificate or instrument, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction. The applicant for a new certificate or instrument under such circumstances shall also pay any reasonable third-party costs (including customary indemnity) associated with the issuance of such replacement Securities.
- 5.15 Remedies. In addition to being entitled to exercise all rights provided herein or granted by law, including recovery of damages, each of the Purchasers and the Company will be entitled to specific performance under the Transaction Documents. The parties agree that monetary damages may not be adequate compensation for any loss incurred by reason of any breach of obligations contained in the Transaction Documents and hereby agree to waive and not to assert in any Action or Proceeding for specific performance of any such obligation the defense that a remedy at law would be adequate.
- 5.16 Payment Set Aside. To the extent that the Company makes a payment or payments to any Purchaser pursuant to any Transaction Document or a Purchaser enforces or exercises its rights thereunder, and such payment or payments or the proceeds of such enforcement or exercise or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside, recovered from, disgorged by or are required to be refunded, repaid or otherwise restored to the Company, a trustee, receiver or any other Person under any law (including, without limitation, any bankruptcy law, state or federal law, common law or equitable cause of action), then to the extent of any such restoration the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred.
- 5.17 Usury. To the extent it may lawfully do so, the Company hereby agrees not to insist upon or plead or in any manner whatsoever claim, and will resist any and all efforts to be

compelled to take the benefit or advantage of, usury laws wherever enacted, now or at any time hereafter in force, in connection with any Action or Proceeding that may be brought by any Purchaser in order to enforce any right or remedy under any Transaction Document. Notwithstanding any provision to the contrary contained in any Transaction Document, it is expressly agreed and provided that the total liability of the Company under the Transaction Documents for payments in the nature of interest shall not exceed the maximum lawful rate authorized under applicable law (the “Maximum Rate”), and, without limiting the foregoing, in no event shall any rate of interest or default interest, or both of them, when aggregated with any other sums in the nature of interest that the Company may be obligated to pay under the Transaction Documents exceed such Maximum Rate. It is agreed that if the maximum contract rate of interest allowed by law and applicable to the Transaction Documents is increased or decreased by statute or any official governmental action subsequent to the date hereof, the new maximum contract rate of interest allowed by law will be the Maximum Rate applicable to the Transaction Documents from the effective date thereof forward, unless such application is precluded by applicable law. If under any circumstances whatsoever, interest in excess of the Maximum Rate is paid by the Company to any Purchaser with respect to indebtedness evidenced by the Transaction Documents, such excess shall be applied by such Purchaser to the unpaid principal balance of any such indebtedness or be refunded to the Company, the manner of handling such excess to be at such Purchaser’s election.

- 5.18 Ind ependent Natur e of Purchasers ’ Obli gations and Rights. The obligations of each Purchaser under any Transaction Document are several and not joint with the obligations of any other Purchaser, and no Purchaser shall be responsible in any way for the performance or non- performance of the obligations of any other Purchaser under any Transaction Document. Nothing contained herein or in any other Transaction Document, and no action taken by any Purchaser pursuant hereto or thereto, shall be deemed to constitute the Purchasers as a partnership, an association, a joint venture or any other kind of entity, or create a presumption that the Purchasers are in any way acting in concert or as a group with respect to such obligations or the transactions contemplated by the Transaction Documents. Each Purchaser shall be entitled to independently protect and enforce its rights, including, without limitation, the rights arising out of this Agreement or out of the other Transaction Documents, and it shall not be necessary for any other Purchaser to be joined as an additional party in any Action or Proceeding for such purpose. Each Purchaser has been represented by its own separate legal counsel in its review and negotiation of the Transaction Documents. For reasons of administrative convenience only, each Purchaser and its respective counsel have chosen to communicate with the Company through PC. PC does not represent all of the Purchasers and only represents Hillair. The Company has elected to provide all Purchasers with the same terms and Transaction Documents for the convenience of the Company and not because it was required or requested to do so by any of the Purchasers.
- 5.19 Liquidated Damages. The Company’s obligations to pay any partial liquidated damages or other amounts owing under the Transaction Documents is a continuing obligation of the Company and shall not terminate until all unpaid partial liquidated damages and other amounts have been paid notwithstanding the fact that the instrument or security pursuant to which such partial liquidated damages or other amounts are due and payable shall have been canceled.
- 5.20 Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then such action may be taken or such right may be exercised on the next succeeding Business Day.



5.21 Construction. The parties agree that each of them and/or their respective counsel have reviewed and had an opportunity to revise the Transaction Documents and, therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of the Transaction Documents or any amendments thereto. In addition, each and every reference to share prices and shares of Common Stock in any Transaction Document shall be subject to adjustment for reverse and forward stock splits, stock dividends, stock combinations and other similar transactions of the Common Stock that occur after the date of this Agreement.

5.22 **WAIVER OF JURY TRIAL.** IN ANY ACTION, SUIT, OR PROCEEDING IN ANY JURISDICTION BROUGHT BY ANY PARTY AGAINST ANY OTHER PARTY, THE PARTIES EACH KNOWINGLY AND INTENTIONALLY, TO THE GREATEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY AND EXPRESSLY WAIVES FOREVER TRIAL BY JURY.

*(Signature Pages Follow)*

IN WITNESS WHEREOF, the parties hereto have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

**ABT HOLDINGS, INC.**

Address for Notice:

ABT HOLDINGS, INC.  
396 S. Pasadena Ave., Pasadena,  
CA 91105

By:  Name: SHAHAN OHANESSIAN  
Title: CEO

Facsimile Number:

With a copy to (which shall not constitute notice):

Email Address:

[shahan@abtholdings.com](mailto:shahan@abtholdings.com)

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK SIGNATURE PAGE FOR PURCHASER  
FOLLOWS]

[PURCHASER SIGNATURE PAGES TO SECURITIES PURCHASE AGREEMENT]

IN WITNESS WHEREOF, the undersigned have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

Name of Purchaser: \_\_\_\_

*Signature of Authorized Signatory of Purchaser:* \_\_\_\_\_

Name of Authorized Signatory: \_\_\_\_\_

Title of Authorized Signatory: \_\_

Email Address of Authorized Signatory: \_\_\_\_\_

Facsimile Number of Authorized Signatory: \_\_\_\_

Address for Notice to Purchaser:

Address for Delivery of Securities to Purchaser (if not same as address for notice):

Subscription Amount: \_\_

Principal Amount (*1.16 x Subscription Amount*): \_\_\_\_\_

Warrant Shares: \_\_\_\_\_

EIN Number: \_\_

[SIGNATURE PAGES CONTINUE]

## Annex A

### CLOSING STATEMENT

Pursuant to the attached Securities Purchase Agreement, dated as of the date hereof, the purchasers shall purchase Debentures and Warrants from ABT Holdings, Inc., an Idaho corporation (the “Company”). All funds will be wired into an account maintained by the Company. All funds will be disbursed in accordance with this Closing Statement.

**Disbursement Date:** October 7, 2016

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#### **I. PURCHASE PRICE**

Gross Proceeds to be Received	\$5,000,000.00
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#### **II. DISBURSEMENTS**

ABT Holdings, Inc.	\$4,859,801.00
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Hillair Capital Management LLC	
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Due Diligence Fees and Expenses	\$80,000.00
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Legal Fees and Expenses	\$15,000.00
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Travel Expenses	<u>\$5,199.00</u>
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	\$100,199.00
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Sichenzia Ross Friedman Ference LLP	<u>\$40,000</u>
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<b>Total Amount Disbursed:</b>	<b>\$5,000,000.00</b>
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Executed this 7 day of October, 2016 ABT HOLDINGS, INC.



By: \_\_\_\_\_ Name: Shahan Ohanessian Title: Chief Executive Officer

**WIRE INSTRUCTIONS:**

To: ABT Holdings, Inc.

**Beneficiary Name:** ABT Holdings, Inc. **Beneficiary A/C Number:** 863 473 7830  
**Bank Name:** Wells Fargo Bank, NA **Bank Address:** 420 Montgomery San Francisco, CA  
**Routing Number:** 121000248 94104  
**Bank Contact:** Tel: 818.525.3469 **Swift Code (international):** WFBIUS6S  
**Fax:** 818.525.3477 **Bank Officer:** George K. Vardanyan

To: Sichenzia Ross Friedman Ference LLP

Citibank  
153 East 53rd Street, 23rd Floor New York, NY 10022

A/C of Sichenzia Ross Friedman Ference LLP 61 Broadway, 32nd Floor  
New York, NY 10006 A/C#: 4988325195  
ABA#: 021000089 SWIFT Code: CITIUS33

To: Hillair Capital Management LLC

Bank: Boston Private Bank and Trust Company  
Account Name: Hillair Capital Management LLC Routing or ABA Number: 011002343  
Account Number: 35838311

## **EXHIBIT A**

### **FORM OF DEBENTURE**

NEITHER THIS SECURITY NOR THE SECURITIES INTO WHICH THIS SECURITY IS CONVERTIBLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS. THIS SECURITY AND THE SECURITIES ISSUABLE UPON CONVERSION OF THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT WITH A REGISTERED BROKER-DEALER OR OTHER LOAN WITH A FINANCIAL INSTITUTION THAT IS AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT OR OTHER LOAN SECURED BY SUCH SECURITIES.

Original Issue Date: October 7, 2016

Original Conversion Price (subject to adjustment herein): **\$0.50**

Principal Amount: **\$5,800,000**

#### **8% SENIOR SECURED CONVERTIBLE DEBENTURE DUE OCTOBER 1, 2018**

This 8% SENIOR SECURED CONVERTIBLE DEBENTURE is one of a series of duly authorized and validly issued 8% Senior Secured Convertible Debentures of ABT HOLDINGS, INC., an Idaho corporation (the "Company"), having its principal place of business at 225 S. Lake Avenue, Suite 300, Pasadena, California 91101, designated as its 8% Senior Secured Convertible Debenture due October 1, 2018 (this debenture, the "Debenture" and, collectively with the other debentures of such series, the "Debentures").

FOR VALUE RECEIVED, the Company promises to pay to Hillair Capital Investments

L.P or its registered assigns (the "Holder"), or shall have paid pursuant to the terms hereunder, the principal sum of \$5,800,000 on October 1, 2018 (the "Maturity Date") or such earlier date as this Debenture is required or permitted to be repaid as provided hereunder, and to pay interest to the Holder on the aggregate unconverted and then outstanding principal amount of this Debenture in accordance with the provisions hereof. This Debenture is subject to the following additional provisions:

Section 1. Definitions. For the purposes hereof, in addition to the terms defined elsewhere in this Debenture, (a) capitalized terms not otherwise defined herein shall have the meanings set forth in the Purchase Agreement (as defined below) and (b) the following terms shall have the following meanings:

“Alternate Consideration” shall have the meaning set forth in Section 5(e).

“Bankruptcy Event” means any of the following events: (a) the Company or any Significant Subsidiary (as such term is defined in Rule 1-02(w) of Regulation S-X) thereof commences a case or other Proceeding under any bankruptcy, reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction relating to the Company or any Significant Subsidiary thereof, (b) there is commenced against the Company or any Significant Subsidiary thereof any such case or Proceeding that is not dismissed within sixty (60) days after commencement, (c) the Company or any Significant Subsidiary thereof is adjudicated insolvent or bankrupt or any order of relief or other order approving any such case or Proceeding is entered, (d) the Company or any Significant Subsidiary thereof suffers any appointment of any custodian or the like for it or any substantial part of its property that is not discharged or stayed within sixty (60) calendar days after such appointment, (e) the Company or any Significant Subsidiary thereof makes a general assignment for the benefit of creditors, (f) the Company or any Significant Subsidiary thereof calls a meeting of its creditors with a view to arranging a composition, adjustment or restructuring of its debts, (g) the Company or any Significant Subsidiary thereof admits in writing that it is generally unable to pay its debts as they become due, (h) the Company or any Significant Subsidiary thereof, by any act or failure to act, expressly indicates its consent to, approval of or acquiescence in any of the foregoing or takes any corporate or other action for the purpose of effecting any of the foregoing.

“Beneficial Ownership Limitation” shall have the meaning set forth in Section 4(d).

“Buy-In” shall have the meaning set forth in Section 4(c)(v).

“Change of Control Transaction” means the occurrence after the date hereof of any of (a) an acquisition after the date hereof by an individual or legal entity or “group” (as described in Rule 13d-5(b)(1) promulgated under the Exchange Act) of effective control (whether through legal or beneficial ownership of capital stock of the Company, by contract or otherwise) of in excess of forty percent (40%) of the voting securities of the Company (other than by means of conversion or exercise of the Debentures and the Securities issued together with the Debentures), (b) the Company merges into or consolidates with any other Person, or any Person merges into or consolidates with the Company and, after giving effect to such transaction, the stockholders of the Company immediately prior to such transaction own less than sixty percent (60%) of the aggregate voting power of the Company or the successor entity of such transaction, (c) the Company sells or transfers all or substantially all of its assets to another

Person and the stockholders of the Company immediately prior to such transaction own less than sixty percent (60%) of the aggregate voting power of the acquiring entity immediately after the transaction, (d) a replacement at one time or within a three (3) year period of more than one-half of the members of the Board of Directors which is not approved by a majority of those individuals who are members of the Board of Directors on the Original Issue Date (as defined below) (or by those individuals who are serving as members of the Board of Directors on any date whose nomination to the Board of Directors was approved by a majority of the members of the Board of Directors who are members on the date hereof), or (e) the execution by the Company of an agreement to which the Company is a party or by which it is bound, providing for any of the events set forth in clauses (a) through (d) above.

“Conversion Date” shall have the meaning set forth in Section 4(a).

“Conversion Price” shall have the meaning set forth in Section 4(b).

“Conversion Schedule” means the Conversion Schedule in the form of Schedule 1 attached hereto.

“Conversion Shares” means, collectively, the shares of Common Stock issuable upon conversion of this Debenture in accordance with the terms hereof.

“Debenture Register” shall have the meaning set forth in Section 2(c).

