EPAZZ, INC.

Quarterly Report

For Periods Ending

June 30, 2016 and June 30, 2015

EPAZZ, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

	Page
Quarterly Financial Statements	
Consolidated Balance Sheets as of June 30, 2016 and December 31, 2015	2
Consolidated Statements of Operations for the Six and Three Months ended June 30, 2016 and 2015	3
Consolidated Statements of Cash Flows for the Six Months ended June 30, 2016 and 2015	4
Notes to Consolidated Financial Statements	5

EPAZZ, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2016	December 31, 2015
Assets		
Current assets:		
Cash	$ 14,230	$ 15,788
Accounts receivable, net	305,391	136,468
Other current assets	76,758	319,349
Total current assets	396,379	471,605
Property and equipment, net	36,162	55,872
Total assets	$ 432,541	$ 527,477
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable	$ 375,338	$ 318,146
Accrued expenses	45,841	37,786
Accrued expenses, related parties	385,695	287,658
Deferred revenue	503,612	549,419
Lines of credit	85,700	89,892
Current maturities of notes payable, related parties ($1,167,698 and $1,110,698 currently in default, respectively)	1,167,698	1,167,698
Convertible debts, net of discounts of $ -0- and $1,697, respectively ($115,456 and $138,539 currently in default, respectively)	115,456	137,956
Current maturities of long term debts	1,825,305	1,566,265
Total current liabilities	4,504,645	4,154,820
Long term debts, net of current maturities	847,518	812,655
Total liabilities	5,352,163	4,967,475
Stockholders' equity (deficit):		
Convertible preferred stock, Series A, $0.0001 par value, 1,000 shares authorized, 1,000 shares issued and outstanding	–	–
Convertible preferred stock, Series B, $0.0001 par value, 1,000 shares authorized, 1,000 shares issued and outstanding	–	–
Convertible preferred stock, Series C, $0.0001 par value, 3,000,000,000 shares authorized, 2,365,320,333 shares issued and outstanding	235,337	236,532
Convertible preferred stock, Series E, $0.0001 par value, 100,000,000 shares authorized, 24 shares issued and outstanding	–	–
Common stock, Class A, $0.01 par value, 1,000,000,000 shares authorized, 408,800,923 and 1,139,847 shares issued and outstanding, respectively	377,802	11,398
Convertible common stock, Class B, $0.01 par value, 60,000,000 shares authorized, 23,000,000 shares issued and outstanding	230,000	230,000
Additional paid in capital	11,493,994	11,835,095
Accumulated deficit	(17,256,755)	(16,753,023)
Total stockholders' equity (deficit)	(4,919,622)	(4,439,998)
Total liabilities and stockholders' equity (deficit)	$ 432,541	$ 527,477

See accompanying notes to financial statements.

EPAZZ, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
Revenue	$ 586,008	$ 998,198	$ 1,002,268	$ 1,459,859
Expenses:				
General and administrative	161,847	662,788	364,710	918,520
Salaries and wages	141,004	107,373	290,472	257,519
Depreciation and amortization	5,900	38,260	19,710	82,225
Bad debts (recoveries)	89,842	112,209	114,931	264,664
Total operating expenses	398,593	920,630	789,823	1,522,928
Net operating income (loss)	187,415	77,568	212,445	(63,069)
Other income (expense):				
Interest expense	(315,594)	(362,855)	(716,177)	(654,073)
Loss on debt conversion	–	(144,080)	–	(144,080)
Change in derivative liabilities	–	(3,833)	–	(80,943)
Total other expense	(315,594)	(510,768)	(716,177)	(879,096)
Net loss	$ (128,179)	$ (433,200)	$ (503,732)	$ (942,165)
Weighted average number of common shares outstanding - basic and fully diluted	12,490,435	4,565	6,860,844	2,364
Net loss per share - basic and fully diluted	$ (0.01)	$ (94.90)	$ (0.07)	$ (398.61)

See accompanying notes to financial statements.

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

	For the Six Months Ended June 30, 2016	For the Six Months Ended June 30, 2015
Cash flows from operating activities		
Net loss	$ (503,732)	$ (942,165)
Adjustments to reconcile net loss to net cash used in operating activities:		
Bad debts (recoveries)	114,931	264,664
Depreciation and amortization	19,710	82,225
Amortization of deferred financing costs	563,094	127,720
Amortization of discounts on convertible debts	–	378,834
Change in fair market value of derivative liabilities	–	80,943
Loss on conversion of debt to equity	–	144,082
Stock based compensation issued for services	–	69,514
Stock based compensation issued for services, related parties	–	90,000
Decrease (increase) in assets:		
Accounts receivable	(283,854)	(486,239)
Other current assets	–	–
Increase (decrease) in liabilities:		
Accounts payable	57,192	14,635
Accrued expenses	9,413	(22,651)
Accrued expenses, related parties	98,037	69,867
Deferred revenues	(45,807)	18,619
Net cash provided by (used in) operating activities	28,984	(109,952)
Cash flows from investing activities		
Purchase of equipment	–	(8,175)
Net cash used in investing activities	–	(8,175)
Cash flows from financing activities		
Payments on capital lease obligations payable	–	(2,263)
Proceeds from notes payable, related parties	–	53,480
Repayment of notes payable, related parties	–	(38,500)
Proceeds from convertible notes	–	253,179
Proceeds from common stock issuance	250	–
Proceeds from long term debts	578,547	969,273
Repayment of long term debts	(609,339)	(1,198,091)
Net cash provided by financing activities	(30,542)	37,078
Net increase (decrease) in cash	(1,558)	(81,049)
Cash – beginning	15,788	106,708
Cash – ending	$ 14,230	$ 25,659
Supplemental disclosures:		
Interest paid	$ 383,194	$ 451,344
Income taxes paid	–	–
Non-cash investing and financing activities:		
Value of shares issued for conversion of debt	$ 18,858	$ 236,107
Value of shares issued for conversion of debt, related parties	$ 5,000	$ 22,000
Beneficial conversion features	$ –	$ 244,228
Discount on derivatives	$ –	$ 82,366
Deferred financing costs	$ 320,503	$ 160,645
Conversion of Preferred C to Common A	$ –	$ 2,101,579
Derivative adjustment due to debt conversions	$ –	$ 134,994

See accompanying notes to financial statements.

Note 1 – Nature of Business and Summary of Significant Accounting Policies

Nature of Business and Organization
Epazz, Inc. ("Epazz" or the "Company"), an Illinois corporation, was formed on March 23, 2000 to create software to help college students organize their college information and resources.

Today, Epazz Inc. is an enterprise-wide cloud software company that specializes in providing customized web applications to the corporate world, higher education institutions and the public sector. Epazz unique applications can create virtual communities for enhanced communication, provide information and content for decision-making, and create a secure marketplace for any type of commerce all through the medium of the Internet. Epazz is the answer to the increasing information technology demand of the 21st century.

Basis of Accounting
Our consolidated financial statements are prepared using the accrual method of accounting as generally accepted in the United States of America (U.S. GAAP).

The Company's headquarters are located in Wheeling, Illinois and substantially all of its customers are within the United States.

These statements reflect all adjustments, consisting of normal recurring adjustments, which in the opinion of management are necessary for fair presentation of the information contained therein.

Segment Reporting
FASB ASC 280-10-50 requires annual and interim reporting for an enterprise's operating segments and related disclosures about its products, services, geographic areas and major customers. An operating segment is defined as a component of an enterprise that engages in business activities from which it may earn revenues and expenses, and about which separate financial information is regularly evaluated by the chief operating decision maker in deciding how to allocate resources. All of the Company's software products are considered operating segments, and will be aggregated into one reportable segment given the similarities in economic characteristics among the operations represented by the common nature of the products, customers and methods of distribution.

Reclassifications
Certain amounts in the financial statements of the prior year have been reclassified to conform to the presentation of the current year for comparative purposes.

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

Fair Value of Financial Instruments
Under FASB ASC 820-10-05, the Financial Accounting Standards Board establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This Statement reaffirms that fair value is the relevant measurement attribute. The adoption of this standard did not have a material effect on the Company's financial statements as reflected herein. The carrying amounts of cash, accounts payable and accrued expenses reported on the balance sheets are estimated by management to approximate fair value primarily due to the short term nature of the instruments. The Company had debt instruments that required fair value measurement on a recurring basis.

Intangible Assets
Intangible assets are amortized using the straight-line method over their estimated period of benefit of five to fifteen years. We evaluate the recoverability of intangible assets periodically and take into account events or circumstances that warrant revised estimates of useful lives or that indicate that impairment exists. All of our intangible assets are subject to amortization. No material impairments of intangible assets have been identified during any of the periods presented. The Company's evaluation of intangible assets completed during the prior year resulted in impairment losses of $233,332 for the year ended December 31, 2015. Amortization expense on intangible assets totaled $-0- and $ 51,504 for the period ended June 30, 2016 and 2015, respectively.

Goodwill
The Company evaluates the carrying value of goodwill during the fourth quarter of each year and between annual evaluations if events occur or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount.

Such circumstances could include, but are not limited to (1) a significant adverse change in legal factors or in business climate, (2) unanticipated competition, or (3) an adverse action or assessment by a regulator. When evaluating whether goodwill is impaired, the Company compares the fair value of the reporting unit to which the goodwill is assigned to the reporting unit's carrying amount, including goodwill. The fair value of the reporting unit is estimated using a combination of the income, or discounted cash flows, approach and the market approach, which utilizes comparable companies' data. If the carrying amount of a reporting unit exceeds its fair value, then the amount of the impairment loss must be measured. The impairment loss would be calculated by comparing the implied fair value of reporting unit goodwill to its carrying amount. In calculating the implied fair value of reporting unit goodwill, the fair value of the reporting unit is allocated to all of the other assets and liabilities of that unit based on their fair values. The excess of the fair value of a reporting unit over the amount assigned to its other assets and liabilities is the implied fair value of goodwill. An impairment loss would be recognized when the carrying amount of goodwill exceeds its implied fair value. The Company's evaluation of goodwill completed during the prior year resulted in impairment losses of $274,818 for the year ended December 31, 2015.

<u>Beneficial Conversion Features</u>
From time to time, the Company may issue convertible notes that may contain an imbedded beneficial conversion feature. A beneficial conversion feature exists on the date a convertible note is issued when the fair value of the underlying common stock to which the note is convertible into is in excess of the remaining unallocated proceeds of the note after first considering the allocation of a portion of the note proceeds to the fair value of warrants, if related warrants have been granted. The intrinsic value of the beneficial conversion feature is recorded as a debt discount with a corresponding amount to additional paid in capital. The debt discount is amortized to interest expense over the life of the note using the effective interest method.

<u>Derivative Liability</u>
The Company evaluates its convertible instruments, options, warrants or other contracts to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for under ASC Topic 815, “Derivatives and Hedging.” The result of this accounting treatment is that the fair value of the derivative is marked-to-market each balance sheet date and recorded as a liability. In the event that the fair value is recorded as a liability, the change in fair value is recorded in the statement of operations as other income (expense). Upon conversion or exercise of a derivative instrument, the instrument is marked to fair value at the conversion date and then that fair value is reclassified to equity. Equity instruments that are initially classified as equity that become subject to reclassification under ASC Topic 815 are reclassified to liabilities at the fair value of the instrument on the reclassification date. We analyzed the derivative financial instruments (the Convertible Note and tainted Warrant), in accordance with ASC 815. The objective is to provide guidance for determining whether an equity-linked financial instrument is indexed to an entity’s own stock. This determination is needed for a scope exception which would enable a derivative instrument to be accounted for under the accrual method. The classification of a non-derivative instrument that falls within the scope of ASC 815-40-05 “Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company’s Own Stock” also hinges on whether the instrument is indexed to an entity’s own stock. A non-derivative instrument that is not indexed to an entity’s own stock cannot be classified as equity and must be accounted for as a liability. There is a two-step approach in determining whether an instrument or embedded feature is indexed to an entity’s own stock. First, the instrument's contingent exercise provisions, if any, must be evaluated, followed by an evaluation of the instrument's settlement provisions. The Company utilized multinomial lattice models that value the derivative liability within the notes based on a probability weighted discounted cash flow model. The Company utilized the fair value standard set forth by the Financial Accounting Standards Board, defined as the amount at which the assets (or liability) could be bought (or incurred) or sold (or settled) in a current transaction between willing parties, that is, other than in a forced or liquidation sale.

<u>Basic and Diluted Net Earnings per Share</u>
Basic net earnings (loss) per common share is computed by dividing net earnings (loss) applicable to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted net earnings (loss) per common share is determined using the weighted-average number of common shares outstanding during the period, adjusted for the dilutive effect of common stock equivalents, consisting of shares that might be issued upon exercise of common stock options. In periods where losses are reported, the weighted-average number of common shares outstanding excludes common stock equivalents, because their inclusion would be anti-dilutive. There were no outstanding potential common stock equivalents for the periods presented. As such, basic and diluted earnings per share resulted in the same figure for the six months ending June 30, 2016 and 2015.

