

PRAXSYN CORPORATION

Consolidated Financial Statements
For the three months ended March 31, 2019
(Unaudited)

PRAXSYN CORPORATION

CONSOLIDATED BALANCE SHEET (UNAUDITED)

At March 31, 2019

ASSETS

CURRENT ASSETS:

Cash	\$	4,175
Accounts receivables - net of reserve		11,014,473
Other current assets		<u>36,000</u>
Total current assets		11,054,648
Property and equipment, net		<u>81,335</u>
Total assets	\$	<u>11,135,983</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$	1,026,676
Notes payable		1,645,071
Other current liabilities		<u>5,981,679</u>
Total current liabilities		<u>8,653,426</u>

STOCKHOLDERS' EQUITY

Preferred Stock, \$.001 par value 10,000,000 shares authorized		
Series D - 116,435 shares outstanding at March 31, 2019 and 2018, respectively with a liquidation preference of \$4,657,400 for March 31, 2019 and 2018, respectively.		116
Series B - 60,991 and 62,691 shares outstanding at March 31, 2019 and 2018, respectively with a liquidation preference of \$1,829,730 and \$1,880,730 for March 31, 2019 and 2018, respectively.		61
Series C - 20 shares outstanding at March 31, 2019 and 2018, respectively with a liquidation preference of \$20,000 for March 31, 2019 and 2018, respectively.		0
Common stock, par \$.001, 1,400,000,000 shares authorized; 741,742,157 and 724,742,157 shares outstanding at March 31, 2019 and 2018, respectively.		741,742
Additional paid-in capital		53,318,950
Accumulated (deficit)		<u>(51,578,312)</u>
Total stockholders' equity		<u>2,482,557</u>
Total liabilities and stockholders' equity	\$	<u>11,135,983</u>

See accompanying notes to these unaudited consolidated financial statements.

PRAXSYN CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	For the quarter ended March 31,	
	2019	2018
Net revenues	\$ 0	\$ 38,434
Cost of net revenues	0	50,732
Gross profit	0	(12,298)
General & administrative Operating expenses	30,770	92,446
(Loss) from operations	(30,770)	(104,744)
Interest expense	(4,932)	(129,622)
Net (loss)	\$ (35,702)	\$ (234,366)
Net (loss) per share-basic	Nil	Nil
Weighted average number of common shares used in basic calculation	741,742,157	598,169,868

Fully diluted loss per share is not presented because it is anti-dilutive

See accompanying Notes to Consolidated Financial Statements

PRAXSYN CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)

	Series B Preferred Stock		Common Stock		Paid-In Capital	Accumulated (Deficit)	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
Balance at January 1, 2017	62,691	\$ 63	724,742,157	\$ 724,742	\$ 53,335,948	\$ (47,480,973)	\$ 6,579,896
Conversion of Series B Preferred	(1,000)	(1)	10,000,000	10,000	(9,999)		0
Net (loss) ended Dec 31, 2017						(3,496,136)	(3,496,136)
Balance at December 31, 2017	61,691	62	734,742,157	734,742	53,325,949	(50,977,109)	3,083,760
Conversion of Series B Preferred	(700)	(1)	7,000,000	7,000	(6,999)	0	0
Net (loss) ended Dec. 31, 2018						(565,501)	(565,501)
Balance at December 31, 2018	60,991	61	741,742,157	741,742	53,318,950	(51,542,610)	53,318,950
Net (loss) ended March 31, 2019						(35,702)	(35,702)
Balance at March 31, 2019	60,991	\$ 61	741,742,157	\$ 741,742	\$ 53,318,950	\$ (51,578,312)	\$ 53,283,248

There were no changes in Preferred Stock Series C & D during the reporting periods.

See accompanying Notes to Consolidated Financial Statements

PRAXSYN CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the three months ended March 31,	
	2019	2018
OPERATING ACTIVITIES		
Net (loss) for the period	\$ (35,702)	\$ (234,366)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation & amortization		10,815
Changes in assets and liabilities		
(Incr)/decr -current assets		186,276
Incr/(decr) - current liabilities	35,702	22,232
Net cash (used in) provided by operating activities	<u>0</u>	<u>(15,043)</u>
INCREASE (DECREASE) IN CASH	0	(15,043)
CASH, BEGINNING OF PERIOD	<u>4,175</u>	<u>15,043</u>
CASH, END OF PERIOD	\$ <u>4,175</u>	\$ <u>0</u>

NON CASH TRANSACTIONS IN COMMON SHARES

See accompanying notes to these unaudited consolidated financial statements.