“Equity Conditions” means, during the period in question, (a) the Company shall have duly honored all conversions and redemptions scheduled to occur or occurring by virtue of one or more Notices of Conversion of the Holder, if any, (b) the Company shall have paid all liquidated damages and other amounts owing to the Holder in respect of this Debenture, (c) all of the Conversion Shares issuable pursuant to the Transaction Documents (and shares issuable in lieu of cash payments of interest) may be resold pursuant to Rule 144 without volume or manner-of-sale restrictions or current public information requirements as determined by the counsel to the Company as set forth in a written opinion letter to such effect, addressed and acceptable to the Transfer Agent and the Holder, (d) the Common Stock is trading on a Trading Market and all of the shares issuable pursuant to the Transaction Documents are listed or quoted for trading on such Trading Market (and the Company believes, in good faith, that trading of the Common Stock on a Trading Market will continue uninterrupted for the foreseeable future), (e) there is a sufficient number of authorized but unissued and otherwise unreserved shares of Common Stock for the issuance of all of the shares then issuable pursuant to the Transaction Documents, (f) there is no existing Event of Default and no existing event which, with the passage of time or the giving of notice, would constitute an Event of Default, (g) the issuance of the shares in question (or, in the case of an Optional Redemption or Periodic Redemption, the shares issuable upon conversion in full of the Optional Redemption Amount or Periodic Redemption Amount) to the Holder would not violate the limitations set forth in Section 4(d) herein, (h) there has been no public



announcement of a pending or proposed Fundamental Transaction or Change of Control Transaction that has not been consummated, (i) the applicable Holder is not in possession of any information provided by the Company that constitutes, or may constitute, material non-public information and (j) the number of shares of Common Stock proposed to be issued in respect of such redemptions at issue, in each case as attributable to all holders of Debentures, is less than 20% of the aggregate number of shares of Common Stock traded on the principal Trading Market during the 20 Trading Days immediately prior to such payment date.

“Event of Default” shall have the meaning set forth in Section 8(a).

“Fundamental Transaction” shall have the meaning set forth in Section 5(e).

“Interest Payment Date” shall have the meaning set forth in Section 2(a).

“Late Fees” shall have the meaning set forth in Section 2(c).

“Mandatory Default Amount” means the sum of (a) the greater of (i) the outstanding principal amount of this Debenture, plus all accrued and unpaid interest hereon, divided by the Conversion Price on the date the Mandatory Default Amount is either (A) demanded (if demand or notice is required to create an Event of Default) or otherwise due or (B) paid in full, whichever has a lower Conversion Price, multiplied by the VWAP on the date the Mandatory Default Amount is either (x) demanded or otherwise due or (y) paid in full, whichever has a higher VWAP, or (ii) one hundred thirty percent (130%) of the outstanding principal amount of this Debenture, plus all accrued and unpaid interest hereon, and (b) all other amounts, costs, expenses and liquidated damages due in respect of this Debenture.

“New York Courts” shall have the meaning set forth in Section 9(d).

“Notice of Conversion” shall have the meaning set forth in Section 4(a).

“Optional Redemption” shall have the meaning set forth in Section 6(a).

“Optional Redemption Amount” means the sum of (a) one hundred twenty percent (120%) of the then outstanding principal amount of the Debenture, (b) accrued but unpaid interest and (c) all liquidated damages and other amounts due in respect of the Debenture.

“Optional Redemption Date” shall have the meaning set forth in Section 6(a).

“Optional Redemption Notice” shall have the meaning set forth in Section 6(a).

“Optional Redemption Notice Date” shall have the meaning set forth in Section 6(a).

“Optional Redemption Period” shall have the meaning set forth in Section 6(a).

“Original Issue Date” means the date of the first issuance of the Debentures, regardless of any transfers of any Debenture and regardless of the number of instruments which may be issued to evidence such Debentures.

“Periodic Redemption” means the redemption of this Debenture pursuant to Section 6(b)(i) hereof.

“Periodic Redemption Amount” means the sum of (i) as to each Periodic Redemption Date, \$1,450,000, and (ii) accrued but unpaid interest, liquidated damages and any other amounts then owing to the Holder in respect of this Debenture.

“Periodic Redemption Date” means January 1, 2018, April 1, 2018, July 1, 2018 and October 1, 2018.

“Permitted Indebtedness” means (a) the indebtedness evidenced by the Debentures, (b) the indebtedness existing on the Original Issue Date and set forth on Schedule 1, (c) lease obligations and purchase money indebtedness of up to \$50,000, in the aggregate, incurred in connection with the acquisition of capital assets and lease obligations with respect to newly acquired or leased assets, (d) accounts payable to trade creditors and current operating expenses (other than for borrowed money) which are not aged more than 120 calendar days from the billing date or more than 30 days from the due date, in each case incurred in the ordinary course of business and paid within such time period, unless the same are being contested in good faith and by appropriate and lawful proceedings and such reserves, if any, with respect thereto as are required by GAAP and deemed adequate by Company’s independent accountants shall have been reserved, and (e) borrowings incurred in the ordinary course of business and not exceeding \$50,000 individually or in the aggregate outstanding at any one time provided, however, that such Indebtedness shall be on an unsecured basis, subordinated in right of repayment and remedies to all of the payments owed to Holder hereunder and to all of Holder’s rights pursuant to a subordination agreement in form and substance satisfactory to holders of at least seventy-five percent (75%) in principal amount of the then outstanding Debentures.

“Permitted Lien” means the individual and collective reference to the following:

- (a) Liens for taxes, assessments and other governmental charges or levies not yet due or Liens for taxes, assessments and other governmental charges or levies being contested in good faith and by appropriate proceedings for which adequate reserves (in the good faith judgment of the management of the Company) have been established in accordance with GAAP, (b) Liens imposed by law which were incurred in the ordinary course of the

Company's business, such as carriers', warehousemen's and mechanics' Liens, statutory landlords' Liens, and other similar Liens arising in the ordinary course of the Company's business, and which (x) do not individually or in the aggregate materially detract from the value of such property or assets or materially impair the use thereof in the operation of the business of the Company and its Subsidiaries or (y) are being contested in good faith by appropriate proceedings, which proceedings have the effect of preventing for the foreseeable future the forfeiture or sale of the property or asset subject to such Lien, (c) Liens incurred in connection with Permitted Indebtedness under subclause (a) thereunder and, (d) Liens incurred in connection with Permitted Indebtedness under subclause (b) thereunder, provided that such Liens are not secured by assets of the Company or its Subsidiaries other than the assets so acquired or leased.

"Purchase Agreement" means the Securities Purchase Agreement, dated as of October 7, 2016 among the Company and the original Holders, as amended, modified or supplemented from time to time in accordance with its terms.

"Share Delivery Date" shall have the meaning set forth in Section 4(c)(ii).

"Successor Entity" shall have the meaning set forth in Section 5(e).

## Section 2. Interest.

- a) Payment of Interest in Cash. The Company shall pay interest to the Holder on the aggregate unconverted and then outstanding principal amount of this Debenture at the rate of 8% per annum, payable quarterly in arrears on January 1, April 1, July 1 and October 1, beginning on July 1, 2017, and on each Periodic Redemption Date (as to that principal amount then being redeemed), and on each Conversion Date (as to that principal amount then being converted), and on each Optional Redemption Date (as to that principal amount then being redeemed) and on the Maturity Date (each such date, an "Interest Payment Date") (if any Interest Payment Date is not a Business Day, then the applicable payment shall be due on the next succeeding Business Day), in cash. For the avoidance of doubt, the interest payment due on July 1, 2017 shall consist of all interest accrued from the Original Issue Date of this Debenture through July 1, 2017.
- b) Interest Calculations. Interest shall be calculated on the basis of a 360-day year, consisting of twelve thirty (30) calendar day periods, and shall accrue daily commencing on the Original Issue Date until payment in full of the outstanding principal, together with all accrued and unpaid interest, liquidated damages and other amounts which may become due hereunder, has been made. Interest shall cease to accrue with respect to any principal amount converted, provided that the Company actually delivers the Conversion Shares within the time period required by Section 4(c)(ii) herein. Interest hereunder will be paid to the Person in whose name this Debenture is registered on the records of the Company regarding registration and transfers of this Debenture (the "Debenture Register").

- c) Late Fee. All overdue accrued and unpaid interest to be paid hereunder shall entail a late fee at an interest rate equal to the lesser of fifteen percent (15%) per annum or the Maximum Rate (the “Late Fees”), which shall accrue daily from the date such interest is due hereunder through and including the date of actual payment in full.
- d) Prepayment. Except as otherwise set forth in this Debenture, the Company may not prepay any portion of the principal amount of this Debenture without the prior written consent of the Holder.

Section 3. Registration of Transfers and Exchanges.

- a) Different Denominations. This Debenture is exchangeable for an equal aggregate principal amount of Debentures of different authorized denominations, as requested by the Holder surrendering the same. No service charge will be payable for such registration of transfer or exchange.
- b) Investment Representations. This Debenture has been issued subject to certain investment representations of the original Holder set forth in the Purchase Agreement and may be transferred or exchanged only in compliance with the Purchase Agreement and applicable federal and state securities laws and regulations.
- c) Reliance on Debenture Register. Prior to due presentment for transfer to the Company of this Debenture, the Company and any agent of the Company may treat the Person in whose name this Debenture is duly registered on the Debenture Register as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Debenture is overdue, and neither the Company nor any such agent shall be affected by notice to the contrary.

Section 4. Conversion.

- a) Voluntary Conversion. At any time after the Original Issue Date until this Debenture is no longer outstanding, this Debenture shall be convertible, in whole or in part, into shares of Common Stock at the option of the Holder, at any time and from time to time (subject to the conversion limitations set forth in Section 4(d) hereof). The Holder shall effect conversions by delivering to the Company a Notice of Conversion, the form of which is attached hereto as Annex A (each, a “Notice of Conversion”), specifying therein the principal amount of this Debenture to be converted and the date on which such conversion shall be effected (such date, the “Conversion Date”). If no Conversion Date is specified in a Notice of Conversion, the Conversion Date shall be the date that such Notice of Conversion is deemed delivered hereunder. No ink-original Notice of Conversion shall be required, nor shall any medallion guarantee (or other type of guarantee or notarization) of any Notice of Conversion form be required. To effect conversions hereunder, the Holder shall not be required to physically surrender this

Debenture to the Company unless the entire principal amount of this Debenture, plus all accrued and unpaid interest thereon, has been so converted in which case the Holder shall surrender this Debenture as promptly as is reasonably practicable after such conversion without delaying the Company's obligation to deliver the shares on the Share Delivery Date. Conversions hereunder shall have the effect of lowering the outstanding principal amount of this Debenture in an amount equal to the applicable conversion. The Holder and the Company shall maintain records showing the principal amount(s) converted and the date of such conversion(s). The Company may deliver an objection to any Notice of Conversion within one (1) Business Day of delivery of such Notice of Conversion. In the event of any dispute or discrepancy, the records of the Holder shall be controlling and determinative in the absence of manifest error. **The Holder, and any assignee by acceptance of this Debenture, acknowledge and agree that, by reason of the provisions of this Section 4(a), following conversion of a portion of this Debenture, the unpaid and unconverted principal amount of this Debenture may be less than the amount stated on the face hereof.**

- b) Conversion Price. The conversion price in effect on any Conversion Date shall be equal to **\$0.50**, subject to adjustment herein (the "Conversion Price").
- c) Mechanics of Conversion.
  - i. Conversion Shares Issuable Upon Conversion of Principal Amount. The number of Conversion Shares issuable upon a conversion hereunder shall be determined by the quotient obtained by dividing (x) the outstanding principal amount of this Debenture to be converted by (y) the Conversion Price.
  - ii. Delivery of Certificate Upon Conversion. Not later than three (3) Trading Days after each Conversion Date (the "Share Delivery Date"), the Company shall deliver, or cause to be delivered, to the Holder (A) a certificate or certificates representing the Conversion Shares which, on or after the six (6) month anniversary of the Original Issue Date, subject to applicable law, shall be free of restrictive legends and trading restrictions (other than those which may then be required by the Purchase Agreement) representing the number of Conversion Shares being acquired upon the conversion of this Debenture, (B) a legal opinion of Company counsel as may be requested by the Holder to enable Holder to deposit the Conversion Share certificates in accounts with its prime broker (or other brokerage account), together with the instruction letter to the Transfer Agent and the resolution of the Board of Directors authorizing the Transaction Documents and any additional supporting documentation requested by the Holder (including, without limitation, any instruction letter to the Company's transfer agent), and (C) a bank check in the amount of accrued and unpaid interest. On or after the six (6) month anniversary of the Original Issue Date, subject to applicable law, the Company shall deliver any certificate or

certificates required to be delivered by the Company under this Section 4(c) electronically through the Depository Trust Company or another established clearing corporation performing similar functions.

- iii. Failure to Deliver Certificates. If, in the case of any Notice of Conversion, such certificate or certificates and the related legal opinion of Company counsel, the instruction letter to the Transfer Agent and the resolution of the Board of Directors authorizing the Transaction Documents are not delivered to or as directed by the applicable Holder by the Share Delivery Date, the Holder shall be entitled to elect by written notice to the Company at any time on or before its receipt of such certificate or certificates to rescind such Conversion, in which event the Company shall promptly return to the Holder any original Debenture delivered to the Company and the Holder shall promptly return to the Company the Common Stock certificates issued to such Holder pursuant to the rescinded Conversion Notice.
- iv. Obligation Absolute; Partial Liquidated Damages. The Company's obligations to issue and deliver the Conversion Shares upon conversion of this Debenture in accordance with the terms hereof are absolute and unconditional, irrespective of any action or inaction by the Holder to enforce the same, any waiver or consent with respect to any provision hereof, the recovery of any judgment against any Person or any action to enforce the same, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Holder or any other Person of any obligation to the Company or any violation or alleged violation of law by the Holder or any other Person, and irrespective of any other circumstance which might otherwise limit such obligation of the Company to the Holder in connection with the issuance of such Conversion Shares; provided, however, that such delivery shall not operate as a waiver by the Company of any such action the Company may have against the Holder. In the event the Holder of this Debenture shall elect to convert any or all of the outstanding principal amount hereof, the Company may not refuse conversion based on any claim that the Holder or anyone associated or affiliated with the Holder has been engaged in any violation of law, agreement or for any other reason, unless an injunction from a court, on notice to Holder, restraining and or enjoining conversion of all or part of this Debenture shall have been sought and obtained, and the Company posts a surety bond for the benefit of the Holder in the amount of one hundred fifty percent (150%) of the outstanding principal amount of this Debenture, which is subject to the injunction, which bond shall remain in effect until the completion of arbitration/litigation of the underlying dispute and the proceeds of which shall be payable to the Holder to the extent it obtains judgment. In the absence of such injunction, the Company shall issue Conversion Shares or, if applicable, cash, upon a properly noticed conversion. If the Company fails for any reason to deliver to the Holder such certificate or certificates and the related legal opinion of Company counsel, the instruction

letter to the Transfer Agent and the resolution of the Board of Directors authorizing the Transaction Documents and other supporting documentation pursuant to Section 4(c)(ii) by the Share Delivery Date, the Company shall pay to the Holder, in cash, as liquidated damages and not as a penalty, for each \$1,000 of principal amount being converted, \$10 per Trading Day (increasing to \$20 per Trading Day on the fifth (5th) Trading Day after such liquidated damages begin to accrue) for each Trading Day after such Share Delivery Date until such certificates and the related legal opinion of Company counsel, the instruction letter to the Transfer Agent, the resolution of the Board of Directors authorizing the Transaction Documents and other supporting documentation are delivered or Holder rescinds such conversion. Nothing herein shall limit a Holder's right to pursue actual damages or declare an Event of Default pursuant to Section 8 hereof for the Company's failure to deliver Conversion Shares within the period specified herein and the Holder shall have the right to pursue all remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief. The exercise of any such rights shall not prohibit the Holder from seeking to enforce damages pursuant to any other Section hereof or under applicable law.