<u>Stock-Based Compensation</u>
Under FASB ASC 718-10-30-2, all share-based payments to employees, including grants of employee stock options, are to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative. Stock issued for services and compensation was $-0- for both the six months ending June 30, 2016 and 2015.

Revenue Recognition

The Company designs and sells various software programs to business enterprises including, among others, hospitals, pet stores, and Government and post-secondary institutions. Prior to shipment, each software product is tested extensively to meet Company specifications. The software is shipped fully functional via electronic delivery, but some installation and setup is required. No other entities sell the same or largely interchangeable software.

Installation is a standard process, outlined in the owner's manual, consisting principally of setup, calibrating, and testing the software. A purchaser of the software could complete the process using the information in the owner's manual, although it would probably take significantly longer than it would take the Company's technicians to perform the tasks. Although other vendors do not install the Company's software, they do provide largely interchangeable installation services for a fee. Historically, the Company has never sold the software without installation. Most installations are performed by the Company within 7 to 24 days of shipment and are included in the overall sales price of the software. In addition, the customer must pay for support contracts and training packages, depending on their desired level of service. The Company is the only manufacturer of the software and it only sells software on a standalone basis directly to the end user.

The sales price of the arrangement consists of the software, installation, and training and support services, which the customer is obligated to pay in full upon delivery of the software. In addition, there are no general rights of return involved in these arrangements. Therefore, the software is accounted for as a separate unit of accounting.

The Company does not have vendor-specific objective evidence of selling price for the software because it does not sell the software separately (without installation services and support contracts). In addition, third-party evidence of selling price does not exist as no vendor separately sells the same or largely interchangeable software. Therefore, the Company uses its best estimate of selling price when allocating such arrangement consideration.

In estimating its selling price for the software, the Company considers the cost to produce the software, profit margin for similar arrangements, customer demand, effect of competitors on the Company's software, and other market constraints. When applying the relative selling price method, the Company uses its best estimate of selling price for the software, and third-party evidence of selling price for the installation. Accordingly, without considering whether any portion of the amount allocable to the software is contingent upon delivery of the other items, the Company allocates the selling price to the software, support, and installation.

The Company doesn't currently provide product warranties, but if it does in the future it will provide for specific product lines and accrue for estimated future warranty costs in the period in which the revenue is recognized.

Recent Accounting Pronouncements

In June 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-12, *Compensation – Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period*. The new guidance requires that share-based compensation that require a specific performance target to be achieved in order for employees to become eligible to vest in the awards and that could be achieved after an employee completes the requisite service period be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. Compensation costs should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. If the performance target becomes probable of being achieved before the end of the requisite service period, the remaining unrecognized compensation cost should be recognized prospectively over the remaining requisite service period. The total amount of compensation cost recognized during and after the requisite service period should reflect the number of awards that are expected to vest and should be adjusted to reflect those awards that ultimately vest. The requisite service period ends when the employee can cease rendering service and still be eligible to vest in the award if the performance target is achieved. This new guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2015. Early adoption is permitted. Entities may apply the amendments in this Update either (a) prospectively to all awards granted or modified after the effective date or (b) retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. The adoption of ASU 2014-12 is not expected to have a material impact on our financial position or results of operations.

In June 2014, the FASB issued ASU No. 2014-10: *Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation*, to improve financial reporting by reducing the cost and complexity associated with the incremental reporting requirements of development stage entities. The amendments in this update remove all incremental financial reporting requirements from U.S. GAAP for development stage entities, thereby improving financial reporting by eliminating the cost and complexity associated with providing that information. The amendments in this Update also eliminate an exception provided to development stage entities in Topic 810, Consolidation, for determining whether an entity is a variable interest entity on the basis of the amount of investment equity that is at risk. The amendments to eliminate that exception simplify U.S. GAAP by reducing avoidable complexity in existing accounting literature and improve the relevance of information provided to financial statement users by requiring the application of the same consolidation guidance by all reporting entities. The elimination of the exception may change the consolidation analysis, consolidation decision, and disclosure requirements for a reporting entity that has an interest in an entity in the development stage. The amendments related to the elimination of inception-to-date information and the other remaining disclosure requirements of Topic 915 should be applied retrospectively except for the clarification to Topic 275, which shall be applied prospectively. For public companies, those amendments are effective for annual reporting periods beginning after December 15, 2014, and interim periods therein. Early adoption is permitted. The adoption of ASU 2014-10 is not expected to have a material impact on our financial position or results of operations.

Note 2 – Going Concern

As shown in the accompanying condensed consolidated financial statements, the Company has incurred recurring losses from operations resulting in an accumulated deficit of $17,256,755, and as of June 30, 2016, the Company's current liabilities exceeded its current assets by $4,072,354 and its total liabilities exceeded its total assets by $4,919,872. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The financial statements do not include any adjustments that might result from the outcome of any uncertainty as to the Company's ability to continue as a going concern. These financial statements also do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classifications of liabilities that might be necessary should the Company be unable to continue as a going concern.

Note 3 – Related Parties

Debt Financing
From time to time we have received and repaid loans from our CEO and his immediate family members to fund operations. These related party debts are fully disclosed in Note 9 below.

In addition to the debts disclosed in Note 9, we had three convertible notes with related parties that are disclosed in Note 15 as follows:

	June 30, 2016	December 31, 2015
Originated March 2, 2015, an unsecured $5,000 convertible promissory note, carries a 15% interest rate, matures on May 20, 2015, ("Star Note") owed to Star Financial Corporation, a related party, consisting of a total of $5,000 of principal and $447.95 of accrued interest. The October 20, 2014 promissory notes did not carry conversion terms, and were subsequently exchanged for the convertible note. The principal and accrued interest is convertible into shares of common stock at the discretion of the note holder at a price equal to $0.001. The debt holder was limited to owning 9.99% of the Company's issued and outstanding shares.	$ 2,150	$ 2,150
Originated March 2, 2015, an unsecured $18,750 convertible promissory note, carries a 15% interest rate, matures on May 28, 2015, ("GG Note") owed to GG Mars, Inc., a related party, consisting of a total of $18,750 of principal and $2,196.06 of accrued interest. The March 28, 2014 promissory notes did not carry conversion terms, and were subsequently exchanged for the convertible note. The principal and accrued interest is convertible into shares of common stock at the discretion of the note holder at a price equal to $0.001. The debt holder was limited to owning 9.99% of the Company's issued and outstanding shares.	300	5,300
Originated June 30, 2015, an unsecured $30,000 convertible promissory note, carries a 15% interest rate, matures on May 7, 2015, ("Star Note") owed to Star Financial Corporation, a related party, consisting of a total of $30,000 of principal and $3,772.60 of accrued interest. The March 7, 2014 promissory notes did not carry conversion terms, and were subsequently exchanged for the convertible note. The principal and accrued interest is convertible into shares of common stock at the discretion of the note holder at a price equal to $0.001. The debt holder was limited to owning 9.99% of the Company's issued and outstanding shares.	25,050	25,050
Total convertible debts, related parties	27,500	32,500
Less: unamortized discount on beneficial conversion feature	–	—
Convertible debts	27,500	32,500
Less: current maturities of convertible debts, related parties included in convertible debts	(27,500)	(32,500)
Long term convertible debts, related parties included in convertible debts	$ –	$ –

<u>Changes in Stockholders' Equity, Related Parties</u>

<u>Shares of Convertible Series C Preferred Stock</u>
On January 21, 2015, the Company issued 5,026 shares of Preferred C Stock pursuant to the exchange agreement with our CEO in exchange for 10,052 shares of Class A Common Stock. The total fair value of the common stock was $4,112 based on an independent valuation on the date of grant. Although the common stock had a fair value higher than the preferred stock; as this was a related party transaction, no gain was recognized as a result of this exchange.

On February 13, 2015, the Company issued 68 shares of Class A Stock pursuant to the exchange agreement with our CEO in exchange for 70,000,000 shares of Preferred C Stock. As the stock was converted within the terms of the agreement, no gain or loss was recognized as a result of the exchange.

On June 22, 2015, the Company issued 360,000 shares of Class A Stock pursuant to the exchange agreement with our CEO in exchange for 30,000,000 shares of Preferred C Stock. As the stock was converted within the terms of the agreement, no gain or loss was recognized as a result of the exchange.

On June 29, 2015, the Company issued 48,000 shares of Class A Stock pursuant to the exchange agreement with our CEO in exchange for 40,000,000 shares of Preferred C Stock. As the stock was converted within the terms of the agreement, no gain or loss was recognized as a result of the exchange.

On July 27, 2015, the Company issued 48,000 shares of Class A Stock pursuant to the exchange agreement with our CEO in exchange for 40,000,000 shares of Preferred C Stock. As the stock was converted within the terms of the agreement, no gain or loss was recognized as a result of the exchange.

On November 4, 2015, the Company issued 360,000 shares of Class A Stock pursuant to the exchange agreement with our CEO in exchange for 30,000,000 shares of Preferred C Stock. As the stock was converted within the terms of the agreement, no gain or loss was recognized as a result of the exchange.

On June 2, 2016, the Company issued 30,000,000 shares of Class A Stock pursuant to the exchange agreement with our CEO in exchange for 10,000,000 shares of Preferred C Stock. As the stock was converted within the terms of the agreement, no gain or loss was recognized as a result of the exchange.

On June 2, 2016, the Company issued 2,550,000 shares of Class A Stock pursuant to the exchange agreement with Star Financial in exchange for 850,000 shares of Preferred C Stock. As the stock was converted within the terms of the agreement, no gain or loss was recognized as a result of the exchange.

On June 3, 2016, the Company issued 3,300,000 shares of Class A Stock pursuant to the exchange agreement with GG Mars in exchange for 1,100,000 shares of Preferred C Stock. As the stock was converted within the terms of the agreement, no gain or loss was recognized as a result of the exchange.

<u>Issuances for Services</u>
On April 13, 2015, the Company issued 88,400 shares of Class A Common Stock for services to Michael Dobbs. The shares were valued based on the closing market price on the date of the agreement in the amount of $22,984.

On April 13, 2015, the Company issued 88,400 shares of Class A Common Stock for services to Ronald Aarons. The shares were valued based on the closing market price on the date of the agreement in the amount of $22,984.

On April 13, 2015, the Company issued 88,400 shares of Class A Common Stock for services to Scott Sanchez. The shares were valued based on the closing market price on the date of the agreement in the amount of $22,984.

On April 24, 2015, the Company issued 864 shares of Class A Common Stock for services to Eduardo Cabrera. The shares were valued based on the closing market price on the date of the agreement in the amount of $225.

On April 24, 2015, the Company issued 800 shares of Class A Common Stock for services to Wellington Shields Holding LLC. The shares were valued based on the closing market price on the date of the agreement in the amount of $208.

On April 24, 2015, the Company issued160 shares of Class A Common Stock for services to Metaxas Georgatos. The shares were valued based on the closing market price on the date of the agreement in the amount of $42.

On April 24, 2015, the Company issued 256 shares of Class A Common Stock for services to Vance Thinh. The shares were valued based on the closing market price on the date of the agreement in the amount of $67.

On April 24, 2015, the Company issued 40 shares of Class A Common Stock for services to Marc Estigarribia. The shares were valued based on the closing market price on the date of the agreement in the amount of $10.

On April 24, 2015, the Company issued 40 shares of Class A Common Stock for services to Juan Ramirez. The shares were valued based on the closing market price on the date of the agreement in the amount of $10.

On April 30, 2015, the Company issued 360,000 shares of Class A Common Stock for services to Shaun Passley. The shares were valued based on the closing market price on the date of the agreement in the amount of $90,000.

On June 29, 2015, the Company issued 7,400,000 shares of Class A Common Stock for services to Ronald Aarons. The shares were valued based on the closing market price on the date of the agreement in the amount of $90,280.

On June 29, 2015, the Company issued 9,000,000 shares of Class A Common Stock for services to Michael Dobbs. The shares were valued based on the closing market price on the date of the agreement in the amount of $109,800.