PRAXSYN CORPORATION

Notes to Consolidated Financial Statements For the two years ended December 31, 2018 and 2017 (Unaudited)

Note 1. The Company and Its Significant Accounting Policies

1.1. The Company

The Company was incorporated June 6, 2005 as American Antiquities Incorporated in the State of Illinois. On October 10, 2010 the Company changed its name to Pet Airways, Inc. The Company changed its name on July 27, 2011 to The PAWS Pet Company, Inc. and finally, on April 15, 2014 to **PRAXSYN CORPORATION**. On November 3, 2014, the shareholders voted to change its domicile to Nevada and restate its articles as necessary in order to comport those Nevada statutes. On December 30, 2014, Articles of Domestication were filed in Nevada.

The unaudited financial statements included herein were prepared from the records of the Company in accordance with Generally Accepted Accounting Principles ("GAAP"). These financial statements reflect all adjustments that are, in the opinion of management, necessary to provide a fair statement of the results of operations and financial position for the periods presented. Significant adjustments may be required upon the financial statements being audited to be in conformity with GAAP.

1.2. Going Concern

The Company operates in an industry that is subject to rapid change. The Company's operations will be subject to significant risk and uncertainties including financial, operational, technological, regulatory and other risks, including the potential risk of business failure.

The accompanying unaudited financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

During the three months ended March 31, 2019 and March 31, 2018 we incurred a net loss of \$ 35,702 and \$234,366 respectively. Historically, we have funded operations primarily through proceeds received (a) in connection with factoring of accounts receivable on a nonrecourse basis for billings that were not pre-approved billings, (b) through issuances of notes payable, and (c) through sales of common stock.

The ability of the Company to continue as a going concern is dependent on the successful execution of Management's plans, which include sales of its products, further implementation of its business plan and continuing to raise funds through debt or equity financings. The Company will likely need to rely upon debt or equity financing in order to ensure the continuing existence of the business.

1.3. Principles of Consolidation

The preparation of these consolidated financial statements in accordance with GAAP requires us to make estimates and assumptions that affect the reported amounts in the financial statements and disclosures of contingent assets and liabilities. On an on-going basis, we evaluate these estimates and assumptions. The most important of these estimates and assumptions relate to revenue recognition, inventory valuation, collectability of receivables, impairment assessments on long lived assets, and the valuation of stock compensation and awards. Although these and other estimates and assumptions are based on the best available information, actual results could be different from these estimates. The policies discussed below include those that management has determined to be the most appropriate in preparing our consolidated financial statements. The restatement and reclassification of some items has been made retroactively in order to present the financial statements on a consistent and comparable basis.

1.4. Use of Estimates

The unaudited financial statements included herein were prepared from the records of the Company, and its wholly-owned subsidiaries, in accordance with GAAP. All significant intercompany accounts and transactions have been eliminated in consolidation. These financial statements reflect all adjustments that are, in the opinion of management, necessary to provide a fair statement of the results of operations and financial position. Actual results could differ from those estimates.

1.5. Cash & Cash Equivalents

The company's policy is to consider cash and cash equivalents to consist of checking accounts, money market accounts or certificates of deposit having maturity dates of 90 days or less.

1.6. Financial Instruments

Financial instruments consist primarily of cash, security deposits and obligations under accounts payable and accrued expenses. The carrying amounts of cash, accounts receivable, security deposits, accounts payable and accrued expenses approximate fair value because of the short-term maturity of those instruments.

1.7. Accounts Receivable

Accounts Receivable represents amounts due from insurance companies, through various networks, for products delivered to patients. We record an allowance for doubtful accounts and contractual reimbursements based on an analysis of historical collections over the expected period until cases are closed or settled. Management also assesses specific identifiable accounts considered at risk or uncollectible. As discussed above, we have factored a significant amount of accounts receivable. The difference between the estimated net realizable value of accounts receivable, which we have recorded as net revenues have been recorded as net revenues, and the factored amounts have been recorded in the consolidated statements as interest expense.