- v. Compensation for Buy-In on Failure to Timely Deliver Certificates Upon Conversion. In addition to any other rights available to the Holder, if the Company fails for any reason to deliver to the Holder such certificate or certificates by the Share Delivery Date pursuant to Section 4(c)(ii), and if after such Share Delivery Date the Holder is required by its brokerage firm to purchase (in an open market transaction or otherwise), or the Holder's brokerage firm otherwise purchases, shares of Common Stock to deliver in satisfaction of a sale by the Holder of the Conversion Shares which the Holder was entitled to receive upon the conversion relating to such Share Delivery Date (a "Buy-In"), then the Company shall (A) pay in cash to the Holder (in addition to any other remedies available to or elected by the Holder) the amount, if any, by which (x) the Holder's total purchase price (including brokerage commissions and other out-of-pocket expenses, if any) for the Common Stock so purchased exceeds (y) the product of (1) the aggregate number of shares of Common Stock that the Holder was entitled to receive from the conversion at issue multiplied by (2) the actual sale price at which the sell order giving rise to such purchase obligation was executed (including brokerage commissions and other out-of-pocket expenses, if any) and (B) at the option of the Holder, either reissue (if surrendered) this Debenture in a principal amount equal to the principal amount of the attempted conversion (in which case such conversion shall be deemed rescinded) or deliver to the Holder the number of shares of Common Stock that would have been issued if the Company had timely complied with its delivery requirements under Section 4(c)(ii). For example, if the Holder purchases Common Stock having a total purchase price of \$11,000 to cover a Buy-In with respect to an attempted conversion of this Debenture with respect to which the actual sale price of the

Conversion Shares (including brokerage commissions and other out-of-pocket expenses, if any) giving rise to such purchase obligation was a total of \$10,000, then under clause (A) of the immediately preceding sentence, the Company shall be required to pay the Holder \$1,000. The Holder shall provide the Company written notice indicating the amounts payable to the Holder in respect of the Buy- In and, upon request of the Company, evidence of the amount of such loss. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity, including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver certificates representing shares of Common Stock upon conversion of this Debenture as required pursuant to the terms hereof.

- vi. Reservation of Shares Issuable Upon Conversion. The Company covenants that it will at all times reserve and keep available out of its authorized and unissued shares of Common Stock for the sole purpose of issuance upon conversion of this Debenture and payment of interest on this Debenture, each as herein provided, free from preemptive rights or any other actual contingent purchase rights of Persons other than the Holder (and the other holders of the Debentures), not less than such aggregate number of shares of the Common Stock as shall (subject to the terms and conditions set forth in the Purchase Agreement) be issuable (taking into account the adjustments and restrictions of Section 5) upon the conversion of the then outstanding principal amount of this Debenture and payment of interest hereunder. The Company covenants that all shares of Common Stock that shall be so issuable shall, upon issue, be duly authorized, validly issued, fully paid and nonassessable.
- vii. Fractional Shares. No fractional shares or scrip representing fractional shares shall be issued upon the conversion of this Debenture. As to any fraction of a share which the Holder would otherwise be entitled to purchase upon such conversion, the Company shall at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Conversion Price or round up to the next whole share.
- viii. Transfer Taxes and Expenses. The issuance of certificates for shares of the Common Stock on conversion of this Debenture shall be made without charge to the Holder hereof for any documentary stamp or similar taxes that may be payable in respect of the issue or delivery of such certificates; provided that, the Company shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such certificate upon conversion in a name other than that of the Holder of this Debenture and the Company shall not be required to issue or deliver such certificates unless or until the Person or Persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid. The Company



shall pay all Transfer Agent fees required for same-day processing of any Notice of Conversion and all fees to the Depository Trust Company (or another established clearing corporation performing similar functions) required for same-day electronic delivery of the Conversion Shares.

- d) Holder's Conversion Limitations. The Company shall not effect any conversion of this Debenture, and a Holder shall not have the right to convert any portion of this Debenture, to the extent that after giving effect to the conversion set forth on the applicable Notice of Conversion, the Holder (together with the Holder's Affiliates, and any Persons acting as a group together with the Holder or any of the Holder's Affiliates) would beneficially own in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by the Holder and its Affiliates shall include the number of shares of Common Stock issuable upon conversion of this Debenture with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which are issuable upon (i) conversion of the remaining, unconverted principal amount of this Debenture beneficially owned by the Holder or any of its Affiliates and (ii) exercise or conversion of the unexercised or unconverted portion of any other securities of the Company subject to a limitation on conversion or exercise analogous to the limitation contained herein (including, without limitation, any other Debentures or the Warrants) beneficially owned by the Holder or any of its Affiliates. Except as set forth in the preceding sentence, for purposes of this Section 4(d), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. To the extent that the limitation contained in this Section 4(d) applies, the determination of whether this Debenture is convertible (in relation to other securities owned by the Holder together with any Affiliates) and of which principal amount of this Debenture is convertible shall be in the sole discretion of the Holder, and the submission of a Notice of Conversion shall be deemed to be the Holder's determination of whether this Debenture may be converted (in relation to other securities owned by the Holder together with any Affiliates) and which principal amount of this Debenture is convertible, in each case subject to the Beneficial Ownership Limitation. To ensure compliance with this restriction, the Holder will be deemed to represent to the Company each time it delivers a Notice of Conversion that such Notice of Conversion has not violated the restrictions set forth in this Section 4(d) and the Company shall have no obligation to verify or confirm the accuracy of such determination. In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this Section 4(d), in determining the number of outstanding shares of Common Stock, the Holder may rely on the number of outstanding shares of Common Stock as stated in the most recent of the following: (i) the Company's most recent periodic or annual report filed with the Commission or OTC Disclosure & News Service, as the case may be, (ii) a more recent public announcement by the Company, or (iii) a more recent written notice by the Company or the Company's transfer agent setting forth the number of shares of Common

Stock outstanding. Upon the written or oral request of a Holder, the Company shall within two (2) Trading Days confirm orally and in writing to the Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Debenture, by the Holder or its Affiliates since the date as of which such number of outstanding shares of Common Stock was reported. The “Beneficial Ownership Limitation” shall be 4.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon conversion of this Debenture held by the Holder. The Holder, upon not less than sixty-one (61) days’ prior written notice to the Company, may increase or decrease the Beneficial Ownership Limitation provisions of this Section 4(d); provided, that the Beneficial Ownership Limitation in no event shall exceed 9.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon conversion of this Debenture and the provisions of this Section 4(d) shall continue to apply with respect to such increased or decreased Beneficial Ownership Limitation, as the case may be. Any such increase or decrease will not be effective until the sixty-first (61st) day after such notice is delivered to the Company. The Beneficial Ownership Limitation provisions of this Section 4(d) shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 4(d) to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation contained herein or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this Section 4(d) shall apply to a successor holder of this Debenture.

#### Section 5.     Certain Adjustments.

- a)     Stock Dividends and Stock Splits. If the Company, at any time while this Debenture is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions payable in shares of Common Stock on shares of Common Stock or any Common Stock Equivalents (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the Company upon conversion of, or payment of interest on, the Debentures), (ii) subdivides outstanding shares of Common Stock into a larger number of shares, (iii) combines (including by way of a reverse stock split) outstanding shares of Common Stock into a smaller number of shares or (iv) issues, in the event of a reclassification of shares of the Common Stock, any shares of capital stock of the Company, then the Conversion Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding any treasury shares of the Company) outstanding immediately before such event, and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event. Any adjustment made pursuant to this Section 5(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or reclassification.

b) Certain Adjustments.

i. Subsequent Equity Sales. If, at any time while this Debenture is outstanding, the Company or any Subsidiary, as applicable, sells or grants any option to purchase or sells or grants any right to reprice, or otherwise disposes of or issues (or announces any sale, grant or any option to purchase or other disposition), any Common Stock or Common Stock Equivalents entitling any Person to acquire shares of Common Stock at an effective price per share that is lower than the then Conversion Price (such lower price, the “Base Conversion Price” and such issuances, collectively, a “Dilutive Issuance”) (if the holder of the Common Stock or Common Stock Equivalents so issued shall at any time, whether by operation of purchase price adjustments, reset provisions, floating conversion, exercise or exchange prices or otherwise, or due to warrants, options or rights per share which are issued in connection with such issuance, be entitled to receive shares of Common Stock at an effective price per share that is lower than the Conversion Price, such issuance shall be deemed to have occurred for less than the Conversion Price on such date of the Dilutive Issuance), then the Conversion Price shall be reduced to equal the Base Conversion Price. Such adjustment shall be made whenever such Common Stock or Common Stock Equivalents are issued. Notwithstanding the foregoing, no adjustment will be made under this Section 5(b) in respect of an Exempt Issuance and in no event shall the Conversion Price be reduced to less than \$0.01 pursuant to this Section 5(b). If the Company enters into a Variable Rate Transaction, despite the prohibition set forth in the Purchase Agreement, the Company shall be deemed to have issued Common Stock or Common Stock Equivalents at the lowest possible conversion price at which such securities may be converted or exercised. The Company shall notify the Holder in writing, no later than the Trading Day following the issuance of any Common Stock or Common Stock Equivalents subject to this Section 5(b), indicating therein the applicable issuance price, or applicable reset price, exchange price, conversion price and other pricing terms (such notice, the “Dilutive Issuance Notice”). For purposes of clarification, whether or not the Company provides a Dilutive Issuance Notice pursuant to this Section 5(b), upon the occurrence of any Dilutive Issuance, the Holder is entitled to receive a number of Conversion Shares based upon the Base Conversion Price on or after the date of such Dilutive Issuance, regardless of whether the Holder accurately refers to the Base Conversion Price in the Notice of Conversion.

ii. Revenue Adjustment. In the event the revenue reported in either the Company’s audited financial statements filed with the Commission or Annual Report made available through the OTC Disclosure & News Service, as applicable, for the fiscal year ended December 31, 2016, filed by March 31, 2017, is less than \$20,000,000, then the Conversion Price will be reduced by a percentage equal to the percentage by which such reported revenue is less than

\$20,000,000. For example, if the Company reports revenue of \$16,000,000 for fiscal year 2016, then the Conversion Price then in effect will be reduced by twenty percent (20%).

- c) Subsequent Rights Offerings. In addition to any adjustments pursuant to Section 5(a) above, if at any time the Company grants, issues or sells any Common Stock Equivalents or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of shares of Common Stock (the “Purchase Rights”), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of shares of Common Stock acquirable upon complete conversion of this Debenture (without regard to any limitations on exercise hereof, including, without limitation, the Beneficial Ownership Limitation) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights (provided, however, to the extent that the Holder’s right to participate in any such Purchase Right would result in the Holder exceeding the Beneficial Ownership Limitation, then the Holder shall not be entitled to participate in such Purchase Right to such extent (or beneficial ownership of such shares of Common Stock as a result of such Purchase Right to such extent) and such Purchase Right to such extent shall be held in abeyance for the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation).
- d) Pro Rata Distributions. During such time as this Debenture is outstanding, if the Company shall declare or make any dividend or other distribution of its assets (or rights to acquire its assets) to holders of shares of Common Stock, by way of return of capital or otherwise (including, without limitation, any distribution of cash, stock or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) (a “Distribution”), at any time after the issuance of this Debenture, then, in each such case, the Holder shall be entitled to participate in such Distribution to the same extent that the Holder would have participated therein if the Holder had held the number of shares of Common Stock acquirable upon complete conversion of this Debenture (without regard to any limitations on conversion hereof, including, without limitation, the Beneficial Ownership Limitation) immediately before the date of which a record is taken for such Distribution, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the participation in such Distribution (provided, however, to the extent that the Holder’s right to participate in any such Distribution would result in the Holder exceeding the Beneficial Ownership Limitation, then the Holder shall not be entitled to participate in such Distribution to such extent (or in the beneficial ownership of any shares of Common Stock as a result of such Distribution to such extent) and the portion of such Distribution shall be held in abeyance for the benefit of the Holder until

such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation).

- e) Fundamental Transaction. If, at any time while this Debenture is outstanding, (i) the Company, directly or indirectly, in one or more related transactions effects any merger or consolidation of the Company with or into another Person, (ii) the Company, directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions, (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Stock are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of 50% or more of the outstanding Common Stock, (iv) the Company, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property, or (v) the Company, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person whereby such other Person acquires more than 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination) (each a “Fundamental Transaction”), then, upon any subsequent conversion of this Debenture, the Holder shall have the right to receive, for each Conversion Share that would have been issuable upon such conversion immediately prior to the occurrence of such Fundamental Transaction (without regard to any limitation in Section 4(d) on the conversion of this Debenture), the number of shares of Common Stock of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and any additional consideration (the “Alternate Consideration”) receivable as a result of such Fundamental Transaction by a holder of the number of shares of Common Stock for which this Debenture is convertible immediately prior to such Fundamental Transaction (without regard to any limitation in Section 4(d) on the conversion of this Debenture). For purposes of any such conversion, the determination of the Conversion Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one (1) share of Common Stock in such Fundamental Transaction, and the Company shall apportion the Conversion Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any conversion of this Debenture following such Fundamental Transaction. The Company shall cause any successor entity in a Fundamental Transaction in which the Company is not the survivor (the “Successor

Entity”) to assume in writing all of the obligations of the Company under this Debenture and the other Transaction Documents (as defined in the Purchase Agreement) in accordance with the provisions of this Section 5(e) pursuant to written agreements in form and substance reasonably satisfactory to the Holder and approved by the Holder (without unreasonable delay) prior to such Fundamental Transaction and shall, at the option of the Holder of this Debenture, deliver to the Holder in exchange for this Debenture a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Debenture which is convertible for a corresponding number of shares of capital stock of such Successor Entity (or its parent entity) equivalent to the shares of Common Stock acquirable and receivable upon conversion of this Debenture (without regard to any limitations on the conversion of this Debenture) prior to such Fundamental Transaction, and with a conversion price which applies the conversion price hereunder to such shares of capital stock (but taking into account the relative value of the shares of Common Stock pursuant to such Fundamental Transaction and the value of such shares of capital stock, such number of shares of capital stock and such conversion price being for the purpose of protecting the economic value of this Debenture immediately prior to the consummation of such Fundamental Transaction), and which is reasonably satisfactory in form and substance to the Holder. Upon the occurrence of any such Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Debenture and the other Transaction Documents referring to the “Company” shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Debenture and the other Transaction Documents with the same effect as if such Successor Entity had been named as the Company herein.