Debt Conversions into Class A Common Stock – Related Parties

On March 2, 2015, the Company issued 51,200 shares of Class A Common Stock pursuant to the conversion of $3,200 of convertible debt held by GG Mars, a company owned by our CEO's family member, a related party, which consisted of $3,200 of principal.. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On March 3, 2015, the Company issued 35,200 shares of Class A Common Stock pursuant to the conversion of $3,300 of convertible debt held by Star Financial, a company owned by our CEO's family member, a related party, which consisted of $3,300 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On March 11, 2015, the Company issued 17,600 shares of Class A Common Stock pursuant to the conversion of $1,650 of convertible debt held by Star Financial, a company owned by our CEO's family member, a related party, which consisted of $1,650 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On March 24, 2015, the Company issued 32,000 shares of Class A Common Stock pursuant to the conversion of $2,000 of convertible debt held by GG Mars, a company owned by our CEO's family member, a related party, which consisted of $2,000 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On April 3, 2015, the Company issued 45,600 shares of Class A Common Stock pursuant to the conversion of $2,000 of convertible debt held by Star Financial Corporation, a company owned by our CEO's family member, a related party, which consisted of $2,000 of principal.. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On April 14, 2015, the Company issued 80,000 shares of Class A Common Stock pursuant to the conversion of $5,000 of convertible debt held by GG Mars, a company owned by our CEO's family member, a related party, which consisted of $5,000 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On June 28, 2015, the Company issued 4,000,000 shares of Class A Common Stock pursuant to the conversion of $4,000 of convertible debt held by GG Mars, a company owned by our CEO's family member, a related party, which consisted of $4,000 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On July 2, 2015, the Company issued 10,000,000 shares of Class A Common Stock pursuant to the conversion of $10,000 of convertible debt held by Star Financial, a company owned by our CEO's family member, a related party, which consisted of $10,000 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On July 17, 2015, the Company issued 8,000,000 shares of Class A Common Stock pursuant to the conversion of $20,000 of convertible debt held by GG Mars, a company owned by our CEO's family member, a related party, which consisted of $25,000 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On July 22, 2015, the Company issued 10,000,000 shares of Class A Common Stock pursuant to the conversion of $25,000 of convertible debt held by Star Financial, a company owned by our CEO's family member, a related party, which consisted of $25,000 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On October 31, 2015, the Company issued 100,000,000 shares of Class A Common Stock pursuant to the conversion of $5,000 of convertible debt held by GG Mars, a company owned by our CEO's family member, a related party, which consisted of $5,000 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On January 29, 2016, the Company issued 40,000 shares of Class A Common Stock pursuant to the conversion of $5,000 of convertible debt held by GG Mars, a company owned by our CEO's family member, a related party, which consisted of $5,000 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

Employment Agreement
On September 6, 2012, we entered into an employment agreement with Shaun Passley, Ph.D., our Chief Executive Officer, President, and Chairman of the Board of Directors which had a term of ten (10) years. Compensation pursuant to the agreement calls for a base salary of $180,000 per year; of which $30,000 shall be payable annually in cash and $150,000 shall be payable in shares of the Company's Common Stock at the rate of $0.006 per share, or 2,500 shares per year. In addition, the Company issued 800,000 shares of Class A Common Stock to the Company's CEO as a bonus in consideration for various services performed, and to be performed over a ten year period beginning on September 6, 2012, provided that all of the shares remain subject to forfeiture until such time, if ever, as we generate annual revenues of at least $10 million, subject to the below termination provisions. The total fair value of the common stock was $6,000,000 based on the closing price of the Company's common stock on the date of grant, which has been presented as a deduction against additional paid in capital in the equity section of the balance sheet until the terms of the vesting periods are satisfied. The vesting restrictions were subsequently lifted on March 22, 2014 pursuant to the exchange of these shares for Convertible Series C Preferred shares. In the event of the termination of Dr. Passley's employment agreement for cause by the Company or without good reason by Dr. Passley, any non-vested shares are to be canceled and he is to be paid any consideration he is owed through the date of termination. In the event of the termination of Dr. Passley's employment agreement for good reason (as described in the agreement) by Dr. Passley or without cause by the Company, he is due eight additional weeks of compensation and all non-vested shares vest to him immediately. In the event of the termination of Dr. Passley's employment agreement for any other reason, he is due eight weeks of additional salary and any non-vested shares are to be canceled.

We do not have an employment or consultant agreement with Craig Passley, our Secretary, however on March 20, 2013, we granted4.80shares to Craig Passley for services rendered between 2012 and 2021. The shares vest annually over the 10 year period with the first 0.48vesting upon the grant date. The vesting restrictions were subsequently lifted on March 22, 2014 pursuant to the exchange of these shares for Convertible Series C Preferred shares.

Amendments to Employment Agreement
On August 16, 2013, the Company amended Shaun Passley, Ph.D.'s employment agreement to increase the cash portion of his compensation from $30,000 per year to $100,000 in the initial year of the agreement only. All other terms remain in effect, and the shares of stock awarded as a bonus as previously disclosed were granted in addition to the stock based compensation outlined in the original agreement.

Note 4 – Fair Value of Financial Instruments

Under FASB ASC 820-10-5, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The standard outlines a valuation framework and creates a fair value hierarchy in order to increase the consistency and comparability of fair value measurements and the related disclosures. Under GAAP, certain assets and liabilities must be measured at fair value, and FASB ASC 820-10-50 details the disclosures that are required for items measured at fair value.

The Company does not have any financial instruments that must be measured under the new fair value standard. The Company's financial assets and liabilities are measured using inputs from the three levels of the fair value hierarchy. The three levels are as follows:

Level 1 - Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 - Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

Level 3 - Unobservable inputs that reflect our assumptions about the assumptions that market participants would use in pricing the asset or liability.

The following schedule summarizes the valuation of financial instruments at fair value on a non-recurring basis in the balance sheets as of June 30, 2016 and December 31, 2015:

	Fair Value Measurements at June 30, 2016		
	Level 1	Level 2	Level 3
Assets			
Intangible assets	$ –	$ –	$ –
Goodwill	–	–	–
Total assets	–	–	–
Liabilities			
Lines of credit	–	85,700	–
Promissory notes	–	2,692,823	–
Notes payable, related parties	–	1,167,698	–
Convertible debts, net of discount of $-0-	–	115,456	–
Total Liabilities	–	4,061,677	–
	$ –	$ (4,061,677)	$ –

	Fair Value Measurements at December 31, 2015		
	Level 1	Level 2	Level 3
Assets			
Intangible assets	$ –	$ –	$ –
Goodwill	–	–	–
Total assets	–	–	–
Liabilities			
Lines of credit	–	89,892	–
Capital leases	–	–	–
Long term debts	–	2,378,920	–
Notes payable, related parties	–	1,167,698	–
Convertible debts, net of discount of $131,774	–	137,956	–
Total Liabilities	–	3,774,466	–
	$ –	$ (3,774,466)	$ –

There were no transfers of financial assets or liabilities between Level 1 and Level 2 inputs for the periods ended June 30, 2016 and December 31, 2015.

Note 5 – Other Current Assets

As of June 30, 2016 and December 31, 2015 other current assets included the following:

	June 30, 2016	December 31, 2015
Deferred financing costs	$ 26,284	$ 309,471
Security deposits	9,878	9,878
	$ 36,162	$ 319,349

The Company recognized $563,094 and $127,270 of amortization expense related to the deferred financing costs during the six months ended June 30, 2016 and 2015, respectively.

Note 6 – Property and Equipment

Property and Equipment consists of the following at June 30, 2016 and December 31, 2015, respectively:

		June 30, 2016		December 31, 2015
Furniture and fixtures	$	22,006	$	22,006
Computers and equipment		197,462		197,462
Software		15,660		15,660
Assets held under capital leases		17,855		17,855
		252,983		252,983
Less: accumulated depreciation		(216,821)		(197,111)
	$	36,162	$	55,872

Depreciation expense totaled $19,710 and $30,720 for the periods ended June 30, 2016 and 2015, respectively.

Note 7 – Accrued Expenses

As of June 30, 2016 and December 31, 2015 accrued expenses included the following:

		June 30, 2016		December 31, 2015
Accrued interest	$	20,921	$	21,236
Accrued interest, related parties		385,695		296,961
Accrued payroll and payroll taxes		24,920		7,157
Other accrued expenses		–		–
	$	431,536	$	325,444

Note 8 – Line of Credit

Lines of credit consisted of the following at June 30, 2016 and December 31, 2015, respectively:

		June 30, 2016		December 31, 2015
Total line of credit		85,700		89,892
Less: current portion		(85,700)		(89,892)
Line of credit, less current portion	$	–	$	–

Note 9 – Notes Payable, Related Parties

Notes payable, related parties consist of the following at June 30, 2016 and December 31, 2015, respectively:

		June 30, 2016		December 31, 2015
Originated October 9, 2012, unsecured promissory note payable owed to a Company owned by an immediate family member of the Company's CEO carries a 15% interest rate, matures on July 15, 2013. In addition, a loan origination fee, consisting of 144,928 shares of Series A Common Stock with a fair market value of $884 was issued as consideration for the loan on October 9, 2012. Currently in default.	$	2,868	$	2,868
Originated August 2, 2013, unsecured promissory note payable owed to Star Financial Corporation, Inc., a corporation owned by an immediate family member of the Company's CEO. The note carries a 15% interest rate, matures on January 17, 2014. In addition, a loan origination fee of $5,000 was issued as consideration for the loan, and is being amortized on a straight line basis over the life of the loan, as well as, a loan		15,500		15,500

origination fee, consisting of 3,000,000 shares of Series A Common Stock with a fair market value of $5,100 was issued as consideration for the loan on August 2, 2013. Currently in default.		
Originated August 7, 2013, unsecured promissory note payable owed to Star Financial Corporation, Inc., a corporation owned by an immediate family member of the Company's CEO. The note carries a 15% interest rate, matures on January 20, 2014. In addition, a loan origination fee of $4,000 was issued as consideration for the loan, and is being amortized on a straight line basis over the life of the loan, as well as, a loan origination fee, consisting of 2,500,000 shares of Series A Common Stock with a fair market value of $4,250 was granted as consideration for the loan on August 7, 2013 and the shares were subsequently issued on November 13, 2013. Currently in default.	12,000	12,000
Originated August 20, 2013, unsecured promissory note payable owed to GG Mars Capital, Inc., a corporation owned by an immediate family member of the Company's CEO. The note carries a 15% interest rate, matures on January 20, 2014. In addition, a loan origination fee of $5,000 was issued as consideration for the loan, and is being amortized on a straight line basis over the life of the loan, as well as, a loan origination fee, consisting of 2,500,000 shares of Series A Common Stock with a fair market value of $3,250 was granted as consideration for the loan on August 20, 2013 and the shares were subsequently issued on November 13, 2013. Currently in default.	25,000	25,000
Originated October 15, 2013, unsecured promissory note payable owed to Star Financial Corporation, Inc., a corporation owned by an immediate family member of the Company's CEO. The note carries a 15% interest rate, matures on June 12, 2015. In addition, a loan origination fee of $3,000 was issued as consideration for the loan, and is being amortized on a straight line basis over the life of the loan. The note also carried a liquidated damages fee of $500 upon default, which was amended and removed on September 19, 2014.	9,000	9,000
Originated February 7, 2014, a $26,000 unsecured promissory note payable, including a $6,000 loan origination fee, owed to GG Mars Capital, Inc., a corporation owned by an immediate family member of the Company's CEO. The note carries a 15% interest rate, matured on March 30, 2014. In addition, a loan origination fee consisting of 2,000,000 shares of Convertible Series C Preferred Stock valued at $2,385 was issued as consideration for the loan, and is being amortized on a straight line basis over the life of the loan. The note also carried a liquidated damages fee of $500 upon default, which was amended and removed on September 19, 2014.	26,000	26,000
Originated February 8, 2014, an unsecured $13,000 promissory note payable, including a $3,000 loan origination fee, owed to Star Financial, a corporation owned by an immediate family member of the Company's CEO. The note carries a 15% interest rate, matured on March 30, 2014. In addition, a loan origination fee consisting of 1,000,000 shares of Convertible Series C Preferred Stock valued at $1,193 was issued as consideration for the loan, and is being amortized on a straight line basis over the life of the loan. The note also carried a liquidated damages fee of $500 upon default, which was amended and removed on September 19, 2014.	13,000	13,000
Originated February 21, 2014, an unsecured $75,000 promissory note payable, including a $15,000 loan origination fee, owed to Star Financial, a corporation owned by an immediate family member of the Company's CEO. The note carries a 15% interest rate, matured on April 30, 2014. In addition, a loan origination fee consisting of 10,000,000 shares of Convertible Series C Preferred Stock valued at $9,562 was issued as consideration for the loan, and is being amortized on a straight line basis over the life of the loan. The note also carried a liquidated damages fee of $25,000 upon default, which was amended and removed on September 19, 2014.	75,000	75,000