Due to the nature of the industry and the reimbursement environment in which we operate, certain estimates are required to record net revenues and accounts receivable at their net realizable values. Inherent in these estimates is the risk that they may have to be revised or updated as additional information becomes available. It is possible that management's estimates could change, which could have an impact on operations and cash flows. Specifically, the complexity of many billing arrangements and the uncertainty of reimbursement amounts for certain services from certain payers may result in adjustments to amounts previously recorded.

1.8. Inventories

Inventories are stated at the lower of cost (first in, first out method) or market. Our inventories consist of pharmaceutical ingredients used within our products. Inventories for all periods presented are predominantly raw materials.

1.9. Shipping and Handling

Shipping and handling costs incurred are included in general and administrative expenses. The amount of revenue received for shipping and handling is less than 0.5% of revenues for all periods presented.

1.10. Property and Equipment

Property and equipment are recorded at historical cost and depreciation on a straight-line basis over their estimated useful lives. Leasehold Improvements are amortized on a straight-line basis over the lesser of useful lives or the remaining term of the lease. For tax purposes accelerated tax methods are used. We expense all purchases of equipment with a cost under \$1,000. Ordinary maintenance and repairs are charged to expense as incurred, and replacements and betterments are capitalized.

1.11. Debt Issuance Costs

We capitalize direct costs related to the issuance of debt including finder's fees, underwriting and legal costs. The debt issuance costs are recorded as an asset and amortized as interest expense over the term of the related debt using the straight-line method, which approximates the effective interest method. Upon extinguishment of the related debt, any amortized debt issuance costs are expensed as interest expense.

1.12. Impairment of Long-Lived Assets

We review our long-lived assets in accordance with ASC 360-10-35, Impairment or Disposal of Long-Lived assets. Under that directive, long-lived assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Such group is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. When such factors and circumstances exist, we compare the projected undiscounted future cash flows associated with the related asset or group of assets over their estimated useful lives against their respective carrying amount. Impairment, if any, is based on the excess of the carrying amount over the fair value, based on market value when available, or discounted expected cash flows, of those assets and is recorded in the period in which the determination is made.

1.13. Convertible Debt and Warrants Issued with Convertible Debt

Convertible debt is accounted for under the guidelines established by ASC 470, Debt with Conversion and Other Options and ASC 740, Beneficial Conversion Features. We record a beneficial conversion feature (BCF) when convertible debt is issued with conversion features at fixed or adjustable rates that are below market value when issued. If, however, the conversion feature is dependent upon a condition being met or the occurrence of a specific event, the BCF will be recorded when the related contingency is met or occurs. The BCF for the convertible instrument is recorded as a reduction, or discount, to the carrying amount of the convertible instrument equal to the fair value of the conversion feature. The discount is then amortized to interest over the life of the underlying debt using the effective interest method.

We calculate the fair value of warrants issued with the convertible instruments using the Black Scholes valuation method, using the same assumptions used for valuing employee options for purposes of ASC 718, Compensation Stock Compensation, except that the contractual life of the warrant is used. Under these guidelines, we allocate the value of the proceeds received from a convertible debt transaction between the conversion feature and any other detachable instruments (such as warrants) on a relative fair value basis. The allocated fair value is recorded as a debt discount or premium and is amortized over the expected term of the convertible debt to interest expense. For a conversion price change of a convertible debt issue the additional intrinsic value of the debt conversion feature, calculated as the number of additional shares issuable due to a conversion price change multiplied by the previous conversion price, is recorded as additional debt discount and amortized over the remaining life of the debt.

For modifications of convertible debt, we record the modification that changes the fair value of an embedded conversion feature, including a BCF as a debt discount which we amortize to interest expense over the remaining life of the debt. If modification is considered substantial (i.e. greater than 10% of the carrying value of the debt), an extinguishment of debt is deemed to have occurred, resulting in the recognition of an extinguishment gain or loss.

1.14. Fair Value of Financial Instruments

We utilize ASC 820-10, Fair Value Measurement and Disclosure, for valuing financial assets and liabilities measured on a recurring basis. Fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The guidance also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs market participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of our Company.

Unobservable inputs are inputs that reflect our Company's assumptions about the factors market participants would use in valuing the asset or liability. The guidance establishes three levels of inputs that may be used to measure fair value:

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

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

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

At March 31, 2019 and March 31, 2018, we did not have any level 2 or 3 assets or liabilities.