- f) Calculations. All calculations under this Section 5 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 5, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding any treasury shares of the Company) issued and outstanding.
- g) Notice to the Holder.
  - i. Adjustment to Conversion Price. Whenever the Conversion Price is adjusted pursuant to any provision of this Section 5, the Company shall promptly deliver to each Holder a notice setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment.
  - ii. Notice to Allow Conversion by Holder. If (A) the Company shall declare a dividend (or any other distribution in whatever form) on the Common Stock, (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock, (C) the Company shall authorize the granting

to all holders of the Common Stock of rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property or (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, then, in each case, the Company shall cause to be filed at each office or agency maintained for the purpose of conversion of this Debenture, and shall cause to be delivered to the Holder at its last address as it shall appear upon the Debenture Register, at least ten (10) Trading Days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer, share exchange, dissolution, liquidation or winding up is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer, share exchange, dissolution, liquidation or winding up, provided that the failure to deliver such notice or any defect therein or in the delivery thereof shall not affect the validity of the corporate action required to be specified in such notice. To the extent that any notice provided hereunder constitutes, or contains, material, non-public information regarding the Company or any of the Subsidiaries, the Company shall simultaneously (i) if prior to the Public Company Date, issue a press release disclosing the material, non- public information contained in such notice, or (ii) if after the Public Company Date, file such notice with the Commission pursuant to a Current Report on Form 8-K. The Holder shall remain entitled to convert this Debenture during the ten (10) Trading Day period commencing on the date of such notice through the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

Section 6. Optional Redemption and Periodic Redemption.

- a) Optional Redemption at Election of Company. Subject to the provisions of this Section 6(a), at any time after the six (6) month anniversary of the Original Issue Date, the Company may deliver a notice to the Holder (an “Optional Redemption Notice” and the date such notice is deemed delivered hereunder, the “Optional Redemption Notice Date”) of its irrevocable election to redeem some or all of the then outstanding principal amount of this Debenture for cash in an amount equal to the Optional

Redemption Amount on the tenth (10th) Trading Day following the Optional Redemption Notice Date (such date, the “Optional Redemption Date”, such ten (10) Trading Day period, the “Optional Redemption Period” and such redemption, the “Optional Redemption”). The Optional Redemption Amount is payable in full on the Optional Redemption Date. The Company covenants and agrees that it will honor all Notices of Conversion tendered within five (5) Business Days of the date of delivery of the Optional Redemption Notice. The Company’s determination to pay an Optional Redemption in cash shall be applied ratably to all of the holders of the then outstanding Debentures based on their (or their predecessor’s) initial purchases of Debentures pursuant to the Purchase Agreement.

b) Periodic Redemptions.

- i. Mandatory Periodic Redemption. On each Periodic Redemption Date, the Company shall redeem the Periodic Redemption Amount (the “Periodic Redemption”). The Periodic Redemption Amount payable on each Periodic Redemption Date shall be paid in cash; provided, however, as to any Periodic Redemption and upon 20 Trading Days’ prior written irrevocable notice (the “Periodic Redemption Notice”), in lieu of a cash redemption payment the Company may elect to pay all or part of a Periodic Redemption Amount in Conversion Shares based on a conversion price equal to the lesser of (i) the then Conversion Price or (ii) 90% of the average of the VWAPs for the 20 consecutive Trading Days ending on the Trading Day that is immediately prior to the applicable Periodic Redemption Date (subject to adjustment for any stock dividend, stock split, stock combination or other similar event affecting the Common Stock during such 20 Trading Day period) provided, however, in the case of this clause (ii) the conversion price shall be equal to at least a \$.01 discount to the VWP on the Trading Day immediately prior to the applicable Periodic Redemption Date (the lowest of (i) or (ii), the “Periodic Conversion Price” and such 20 Trading Day period, the “Periodic Conversion Period”); provided, further, that the Company may not pay the Periodic Redemption Amount in Conversion Shares unless from the date the Holder receives the duly delivered Periodic Redemption Notice through and until the date such Periodic Redemption is paid in full, the Equity Conditions have been satisfied, unless waived in writing by the Holder. The Company’s determination to pay a Periodic Redemption in cash, shares of Common Stock or a combination thereof shall be applied ratably to all of the holders of the then outstanding Debentures based on their (or their predecessor’s) initial purchases of Debentures pursuant to the Purchase Agreement. The Holder may convert, pursuant to Section 4(a), any principal amount of this Debenture subject to a Periodic Redemption at any time prior to the date that the Periodic Redemption Amount, plus accrued but unpaid interest, liquidated damages and any other amounts then owing to the Holder are due and paid in full. Unless otherwise indicated by the Holder in the applicable Notice of Conversion, any principal amount of this Debenture converted during



the period beginning on the delivery date of the applicable Periodic Redemption Notice until the date on which the Periodic Redemption Amount is paid in full shall be first applied to the principal amount subject to the Periodic Redemption Amount. Any principal amount of this Debenture converted during the during the period beginning on the delivery date of the applicable Periodic Redemption Notice until the date on which the Periodic Redemption Amount is paid in full in excess of the Periodic Redemption Amount shall be applied against the last principal amount of this Debenture scheduled to be redeemed hereunder, in reverse time order from the Maturity Date. The Company covenants and agrees that it will honor all Notices of Conversion tendered up until such amounts are paid in full.

- ii. Additional Shares Issuable for certain Quarterly Redemption(s). In addition to the amounts and shares issuable pursuant to Section 6(b)(i) above, in the event that (x) Company elects or is required to pay the Periodic Redemption Amount in cash (y) the average of the VWAPs for the 20 consecutive Trading Days ending on the Trading Day that is immediately prior to the applicable Periodic Redemption Date (the “Average Market Price”) is greater than the then effective Conversion Price and (z) the Equity Conditions have not been satisfied during the Periodic Conversion Period, then on the applicable Periodic Redemption Date, the Company will deliver to the Holder a number of shares (the “Additional Redemption Shares”) derived from the following formula:  $A/B$ , where A equals the Average Market Price minus the then effective Conversion Price multiplied by the applicable Periodic Redemption Amount divided by the then effective Conversion Price and B equals the then effective Conversion Price. *By way of an example, if the Quarterly Redemption Amount is \$100, the Average Market Price is \$1.00 and the then effective Conversion Price is \$0.50, then, in addition to the amounts issued pursuant to Section 6(b)(i), the Company would issue the Holder 200 shares of Common Stock.* In implementation of the foregoing, to the extent that an issuance of Additional Redemption Shares pursuant to this Section 6(b)(ii) would result in a Holder exceeding the Beneficial Ownership Limitation, then the Company shall initially issue only such number of shares up to the Beneficial Ownership Limitation with the remaining Additional Redemption Shares only being issued from time to time on the Trading Day that the Holder makes a representation to the Company that such issuance would not exceed the Beneficial Ownership Limitation.
- c) Redemption Procedure. The payment of cash pursuant to an Optional Redemption or a Periodic Redemption shall be payable on the Optional Redemption Date or the Periodic Redemption Date, respectively. If any portion of the payment pursuant to an Optional Redemption or Periodic Redemption shall not be paid by the Company by the applicable due date, interest shall accrue thereon at an interest rate equal to the lesser of fifteen percent (15%) per annum or the Maximum Rate until such amount is paid in full. Notwithstanding anything herein contained to the contrary, if any portion of the

Optional Redemption Amount or Periodic Redemption Amount remains unpaid after such date, the Holder may elect, by written notice to the Company given at any time thereafter, to invalidate such Optional Redemption or Periodic Redemption, ab initio, and, with respect to the Company's failure to honor the Optional Redemption, the Company shall have no further right to exercise such Optional Redemption. The Holder may elect to convert the outstanding principal amount of the Debenture pursuant to Section 4 prior to actual payment in cash for any redemption under this Section 6 by the delivery of a Notice of Conversion to the Company.

Section 7. Negative Covenants. As long as any portion of this Debenture remains outstanding, unless the holders of at least sixty-seven percent (67%) in principal amount of the then outstanding Debentures shall have otherwise given prior written consent, the Company shall not, and shall not permit any of the Subsidiaries to, directly or indirectly:

- a) other than Permitted Indebtedness, enter into, create, incur, assume, guarantee or suffer to exist any Indebtedness for borrowed money of any kind, including, but not limited to, a guarantee, on or with respect to any of its property or assets now owned or hereafter acquired or any interest therein or any income or profits therefrom;
- b) other than Permitted Liens, enter into, create, incur, assume or suffer to exist any Liens of any kind, on or with respect to any of its property or assets now owned or hereafter acquired or any interest therein or any income or profits therefrom;
- c) amend its charter documents, including, without limitation, its certificate of incorporation and bylaws, in any manner that materially and adversely affects any rights of the Holder;
- d) repay, repurchase or offer to repay, repurchase or otherwise acquire more than a de minimis number of shares of its Common Stock or Common Stock Equivalents other than as to the Conversion Shares, Additional Redemption Shares, or Warrant Shares as permitted or required under the Transaction Documents;
- e) repay, repurchase or offer to repay, repurchase or otherwise acquire any Indebtedness, other than the Debentures if on a pro rata basis;
- f) pay cash dividends or distributions on any equity securities of the Company;
- g) enter into any transaction with any Affiliate of the Company which would be required to be disclosed in any public filing with the Commission or made available through the OTC Disclosure & News Service, as applicable, unless such transaction is made on an arm's-length basis and expressly approved by a majority of the disinterested directors of the Company (even if less than a quorum otherwise required for board approval); or

- h) enter into any agreement with respect to any of the foregoing. Section 8. Events of Default.
- a) “Event of Default” means, wherever used herein, any of the following events (whatever the reason for such event and whether such event shall be voluntary or involuntary or effected by operation of law or pursuant to any judgment, decree or order of any court, or any order, rule or regulation of any administrative or governmental body):
  - i. any default in the payment of (A) the principal amount of any Debenture, including, without limitation, in connection with a Periodic Redemption, or (B) interest, liquidated damages and other amounts owing to a Holder on any Debenture, as and when the same shall become due and payable (whether on a Conversion Date, Periodic Redemption Date or the Maturity Date or by acceleration or otherwise) which default, solely in the case of an interest payment or other default under clause (B) above, is not cured within three (3) Trading Days;
  - ii. the Company shall fail to observe or perform any other covenant or agreement contained in the Debentures or the Purchase Agreement (other than a breach by the Company of its obligations to deliver shares of Common Stock to the Holder upon conversion, which breach is addressed in clause (x) below) which failure is not cured, if possible to cure, within the earlier to occur of (A) five (5) Trading Days after notice of such failure sent by the Holder or by any other Holder to the Company and (B) ten (10) Trading Days after the Company has become or should have become aware of such failure;
- iii. a default or event of default (subject to any grace or cure period provided in the applicable agreement, document or instrument) shall occur under (A) any of the Transaction Documents or (B) any other material agreement, lease, document or instrument to which the Company or any Subsidiary is obligated (and not covered by clause (vi) below);
  - iv. any representation or warranty made in this Debenture, any other Transaction Documents, any written statement pursuant hereto or thereto or any other report, financial statement or certificate made or delivered to the Holder or any other Holder shall be untrue or incorrect in any material respect as of the date when made or deemed made;
  - v. the Company or any Significant Subsidiary (as such term is defined in Rule 1-02(w) of Regulation S-X) shall be subject to a Bankruptcy Event;

- vi. the Company or any Subsidiary shall default on any of its obligations under any mortgage, credit agreement or other facility, indenture agreement, factoring agreement or other instrument under which there may be issued, or by which there may be secured or evidenced, any Indebtedness for borrowed money or money due under any long term leasing or factoring arrangement that (a) involves an obligation greater than \$15,000, whether such Indebtedness now exists or shall hereafter be created, and (b) results in such Indebtedness becoming or being declared due and payable prior to the date on which it would otherwise become due and payable;
  - vii. the Common Stock shall not be eligible for listing or quotation for trading on a Trading Market and shall not be eligible to resume listing or quotation for trading thereon within five (5) Trading Days;
  - viii. the Company shall be a party to any Change of Control Transaction or Fundamental Transaction or shall agree to sell or dispose of all or in excess of forty percent (40%) of its assets in one (1) transaction or a series of related transactions (whether or not such sale would constitute a Change of Control Transaction);
  - ix. the Company does not meet the current public information requirements under Rule 144 with respect to the Securities;
  - x. the Company shall fail for any reason to deliver certificates to a Holder prior to the fifth (5th) Trading Day after a Conversion Date pursuant to Section 4(c) or the Company shall provide at any time notice to the Holder, including by way of public announcement, of the Company's intention to not honor requests for conversions of any Debentures in accordance with the terms hereof;
  - xi. the electronic transfer by the Company of shares of Common Stock through the Depository Trust Company or another established clearing corporation is no longer available or is subject to a "chill";
  - xii. any monetary judgment, writ or similar final process shall be entered or filed against the Company, any Subsidiary or any of their respective property or other assets for more than \$50,000, and such judgment, writ or similar final process shall remain unvacated, unbonded or unstayed for a period of forty-five (45) calendar days; or
  - xiii. a false or inaccurate certification (including a false or inaccurate deemed certification) by the Company as to whether any Event of Default has occurred.
- b) Remedies Upon Event of Default. If any Event of Default occurs, the outstanding principal amount of this Debenture, plus accrued but unpaid interest,

liquidated damages and other amounts owing in respect thereof through the date of acceleration, shall become, at the Holder's election, immediately due and payable in cash at the Mandatory Default Amount. Commencing five (5) days after the occurrence of any Event of Default that results in the eventual acceleration of this Debenture, the interest rate on this Debenture shall accrue at an interest rate equal to the lesser of fifteen percent (15%) per annum or the Maximum Rate. Upon the payment in full of the Mandatory Default Amount, the Holder shall promptly surrender this Debenture to or as directed by the Company. In connection with such acceleration described herein, the Holder need not provide, and the Company hereby waives, any presentment, demand, protest or other notice of any kind, and the Holder may immediately and without expiration of any grace period enforce any and all of its rights and remedies hereunder and all other remedies available to it under applicable law. Such acceleration may be rescinded and annulled by Holder at any time prior to payment hereunder and the Holder shall have all rights as a holder of the Debenture until such time, if any, as the Holder receives full payment pursuant to this Section 8(b). No such rescission or annulment shall affect any subsequent Event of Default or impair any right consequent thereon.