Originated February 22, 2014, a $100,000 unsecured promissory note payable, including a $25,000 loan origination fee, owed to GG Mars Capital, Inc., a corporation owned by an immediate family member of the Company's CEO. The note carries a 15% interest rate, matured on April 30, 2014. In addition, a loan origination fee consisting of 15,000,000 shares of Convertible Series C Preferred Stock valued at $14,266 was issued as consideration for the loan, and is being amortized on a straight line basis over the life of the loan. The note also carried a liquidated damages fee of $35,000 upon default, which was amended and removed on September 19, 2014. A portion of this note was converted within the terms of the agreement into 10,500,000 shares of common stock on July 20, 2015.	62,500	62,500
Originated March 28, 2014, an unsecured $25,000 promissory note payable, including a $5,000 loan origination fee, owed to Star Financial, a corporation owned by an immediate family member of the Company's CEO. The note carries a 15% interest rate, matured on May 28, 2014. In addition, a loan origination fee consisting of 3,000,000 shares of Convertible Series C Preferred Stock valued at $2,390 was issued as consideration for the loan, and is being amortized on a straight line basis over the life of the loan. The note also carried a liquidated damages fee of $2,500 upon default, which was amended and removed on September 19, 2014. This note was converted outside the terms of the agreement into 7,400,000 shares of common stock on June 29, 2015. The share price on June 29, 2015 was $0.0122, which equals consideration given of $90,280; which when compared to the reduction in debt of $18,500 leads to a loss on conversion of $71,780.	6,500	6,500
Originated April 23, 2014, an unsecured $35,000 promissory note payable, including a $7,000 loan origination fee, owed to Star Financial, a corporation owned by an immediate family member of the Company's CEO. The note carries a 15% interest rate, matured on August 23, 2014. In addition, a loan origination fee consisting of 2,800 shares of Class A Common Stock was issued as consideration for the loan, and is being amortized on a straight line basis over the life of the loan. The note also carried a liquidated damages fee of $2,500 upon default, which was amended and removed on September 19, 2014.	35,000	35,000
Originated April 24, 2014, a $150,000 unsecured promissory note payable, including a $30,000 loan origination fee, owed to GG Mars Capital, Inc., a corporation owned by an immediate family member of the Company's CEO. The note carries a 15% interest rate, matured on June 26, 2014. In addition, a loan origination fee consisting of 8,000 shares of Class A Common Stock was issued as consideration for the loan, and is being amortized on a straight line basis over the life of the loan. The note also carried a liquidated damages fee of $10,000 upon default, which was amended and removed on September 19, 2014. A portion of this note was converted outside the terms of the agreement into 8,000,000 shares of common stock on July 17, 2015. The share price on July 17, 2015 was $0.0074, which equals consideration given of $59,200; which when compared to the reduction in debt of $20,000 leads to a loss on conversion of $39,200. Principal of $5,000 was converted on October 31, 2015 into 100,000,000 Class A Common Stock.	125,000	125,000
Originated May 7, 2014, a $125,000 unsecured promissory note payable, including a $25,000 loan origination fee, owed to GG Mars Capital, Inc., a corporation owned by an immediate family member of the Company's CEO. The note carries a 15% interest rate, matured on August 7, 2014. In addition, a loan origination fee consisting of 8,000 shares of Class A Common Stock was issued as consideration for the loan, and is being amortized on a straight line basis over the life of the loan. The note also carried a liquidated damages fee of $12,500 upon default, which was amended and removed on September 19, 2014.	125,000	125,000
Originated May 28, 2014, an unsecured $32,500 promissory note payable, including a $7,500 loan origination fee, owed to Star Financial, a corporation owned by an immediate family member of the Company's CEO. The note carries a 15% interest rate,	22,500	22,500

matures on September 28, 2014. In addition, a loan origination fee consisting of 2,600 shares of Class A Common Stock was issued as consideration for the loan, and is being amortized on a straight line basis over the life of the loan. The note also carried a liquidated damages fee of $2,500 upon default, which was amended and removed on September 19, 2014. A portion of this note was converted outside the terms of the agreement into 10,000,000 shares of common stock on July 2, 2015. The share price on July 2, 2015 was $0.0110, which equals consideration given of $110,000; which when compared to the reduction in debt of $10,000 leads to a loss on conversion of $100,000.		
Originated June 3, 2014, a $25,000 unsecured promissory note payable, including a $4,000 loan origination fee, owed to GG Mars Capital, Inc., a corporation owned by an immediate family member of the Company’s CEO. The note carried a 15% interest rate, matures on December 3, 2014. The note also carries a liquidated damages fee of $1,000 upon default, which was amended and removed on September 19, 2014.	25,000	25,000
Originated June 3, 2014, an unsecured $5,000 promissory note payable, including a $1,000 loan origination fee, owed to Star Financial, a corporation owned by an immediate family member of the Company’s CEO. The note carried a 15% interest rate, matures on December 3, 2014. The note also carried a liquidated damages fee of $500 upon default, which was amended and removed on September 19, 2014.	5,000	5,000
Originated June 12, 2014, an unsecured $21,250 promissory note payable, including a $4,250 loan origination fee, owed to Star Financial, a corporation owned by an immediate family member of the Company’s CEO. The note carries a 15% interest rate, matures on October 12, 2014. In addition, a loan origination fee consisting of 1,700 shares of Class A Common Stock was issued as consideration for the loan, and is being amortized on a straight line basis over the life of the loan. The note also carried a liquidated damages fee of $2,500 upon default, which was amended and removed on September 19, 2014.	21,250	21,250
Originated June 30, 2014, an unsecured $20,000 promissory note payable, including a $3,500 loan origination fee, owed to Star Financial, a corporation owned by an immediate family member of the Company’s CEO. The note carries a 15% interest rate, matures on December 30, 2014. The note also carried a liquidated damages fee of $500 upon default, which was amended and removed on September 19, 2014.	20,000	20,000
Originated August 21, 2014, an unsecured $12,500 promissory note payable, including a $2,500 loan origination fee, owed to L & F Lawn Service, Inc., a corporation owned by an immediate family member of the Company’s CEO. The note carries a 15% interest rate, matures on December 21, 2014. The note also carried a liquidated damages fee of $1,000 upon default.	12,500	12,500
Originated August 1, 2014, an unsecured $36,000 promissory note payable, including an $8,000 loan origination fee, owed to Star Financial, a corporation owned by an immediate family member of the Company’s CEO. The note carries a 15% interest rate, matures on December 3, 2014. The note also carried a liquidated damages fee of $1,000 upon default, which was amended and removed on September 19, 2014.	36,000	36,000
Originated August 11, 2014, unsecured promissory note payable owed to an immediate family member of the Company’s CEO carries a zero percent (0%) interest rate, matures on December 1, 2014. In addition, a loan origination fee of $3,000 was issued as consideration for the loan, and is being amortized on a straight line basis over the life of the loan, as well as, a loan origination fee, consisting of 2,000 shares of Class A Common Stock with a fair market value of $4,250 was issued as consideration for the loan on July 19, 2013.	5,705	5,705
Originated July 28, 2014, an unsecured $37,500 promissory note payable, including a $7,500 loan origination fee, owed to Star Financial, a corporation owned by an	37,500	37,500

immediate family member of the Company’s CEO. The note carries a 15% interest rate, matures on December 15, 2014. The note also carried a liquidated damages fee of $1,000 upon default, which was amended and removed on September 19, 2014.		
Originated December 17, 2014, an unsecured $9,000 promissory note payable, including a $2,500 loan origination fee, owed to L & F Lawn Service, Inc., a corporation owned by an immediate family member of the Company’s CEO. The note carries a 15% interest rate, matures on December 17, 2015. L & F Service loaned an additional $16,000 to the Company at the same interest rate.	25,000	25,000
Originated November 9, 2014, unsecured promissory note payable owed to Star Financial Corporation, Inc., a corporation owned by an immediate family member of the Company’s CEO. The note carries a 15% interest rate, matures on June 9, 2015. In addition, a loan origination fee of $12,000 was issued as consideration for the loan, and is being amortized on a straight line basis over the life of the loan.	60,000	60,000
Originated September 22, 2014, an unsecured $43,750 promissory note payable, including an $8,750 loan origination fee, owed to Star Financial, a corporation owned by an immediate family member of the Company’s CEO. The note carries a 15% interest rate, matures on December 1, 2014. The note also carried a liquidated damages fee of $1,000 upon default.	43,750	43,750
Originated August 26, 2014, an unsecured $57,000 promissory note payable, including a $12,000 loan origination fee, owed to Star Financial, a corporation owned by an immediate family member of the Company’s CEO. The note carries a 15% interest rate, matures on December 1, 2014. The note also carried a liquidated damages fee of $1,000 upon default.	57,000	57,000
Originated September 2, 2014, an unsecured $69,000 promissory note payable, including a $14,000 loan origination fee, owed to Star Financial, a corporation owned by an immediate family member of the Company’s CEO. The note carries a 15% interest rate, matures on December 1, 2014. The note also carried a liquidated damages fee of $1,000 upon default.	69,000	69,000
Originated March 18, 2015, a $6,250 unsecured promissory note payable, including a $1,250 loan origination fee, owed to GG Mars Capital, Inc., a corporation owned by an immediate family member of the Company’s CEO. The note carries a 15% interest rate, matured on August 18, 2015. The note also carries a liquidated damages fee of $1,000 upon default.	6,250	6,250
Originated January 22, 2015, an unsecured $47,000 promissory note payable, including a $10,000 loan origination fee, owed to Star Financial, a corporation owned by an immediate family member of the Company’s CEO. The note carries a 15% interest rate, matured on August 22, 2015. The note also carries a liquidated damages fee of $1,500 upon default.	47,000	47,000
Originated February 24, 2015, an unsecured $48,000 promissory note payable, including a $10,000 loan origination fee, owed to Star Financial, a corporation owned by an immediate family member of the Company’s CEO. The note carries a 15% interest rate, matured on August 22, 2015. The note also carries a liquidated damages fee of $1,500 upon default.	48,000	48,000
Originated May 7, 2015, an unsecured $15,000 promissory note payable, including a $2,750 loan origination fee, owed to an immediate family member of the Company’s CEO. The note carries a 15% interest rate, matured on May 7, 2015. The note also carries a liquidated damages fee of $1,500 upon default.	15,000	15,000

Originated April 7, 2015, a $32,000 unsecured promissory note payable, including a $6,250 loan origination fee, to an immediate family member of the Company's CEO. The note carries a 15% interest rate, matured on April 7, 2016. The note also carries a liquidated damages fee of $1,500 upon default.	32,000	32,000
Originated May 20, 2015, a $25,000 unsecured promissory note payable, including a $5,000 loan origination fee, to an immediate family member of the Company's CEO. The note carries a 15% interest rate, matured on May 20, 2016. The note also carries a liquidated damages fee of $1,500 upon default.	25,000	25,000
Originated March 3, 2015, an unsecured $21,875 promissory note payable, including a $4,375 loan origination fee, owed to Star Financial, a corporation owned by an immediate family member of the Company's CEO. The note carries a 15% interest rate, matured on October 3, 2015. The note also carries a liquidated damages fee of $1,500 upon default.	21,875	21,875
Total notes payable, related parties	1,167,698	1,167,698
Less: current portion	(1,167,698)	(1,167,698)
Notes payable, related parties, less current portion	$ –	$ –

The Company recorded interest expense on notes payable to related parties in the amounts of $87,577 and $94,130 during the six months ended June 30, 2016 and June 30, 2015, respectively. The Company recorded accrued interest associated with related parties of $385,695 and $ 287,658 as of June 30, 2016 and December 31, 2015, respectively.