1.15. Stock Based Compensation

We account for our share-based compensation in accordance with ASC 718-20, Stock-based Compensation. Stock based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense over the requisite vesting period.

We have issued warrants exercisable into our common stock and preferred stock as compensation to debt holders. The fair value of each warrant is estimated on the date of grant using the Black- Scholes pricing model. Assumptions are determined at the time of the grant. No warrants were granted during the periods ended March 31, 2019 and March 31, 2018.

The assumptions used in the Black Scholes models referred to above are based upon the following data: (1) The expected life of the warrant is estimated by considering the contractual term of the warrant. (2) The expected stock price volatility of the underlying shares over the expected term of the warrant is based upon historical share price data. (3) The risk-free interest rate is based on published U.S. Treasury Department interest rates for the expected terms of the underlying warrants. (4) Expected dividends are based on historical dividend data and expected future dividend activity. (5) The expected forfeiture rate is based on historical forfeiture activity and assumptions regarding future forfeitures based on the composition of current grantees.

1.16. Income Taxes

We account for income taxes in accordance with ASC 740-10 Income Taxes. We recognize deferred tax assets and liabilities to reflect the estimated future tax effects, calculated at currently effective tax rates, of future deductible or taxable amounts attributable to events that have been recognized on a cumulative basis in the consolidated financial statements. A valuation allowance related to a deferred tax asset is recorded when it is more likely than not that some portion of the deferred tax asset will not be realized. Deferred tax assets and liabilities are adjusted for the effects of the changes in tax laws and rates of the date of enactment.

ASC 740-10 prescribes a recognition threshold that a tax position is required to meet before being recognized in the financial statements and provides guidance on recognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition issues. We classify interest and penalties as a component of interest and other expenses. To date, there have been no interest or penalties assessed or paid.

We measure and record uncertain tax positions by establishing a threshold for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Only the positions meeting the more-likely-than-not recognition threshold at the effective date may be recognized or continue to be recognized.

1.17. Net Income (loss) per share

Basic earnings per share are calculated by dividing income available to common stockholders by the weighted-average number of common shares outstanding each period. Diluted earnings per share are

computed using the weighted number of common and dilutive common share equivalents outstanding during the period.

1.18. Contingencies

In the normal course of business, we have been named from time to time, as a defendant in legal and regulatory proceedings. We are also involved from time to time in other exams, investigations, and similar reviews (both formal and informal) by governmental and self-regulatory agencies regarding our businesses, certain of which may result in judgements, settlements, fines, penalties or other injunctions.

In accordance with ASC 450-20-25, Contingencies, we recognize a liability for a contingency when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. If the reasonable estimate of a probable loss is a range, we accrue the most likely amount of such loss, and if such amount is not determinable, then we accrue the minimum in the range as the loss accrual. The determination of the outcome and loss estimates requires significant judgment on the part of management can be highly subjective and is subject to significant change with the passage of time as more information becomes available. Estimating the ultimate impact of litigation matters is inherently uncertain in particular because the ultimate outcome will rest on events and decisions of others that may not be with our power to control. We do not believe that any of our current litigation will have a significant adverse effect on our consolidated financial position, results of operations or liquidity, however, if amounts paid at the resolution of litigation are in excess of recorded reserve amounts, the excess could be significant in relation to results of operations for that period.

1.19. Leasehold Improvements

Leasehold improvements are be amortized over the remaining life of the lease for the cultivation facility when put into productive use.

1.20. Loans from Shareholders

Amounts owed to directors, officers or other consultants for services that are also shareholders are accrued as loans from shareholders.

1.21. Leasehold Improvements

Leasehold improvements are be amortized over the remaining life of the lease for the cultivation facility when put into productive use.

1.22. Security Deposits

The Company has security deposits outstanding on lease space rentals.

Note 2. Notes Payable & Other Current Liabilities

2.1. Accounts Payable

At March 31, 2019, there were \$1,026,676 in Accounts Payable with the vast majority owed to creditors of Nevada Health RX. The Company is planning to spin off this subsidiary and combine any remaining operations into its new Praxsyn Medical Subsidiary.