Section 9. Miscellaneous.

- a) Notices. Any and all notices or other communications or deliveries to be provided by the Holder hereunder, including, without limitation, any Notice of Conversion, shall be in writing and delivered personally, by facsimile, by email attachment, or sent by a nationally recognized overnight courier service, addressed to the Company at the address set forth above (or such other address as the Company may specify for such purposes by notice to the Holder delivered in accordance with this Section 9(a)), its facsimile number or its email address, as applicable. Any and all notices or other communications or deliveries to be provided by the Company hereunder shall be in writing and delivered personally, by facsimile, by email attachment, or sent by a nationally recognized overnight courier service addressed to each Holder at such Holder's address appearing on the books of the Company (or such other address as the Holder may specify for such purposes by notice to the Company delivered in accordance with this Section 9(a)), such Holder's facsimile number or email address, as applicable. Any notice or other communication or deliveries hereunder shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number or email attachment to the email address set forth on the signature pages attached hereto prior to 5:30 p.m. (New York City time) on any date, (ii) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number or email attachment to the email address set forth on the signature pages attached hereto on a day that is not a Trading Day or later than 5:30 p.m. (New York City time) on any Trading Day, (iii) the second (2nd) Trading Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service, or (iv) upon actual receipt by the party to whom such notice is required to be given.

- b) Absolute Obligation. Except as expressly provided herein, no provision of this Debenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of, liquidated damages and accrued interest, as applicable, on this Debenture at the time, place, and rate, and in the coin or currency, herein prescribed. This Debenture is a direct debt obligation of the Company. This Debenture ranks pari passu with all other Debentures now or hereafter issued under the terms set forth herein.
- c) Lost or Mutilated Debenture. If this Debenture shall be mutilated, lost, stolen or destroyed, the Company shall execute and deliver, in exchange and substitution for and upon cancellation of a mutilated Debenture, or in lieu of or in substitution for a lost, stolen or destroyed Debenture, a new Debenture for the principal amount of this Debenture so mutilated, lost, stolen or destroyed, but only upon receipt of evidence of such loss, theft or destruction of such Debenture, and of the ownership hereof, reasonably satisfactory to the Company.
- d) Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Debenture shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflict of laws thereof. Each party agrees that all Actions or Proceedings concerning the interpretation, enforcement and defense of the transactions contemplated by any of the Transaction Documents (whether brought against a party hereto or its respective Affiliates, directors, officers, shareholders, employees or agents) shall be commenced in the state and federal courts sitting in the City of New York, Borough of Manhattan (the “New York Courts”). Each party hereto hereby irrevocably submits to the exclusive jurisdiction of the New York Courts for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Documents), and hereby irrevocably waives, and agrees not to assert in any Action or Proceeding, any claim that it is not personally subject to the jurisdiction of such New York Courts, or such New York Courts are improper or inconvenient venue for such proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such Action or Proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Debenture and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by applicable law. Each party hereto hereby irrevocably waives, to the Action or Proceeding arising out of or relating to this Debenture or the transactions contemplated hereby. If any party shall commence an Action or Proceeding to enforce any provisions of this Debenture, then the prevailing party in such Action or Proceeding shall be reimbursed by the other party for its attorneys’ fees and other costs and expenses incurred in the investigation, preparation and prosecution of such Action or Proceeding.

- e) Waiver. Any waiver by the Company or the Holder of a breach of any provision of this Debenture shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Debenture. The failure of the Company or the Holder to insist upon strict adherence to any term of this Debenture on one (1) or more occasions shall not be considered a waiver or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Debenture on any other occasion. Any waiver by the Company or the Holder must be in writing.
- f) Severability. If any provision of this Debenture is invalid, illegal or unenforceable, the balance of this Debenture shall remain in effect, and if any provision is inapplicable to any Person or circumstance, it shall nevertheless remain applicable to all other Persons and circumstances. If it shall be found that any interest or other amount deemed interest due hereunder violates the applicable law governing usury, the applicable rate of interest due hereunder shall automatically be lowered to equal the Maximum Rate. The Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law or other law which would prohibit or forgive the Company from paying all or any portion of the principal of or interest on this Debenture as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Debenture, and the Company (to the extent it may lawfully do so) hereby expressly waives all benefits or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Holder, but will suffer and permit the execution of every such as though no such law has been enacted.
- g) Remedies, Characterizations, Other Obligations, Breaches and Injunctive Relief. The remedies provided in this Debenture shall be cumulative and in addition to all other remedies available under this Debenture and any of the other Transaction Documents at law or in equity (including a decree of specific performance and/or other injunctive relief), and nothing herein shall limit the Holder's right to pursue actual and consequential damages for any failure by the Company to comply with the terms of this Debenture. The Company covenants to the Holder that there shall be no characterization concerning this instrument other than as expressly provided herein. Amounts set forth or provided for herein with respect to payments, conversion and the like (and the computation thereof) shall be the amounts to be received by the Holder and shall not, except as expressly provided herein, be subject to any other obligation of the Company (or the performance thereof). The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holder and that the remedy at law for any such breach may be inadequate. The Company therefore agrees that, in the event of any such breach or threatened breach, the Holder shall be entitled, in addition to all other available remedies, to an injunction restraining any such breach or any such threatened breach, without the necessity of showing economic loss and without any bond

or other security being required. The Company shall provide all information and documentation to the Holder that is requested by the Holder to enable the Holder to confirm the Company's compliance with the terms and conditions of this Debenture.

- h) Next Business Day. Whenever any payment or other obligation hereunder shall be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day.
- i) Headings. The headings contained herein are for convenience only, do not constitute a part of this Debenture and shall not be deemed to limit or affect any of the provisions hereof.
- j) Secured Obligation. The obligations of the Company under this Debenture are secured by all assets of the Company and each Subsidiary pursuant to the Security Agreement.
- k) Disclosure. Upon receipt or delivery by the Company of any notice in accordance with the terms of this Debenture, unless the Company has in good faith determined that the matters relating to such notice do not constitute material, nonpublic information relating to the Company or its Subsidiaries, the Company shall within one (1) Business Day (i) if prior to the Public Company Date, issue a press release disclosing the material, non-public information contained in such notice, or (ii) if after the Public Company Date, file such notice with the Commission pursuant to a Current Report on Form 8-K. In the event that the Company believes that a notice contains material, non- public information relating to the Company or its Subsidiaries, the Company so shall indicate to the Holder contemporaneously with delivery of such notice, and in the absence of any such indication, the Holder shall be allowed to presume that all matters relating to such notice do not constitute material, nonpublic information relating to the Company or its Subsidiaries.

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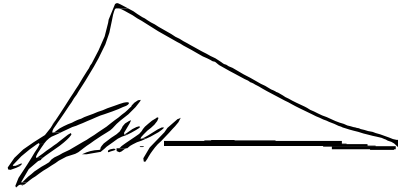
*(Signature Pages Follow)*



IN WITNESS WHEREOF, the Company has caused this Debenture to be duly executed by a duly authorized officer as of the date first above indicated.

**ABT HOLDINGS, INC.**

By:\_\_\_\_ Name:  
Title:

A handwritten signature in black ink, appearing to be "Shahan", written over a horizontal line.

Facsimile Number: \_\_\_\_

Email Address: [shahan@abtholdings.com](mailto:shahan@abtholdings.com)

## ANNEX A NOTICE OF CONVERSION

The undersigned hereby elects to convert principal under the 8% Senior Secured Convertible Debenture due October 1, 2018 of ABT Holdings, Inc., an Idaho corporation (the "Company"), into shares of common stock (the "Common Stock"), of the Company according to the conditions hereof, as of the date written below. If shares of Common Stock are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith such certificates and opinions as reasonably requested by the Company in accordance therewith. No fee will be charged to the holder for any conversion, except for such transfer taxes, if any.

By the delivery of this Notice of Conversion the undersigned represents and warrants to the Company that its ownership of the Common Stock does not exceed the amounts specified under Section 4 of this Debenture, as determined in accordance with Section 13(d) of the Exchange Act.

The undersigned agrees to comply with the prospectus delivery requirements under the applicable securities laws in connection with any transfer of the aforesaid shares of Common Stock.

Conversion calculations: \$5,800,000 divided by \$0.50 (Conversion or Strike Price) Date to Effect  
Conversion:

Principal Amount of Debenture to be Converted: \$5,800,000 Number of shares of Common Stock to be issued: 11,600,000

Signature:

Name: **SHAHAN OHANESSIAN**

Address for Delivery of Common Stock Certificates:

Or

DWAC Instructions:

Broker No: \_\_\_\_\_ Account No: \_\_\_\_

**Schedule 1 CONVERSION SCHEDULE**

The 8% Senior Secured Convertible Debentures due on October 1, 2018 in the aggregate principal amount of \$5,800,000 are issued by ABT Holdings, Inc., an Idaho corporation. This Conversion Schedule reflects conversions made under Section 4 of the above referenced Debenture.

Dated:

Date of Conversion (or for first entry, Original Issue Date)	Amount of Conversion	Aggregate Principal Amount Remaining Subsequent to Conversion (or original Principal Amount)	Company Attest

## **EXHIBIT E**

### **FORM OF WARRANT**

NEITHER THIS SECURITY NOR THE SECURITIES FOR WHICH THIS SECURITY IS EXERCISABLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS. THIS SECURITY AND THE SECURITIES ISSUABLE UPON EXERCISE OF THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT WITH A REGISTERED BROKER-DEALER OR OTHER LOAN WITH A FINANCIAL INSTITUTION THAT IS AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT OR OTHER LOAN SECURED BY SUCH SECURITIES.

### **COMMON STOCK PURCHASE WARRANT**

**ABT HOLDINGS, INC.**

**Warrant Shares: 11,600,000    Initial Exercise Date: October 7, 2016**

This COMMON STOCK PURCHASE WARRANT (the "Warrant") certifies that, for value received, Hillair Capital Investments L.P. or its assigns (the "Holder") is entitled, upon the terms and subject to the limitations on exercise and the conditions hereinafter set forth, at any time on or after the date hereof (the "Initial Exercise Date") and on or prior to the close of business on the five (5) year anniversary of the Initial Exercise Date (the "Termination Date") but not thereafter, to subscribe for and purchase from ABT Holdings, Inc., an Idaho corporation (the "Company"), up to 11,600,000 shares (as subject to adjustment hereunder, the "Warrant Shares") of Common Stock. The purchase price of one (1) share of Common Stock under this Warrant shall be equal to the Exercise Price, as defined in Section 2(b).

**Section 1. Definitions.** Capitalized terms used and not otherwise defined herein shall have the meanings set forth in that certain Securities Purchase Agreement (the "Purchase Agreement"), dated as of October 7, 2016, among the Company and the Purchasers signatory thereto.

### **Section 2.     Exercise.**

- a) **Exercise of Warrant.** Exercise of the purchase rights represented by this Warrant may be made, in whole or in part, at any time or times on or after the Initial Exercise Date and on or before the Termination Date by delivery to the Company (or

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such other office or agency of the Company as it may designate by notice in writing to the registered Holder at the address of the Holder appearing on the books of the Company) of a duly executed facsimile copy (or e-mail attachment) of the Notice of Exercise in the form attached hereto as Exhibit A and within three (3) Trading Days of the date said Notice of Exercise is delivered to the Company, the Company shall have received payment of the aggregate Exercise Price of the shares thereby purchased by wire transfer or cashier's check drawn on a United States bank or, if available, pursuant to the cashless exercise procedure specified in Section 2(c) below. No ink-original Notice of Exercise shall be required, nor shall any medallion guarantee (or other type of guarantee or notarization) of any Notice of Exercise form be required. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company until the Holder has purchased all of the Warrant Shares available hereunder and the Warrant has been exercised in full, in which case, the Holder shall surrender this Warrant to the Company for cancellation within three (3) Trading Days of the date the final Notice of Exercise is delivered to the Company. Partial exercises of this Warrant resulting in purchases of a portion of the total number of Warrant Shares available hereunder shall have the effect of lowering the outstanding number of Warrant Shares purchasable hereunder in an amount equal to the applicable number of Warrant Shares purchased. The Holder and the Company shall maintain records showing the number of Warrant Shares purchased and the date of such purchases. The Company shall deliver any objection to any Notice of Exercise within one (1) Business Day of receipt of such notice. The Holder and any assignee, by acceptance of this Warrant, acknowledge and agree that, by reason of the provisions of this Section 2(a), following the purchase of a portion of the Warrant Shares hereunder, the number of Warrant Shares available for purchase hereunder at any given time may be less than the amount stated on the face hereof.

- b) Exercise Price. The exercise price per share of the Common Stock under this Warrant shall be \$0.50, subject to adjustment hereunder (the "Exercise Price"). In addition to the other adjustments provided herein, upon any adjustment to the Conversion Price of the Debentures as contemplated by Section 4(b) of the Debentures, the Exercise Price shall be reduced, and only reduced, to the lesser of (i) the then effective Exercise Price, as adjusted, or (ii) the Conversion Price, as adjusted under Section 4(b) of the Debentures, and the number of Warrant Shares issuable hereunder shall be increased such that the aggregate Exercise Price payable hereunder, after taking into account the decrease in the Exercise Price, shall be equal to the aggregate Exercise Price prior to such adjustment. The Company shall promptly notify each Holder of the applicable adjustment to the Exercise Price as a result of any Dilutive Issuance (as defined in the Debentures) (an "Adjustment Notice"). For purposes of clarification, whether or not the Company provides an Adjustment Notice pursuant to this Section 2(b), each Holder shall receive Warrant Shares based upon the Exercise Price as adjusted pursuant to this Section 2(b), regardless of whether a Holder accurately refers to such price in any Notice of Exercise.
- c) Cashless Exercise. If at any time there is no effective Registration Statement registering, or no current prospectus available for, the resale of the Warrant Shares by the Holder, then this Warrant may also be exercised, in whole or in part, at

such time by means of a “cashless exercise” in which the Holder shall be entitled to receive a number of Warrant Shares equal to the quotient obtained by dividing [(A-B) (X)] by (A), where:

(A) = the VWAP on the Trading Day immediately preceding the date on which Holder elects to exercise this Warrant by means of a “cashless exercise,” as set forth in the applicable Notice of Exercise;

(B) = the Exercise Price of this Warrant, as adjusted hereunder; and

(X) = the number of Warrant Shares that would be issuable upon exercise of this Warrant in accordance with the terms of this Warrant if such exercise were by means of a cash exercise rather than a cashless exercise.