Note 10 – Convertible Debts

Convertible debts consist of the following at June 30, 2016 and December 31, 2015, respectively:

	June 30, 2016	December 31, 2015
Originated November 6, 2014, an unsecured $33,600 convertible promissory note, carries a 8% interest rate and matures on November 5, 2015 owed to LG Capital. The acquired promissory notes did not carry conversion terms, and were subsequently exchanged for the convertible note. The principal and accrued interest is convertible into shares of common stock at the discretion of the note holder at a price equal to sixty-five percent (65%) of the average of the 2 lowest trading price of the Company's common stock for the twelve (12) days prior to the conversion date, or $0.000075 per share, whichever is greater. The debt holder was limited to owning 9.9% of the Company's issued and outstanding shares. The assigned principal of $17,300 and accrued interest of $789 were converted to a total of 113,032,218 shares of common stock over various dates from January 7, 2015 through January 28, 2016.	28,885	33,600
Originated October 31, 2014, an unsecured $50,239 convertible promissory note, carries a 8% interest rate, matures on November 6, 2015, ("LG Note") owed to LG Capital, consisting of one note acquired and assigned from Star Financial Corporation, a related party, consisting of a total of $43,000 of principal and $7,238.63 of accrued interest. The acquired promissory notes did not carry conversion terms, and were subsequently exchanged for the convertible note. The principal and accrued interest is convertible into shares of common stock at the discretion of the note holder at a price equal to sixty-five percent (65%) of the average of the 2 lowest trading price of the Company's common stock for the twelve (12) days prior to the conversion date, or $0.000075 per share, whichever is greater. The debt holder was limited to owning 9.9% of the Company's issued and outstanding shares.	37,716	37,716
On January 29, 2015, we entered into a Securities Purchase Agreement with KBM Worldwide, Inc., pursuant to which we sold to KBM an 8% Convertible Promissory Note in the original principal amount of $43,000. The One KBM Note had a maturity date of November 2, 2015, and was convertible into our common stock at the greater of (i) the	21,355	34,140

Variable Conversion Price and (ii) the Fixed Conversion Price. The "Variable Conversion Price" shall mean 50% multiplied by the Market Price (representing a discount rate of 50%). "Market Price" means the average of the lowest three (3) Trading Prices for the Common Stock during the thirty (30) Trading Day period ending on the latest complete Trading Day prior to the Conversion Date. "Fixed Conversion Price" shall mean $0.00005 per share. The shares of common stock issuable upon conversion of the One KBM Note were restricted securities as defined in Rule 144 promulgated under the Securities Act of 1933. The issuance of the One KBM Note was exempt from the registration requirements of the Securities Act of 1933 pursuant to Rule 506 of Regulation D promulgated thereunder. The purchaser was an accredited and sophisticated investor, familiar with our operations, and there was no solicitation.		
Originated March 2, 2015, an unsecured $5,000 convertible promissory note, carries a 15% interest rate, matures on May 20, 2015, ("Star Note") owed to Star Financial Corporation, a related party, consisting of a total of $5,000 of principal and $447.95 of accrued interest. The October 20, 2014 promissory notes did not carry conversion terms, and were subsequently exchanged for the convertible note. The principal and accrued interest is convertible into shares of common stock at the discretion of the note holder at a price equal to $0.001. The debt holder was limited to owning 9.99% of the Company's issued and outstanding shares. On April 3, 2015 $2,850 of principal was converted into 45,600 shares of Common Stock Class A under the terms of the note agreement.	2,150	2,150
Originated March 2, 2015, an unsecured $18,750 convertible promissory note, carries a 15% interest rate, matures on May 28, 2015, ("GG Note") owed to GG Mars, Inc., a related party, consisting of a total of $18,750 of principal and $2,196.06 of accrued interest. The March 28, 2014 promissory notes did not carry conversion terms, and were subsequently exchanged for the convertible note. The principal and accrued interest is convertible into shares of common stock at the discretion of the note holder at a price equal to $0.001. The debt holder was limited to owning 9.99% of the Company's issued and outstanding shares. The principal of $5,200 was subsequently converted to a total of 83,200 shares of common stock over various dates from March 2, 2015 to March 24, 2015. On April 14, 2015 $5,000 of principal was converted into 80,000 shares of Common Stock Class A and June 28, 2015 $3,250 of principal and $750 of interest was converted into 4,000,000 shares of Common Stock Class A under. On January 29, 2016 $5,000 of principal was converted into 40,000 shares of Common Stock Class A The conversions during the period were completed under the terms of the note agreement therefore no gain or loss was recognized due to the conversion.	300	5,300
Originated June 30, 2015, an unsecured $30,000 convertible promissory note, carries a 15% interest rate, matures on May 7, 2015, ("Star Note") owed to Star Financial Corporation, a related party, consisting of a total of $30,000 of principal and $3,772.60 of accrued interest. The March 7, 2014 promissory notes did not carry conversion terms, and were subsequently exchanged for the convertible note. The principal and accrued interest is convertible into shares of common stock at the discretion of the note holder at a price equal to $0.001. The debt holder was limited to owning 9.99% of the Company's issued and outstanding shares. The principal of $4,950 was subsequently converted to a total of 52,800 shares of common stock over various dates from March 3, 2015 to March 11, 2015.	25,050	25,050
Total convertible debts	115,456	137,956
Less: unamortized discount on beneficial conversion feature	–	–
Convertible debts	115,456	137,956
Less: current maturities of convertible debts	(115,456)	(137,956)
Long term convertible debts	$ –	$ –

The Company recognized interest expense in the amount of $5,847 and $22,280 for the periods ended June 30, 2016 and 2015, respectively, related to convertible debts. The Company had accrued interest of $24,138 and $ 19,646 as of June 30, 2016 and December 31, 2015, respectively.

In addition, the Company recognized and measured the embedded beneficial conversion feature present in the convertible debts by allocating a portion of the proceeds equal to the intrinsic value of the feature to additional paid-in-capital. The intrinsic value of the feature was calculated on the commitment date using the effective conversion price of the convertible debt. This intrinsic value is limited to the portion of the proceeds allocated to the convertible debt.

The aforementioned accounting treatment resulted in a total debt discount equal to $-0- as of June 30, 2016 and December 31, 2015. The discount is amortized on a straight line basis from the dates of issuance until the stated redemption date of the debts, as noted above.

The convertible notes that created the beneficial conversion feature carry default provisions that place a "maximum share amount" on the note holders that can be owned as a result of the conversions to common stock by the note holders is 9.99% and 4.99%, respectively, of the issued and outstanding shares of Epazz.

During the periods ended June 30, 2016 and June 30, 2015, the Company recorded debt amortization expense in the amount of $-0- and $ 378,834, respectively.

LG Capital, Inc. Convertible Notes

On November 6, 2014, we entered into a Securities Purchase Agreement with LG Capital, Inc., pursuant to which we sold to LG Capital an 8% Convertible Promissory Note in the original principal amount of $33,600. The First LG Capital Note had a maturity date of November 6, 2015, and was convertible into our common stock at the greater of (i) the Variable Conversion Price and (ii) the Fixed Conversion Price. The "Variable Conversion Price" shall mean 65% multiplied by the Market Price (representing a discount rate of 35%). "Market Price" means the average of the lowest two (2) Trading Prices for the Common Stock during the twelve (12) Trading Day period ending on the latest complete Trading Day prior to the Conversion Date. "Fixed Conversion Price" shall mean $0.00005 per share. The shares of common stock issuable upon conversion of the First LG Capital were restricted securities as defined in Rule 144 promulgated under the Securities Act of 1933. The issuance of the First LG Capital was exempt from the registration requirements of the Securities Act of 1933 pursuant to Rule 506 of Regulation D promulgated thereunder. The purchaser was an accredited and sophisticated investor, familiar with our operations, and there was no solicitation.

The Company evaluated the First LG Capital and determined that the shares issuable pursuant to the conversion option were determinate due to the Fixed Conversion Price and, as such, does not constitute a derivative liability as the Company has obtained authorization from a majority of shareholders such that should conversion occur at the Fixed Conversion Price the appropriate number of shares will be available or issuable for settlement to occur. The beneficial conversion feature discount resulting from the conversion price of $0.125 below the market price on November 6, 2014 of $0.0817 provided a value of $33,600, of which $-0- and $ 16,777 was amortized during the periods ended June 30, 2016 and 2015, respectively.

On October 31, 2014, we entered into a Securities Purchase Agreement with LG Capital, Inc., pursuant to which we sold to LG Capital an 8% Convertible Promissory Note in the original principal amount of $50,239. The Second LG Capital Note had a maturity date of October 31, 2015, and was convertible into our common stock at the greater of (i) the Variable Conversion Price and (ii) the Fixed Conversion Price. The "Variable Conversion Price" shall mean 65% multiplied by the Market Price (representing a discount rate of 35%). "Market Price" means the average of the lowest two (2) Trading Prices for the Common Stock during the twelve (12) Trading Day period ending on the latest complete Trading Day prior to the Conversion Date. "Fixed Conversion Price" shall mean $0.00005 per share. The shares of common stock issuable upon conversion of the Second LG Capital were restricted securities as defined in Rule 144 promulgated under the Securities Act of 1933. The issuance of the Second LG Capital was exempt from the registration requirements of the Securities Act of 1933 pursuant to Rule 506 of Regulation D promulgated thereunder. The purchaser was an accredited and sophisticated investor, familiar with our operations, and there was no solicitation.

The Company evaluated the Second LG Capital and determined that the shares issuable pursuant to the conversion option were determinate due to the Fixed Conversion Price and, as such, does not constitute a derivative liability as the Company has obtained authorization from a majority of shareholders such that should conversion occur at the Fixed Conversion Price the appropriate number of shares will be available or issuable for settlement to occur. The beneficial conversion feature discount resulting from the conversion price of $0.21 below the market price on October 31, 2014 of $0.1667 provided a value of $50,239, of which $-0- and $ 25,085 was amortized during the periods ended June 30, 2016 and 2015, respectively.

KBM Worldwide, Inc. Convertible Note

On January 29, 2015, we entered into a Securities Purchase Agreement with KBM Worldwide, Inc., pursuant to which we sold to KBM an 8% Convertible Promissory Note in the original principal amount of $43,000. The KBM Note had a maturity date of October 31, 2015 and was convertible into our common stock at the greater of (i) the Variable Conversion Price and (ii) the Fixed Conversion Price. The "Variable Conversion Price" shall mean 59% multiplied by the Market Price (representing a discount rate of 41%). "Market Price" means the average of the lowest three (3) Trading Prices for the Common Stock during the ten (10) Trading Day period ending on the latest complete Trading Day prior to the Conversion Date. “Fixed Conversion Price” shall mean $0.00005 per share. The shares of common stock issuable upon conversion of the KBM Note were restricted securities as defined in Rule 144 promulgated under the Securities Act of 1933. The issuance of the Seventh Asher Note was exempt from the registration requirements of the Securities Act of 1933 pursuant to Rule 506 of Regulation D promulgated thereunder. The purchaser was an accredited and sophisticated investor, familiar with our operations, and there was no solicitation.

The Company evaluated the KBM and determined that the shares issuable pursuant to the conversion option were determinate due to the Fixed Conversion Price and, as such, does not constitute a derivative liability as the Company has obtained authorization from a majority of shareholders such that should conversion occur at the Fixed Conversion Price the appropriate number of shares will be available or issuable for settlement to occur. The beneficial conversion feature discount resulting from the conversion price of $0.00126 below the market price on January 29, 2015 of $0.0021 provided a value of $40,665, of which $-0- and $ 35,786 was amortized during the period ended June 30, 2016 and 2015, respectively.

Star Financial Corporation, Inc. Convertible Note, Related Party
On March 2, 2015, we entered into a Convertible Promissory Note Agreement with Star Financial Corporation (“Star”), a company owned by our CEO’s family member, pursuant to which we sold to Star an 15% Convertible Promissory Note in the original principal amount of $5,000. The Star was convertible into shares of common stock at the discretion of the note holder at a fix price $0.001 per share, whichever is greater. The shares of common stock issuable upon conversion of the Star Note were restricted securities as defined in Rule 144 promulgated under the Securities Act of 1933. The issuance of the Star Note was exempt from the registration requirements of the Securities Act of 1933 pursuant to Rule 506 of Regulation D promulgated thereunder. The debt holder was limited to owning 9.99% of the Company’s issued and outstanding shares.

The Company evaluated the Star Note and determined that the shares issuable pursuant to the conversion option were determinate due to the Fixed Conversion Price and, as such, does not constitute a derivative liability as the Company has obtained authorization from a majority of shareholders such that should conversion occur at the Fixed Conversion Price the appropriate number of shares will be available or issuable for settlement to occur. The beneficial conversion feature discount resulting from the conversion price of $0.00023 below the market price on March 2, 2015 of $0.0003 provided a value of $5,000, of which $-0- and $5,000 was amortized during the periods ended June 30, 2016 and 2015, respectively.

GG Mars, Inc. Convertible Note, Related Party
On March 2, 2015, we entered into a Convertible Promissory Note Agreement with Star Financial Corporation (“GG Mars”), a company owned by our CEO’s family member, pursuant to which we sold to GG Mars an 15% Convertible Promissory Note in the original principal amount of $18,750. The GG Mars was convertible into shares of common stock at the discretion of the note holder at a fix price $0.001 per share, whichever is greater. The shares of common stock issuable upon conversion of the GG Mars Note were restricted securities as defined in Rule 144 promulgated under the Securities Act of 1933. The issuance of the GG Mars Note was exempt from the registration requirements of the Securities Act of 1933 pursuant to Rule 506 of Regulation D promulgated thereunder. The debt holder was limited to owning 9.99% of the Company’s issued and outstanding shares.