2.2. Notes Payable

At March 31, 2019 the Company had \$1,645,071 in secured notes and other unsecured loans owed to Libra JSI LLC ("LJSI") together with persons and entities affiliated with LJSI. These notes are secured by the assets of the Company. LJSI has agreed, in principle, to settle this debt under favorable terms, subject to obtaining settlements with the unsecured creditors.

2.3. Other Current Liabilities

Our Other Current liabilities include:

- a. \$2,552,380 owed to Echelon;
- b. \$695,000 owed to Shadow Tree; and
- c. \$2,734,299 owed to multiple smaller creditor(s)

Although there can be no guarantees, the Company is in negotiations with Echelon, Shadow Tree and the holders of the majority of our other debt to restructure our debt obligations and the Company believes that it be able to achieve significant and favorable results during Q2 2019.

Note 3. Stockholders' Equity

3.1. Common Stock

We are authorized to issue 1,400,000,000 shares of \$0.001 par value common stock. Prior to our change of domicile to Nevada, all series and classes had no par value. The holders of common stock are entitled to one vote per share on all matters submitted to a vote of stockholders and are not entitled to cumulate their votes in the election of directors. The holders of common stock are entitled to any dividends that may be declared by the Board of Directors out of funds legally available therefore subject to the prior rights of holders of any outstanding of preferred stock and any contractual restrictions against the payment of dividends on common stock. In the event of liquidation or dissolution of our Company, holders of common stock re entitled to share ratable in all assets remaining after payment of liabilities and the liquidation preferences of any outstanding shares ratable in all assets remaining after payment of liabilities and the liquidation preferences of any outstanding shares of preferred stock.

Holders of common stock have no preemptive or other subscription rights and no right to convert their common stock into any other securities.

On December 31, 2016, there were 724,742,157 shares of Common Stock outstanding.

On December 7, 2017, 10,000,000 shares of Common Stock were issued in conversion, and cancellation, of 1,000 shares of Series B Preferred Stock. These shares were issued in certificate form and bear a restrictive legend.

On December 31, 2017, there were 734,742,157 shares of Common Stock outstanding.

On May 1, 2018, 7,000,000 shares of Common Stock were issued in conversion, and cancellation, of 700 shares of Series B Preferred Stock. The shares were issued in book entry form and bore no restrictive legend pursuant to the exemption provided under Section 4(a)(1) of the Securities Act of 1933.

On December 31, 2018, there were 741,742,157 shares of Common Stock outstanding.

On March 31, 2019, there were 741,742,157 shares of Common Stock outstanding.

3.2. Preferred Stock

We are authorized to issue 10,000,000 shares of \$0.001 par value preferred stock and have designated four (4) series of preferred stock. Prior to our change of domicile to Nevada, all series and classes had no par value. The various rights and preferences of each series are described below:

3.2.1. Preferred Series A

On May 27, 2011 we filed a Certificate of Designations with the State of Illinois under which we designated 500 shares of our Preferred stock as Series A Preferred Stock (the Series A Preferred). The following describes certain information with respect to Series A Preferred Stock:

Ranking: The Series A Preferred rank with respect to rights upon Liquidation, (i) senior to the Common Stock, (ii) junior to the Series D Preferred, Series B Preferred, and (iii) junior to any and all existing indebtedness of the Company.

Right of Conversion: The Series A Preferred is not convertible into any of our capital stock.

Dividends: Series A Preferred shall be entitled to dividends at the rate of 10% per annum which are payable upon redemption of the Series A Preferred. So long as any shares of Series A Preferred are outstanding, no dividends or other distributions may be paid or declared to any securities which are junior to the Series A Preferred other than dividends or other distributions payable on the common stock solely in the form of additional common stock.

After payment of dividends at the annual rate set forth above, any additional dividends declared shall be distributed ratably among all holders of the Series A Preferred and common stock in proportion to the number of shares of common stock that would be held by each such holder of Series A Preferred if the Series A Preferred were converted into common stock by taking the Series A Liquidation Value (as defined below) divided by the market price of one share of common stock on the date of distribution.

Liquidation: In the event of any Liquidation, any payments to holders of Series A Preferred shall be made only after Liquidation payments have been made to holders of the Series D Preferred, the Series C Preferred, and the Series B Preferred. After such payments have been made, our remaining assets shall be paid to holder of the Series A Preferred up to the amount of \$10,000 per Series A Preferred share plus any accrued but unpaid dividends (the Series A Liquidation Value). Any remaining assets shall be distributed on a pro rata basis to both the Series A Preferred shareholders and the common shareholders as if the Series A Preferred were converted to common stock.