If Warrant Shares are issued in such a cashless exercise, the parties acknowledge and agree that in accordance with Section 3(a)(9) of the Securities Act, the Warrant Shares shall take on the characteristics of the Warrants being exercised, and the holding period of the Warrants being exercised may be tacked on to the holding period of the Warrant Shares. The Company agrees not to take any position contrary to this Section 2(c).

“VWAP” means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on a Trading Market, the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if OTCQB or OTCQX is not a Trading Market, the volume weighted average price of the Common Stock for such date (or the nearest preceding date) on OTCQB or OTCQX as applicable, (c) if the Common Stock is not then listed or quoted for trading on OTCQB or OTCQX and if prices for the Common Stock are then reported in the “Pink Sheets” published by OTC Markets, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Stock so reported, or (d) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Purchasers of a majority in interest of the Securities then outstanding and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

Notwithstanding anything herein to the contrary, on the Termination Date, this Warrant shall be automatically exercised via cashless exercise pursuant to this Section 2(c).

d) Mechanics of Exercise.

- i. Delivery of Warrant Shares Upon Exercise. Warrant Shares purchased hereunder shall be transmitted by the Transfer Agent to the Holder by crediting the account of the Holder’s or its designee’s balance

account with The Depository Trust Company through its Deposit or Withdrawal at Custodian system (“DWAC”) if the Company is then a participant in such system and either (A) there is an effective registration statement permitting the issuance of the Warrant Shares to or resale of the Warrant Shares by the Holder or (B) the Warrant Shares are eligible for resale by the Holder without volume or manner of sale limitations pursuant to Rule 144, and otherwise by physical delivery of a certificate, registered in the Company’s share register in the name of the Holder or its designee, for the number of Warrant Shares to which the Holder is entitled pursuant to such exercise to the address specified by the Holder in the Notice of Exercise by the date that is three (3) Trading Days after the delivery to the Company of the Notice of Exercise (such date, the “Warrant Share Delivery Date”). The Warrant Shares shall be deemed to have been issued, and Holder or any other person so designated to be named therein shall be deemed to have become a holder of record of such shares for all purposes, as of the date the Warrant has been exercised, with payment to the Company of the Exercise Price (or by cashless exercise, if permitted) and all taxes required to be paid by the Holder, if any, pursuant to Section 2(d)(vi) prior to the issuance of such shares, having been paid. If the Company fails for any reason to deliver to the Holder the Warrant Shares subject to a Notice of Exercise by the Warrant Share Delivery Date, the Company shall pay to the Holder, in cash, as liquidated damages and not as a penalty, for each \$1,000 of Warrant Shares subject to such exercise (based on the VWAP of the Common Stock on the date of the applicable Notice of Exercise), \$10 per Trading Day (increasing to \$20 per Trading Day on the fifth (5th) Trading Day after such liquidated damages begin to accrue) for each Trading Day after such Warrant Share Delivery Date until such Warrant Shares are delivered or Holder rescinds such exercise.

- ii. Delivery of New Warrants Upon Exercise. If this Warrant shall have been exercised in part, the Company shall, at the request of a Holder and upon surrender of this Warrant certificate, at the time of delivery of the Warrant Shares, deliver to the Holder a new Warrant evidencing the rights of the Holder to purchase the unpurchased Warrant Shares called for by this Warrant, which new Warrant shall in all other respects be identical to this Warrant.
- iii. Rescission Rights. If the Company fails to cause the Transfer Agent to transmit to the Holder the Warrant Shares pursuant to Section 2(d)(i) by the Warrant Share Delivery Date, then the Holder will have the right to rescind such exercise.
- iv. Compensation for Buy-In on Failure to Timely Deliver Warrant Shares Upon Exercise. In addition to any other rights available to the Holder, if the Company fails to cause the Transfer Agent to transmit to the Holder the Warrant Shares by the Warrant Share Delivery

Date pursuant to an exercise in accordance with the provisions of Section 2(d)(i) above, and if after such Warrant Share Delivery Date the Holder is required by its broker to purchase (in an open market transaction or otherwise) or the Holder's brokerage firm otherwise purchases, shares of Common Stock to deliver in satisfaction of a sale by the Holder of the Warrant Shares which the Holder anticipated receiving upon such exercise (a "**Buy-In**"), then the Company shall (A) pay in cash to the Holder the amount, if any, by which (x) the Holder's total purchase price (including brokerage commissions and other out-of-pocket expenses, if any) for the shares of Common Stock so purchased exceeds (y) the product of (1) the number of Warrant Shares that the Company was required to deliver to the Holder in connection with the exercise at issue multiplied by (2) the price at which the sell order giving rise to such purchase obligation was executed, and (B) at the option of the Holder, either reinstate the portion of the Warrant and equivalent number of Warrant Shares for which such exercise was not honored (in which case such exercise shall be deemed rescinded) or deliver to the Holder the number of shares of Common Stock that would have been issued had the Company timely complied with its exercise and delivery obligations hereunder. For example, if the Holder purchases Common Stock having a total purchase price of \$11,000 to cover a Buy-In with respect to an attempted exercise of shares of Common Stock with an aggregate sale price giving rise to such purchase obligation of \$10,000, then under clause (A) of the immediately preceding sentence, the Company shall be required to pay the Holder \$1,000. The Holder shall provide the Company written notice indicating the amounts payable to the Holder in respect of the Buy-In and, upon request of the Company, evidence of the amount of such loss. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver shares of Common Stock upon exercise of the Warrant as required pursuant to the terms hereof.

- v. **No Fractional Shares or Scrip.** No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. As to any fraction of a share which the Holder would otherwise be entitled to purchase upon such exercise, the Company shall, at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Exercise Price or round up to the next whole share.
- vi. **Charges, Taxes and Expenses.** Issuance of Warrant Shares shall be made without charge to the Holder for any issue or transfer tax or other incidental expense in respect of the issuance of Warrant Shares, all of which taxes and expenses shall be paid by the Company, and such Warrant Shares shall be issued in the name of the Holder or in such



name or names as may be directed by the Holder; provided, however, that in the event that Warrant Shares are to be issued in a name other than the name of the Holder, this Warrant when surrendered for exercise shall be accompanied by the Assignment Form in the form attached hereto as Exhibit B (the “Assignment Form”) duly executed by the Holder, and the Company may require, as a condition thereto, the payment of a sum sufficient to reimburse it for any transfer tax incidental thereto. The Company shall pay all Transfer Agent fees required for same-day processing of any Notice of Exercise and all fees to the Depository Trust Company (or another established clearing corporation performing similar functions) required for same-day electronic delivery of the Warrant Shares.

vii. Closing of Books. The Company will not close its stockholder books or records in any manner which prevents the timely exercise of this Warrant, pursuant to the terms hereof.

e) Holder’s Exercise Limitations. The Company shall not effect any exercise of this Warrant, and a Holder shall not have the right to exercise any portion of this Warrant, pursuant to Section 2 or otherwise, to the extent that after giving effect to such issuance after exercise as set forth on the applicable Notice of Exercise, the Holder (together with the Holder’s Affiliates, and any other Persons acting as a group together with the Holder or any of the Holder’s Affiliates), would beneficially own in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by the Holder and its Affiliates shall include the number of shares of Common Stock issuable upon exercise of this Warrant with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which would be issuable upon (i) exercise of the remaining, nonexercised portion of this Warrant beneficially owned by the Holder or any of its Affiliates and (ii) exercise or conversion of the unexercised or nonconverted portion of any other securities of the Company (including, without limitation, any other Common Stock Equivalents) subject to a limitation on conversion or exercise analogous to the limitation contained herein beneficially owned by the Holder or any of its Affiliates. Except as set forth in the preceding sentence, for purposes of this Section 2(e), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder, it being acknowledged by the Holder that the Company is not representing to the Holder that such calculation is in compliance with Section 13(d) of the Exchange Act and the Holder is solely responsible for any schedules required to be filed in accordance therewith. To the extent that the limitation contained in this Section 2(e) applies, the determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates) and of which portion of this Warrant is exercisable shall be in the sole discretion of the Holder, and the submission of a Notice of Exercise shall be deemed to be the Holder’s determination of whether this Warrant is exercisable (in relation to other

securities owned by the Holder together with any Affiliates) and of which portion of this Warrant is exercisable, in each case subject to the Beneficial Ownership Limitation, and the Company shall have no obligation to verify or confirm the accuracy of such determination. In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this Section 2(e), in determining the number of outstanding shares of Common Stock, a Holder may rely on the number of outstanding shares of Common Stock as reflected in (A) the Company's most recent periodic or annual report filed with the Commission or made available through the OTC Disclosure & News Service, as the case may be, (B) a more recent public announcement by the Company, or (C) a more recent written notice by the Company or the Transfer Agent setting forth the number of shares of Common Stock outstanding. Upon the written or oral request of a Holder, the Company shall within two (2) Trading Days confirm orally and in writing to the Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Warrant, by the Holder or its Affiliates since the date as of which such number of outstanding shares of Common Stock was reported. The "Beneficial Ownership Limitation" shall be 4.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon exercise of this Warrant. The Holder, upon not less than 61 days' prior notice to the Company, may increase or decrease the Beneficial Ownership Limitation provisions of this Section 2(e); provided, that the Beneficial Ownership Limitation in no event exceeds 9.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon exercise of this Warrant and the provisions of this Section 2(e) shall continue to apply with respect to such increased or decreased Beneficial Ownership Limitation, as the case may be. Any such increase or decrease in the Beneficial Ownership Limitation will not be effective until the sixty-first (61st) day after such notice is delivered to the Company. The provisions of this Section 2(e) shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 2(e) to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this Section 2(e) shall apply to a successor holder of this Warrant.

### **Section 3.      Certain Adjustments.**

- a) **Stock Dividends and Splits.** If the Company, at any time while this Warrant is outstanding:
  - (i) pays a stock dividend or otherwise makes a distribution or distributions on shares of its Common Stock or any other equity or equity equivalent securities payable in shares of Common Stock (which, for the avoidance of doubt, shall not include any shares of Common Stock issued by the Company upon exercise of this

Warrant), (ii) subdivides outstanding shares of Common Stock into a larger number of shares, (iii) combines (including by way of reverse stock split) outstanding shares of Common Stock into a smaller number of shares or (iv) issues by reclassification of shares of the Common Stock any shares of capital stock of the Company, then in each case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event, and the number of shares issuable upon exercise of this Warrant shall be proportionately adjusted such that the aggregate Exercise Price of this Warrant shall remain unchanged. Any adjustment made pursuant to this Section 3(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or reclassification.

**b) Certain Adjustments.**

- i. **Subsequent Equity Sales.** If, at any time while this Warrant is outstanding, the Company or any Subsidiary, as applicable, sells or grants any option to purchase or sells or grants any right to reprice, or otherwise disposes of or issues (or announces any sale, grant or any option to purchase or other disposition), any Common Stock or Common Stock Equivalents entitling any Person to acquire shares of Common Stock at an effective price per share that is lower than the then Exercise Price (such lower price, the “Base Exercise Price” and such issuances, collectively, a “Dilutive Issuance”) (if the holder of the Common Stock or Common Stock Equivalents so issued shall at any time, whether by operation of purchase price adjustments, reset provisions, floating conversion, exercise or exchange prices or otherwise, or due to warrants, options or rights per share which are issued in connection with such issuance, be entitled to receive shares of Common Stock at an effective price per share that is lower than the Exercise Price, such issuance shall be deemed to have occurred for less than the Exercise Price on such date of the Dilutive Issuance), then the Exercise Price shall be reduced to equal the Base Exercise Price. Such adjustment shall be made whenever such Common Stock or Common Stock Equivalents are issued. Notwithstanding the foregoing, no adjustment will be made under this Section 3(b) in respect of an Exempt Issuance and in no event shall the Exercise Price be reduced to less than \$0.01 pursuant to this Section 3(b)(i). If the Company enters into a Variable Rate Transaction, despite the prohibition set forth in the Purchase Agreement, the Company shall be deemed to have issued Common Stock or Common Stock Equivalents at the lowest possible conversion price at which such securities may be converted or exercised. The Company shall notify the Holder in writing, no later than the Trading Day following the issuance of any Common Stock or Common Stock Equivalents subject to this Section 3(b)(i), indicating therein the applicable issuance price, or applicable reset price, exchange price, conversion price and other pricing terms (such notice, the “Dilutive Issuance Notice”). For purposes of clarification, whether or not the Company provides a Dilutive Issuance Notice pursuant to this Section 3(b)(i), upon the occurrence of

any Dilutive Issuance, the Holder is entitled to receive a number of Warrant Shares based upon the Base Exercise Price on or after the date of such Dilutive Issuance, regardless of whether the Holder accurately refers to the Base Exercise Price in the Notice of Conversion.

- ii. **Revenue Adjustment.** In the event the revenue reported in the Company's annual report for the year ended December 31, 2016, filed by March 31, 2017, is less than \$20,000,000, then the Exercise Price will be reduced by a percentage equal to the percentage by which such reported revenue is less than \$20,000,000. For example, if the Company reports revenue of \$16,000,000 for fiscal year 2016, then the Exercise Price then in effect will be reduced by twenty percent (20%).
- c) **Subsequent Rights Offerings.** In addition to any adjustments pursuant to Section 3(a) above, if at any time the Company grants, issues or sells any Common Stock Equivalents or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of shares of Common Stock (the "**Purchase Rights**"), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warrant (without regard to any limitations on exercise hereof, including, without limitation, the Beneficial Ownership Limitation) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights (**provided, however,** to the extent that the Holder's right to participate in any such Purchase Right would result in the Holder exceeding the Beneficial Ownership Limitation, then the Holder shall not be entitled to participate in such Purchase Right to such extent (or beneficial ownership of such shares of Common Stock as a result of such Purchase Right to such extent) and such Purchase Right to such extent shall be held in abeyance for the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation).
- d) **Pro Rata Distributions.** During such time as this Warrant is outstanding, if the Company shall declare or make any dividend or other distribution of its assets (or rights to acquire its assets) to holders of shares of Common Stock, by way of return of capital or otherwise (including, without limitation, any distribution of cash, stock or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) (a "**Distribution**"), at any time after the issuance of this Warrant, then, in each such case, the Holder shall be entitled to participate in such Distribution to the same extent that the Holder would have participated therein if the Holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warrant (without regard to any limitations on exercise hereof, including, without limitation, the Beneficial Ownership Limitation) immediately before the date of which a record is taken for such Distribution, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the participation in such Distribution (**provided, however,** to the

extent that the Holder's right to participate in any such Distribution would result in the Holder exceeding the Beneficial Ownership Limitation, then the Holder shall not be entitled to participate in such Distribution to such extent (or in the beneficial ownership of any shares of Common Stock as a result of such Distribution to such extent) and the portion of such Distribution shall be held in abeyance for the benefit of the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation).