The Company evaluated the GG Mars Note and determined that the shares issuable pursuant to the conversion option were determinate due to the Fixed Conversion Price and, as such, does not constitute a derivative liability as the Company has obtained authorization from a majority of shareholders such that should conversion occur at the Fixed Conversion Price the appropriate number of shares will be available or issuable for settlement to occur. The beneficial conversion feature discount resulting from the conversion price of $0.00025 below the market price on March 2, 2015 of $0.0003 provided a value of $18,750, of which $-0- and $18,750 was amortized during the periods ended June 30, 2016 and 2015, respectively.

Star Financial Corporation, Inc. Convertible Note, Related Party
On June 30, 2015, we entered into a Convertible Promissory Note Agreement with Star Financial Corporation (“Star”), a company owned by our CEO’s family member, pursuant to which we sold to Star an 15% Convertible Promissory Note in the original principal amount of $30,000. The Star was convertible into shares of common stock at the discretion of the note holder at a fix price $0.001 per share, whichever is greater. The shares of common stock issuable upon conversion of the Star Note were restricted securities as defined in Rule 144 promulgated under the Securities Act of 1933. The issuance of the Star Note was exempt from the registration requirements of the Securities Act of 1933 pursuant to Rule 506 of Regulation D promulgated thereunder. The debt holder was limited to owning 9.99% of the Company’s issued and outstanding shares. The purchaser was an accredited and sophisticated investor, familiar with our operations, and there was no solicitation.

The Company evaluated the Star Note and determined that the shares issuable pursuant to the conversion option were determinate due to the Fixed Conversion Price and, as such, does not constitute a derivative liability as the Company has obtained authorization from a majority of shareholders such that should conversion occur at the Fixed Conversion Price the appropriate number of shares will be available or issuable for settlement to occur. The beneficial conversion feature discount resulting from the conversion price of $0.00008 below the market price on June 30, 2015 of $0.0002 provided a value of $30,000, of which $-0- and $30,000 was amortized during the periods ended June 30, 2016 and 2015, respectively.

Note 11 – Promissory Notes

Promissory notes consist of the following at June 30, 2016 and December 31, 2015, respectively:

	June 30, 2016	December 31, 2015
Total promissory notes	2,672,823	2,378,920
Less: current portion	(1,825,305)	(1,566,265)
Promissory notes, less current portion	$ 847,518	$ 812,655

The Company recorded interest expense on promissory notes of $618,610 and $288,178 for the period ended June 30, 2016 and 2015, respectively. The Company recorded accrued interest of $9,148 and $9,930 as of June 30, 2016 and December 31, 2015, respectively.

The Company is currently in a legal dispute with certain short-term debt lenders regarding alleged usury. In addition, the Company has cease paying other unsecured loans and is currently in negotiation for settlement. The Company believes the outcome of the litigation and the actions taken to negotiate better lending terms will not have an adverse material effect on the financial condition of the Company

Note 12 – Derivative Liabilities

As discussed in Note 15 under Convertible Debts, the Company issued convertible debts with variable conversion provisions. The conversion terms of the convertible debts are variable based on certain factors, such as the future price of the Company's common stock. The number of shares of common stock to be issued is based on the future price of the Company's common stock. As such, the number of shares of common stock issuable upon conversion of the debts is indeterminate. Pursuant to ASC 815-15 Embedded Derivatives, the fair values of the variable conversion debts and shares to be issued were recorded as derivative liabilities on the issuance date.

The fair values of the Company's derivative liabilities were estimated at the issuance date and are revalued at each subsequent reporting date, using a lattice model. The Company's current derivative liabilities was $-0- at June 30, 2016 and December 31, 2015.

The change in fair value of the derivative liabilities resulted in losses of $-0- and $80,943 for the period ended June 30, 2016 and 2015, respectively, which has been reported as other income (expense) in the statements of operations. The loss of $80,943 for the period ended June 30, 2015 consisted of a loss of $91,791 due to the value in excess of the face value of the convertible notes, as offset by a net gain in market value of $10,848 on the convertible debts.

Note 13 – Stockholders' Equity

On April 10, 2015 and December 1, 2014, the Board of Directors, consisting solely of Shaun Passley, Ph.D., the Company's majority shareholder, amended the Article of Incorporation to change the par value and number of authorized shares of each class of common and series of preferred stock and authorize a fourth class of preferred stock, Series D Convertible Preferred Stock, in addition to the modification of the attributes and dividends. The disclosures herein reflect these modifications and the changes to the par value have been retroactively reflected throughout. In December 2015, the Board of Directors authorize a fifth class of preferred stock, Series E Convertible Preferred Stock.

Reverse Stock Splits

In September 2014, Epazz, Inc.'s (the "Company's") majority stockholder and sole director (Shaun Passley) approved a 1:10,000 reverse stock split of the Company's Class A common stock Effective October 6, 2014, the Company affected the 1:10,000 reverse stock split of its Class A common stock. The Company's Class B common stock and preferred stock were not affected by the reverse stock split. The Company's new symbol following the reverse split will be EPAZD. The D will be removed in 20 business days. The Company's new CUSIP number is 29413V 309. In order for the Company to be in compliance with the minimum bid price requirement of $0.01 per share for listing on OTCQB OTC markets. The Company may need to be do reverse split, if the share price falls below $0.01 or if the Company needs to qualify for a national stock exchange.

In April 2015, Epazz, Inc.'s (the "Company's") majority stockholder and sole director (Shaun Passley) approved a 1:1,250 reverse stock split of the Company's Class A common stock Effective June 19, 2015, the Company affected the 1:1,250 reverse stock split of its Class A common stock. The Company's Class B common stock and preferred stock were not affected by the reverse stock split. The Company's new symbol following the reverse split will be EPAZD. The D will be removed in 20 business days. The Company's new CUSIP number is 29413V 408. In order for the Company to be in compliance with the minimum bid price requirement of $0.01 per share for listing on OTCQB OTC markets. The Company may need to be do reverse split, if the share price falls below $0.01 or if the Company needs to qualify for a national stock exchange.

In June 2016, Epazz, Inc.'s (the "Company's") majority stockholder and sole director (Shaun Passley) approved a 1:2,500 reverse stock split of the Company's Class A common stock Effective June 2, 2016, the Company affected the 1:2,500 reverse stock split of its Class A common stock. The Company's Class B common stock and preferred stock were not affected by the reverse stock split. The Company's new symbol following the reverse split will be EPAZD. The D will be removed in 20 business days. The Company's new CUSIP number is 29413V 606. In order for the Company to be in compliance with the minimum bid price requirement of $0.01 per share for listing on OTCQB OTC markets. The Company may need to be do reverse split, if the share price falls below $0.01 or if the Company needs to qualify for a national stock exchange.

Convertible Preferred Stock, Series A

The Company has one thousand (1,000) authorized shares of $0.0001 par value Series A Convertible Preferred Stock ("Series A Preferred Stock"). The Series A Preferred Stock accrues dividends equal to 1.5% of the Company's revenues per quarter, beginning on January 1st of any calendar year in which the Company has generated revenue over $2 million, and an additional 24% of the Company's net income beginning on January 1st of any calendar year in which the Company has generated net income over $2 million. The dividends are payable at the discretion of the Company, provided that any unpaid dividends accrue until paid. The Series A Preferred Stock includes a liquidation preference equal to $0.01 per share, plus any accrued and unpaid dividends. The Series A Preferred Stock is convertible, at the option of the holder into shares of the Company's Class A Common Stock, with five business days' notice into 60% of the total number of then issued and outstanding shares of Class A Common Stock. The Series A Preferred Stock has limited voting rights, relating solely to matters which adversely affect the rights of the Series A Preferred Stock holders. The Company shall reserve and keep available out of its authorized but unissued shares of Class A Common Stock such number of shares sufficient to effect the conversions.

On July 2, 2012, the Company issued 1,000 shares of convertible Series A Preferred Stock to the Company's CEO for services provided and personal guarantees associated with previous acquisition activities. The total fair value of the preferred stock was $229,236 based on valuations performed using an option-pricing method based on the Company's publicly traded common stock on the date of grant, and a 5% discount for lack of marketability.

Convertible Preferred Stock, Series B

The Company has one thousand (1,000) authorized shares of $0.0001 par value Series B Convertible Preferred Stock ("Series B Preferred Stock"). The Series B Preferred Stock accrues dividends equal to 1.5% of the Company's revenues per quarter, beginning on January 1st of any calendar year in which the Company has generated revenue over $1 million, and an additional 6% of the Company's net income beginning on January 1st of any calendar year in which the Company has generated net income over $2 million. The dividends are payable at the discretion of the Company, provided that any unpaid dividends accrue until paid. The Series B Preferred Stock includes a liquidation preference equal to $0.0001 per share, plus any accrued and unpaid dividends. The Series B Preferred Stock is convertible, at the option of the holder into shares of the Company's Class A Common Stock, with five business days' notice into 10% of the total number of then issued and outstanding shares of Class A Common Stock, provided that no conversion will take place until all holders of the Series B Preferred Stock consent to such conversion. The Series B Preferred Stock has limited voting rights, relating solely to matters which adversely affect the rights of the Series B Preferred Stock holders. The Company shall reserve and keep available out of its authorized but unissued shares of Class A Common Stock such number of shares sufficient to effect the conversions.

On July 2, 2012, the Company issued a total of 1,000 shares of convertible Series B preferred stock amongst three related parties pursuant to the exchange and extension of a promissory note owed to Star Financial Corporation, a related party. The total fair value of the preferred stock was $61,130 based on valuations performed using an option-pricing method based on the Company's publicly traded common stock on the date of grant, and a 5% discount for lack of marketability.

Convertible Preferred Stock, Series C

Effective January 14, 2014, the Company has three billion (3,000,000,000) authorized shares of $0.0001 par value Series C Convertible Preferred Stock ("Series C Preferred Stock"). The Series C Preferred Stock accrues dividends equal to 1.5% of the Company's revenues per quarter, beginning on January 1st of any calendar year in which the Company has generated revenue over $1 million, and an additional 6% of the Company's net income beginning on January 1st of any calendar year in which the Company has generated net income over $2 million. The dividends are payable at the discretion of the Company, provided that any unpaid dividends accrue until paid. The Series C Preferred Stock includes a liquidation preference equal to $0.0001 per share, plus any accrued and unpaid dividends. Subject to certain conversion restrictions over the first three months from the original issuance date, each share of Series C Preferred Stock is convertible, at the option of the holder into three (3) shares of the Company's Class A Common Stock, with five business days' notice. The following conversion restrictions shall apply; (i) the holder shall be prohibited from converting any Series C Preferred shares for a period of one (1) month from the original issuance date, (ii) the holder shall be prohibited from converting not more than 30% of the Series C Preferred shares originally issued to holder during the second (2nd) month following the original issuance date, (iii) the holder shall be prohibited from converting not more than 30% (60% in total) of the Series C Preferred shares originally issued to holder during the third (3rd) month following the original issuance date, (iv) the holder shall be prohibited from converting not more than an additional 40% (100% in total) of the Series C Preferred shares originally issued to holder following the end of the third month following the original issuance date. The Series C Preferred Stock shall each vote three voting share and shall vote together with the Common Stock of the Company. The Company shall reserve and keep available out of its authorized but unissued shares of Class A Common Stock such number of shares sufficient to effect the conversions.

Convertible Preferred Stock, Series D

Effective December 18, 2014, the Company has 1,000,000 authorized and zero outstanding shares of $0.01 par value Series D Convertible Preferred Stock ("Series D Preferred Stock"). The Series D Preferred Stock shall carry an 8.0% dividend, payable semiannually at Issuer's election in either (i) cash or (ii) shares of common stock. Each share of Series D Preferred Stock is convertible, at the option of the holder into three (3) shares of the Company's Class A Common Stock, with five business days' notice, provided that no conversion will take place until all holders of the Series C Preferred Stock consent to such conversion. The Series D Preferred Stock has preferential voting rights that carry three (3) voting rights for each share issued and outstanding, and shall vote together with the shares of the Common Stock of the Company, and not as a separate class. No Convertible Preferred Stock Series D shares were issued or outstanding as of June 30, 2016 and December 31, 2015.

Convertible Preferred Stock, Series E

Effective December 31, 2015, the Company has 100,000,000 authorized and 24 outstanding shares of $0.01 par value Series E Convertible Preferred Stock ("Series E Preferred Stock"). The Series E Preferred Stock shall carry an 8.0% dividend, payable semiannually at Issuer's election in either (i) cash or (ii) shares of common stock. Series E Preferred Stock is convertible, at the option of the holder into the Company's Class A Common Stock, at a price of 65% of the lowest bid price of the Common Stock as reported by Bloomberg for the 20 prior trading days prior to receipt by the Corporation of a Notice of Conversion.

On December 31, 2015, the Company issued 24 shares of Series E Preferred Stock for services to Darrin M. Ocasio. The shares were valued based on the value of services rendered $24,000.