- e) **Fundamental Transaction.** If, at any time while this Warrant is outstanding, (i) the Company, directly or indirectly, in one or more related transactions effects any merger or consolidation of the Company with or into another Person, (ii) the Company, directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one (1) or a series of related transactions, (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Stock are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of fifty percent (50%) or more of the outstanding Common Stock, (iv) the Company, directly or indirectly, in one (1) or more related transactions effects any reclassification, reorganization or recapitalization of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property, or (v) the Company, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person or group of Persons whereby such other Person or group acquires more than fifty percent (50%) of the outstanding shares of Common Stock (not including any shares of Common Stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination) (each a "**Fundamental Transaction**"), then, upon any subsequent exercise of this Warrant, the Holder shall have the right to receive, for each Warrant Share that would have been issuable upon such exercise immediately prior to the occurrence of such Fundamental Transaction, at the option of the Holder (without regard to any limitation in Section 2(e) on the exercise of this Warrant), the number of shares of Common Stock of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and any additional consideration (the "**Alternate Consideration**") receivable as a result of such Fundamental Transaction by a holder of the number of shares of Common Stock for which this Warrant is exercisable immediately prior to such Fundamental Transaction (without regard to any limitation in Section 2(e) on the exercise of this Warrant). For purposes of any such exercise, the determination of the Exercise Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one (1) share of Common Stock in such Fundamental Transaction, and the Company shall apportion the Exercise Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the

Alternate Consideration it receives upon any exercise of this Warrant following such Fundamental Transaction. Notwithstanding anything to the contrary, in the event of a Fundamental Transaction, the Company or any Successor Entity (as defined below) shall, at the Holder's option, exercisable at any time concurrently with, or within thirty (30) days after, the consummation of the Fundamental Transaction, purchase this Warrant from the Holder by paying to the Holder an amount of cash equal to the Black Scholes Value of the remaining unexercised portion of this Warrant on the date of the consummation of such Fundamental Transaction. "Black Scholes Value" means the value of this Warrant based on the Black and Scholes Option Pricing Model obtained from the "OV" function on Bloomberg, L.P. ("Bloomberg") determined as of the day of consummation of the applicable Fundamental Transaction for pricing purposes and reflecting (A) a risk-free interest rate corresponding to the U.S. Treasury rate for a period equal to the time between the date of the public announcement of the applicable Fundamental Transaction and the Termination Date, (B) an expected volatility equal to the greater of one hundred percent (100%) and the one hundred (100) day volatility obtained from the HVT function on Bloomberg as of the Trading Day immediately following the public announcement of the applicable Fundamental Transaction, (C) the underlying price per share used in such calculation shall be the sum of the price per share being offered in cash, if any, plus the value of any non-cash consideration, if any, being offered in such Fundamental Transaction, and (D) a remaining option time equal to the time between the date of the public announcement of the applicable Fundamental Transaction and the Termination Date. The Company shall cause any successor entity in a Fundamental Transaction in which the Company is not the survivor (the "Successor Entity") to assume in writing all of the obligations of the Company under this Warrant and the other Transaction Documents in accordance with the provisions of this Section 3(e) pursuant to written agreements in form and substance reasonably satisfactory to the Holder and approved by the Holder (without unreasonable delay) prior to such Fundamental Transaction and shall, at the option of the Holder, deliver to the Holder in exchange for this Warrant a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Warrant which is exercisable for a corresponding number of shares of capital stock of such Successor Entity (or its parent entity) equivalent to the shares of Common Stock acquirable and receivable upon exercise of this Warrant (without regard to any limitations on the exercise of this Warrant) prior to such Fundamental Transaction, and with an exercise price which applies the exercise price hereunder to such shares of capital stock (but taking into account the relative value of the shares of Common Stock pursuant to such Fundamental Transaction and the value of such shares of capital stock, such number of shares of capital stock and such exercise price being for the purpose of protecting the economic value of this Warrant immediately prior to the consummation of such Fundamental Transaction), and which is reasonably satisfactory in form and substance to the Holder. Upon the occurrence of any such Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Warrant and the other Transaction Documents referring to the "Company" shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the

obligations of the Company under this Warrant and the other Transaction Documents with the same effect as if such Successor Entity had been named as the Company herein.

- f) **Calculations.** All calculations under this Section 3 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 3, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding treasury shares, if any) issued and outstanding.
- g) **Notice to Holder.**
  - i. **Adjustment to Exercise Price.** Whenever the Exercise Price is adjusted pursuant to any provision of this Section 3, the Company shall promptly mail to the Holder a notice setting forth the Exercise Price after such adjustment and any resulting adjustment to the number of Warrant Shares and setting forth a brief statement of the facts requiring such adjustment.
  - ii. **Notice to Allow Exercise by Holder.** If (A) the Company shall declare a dividend (or any other distribution in whatever form) on the Common Stock, (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock, (C) the Company shall authorize the granting to all holders of the Common Stock rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property, or (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, then, in each case, the Company shall cause to be mailed to the Holder at its last address as it shall appear upon the Warrant Register of the Company, at least twenty (20) calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer, share exchange, dissolution, liquidation or winding up is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer, share exchange, dissolution, liquidation or winding up; provided, that the failure to mail

such notice or any defect therein or in the mailing thereof shall not affect the validity of the corporate action required to be specified in such notice. To the extent that any notice provided in this Warrant constitutes, or contains, material, non-public information regarding the Company or any of the Subsidiaries, the Company shall simultaneously (i) if prior to the Public Company Date, issue a press release disclosing the material, non- public information contained in such notice, or (ii) if after the Public Company Date, file such notice with the Commission pursuant to a Current Report on Form 8-K. The Holder shall remain entitled to exercise this Warrant during the period commencing on the date of such notice to the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

**Section 4. Transfer of Warrant.**

- a) **Transferability.** Subject to compliance with any applicable securities laws and the conditions set forth in Section 4(d) hereof and to the provisions of Section 4.1 of the Purchase Agreement, this Warrant and all rights hereunder (including, without limitation, any registration rights) are transferable, in whole or in part, upon surrender of this Warrant at the principal office of the Company or its designated agent, together with an Assignment Form with respect to this Warrant duly executed by the Holder or its agent or attorney and funds sufficient to pay any transfer taxes payable upon the making of such transfer. Upon such surrender and, if required, such payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees, as applicable, and in the denomination or denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant evidencing the portion of this Warrant not so assigned, and this Warrant shall promptly be cancelled. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company unless the Holder has assigned this Warrant in full, in which case, the Holder shall surrender this Warrant to the Company within three (3) Trading Days of the date the Holder delivers an Assignment Form to the Company assigning this Warrant in full. The Warrant, if properly assigned in accordance herewith, may be exercised by a new holder for the purchase of Warrant Shares without having a new Warrant issued.
- b) **New Warrants.** This Warrant may be divided or combined with other Warrants upon presentation hereof at the aforesaid office of the Company, together with a written notice specifying the names and denominations in which new Warrants are to be issued, signed by the Holder or its agent or attorney. Subject to compliance with Section 4(a), as to any transfer which may be involved in such division or combination, the Company shall execute and deliver a new Warrant or Warrants in exchange for the Warrant or Warrants to be divided or combined in accordance with such notice. All Warrants issued on transfers or exchanges shall be dated the Initial Exercise Date and shall be identical with this Warrant except as to the number of Warrant Shares issuable pursuant thereto.



- c) **Warrant Register.** The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the “**Warrant Register**”), in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.
- d) **Transfer Restrictions.** If, at the time of the surrender of this Warrant in connection with any transfer of this Warrant, the transfer of this Warrant shall not be either (i) registered pursuant to an effective registration statement under the Securities Act and under applicable state securities or blue sky laws or (ii) eligible for resale without volume or manner-of-sale restrictions or current public information requirements pursuant to Rule 144, the Company may require, as a condition of allowing such transfer, that the Holder or transferee of this Warrant, as the case may be, comply with the provisions of Section 5.7 of the Purchase Agreement.
- e) **Representation by the Holder.** The Holder, by the acceptance hereof, represents and warrants that it is acquiring this Warrant and, upon any exercise hereof, will acquire the Warrant Shares issuable upon such exercise, for its own account and not with a view to or for distributing or reselling such Warrant Shares or any part thereof in violation of the Securities Act or any applicable state securities law, except pursuant to sales registered under or exempted from registration under the Securities Act.

#### **Section 5. Miscellaneous.**

- a) **No Rights as Stockholder Until Exercise.** This Warrant does not entitle the Holder to any voting rights, dividends or other rights as a stockholder of the Company prior to the exercise hereof as set forth in Section 2(d)(i), except as expressly set forth in Section 3.
- b) **Loss, Theft, Destruction or Mutilation of Warrant.** The Company covenants that upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant or any stock certificate relating to the Warrant Shares, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it (which, in the case of the Warrant, shall not include the posting of any bond), and upon surrender and cancellation of such Warrant or stock certificate, if mutilated, the Company will make and deliver a new Warrant or stock certificate of like tenor and dated as of such cancellation, in lieu of such Warrant or stock certificate.
- c) **Saturdays, Sundays, Holidays, etc.** If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then, such action may be taken or such right may be exercised on the next succeeding Business Day.
- d) **Authorized Shares.**

The Company covenants that, during the period the Warrant is outstanding, it will reserve from its authorized and unissued Common Stock a sufficient number of shares to provide for the issuance of the Warrant Shares upon the exercise of any purchase rights under this Warrant. The Company further covenants that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of issuing the necessary Warrant Shares upon the exercise of the purchase rights under this Warrant. The Company will take all such reasonable action as may be necessary to assure that such Warrant Shares may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of the Trading Market upon which the Common Stock may be listed. The Company covenants that all Warrant Shares which may be issued upon the exercise of the purchase rights represented by this Warrant will, upon exercise of the purchase rights represented by this Warrant and payment for such Warrant Shares in accordance herewith, be duly authorized, validly issued, fully paid and nonassessable and free from all taxes, liens and charges created by the Company in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue).

Except and to the extent as waived or consented to by the Holder, the Company shall not by any action, including, without limitation, amending its certificate of incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of Holder as set forth in this Warrant against impairment. Without limiting the generality of the foregoing, the Company will

(i) not increase the par value of any Warrant Shares above the amount payable therefor upon such exercise immediately prior to such increase in par value, (ii) take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares upon the exercise of this Warrant, and (iii) use commercially reasonable efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof, as may be, necessary to enable the Company to perform its obligations under this Warrant.

Before taking any action which would result in an adjustment in the number of Warrant Shares for which this Warrant is exercisable or in the Exercise Price, the Company shall obtain all such authorizations or exemptions thereof, or consents thereto, as may be necessary from any public regulatory body or bodies having jurisdiction thereof.

- e) **Jurisdiction.** All questions concerning the construction, validity, enforcement and interpretation of this Warrant shall be determined in accordance with the provisions of the Purchase Agreement.
- f) **Restrictions.** The Holder acknowledges that the Warrant Shares acquired upon the exercise of this Warrant, if not registered and the Holder does not utilize cashless exercise, will have restrictions upon resale imposed by state and federal securities laws.
- g) **Nonwaiver and Expenses.** No course of dealing or any delay or failure to exercise any right hereunder on the part of Holder shall operate as a waiver of such right or otherwise prejudice the Holder's rights, powers or remedies, notwithstanding the fact that all rights hereunder terminate on the Termination Date. If the Company willfully and knowingly fails to comply with any provision of this Warrant, which results in any material damages to the Holder, the Company shall pay to the Holder such amounts as shall be sufficient to cover any costs and expenses including, but not limited to, reasonable attorneys' fees, including those of appellate proceedings, incurred by the Holder in collecting any amounts due pursuant hereto

or in otherwise enforcing any of its rights, powers or remedies hereunder.

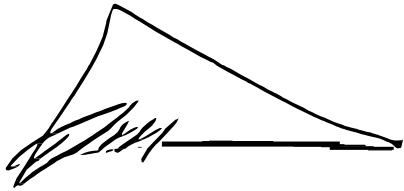
- h) **Notices.** Any notice, request or other document required or permitted to be given or delivered to the Holder by the Company shall be delivered in accordance with the notice provisions of the Purchase Agreement.
- i) **Limitation of Liability.** No provision hereof, in the absence of any affirmative action by the Holder to exercise this Warrant to purchase Warrant Shares, and no enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of the Holder for the purchase price of any Common Stock or as a stockholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.
- j) **Remedies.** The Holder, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Warrant. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Warrant and hereby agrees to waive and not to assert the defense in any action for specific performance that a remedy at law would be adequate.
- k) **Successors and Assigns.** Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding upon the successors and permitted assigns of the Company and the successors and permitted assigns of Holder. The provisions of this Warrant are intended to be for the benefit of any Holder from time to time of this Warrant and shall be enforceable by the Holder or holder of Warrant Shares.
- l) **Amendment.** This Warrant may only be modified or amended or the provisions hereof waived with the prior written consent of the Company and the Holder.
- m) **Severability.** Wherever possible, each provision of this Warrant shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Warrant shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Warrant.
- n) **Headings.** The headings used in this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

\*\*\*\*\*

*(Signature Page Follows)*

**IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its officer thereunto duly authorized as of the date first above indicated.**

**ABT HOLDINGS, INC.**

A handwritten signature in black ink, appearing to be "J. H. H.", written over a horizontal line.

**By:\_\_\_ Name:  
Title:**

**EXHIBIT A**

**NOTICE OF EXERCISE**

**TO: ABT HOLDINGS, INC.**

- (1) The undersigned hereby elects to purchase 11,600,000 Warrant Shares of the Company pursuant to the terms of the attached Warrant (only if exercised in full), and tenders herewith payment of the exercise price in full, together with all applicable transfer taxes, if any.
- (2) Payment shall take the form of (check applicable box): ☐ in lawful money of the United States; or ☐ if permitted, the cancellation of such number of Warrant Shares as is necessary, in accordance with the formula set forth in Section 2(c), to exercise this Warrant with respect to the maximum number of Warrant Shares purchasable pursuant to the cashless exercise procedure set forth in Section 2(c).
- (3) Please issue said Warrant Shares in the name of the undersigned or in such other name as is specified below:

\_\_\_\_\_

**The Warrant Shares shall be delivered to the following DWAC Account Number:**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

- (4) **Accredited Investor**. The undersigned is an “accredited investor” as defined in Regulation D promulgated under the Securities Act of 1933, as amended.

**[SIGNATURE OF HOLDER]**

Name of Investing Entity: \_\_\_\_\_ *Signature of Authorized Signatory of Investing Entity:* \_\_\_\_\_ Name of Authorized Signatory: \_\_\_\_\_ Title of Authorized Signatory: \_\_\_\_\_ Date: \_\_\_\_\_

## EXHIBIT B

### ASSIGNMENT FORM

*(To assign the foregoing Warrant, execute this form and supply required information. Do not use this form to purchase shares.)*

**FOR VALUE RECEIVED**, the foregoing Warrant and all rights evidenced thereby are hereby assigned to

**Name:**

---

**(Please Print)**

**Address:**

---

**(Please Print)**

## **EXHIBIT X – ARTICLES OF INCORPORATION AND BYLAWS**

### **By-Laws of Abot Mining Co.**

#### **ARTICLE I                      OFFICES**

The principal office of the corporation will be located at:

#### **ARTICLE II                      SHAREHOLDERS**

##### **SECTION 1:      ANNUAL MEETINGS**

The annual meeting of the shareholders will be held on the First day of July in each year, beginning with the year, at the hour of 3:00 o'clock p.m. for the purpose of electing Directors and for the transaction of such other business as may come before the meeting.

If the day fixed for the annual meeting is a legal holiday in the State of Idaho, such meeting will be held on the next succeeding business day. If the election of Directors is not be held on the day designated herein for any annual meeting of the shareholders, or at any adjournment thereof, the Board of Directors will cause the election to be held at a special meeting of the shareholders as soon thereafter as conveniently may be.

##### **SECTION 2:      SPECIAL MEETINGS**

Special meetings of the shareholders, for any purpose or purposes, unless otherwise prescribed by statute, may be called by the Chief Executive Officer or by the Board of Directors and must be called by the Chief Executive Officer at the request of the holders if not less than one-tenth of all the outstanding shares of the corporation entitled to vote are at the meeting.

##### **SECTION 3      PLACE OF MEETING**

The Board of Directors may designate any place, either within or without the State of Idaho as the place of meeting for any annual or special meeting of shareholders. If no designation is made, the place of meeting will be the principal office of the corporation.

##### **SECTION 4      NOTICE OF MEETING**

Written or printed notice stating the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, must be delivered not less than ten or more than fifty days before the date of the meeting, either personally or by mail, by or at the direction of the Chief Executive Officer, or the Secretary, or the officer or persons calling the meeting, to each shareholder of record entitled to vote at such meeting. If mailed, such notice will be deemed to be delivered when deposited in the United States mail, addressed to the shareholder at the Shareholder's address as it appears on the stock transfer books of the corporation, with postage thereon prepaid.

##### **SECTION 5      QUORUM**

A majority of the outstanding shares of the corporation entitled to vote, represented in person or by proxy, will constitute a quorum at a meeting of shareholders. If less than a majority of the outstanding shares are represented at a meeting, a majority of the shares so represented may adjourn the meeting from time to time without further notice. At such adjourned meeting at which a quorum must be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified.

##### **SECTION 6      PROXIES**

At all meetings of shareholders, a shareholder may vote by proxy executed in writing by the shareholder or by the Shareholder's duly authorized attorney in fact. Such proxy must be filed with the Secretary of the corporation before or at the time of the meeting. No proxy will be valid after eleven months from the date of its execution, unless otherwise provided in the proxy.

##### **SECTION 7      VOTING OF SHARE**

Subject to the provisions of Section 9, each outstanding share entitled to vote will be entitled to one vote upon each matter submitted to a vote at a meeting of shareholders.

## **SECTION 8      INFORMAL ACTION BY SHAREHOLDER**

Any action required to be taken at a meeting of the shareholders, or any other action which may be taken at a meeting of the shareholders, may be taken without a meeting of a consent in writing, setting forth the action so taken, must be signed by shareholders owning a majority of the Company's issued and outstanding common stock with respect to the subject matter thereof.

## **ARTICLE III                      BOARD OF DIRECTORS**

### **SECTION 1      GENERAL POWERS**

The business and affairs of the corporation will be managed by its Board of Directors.

### **SECTION 2      NUMBER, TENURE, AND QUALIFICATIONS**

The number of Directors of the corporation must be at least one but not more than nine. Each director will hold office until the next annual meeting of shareholders and until the Director's successor has been elected and qualified.

### **SECTION 3      REGULAR MEETINGS**

A regular meeting of the Board of Directors will be held without other notice than this by-law immediately after, and at the same place as, the annual meeting of shareholders. The Board of Directors may provide, by resolution, the time and place, either within or without the State of Idaho, for the holding of additional regular meetings without other notice than such resolution.

### **SECTION 4      SPECIAL MEETINGS**

Special meetings of the Board of Directors may be called by or at the request of the Chief Executive Officer or any two Directors. The person or persons authorized to call special meetings of the Board of Directors may fix any place either within or without the State of Idaho as the place for holding any special meeting of the Board of Directors called by them.

### **SECTION 5      NOTICE**

Notice of any special meeting must be given at least four days previously thereto by written notice delivered personally or mailed to each Director at their customary business address. If mailed, such notice will be deemed to be delivered when deposited in the United States Mail so addressed, with postage thereon prepaid. Any Director may waive notice of any meeting. The attendance of a Director at a meeting will constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

### **SECTION 6      QUORUM**

A majority of the number of Directors fixed by Section 2 of this Article III will constitute a quorum for the transaction of business at any meeting of the Board of Directors, but if less than such majority is present at a meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice.

### **SECTION 7      MANNER OF ACTING**

The act of the majority of the Directors present at a meeting at which a quorum is present will be the act of the Board of Directors.

### **SECTION 8      VACANCIES**

Any vacancy occurring in the Board of Directors may be filled by the affirmative vote of a majority of the remaining Directors though less than a quorum of the Board of Directors. A Director elected to fill a vacancy will be elected for the unexpired term of the predecessor in office.

### **SECTION 9      COMPENSATION**

By resolution of the Board of Directors, the Directors may be paid their expenses, if any, for attendance at each meeting of the Board of Directors, and may be paid a fixed sum for attendance at each meeting of the



Board of Directors. No such payment may preclude any director from serving the corporation in any other capacity and receiving compensation therefore.

#### **SECTION 10 PRESUMPTION OF ASSENT**

A Director of the corporation who is present at a meeting of the Board of Directors, at which action on any corporate matter is presumed to assent to the action taken unless the Director's dissent will be entered in the minutes, of the meeting or unless the Director will file a written dissent to such action with the person acting as the Secretary of the meeting before the adjournment thereof, or will forward such dissent by registered mail to the Secretary of the corporation immediately after the adjournment of the meeting. Such right to dissent will not apply to a Director who voted in favor of such action.

#### **SECTION 11 EXECUTIVE COMMITTEE**

The Board of Directors, by resolution adopted by the majority of the Directors fixed by the by-laws, may designate a committee of not less than two Directors which committee, in absence of a resolution of the Board of Directors limiting or restricting its authority will have and may exercise all of the authority of the Board of Directors in the management of all business and affairs of the corporation, except the Executive Committee may not fill vacancies in the Board of Directors or amend these by-laws. The Board of Directors may at any time remove any member of the Executive Committee with or without cause and may terminate or in any way in its sole discretion limit or restrict the authority of the Executive Committee. The Committee will keep a record of its proceedings and report such proceedings to the Board of Directors.

### **ARTICLE IV OFFICERS**

#### **SECTION 1 NUMBER**

The officers of the corporation will be a Chief Executive Officer, one or more Vice Presidents (the number thereof, if any, to be determined by the Board of Directors), a Secretary, and a Chief Financial Officer, each of who will be elected by the Board of Directors. Any officers may be held by the same person, including the offices of Chief Executive Officer and Secretary.

#### **SECTION 2 ELECTION AND TERM OF OFFICE**

The officers of the corporation to be elected by the Board of Directors will be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the shareholders. If the election of officers is not held at such meeting, such election will be held as soon thereafter as conveniently may be. Each officer will hold office until a successor has been duly elected and qualified or until the Officer's death or until the Officer has resign or has been removed in the manner hereinafter provided.

#### **SECTION 3 REMOVAL**

Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors, whenever in its judgment the best interests of the corporation would be served thereby, but such removal will be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent will not of itself create contract rights.

#### **SECTION 4 VACANCIES**

A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

#### **SECTION 5 CHIEF EXECUTIVE OFFICER**

The Chief Executive Officer will be the principal executive officer of the corporation and, subject to the control of the Board of Directors, will in general supervise and control all of the business and affairs of the corporation. The Chief Executive Officer, when present, will preside at all meetings of the shareholders and of the Board of Directors. The Chief Executive Officer may sign, with the Secretary or any other proper officer of the corporation thereunto authorized by the Board of Directors, certificates for shares of the corporation, and in general perform all duties incident to the office of Chief Executive Officer and such other duties as may be prescribed by the Board of Directors from time to time.

## **SECTION 6 THE VICE PRESIDENT**

In the absence of the Chief Executive Officer or in the event of the Chief Executive Officer's death, inability or refusal to act, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order designated at the time of their election, or in the absence of any designation, then in the order of their election) perform the duties of the Chief Executive Officer, and when so acting have all the powers of and be subject to all the restrictions upon the Chief Executive Officer. Any Vice President may sign, with the Secretary or an Assistant Secretary, certificates for shares of the corporation; and perform such other duties as from time to time may be assigned to the Vice President by the Chief Executive Officer or by the Board of Directors.

## **SECTION 7 THE SECRETARY**

The Secretary will: (a) keep the minutes of the shareholders' and of the Board of Directors' meetings in one or more books provided for the purpose; (b) see that all notices are duly given in accordance with the provisions of these by-laws or as required by law; (c) be custodian of the corporate records and of the seal of the corporation and see that the seal of which on behalf of the corporation under its seal is duly authorized; (d) keep a register of the post office address of each shareholder furnished to the Secretary by such shareholder; (e) sign with the Chief Executive Officer, or a Vice President, certificates for shares of the corporation, the issuance of which has been authorized by resolution of the Board of Directors; (f) have general charge of the stock transfer books of the corporation; and (g) in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to the Secretary by the Chief Executive Officer or by the Board of Directors.

## **SECTION 8 THE CHIEF FINANCIAL OFFICER**

The Chief Financial Officer will (a) have charge and custody of and be responsible for all funds and securities of the corporation; (b) receive and give receipts for moneys due and payable to the corporation from any source whatsoever, and deposit all such moneys in the name of the corporation in such banks, trust companies or other depositories as selected in accordance with the provisions of Article V of these by-laws; and (c) in general perform all of the duties incident to the office of the Chief Financial Officer and such other duties as from time to time may be assigned to the Chief Financial Officer by the Chief Executive Officer or by the Board of Directors.

## **SECTION 9 SALARIES**

The salaries of the officers will be fixed from time to time by the Board of Directors and no officer may be prevented from receiving such salary by reason of the fact that the officer is also a Director of the corporation.

# **ARTICLE V CONTRACTS, LOANS, CHECKS, AND DEPOSITS**

## **SECTION 1 CONTRACTS**

The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract, to execute and deliver any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances.

## **SECTION 2 LOANS**

No loans may be contracted on behalf of the corporation and no evidences of indebtedness may be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.

## **SECTION 3 CHECKS, DRAFTS, ETC.**

All checks, drafts, or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation must be signed by such officer or officers, agent or agents, of the corporation and in such manner as from time to time determined by resolution of the Board of Directors.

## **SECTION 4 DEPOSITS**

All funds of the corporation not otherwise employed will be deposited from time to time to the credit of the corporation in such banks, trust companies or other depositories as the Board of Directors may select.

## **ARTICLE VI**

### **CERTIFICATES FOR SHARES AND THEIR TRANSFER**

#### **SECTION 1 CERTIFICATES FOR SHARES**

Certificates representing shares of the corporation will be in such form as determined by the Board of Directors. Such certificates will be signed by the Chief Executive Officer or a Vice President and by the Secretary or an Assistant Secretary. All certificates for shares will be consecutively numbered or otherwise identified. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, will be entered on the stock transfer books of the corporation. All certificates surrendered to the corporation for transfer will be canceled and no certificates will be issued until the former certificate for a like number of shares has been surrendered and canceled, except that in case of a lost, destroyed or mutilated certificate, a new one may be issued therefore upon such terms and indemnity to the corporation as the Board of Directors may prescribe.

#### **SECTION 2 TRANSFER OF SHARES**

Transfer of shares of the corporation will be made only on the stock transfer books of the corporation by the holder of record thereof or by a legal representative, who must furnish proper evidence of authority to transfer, or by an attorney thereunto authorized by power of attorney duly executed and filed with the Secretary of the corporation, and on surrender for cancellation of the certificate for such shares. The person in whose name shares stand on the books of the corporation will be deemed by the corporation to be the owner thereof for all purposes.

## **ARTICLE VII FISCAL YEAR**

The fiscal year of the corporation will begin on the first day of January and end on the 31st day of December.

## **ARTICLE VIII DIVIDENDS**

The Board of Directors may from time to time declare, and the corporation may pay, dividends on its outstanding shares in the manner and upon the terms and conditions provided by law.

## **ARTICLE IX SEAL**

The Board of Directors may provide a corporate seal which will be circular in form and have inscribed thereon the name of the corporation and conditions provided by law.

## **ARTICLE X WAIVER OF NOTICE**

Whenever any notice is required to be given to any shareholder or director of the corporation under the provisions of these by-laws or under the provisions of the articles of incorporation or under the provisions of the laws of the State of Idaho, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, will be deemed equivalent to the giving of such notice.

## **ARTICLE XI AMENDMENTS**

These by-laws may be altered, amended or repealed and new by-laws may be adopted by majority vote of the Board of Directors at any regular or special meeting of the Board of Directors, or by a majority vote of the outstanding shares. The foregoing initial by-laws of the corporation were adopted by the Board of Directors on this day \_\_\_\_\_