Common Stock, Class A

The Company has 9 billion authorized shares of $0.01 par value Class A Common Stock.

Convertible Common Stock, Class B

The Company has 60,000,000, authorized shares of $0.01 par value Convertible Class B Common Stock, convertible at the option of the holder into shares of the Company's Class A Common Stock on a 1:10,000 basis. Effective January 14, 2014, the preferential voting rights of the Convertible Class B Common Stock were changed from preferential voting rights of 2,000 votes to each Class A Common Stock vote (2,000:1) to 10,000 votes to each Class A Common Stock vote (10,000:1). The Company shall reserve and keep available out of its authorized but unissued shares of Class A Common Stock such number of shares sufficient to effect the conversions. Common B was not part of the October 6, 2014 reversed stock split.

Convertible Class B Common Stock Issuance for Services

On March 22, 2014, the Company issued 12,500,000 shares of Convertible Class B Common Stock to the Company's CEO in consideration for providing services. The total fair value of the common stock was $44,737 based on the closing price of the Company's common stock on the date of grant.

Class A Common Stock Issuances, 2015:

Debt Conversions into Class A Common Stock:

Debt Conversion by St. George Investments, LLC
On January 9, 2015, the Company issued 2,720 shares of Class A Common Stock pursuant to the conversion of $4,896 of convertible debt held by St. George Investments, LLC, which consisted of $4,896 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On February 5, 2015, the Company issued 2,840 shares of Class A Common Stock pursuant to the conversion of $3,408 of convertible debt held by St. George Investments, LLC, which consisted of $3,408 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On February 18, 2015, the Company issued 3,000 shares of Class A Common Stock pursuant to the conversion of $2,700 of convertible debt held by St. George Investments, LLC, which consisted of $2,700 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On March 26, 2015, the Company issued 56,000 shares of Class A Common Stock pursuant to the conversion of $8,400 of convertible debt held by St. George Investment LLC, which consisted of $8,400 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On April 20, 2015, the Company issued 71,200 shares of Class A Common Stock pursuant to the conversion of $4,628 of convertible debt held by St. George Investments, LLC, which consisted of $4,628 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On May 07, 2015, the Company issued 61,600 shares of Class A Common Stock pursuant to the conversion of $4,620 of convertible debt held by St. George Investments, LLC, which consisted of $4,620 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On July 22, 2015, the Company issued 3,000,000 shares of Class A Common Stock pursuant to the conversion of $8,548 of convertible debt held by St. George Investment LLC, which consisted of $8,548 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On August 3, 2015, the Company issued 6,644,357 shares of Class A Common Stock pursuant to the conversion of $8,571 of convertible debt held by St. George Investment LLC, which consisted of $5,340 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

As of August 3, 2015, the St. George's note has been paid in full.

Debt Conversion by LG Capital Funding LLC.
On January 7, 2015, the Company issued 1,419 shares of Class A Common Stock pursuant to the conversion of $2,998.20 of convertible debt held by LG Capital Funding LLC, which consisted of $2,958 of principal, $40.20 of interest. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On February 12, 2015, the Company issued 1,419 shares of Class A Common Stock pursuant to the conversion of $1,256.42 of convertible debt held by LG Capital Funding, LLC, which consisted of $1,230 of principal, $26.42 of interest. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On March 19, 2015, the Company issued 28,288 shares of Class A Common Stock pursuant to the conversion of $3,447.65 of convertible debt held by LG Capital Funding LLC, which consisted of $3,350 of principal, $97.65 of interest. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On August 17, 2015, the Company issued 12,093,261 shares of Class A Common Stock pursuant to the conversion of $3,700 of convertible debt held by LG Capital, which consisted of $3,930 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On October 13, 2015, the Company issued 21,246,769 shares of Class A Common Stock pursuant to the conversion of $1,381 of convertible debt held by LG Capital Funding LLC, which consisted of $1,285 of principal and $96 of accrued interest. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On January 28, 2016, the Company issued 31,864 shares of Class A Common Stock pursuant to the conversion of $5,178 of convertible debt held by LG Capital, which consisted of $4,715 of principal and $463 of accrued interest. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

<u>Debt Conversion by Magna Equities II, LLC.</u>
On January 7, 2015, the Company issued 3,006 shares of Class A Common Stock pursuant to the conversion of $7,323.64 of convertible debt held by Magna Equities LLC, which consisted of $7,323.64 principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On January 30, 2015, the Company issued 3,273 shares of Class A Common Stock pursuant to the conversion of $4,500 of convertible debt held by Magna Equities LLC, which consisted of $4,500 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On February 12, 2015, the Company issued 3,842 shares of Class A Common Stock pursuant to the conversion of $2,800 of convertible debt held by Magna Equities LLC, which consisted of $2,800 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On February 20, 2015, the Company issued 4,233 shares of Class A Common Stock pursuant to the conversion of $3,000 of convertible debt held by Magna Equities LLC, which consisted of $3,000 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On February 25, 2015, the Company issued 22,400 shares of Class A Common Stock pursuant to the conversion of $14,000 of convertible debt held by Magna Equities LLC, which consisted of $14,000 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On March 3, 2015, the Company issued 12,003 shares of Class A Common Stock pursuant to the conversion of $2,000 of convertible debt held by Magna Equities LLC, which consisted of $2,000 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On March 10, 2015, the Company issued 33,597 shares of Class A Common Stock pursuant to the conversion of $3,500 of convertible debt held by Magna Equities LLC, which consisted of $3,500 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On March 16, 2015, the Company issued 42,985 shares of Class A Common Stock pursuant to the conversion of $3,600 of convertible debt held by Magna Equities LLC, which consisted of $3,600 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On March 20, 2015, the Company issued 42,985 shares of Class A Common Stock pursuant to the conversion of $3,600 of convertible debt held by Magna Equities LLC, which consisted of $3,600 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On August 4, 2015, the Company issued 3,271,538 shares of Class A Common Stock pursuant to the conversion of $3,000 of convertible debt held by Magna, which consisted of $3,000 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On August 19, 2015, the Company issued 22,059,576 shares of Class A Common Stock pursuant to the conversion of $3,639.83 of convertible debt held by Magna, which consisted of $3,639.83 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On August 31, 2015, the Company issued 29,565,217 shares of Class A Common Stock pursuant to the conversion of $1,720 of convertible debt held by Magna, which consisted of $2,720 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On September 22, 2015, the Company issued 35,344,000 shares of Class A Common Stock pursuant to the conversion of $1,943.92 of convertible debt held by Magna, which consisted of $1,943.92 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On October 2, 2015, the Company issued 41,389,091 shares of Class A Common Stock pursuant to the conversion of $2,276 of convertible debt held by Magna Equities LLC, which consisted of $2,276 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On October 13, 2015, the Company issued 48,796,000 shares of Class A Common Stock pursuant to the conversion of $2,684 of convertible debt held by Magna Equities LLC, which consisted of $2,684 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On October 22, 2015, the Company issued 48,478,546 shares of Class A Common Stock pursuant to the conversion of $2,666 of convertible debt held by Magna Equities LLC, which consisted of $2,236 of principal and $430 of accrued interest. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

Debt Conversion by IBC Funds LLC
On February 13, 2015, the Company issued 9,600 shares of Class A Common Stock pursuant to the conversion of $7,260 of convertible debt held by IBC Funds LLC, which consisted of $7,260 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On February 24, 2015, the Company issued 9,600 shares of Class A Common Stock pursuant to the conversion of $5,280 of convertible debt held by IBC Funds LLC, which consisted of $5,280 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On March 3, 2015, the Company issued 16,000 shares of Class A Common Stock pursuant to the conversion of $2,200 of convertible debt held by IBC Funds LLC, which consisted of $2,200 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On March 5, 2015, the Company issued 16,000 shares of Class A Common Stock pursuant to the conversion of $2,200 of convertible debt held by IBC Funds LLC, which consisted of $2,200 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On March 9, 2015, the Company issued 16,000 shares of Class A Common Stock pursuant to the conversion of $1,100 of convertible debt held by IBC Funds LLC, which consisted of $1,100 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On March 13, 2015, the Company issued 16,000 shares of Class A Common Stock pursuant to the conversion of $1,100 of convertible debt held by IBC Funds LLC, which consisted of $1,100 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On March 18, 2015, the Company issued 16,000 shares of Class A Common Stock pursuant to the conversion of $1,100 of convertible debt held by IBC Funds LLC, which consisted of $1,100 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On March 23, 2015, the Company issued 28,800 shares of Class A Common Stock pursuant to the conversion of $1,980 of convertible debt held by IBC Funds LLC, which consisted of $1,980 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On March 25, 2015, the Company issued 28,800 shares of Class A Common Stock pursuant to the conversion of $1,980 of convertible debt held by IBC Funds LLC, which consisted of $1,980 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On March 27, 2015, the Company issued 28,800 shares of Class A Common Stock pursuant to the conversion of $1,980 of convertible debt held by IBC Funds LLC, which consisted of $1,980 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On June 30, 2015, the Company issued 28,800 shares of Class A Common Stock pursuant to the conversion of $1,980 of convertible debt held by IBC Funds LLC, which consisted of $1,980 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On April 1, 2015, the Company issued 28,800 shares of Class A Common Stock pursuant to the conversion of $1,980 of convertible debt held by IBC Funds LLC, which consisted of $1,980 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On April 6, 2015, the Company issued 28,800 shares of Class A Common Stock pursuant to the conversion of $1,980 of convertible debt held by IBC Funds LLC, which consisted of $1,980 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On May 5, 2015, the Company issued 28,800 shares of Class A Common Stock pursuant to the conversion of $1,980 of convertible debt held by IBC Funds LLC, which consisted of $1,980 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On May 15, 2015, the Company issued 90,400 shares of Class A Common Stock pursuant to the conversion of $6,215 of convertible debt held by IBC Funds LLC, which consisted of $6,215 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On June 25, 2015, the Company issued 1,319,700 shares of Class A Common Stock pursuant to the conversion of $7,984 of convertible debt held by IBC Funds LLC, which consisted of $7,984 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

Debt Conversion by KBM Worldwide Inc

On May 13, 2015, the Company issued 181,680 shares of Class A Common Stock pursuant to the conversion of $11,355 of convertible debt held by KBM Worldwide, Inc., which consisted of $11,355 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On June 29, 2015, the Company issued 1,639,344 shares of Class A Common Stock pursuant to the conversion of $10,000 of convertible debt held by KBM Worldwide, Inc., which consisted of $10,000 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On July 21, 2015, the Company issued 6,000,000 shares of Class A Common Stock pursuant to the conversion of $15,000 of convertible debt held by KBM Worldwide, which consisted of $15,000 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On July 30, 2015, the Company issued 6,666,667 shares of Class A Common Stock pursuant to the conversion of $12,000 of convertible debt held by KBM Worldwide, which consisted of $12,000 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On August 6, 2015, the Company issued 9,207,792 shares of Class A Common Stock pursuant to the conversion of $7,090 of convertible debt held by KBM Worldwide, which consisted of $7,090 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On August 20, 2015, the Company issued 42,941,176 shares of Class A Common Stock pursuant to the conversion of $7,300 of convertible debt held by KBM Worldwide, which consisted of $7,300 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On August 26, 2015, the Company issued 13,958,333 shares of Class A Common Stock pursuant to the conversion of $1,675 of convertible debt held by KBM Worldwide, which consisted of $1,675 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On August 26, 2015, the Company issued 28,958,333 shares of Class A Common Stock pursuant to the conversion of $3,475 of convertible debt held by KBM Worldwide, which consisted of $1,755 of principal and $1,720 of accrued interest. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

As August 26, 2015, the KBM Worldwide One's note has been paid in full.

On August 31, 2015, the Company issued 43,937,500 shares of Class A Common Stock pursuant to the conversion of $3,435 of convertible debt held by KBM Worldwide, which consisted of $3,435 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On September 3, 2015, the Company issued 42,900,000 shares of Class A Common Stock pursuant to the conversion of $2,145 of convertible debt held by KBM Worldwide, which consisted of $2,145 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On September 11, 2015, the Company issued 42,900,000 shares of Class A Common Stock pursuant to the conversion of $2,145 of convertible debt held by KBM Worldwide, which consisted of $2,145 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On September 29, 2015, the Company issued 42,900,000 shares of Class A Common Stock pursuant to the conversion of $2,145 of convertible debt held by KBM Worldwide, which consisted of $2,145 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On March 30, 2015, the Company issued 42,900,000 shares of Class A Common Stock pursuant to the conversion of $2,145 of convertible debt held by KBM Worldwide, which consisted of $2,145 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On October 12, 2015, the Company issued 429,000 shares of Class A Common Stock pursuant to the conversion of $2,145 of convertible debt held by KBM Worldwide, which consisted of $2,145 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On November 23, 2015, the Company issued 2,372,000 shares of Class A Common Stock pursuant to the conversion of $11,860 of convertible debt held by KBM Worldwide, which consisted of $11,860 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On December 15, 2015, the Company issued 1,476,667 shares of Class A Common Stock pursuant to the conversion of $8,860 of convertible debt held by KBM Worldwide, which consisted of $8,860 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On December 15, 2015, the Company issued 896,000 shares of Class A Common Stock pursuant to the conversion of $4,480 of convertible debt held by KBM Worldwide, which consisted of $3,160 of principal and $1,320 of accrued interest. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On February 18, 2016, the Company issued 91,200 shares of Class A Common Stock pursuant to the conversion of $13,680 of convertible debt held by KBM Worldwide, which consisted of $12,785 of principal and $895 of accrued interest. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

<u>Debt Conversion by JMJ Financial, Inc.</u>
On January 2, 2015, the Company issued 1,356 shares of Class A Common Stock pursuant to the conversion of $2,542.50 of convertible debt held by JMJ Financial which consisted of $2,543 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On January 21, 2015, the Company issued 1,560 shares of Class A Common Stock pursuant to the conversion of $2,925 of convertible debt held by JMJ Financial, which consisted of $2,925 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On February 4, 2015, the Company issued 1,566 shares of Class A Common Stock pursuant to the conversion of $1,762 of convertible debt held by JMJ Financial, which consisted of $1,762 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On February 23, 2015, the Company issued 1,566 shares of Class A Common Stock pursuant to the conversion of $1,292 of convertible debt held by JMJ Financial, which consisted of $1,292 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On July 7, 2015, the Company issued 1,152,000 shares of Class A Common Stock pursuant to the conversion of $7,603 of convertible debt held by JMJ Financial, which consisted of $7,603 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

As of July 7, 2015, the JMJ Financial's note has been paid in full.

Debt Conversion of Michael Dobbs

On July 20, 2015, the Company issued 10,500,000 shares of Class A Common Stock pursuant to the conversion of $18,925 of convertible debt held by Michael Dobbs, which consisted of $18,925 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

Debt Conversion by Blackbridge Capital LLC

On February 18, 2015, the Company issued 11,901 shares of Class A Common Stock pursuant to the conversion of $9,000 of convertible debt held by Blackbridge Capital LLC, which consisted of $9,000 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On February 24, 2015, the Company issued 24,000 shares of Class A Common Stock pursuant to the conversion of $3,000 of convertible debt held by Blackbridge Capital LLC, which consisted of $3,000 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On February 26, 2015, the Company issued 29,600 shares of Class A Common Stock pursuant to the conversion of $3,700 of convertible debt held by Blackbridge Capital LLC, which consisted of $3,700 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On March 2, 2015, the Company issued 32,000 shares of Class A Common Stock pursuant to the conversion of $4,000 of convertible debt held by Blackbridge Capital LLC, which consisted of $4,000 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On March 5, 2015, the Company issued 22,740 shares of Class A Common Stock pursuant to the conversion of $2,842.47 of convertible debt held by Blackbridge Capital LLC, which consisted of $2,842.47 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

Debt Conversions by Related Parties

On March 2, 2015, the Company issued 51,200 shares of Class A Common Stock pursuant to the conversion of $3,200 of convertible debt held by GG Mars, a company owned by our CEO's family member, a related party, which consisted of $3,200 of principal.. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On March 3, 2015, the Company issued 35,200 shares of Class A Common Stock pursuant to the conversion of $3,300 of convertible debt held by Star Financial, a company owned by our CEO's family member, a related party, which consisted of $3,300 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On March 11, 2015, the Company issued 17,600 shares of Class A Common Stock pursuant to the conversion of $1,650 of convertible debt held by Star Financial, a company owned by our CEO's family member, a related party, which consisted of $1,650 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On March 24, 2015, the Company issued 32,000 shares of Class A Common Stock pursuant to the conversion of $2,000 of convertible debt held by GG Mars, a company owned by our CEO's family member, a related party, which consisted of $2,000 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On April 3, 2015, the Company issued 45,600 shares of Class A Common Stock pursuant to the conversion of $2,000 of convertible debt held by Star Financial Corporation, a company owned by our CEO's family member, a related party, which consisted of $2,000 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On April 14, 2015, the Company issued 80,000 shares of Class A Common Stock pursuant to the conversion of $5,000 of convertible debt held by GG Mars, a company owned by our CEO's family member, a related party, which consisted of $5,000 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On June 28, 2015, the Company issued 4,000,000 shares of Class A Common Stock pursuant to the conversion of $4,000 of convertible debt held by GG Mars, a company owned by our CEO's family member, a related party, which consisted of $4,000 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On July 2, 2015, the Company issued 10,000,000 shares of Class A Common Stock pursuant to the conversion of $4,000 of convertible debt held by Star Financial, a company owned by our CEO's family member, a related party, which consisted of $4,000 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On July 17, 2015, the Company issued 8,000,000 shares of Class A Common Stock pursuant to the conversion of $24,000 of convertible debt held by GG Mars, a company owned by our CEO's family member, a related party, which consisted of $24,000 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On July 23, 2015, the Company issued 10,000,000 shares of Class A Common Stock pursuant to the conversion of $25,000 of convertible debt held by GG Mars, a company owned by our CEO's family member, a related party, which consisted of $25,000 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

On January 29, 2016, the Company issued 40,000 shares of Class A Common Stock pursuant to the conversion of $5,000 of convertible debt held by GG Mars, a company owned by our CEO's family member, a related party, which consisted of $5,000 of principal. The note was converted in accordance with the conversion terms; therefore no gain or loss has been recognized.

Beneficial Conversion Feature

On January 29, 2015, the Company entered into a convertible promissory note with KBM Worldwide. The beneficial conversion feature discount resulting from the conversion price that was $0.00126 below the market price of $0.0021 on the January 29, 2015 origination date resulted in a debt discount value of $43,000 that was recognized as additional paid in capital and is being amortized on a straight line basis over the life of the loan.

On February 13, 2015, the Company entered into a convertible promissory note with IBC Funds. The beneficial conversion feature discount resulting from the conversion price that was $0.00088 below the market price of $0.0003 on the February 13, 2015 origination date resulted in a debt discount value of $127,813 that was recognized as additional paid in capital and is being amortized on a straight line basis over the life of the loan.

On March 2, 2015, the Company entered into a convertible promissory note with Star Financial Corporation. The beneficial conversion feature discount resulting from the conversion price that was $0.00008 below the market price of $0.0003 on the March 2, 2015 origination date resulted in a debt discount value of $5,000 that was recognized as additional paid in capital and is being amortized on a straight line basis over the life of the loan.

On March 2, 2015, the Company entered into a convertible promissory note with GG Mars. The beneficial conversion feature discount resulting from the conversion price that was $0.001 below the market price of $0.0003 on the March 2, 2015 origination date resulted in a debt discount value of $18,750 that was recognized as additional paid in capital and is being amortized on a straight line basis over the life of the loan.

On March 30, 2015, the Company entered into a convertible promissory note with Star Financial Corporation. The beneficial conversion feature discount resulting from the conversion price that was $0.0002 below the market price of $0.00008 on the June 30, 2016 origination date resulted in a debt discount value of $30,000 that was recognized as additional paid in capital and is being amortized on a straight line basis over the life of the loan.

Issuances for Services

On April 13, 2015, the Company issued 88,400 shares of Class A Common Stock for services to Michael Dobbs. The shares were valued based on the closing market price on the date of the agreement in the amount of $22,984.

On April 13, 2015, the Company issued 88,400 shares of Class A Common Stock for services to Ronald Aarons. The shares were valued based on the closing market price on the date of the agreement in the amount of $22,984.

On April 13, 2015, the Company issued 88,400 shares of Class A Common Stock for services to Scott Sanchez. The shares were valued based on the closing market price on the date of the agreement in the amount of $22,984.

On April 24, 2015, the Company issued 864 shares of Class A Common Stock for services to Eduardo Cabrera. The shares were valued based on the closing market price on the date of the agreement in the amount of $225.

On April 24, 2015, the Company issued 800 shares of Class A Common Stock for services to Wellington Shields Holding LLC. The shares were valued based on the closing market price on the date of the agreement in the amount of $208.

On April 24, 2015, the Company issued160 shares of Class A Common Stock for services to Metaxas Georgatos. The shares were valued based on the closing market price on the date of the agreement in the amount of $42.

On April 24, 2015, the Company issued 256 shares of Class A Common Stock for services to Vance Thinh. The shares were valued based on the closing market price on the date of the agreement in the amount of $67.

On April 24, 2015, the Company issued 40 shares of Class A Common Stock for services to Marc Estigarribia. The shares were valued based on the closing market price on the date of the agreement in the amount of $10.

On April 24, 2015, the Company issued 40 shares of Class A Common Stock for services to Juan Ramirez. The shares were valued based on the closing market price on the date of the agreement in the amount of $10.

On April 30, 2015, the Company issued 360,000 shares of Class A Common Stock for services to Shaun Passley. The shares were valued based on the closing market price on the date of the agreement in the amount of $90,000.

On June 29, 2015, the Company issued 9,000,000 shares of Class A Common Stock for services to Michael Dobbs. The shares were valued based on the closing market price on the date of the agreement in the amount of $109,800.

On June 29, 2015, the Company issued 7,400,000 shares of Class A Common Stock for services to Ronald Aarons. The shares were valued based on the closing market price on the date of the agreement in the amount of $90,280.

Preferred Stock, Series C Conversions:
On January 21, 2015, the Company issued 5,026 shares of Preferred C Stock pursuant to the exchange agreement with our CEO in exchange for 10,052 shares of Class A Common Stock. The total fair value of the common stock was $4,112 based on an independent valuation on the date of grant. Although the common stock had a fair value higher than the preferred stock; as this was a related party transaction, no gain was recognized as a result of this exchange.

On February 13, 2015, the Company issued 68 shares of Class A Stock pursuant to the exchange agreement with our CEO in exchange for 70,000,000 shares of Preferred C Stock. As the stock was converted within the terms of the agreement, no gain or loss was recognized as a result of the exchange.

On June 22, 2015, the Company issued 360,000 shares of Class A Stock pursuant to the exchange agreement with our CEO in exchange for 30,000,000 shares of Preferred C Stock. As the stock was converted within the terms of the agreement, no gain or loss was recognized as a result of the exchange.

On June 29, 2015, the Company issued 48,000 shares of Class A Stock pursuant to the exchange agreement with our CEO in exchange for 40,000,000 shares of Preferred C Stock. As the stock was converted within the terms of the agreement, no gain or loss was recognized as a result of the exchange.

On July 27, 2015, the Company issued 48,000 shares of Class A Stock pursuant to the exchange agreement with our CEO in exchange for 40,000,000 shares of Preferred C Stock. As the stock was converted within the terms of the agreement, no gain or loss was recognized as a result of the exchange.

On November 4, 2015, the Company issued 360,000 shares of Class A Stock pursuant to the exchange agreement with our CEO in exchange for 30,000,000 shares of Preferred C Stock. As the stock was converted within the terms of the agreement, no gain or loss was recognized as a result of the exchange.

On June 2, 2016, the Company issued 30,000,000 shares of Class A Stock pursuant to the exchange agreement with our CEO in exchange for 10,000,000 shares of Preferred C Stock. As the stock was converted within the terms of the agreement, no gain or loss was recognized as a result of the exchange.

On June 2, 2016, the Company issued 2,550,000 shares of Class A Stock pursuant to the exchange agreement with Star Financial in exchange for 850,000 shares of Preferred C Stock. As the stock was converted within the terms of the agreement, no gain or loss was recognized as a result of the exchange.

On June 3, 2016, the Company issued 3,300,000 shares of Class A Stock pursuant to the exchange agreement with GG Mars in exchange for 1,100,000 shares of Preferred C Stock. As the stock was converted within the terms of the agreement, no gain or loss was recognized as a result of the exchange.

Note 14 - Subsequent Events

Reverse Stock Splits
In June 2016, Epazz, Inc.'s (the "Company's") majority stockholder and sole director (Shaun Passley) approved a 1:2,500 reverse stock split of the Company's Class A common stock Effective June 2, 2016, the Company affected the 1:2,500 reverse stock split of its Class A common stock. The Company's Class B common stock and preferred stock were not affected by the reverse stock split. The Company's new symbol following the reverse split will be EPAZD. The D will be removed in 20 business days. The Company's new CUSIP number is 29413V 606. In order for the Company to be in compliance with the minimum bid price requirement of $0.01 per share for listing on OTCQB OTC markets. The Company may need to be do reverse split, if the share price falls below $0.01 or if the Company needs to qualify for a national stock exchange.