Redemption: The Company may redeem any or all of the Series A Preferred at any time at a redemption price per share equal to the Series A Liquidation Value.

Preferred Series A Shares Outstanding:

There were no Series A shares outstanding at any of December 31, 2016, 2017 or 2018 and March, 31, 2019, and none are outstanding as of the date of this report.

3.2.2. Preferred Series B

On March 15, 2013 we filed a Certificate of Designations with the State of Illinois under which we designated 80,000 shares of our Preferred stock as Series B Preferred Stock (the Series B Preferred). The following describes certain information with respect to Series B Preferred Stock:

Ranking: The Series B preferred has the same ranking as the Series D Preferred described above.

Right of Conversion: Any holder of B Preferred shall have the right to convert each of their Series B preferred shares into a number of fully paid and non-assessable shares of common stock calculated as follows: 0.001% of the number of shares of the common stock that would be issued and outstanding after the hypothetical conversion and issuance of all outstanding shares of any and all classes of convertible stock and/or any and all other convertible debt instruments, options and/or any and all other convertible debt instruments, options and/or warrants outstanding at the time of conversion (the Series B Conversion ratio). In no event shall the Series B Conversion Ratio be less than 4,300 shares of common stock for each Series B Preferred share and more than 10,000 shares of Common Stock for each Series B Preferred Share. No conversion will be allowed which would cause the common share beneficial ownership of the holder and its affiliates to exceed 4.9% of our issued and outstanding common shares after such conversion unless such provision is waived by the holder with 61 days' notice.

Dividends: Series B Preferred shall not be entitled to dividends.

Liquidation: In the event of any Liquidation, holders of Series B Preferred shall be entitled to \$30 per share. If, upon Liquidation, our remaining assets are insufficient to pay Series D Preferred holders the full \$30 per share to which they are entitled, then the remaining assets shall be distributed on a pro rata basis to all holders of Series B Preferred and any other class of our capital stock that ranks equal to the Series B preferred.

Preferred Series B Shares Outstanding:

There were 62,691 Series B shares outstanding at December 31, 2016.

1,000 Series B Shares were cancelled and converted into 10,000,000 shares of Common Stock on December 7, 2017.

There were 61,691 Series B shares outstanding at December 31, 2017.

700 Series B Shares were cancelled and converted into 7,000,000 shares of Common Stock on May 1, 2018.

There were 60,991 Series B shares outstanding at December 31, 2018.

There were 60,991 Series B shares outstanding at March 31, 2019.

3.2.3. Preferred Series C

On May 15, 2013 we filed a Certificate of Designations with the State of Illinois under which we designated 50,000 shares of our Preferred stock as Series C Preferred Stock (the Series C Preferred). The following describes certain information with respect to Series C Preferred Stock:

Ranking: The Series C Preferred rank, with respect to rights upon Liquidation, (i) senior to Common Stock. The Series A Preferred Stock and any and all other classes or series of our Preferred Stock whether authorized now, or at any time in the future, unless any such subordination to any other class or series of Preferred stock, is expressly agreed to pursuant to an affirmative vote or written consent of holders of at least sixty seven percent (67%) of the Series C Preferred issued and outstanding at the time of any such vote or written consent, (ii) Junior to the Series D Preferred and Series B Preferred, and (iii) junior to any and all existing and future indebtedness of the Company.

Right of Conversion: Any holder of Series C Preferred shall have the right to convert each of their Series C Preferred shares into a number of fully paid and non-assessable shares of common stock calculated as follows: the face value of Series C preferred shares (calculated at \$100 per share) divided by ninety percent (90%) of the lowest closing price for our common stock, as quoted on any exchange or market upon which the common stock is traded over the sixty (60) calendar days preceding the date of conversion (the Series C Conversion Rate). In no event shall the Series C Conversion Rate be less than 10,000 shares of common stock for each Series C Preferred share and more than 20,000 shares of Common Stock for each Series C Preferred Share. No conversion will be allowed which would cause the common share beneficial ownership of the holder and its affiliates to exceed 4.9% of our issued and outstanding common shares after such conversion unless such provision is waived by the holder with 61 days' notice. Dividends- Series C Preferred shall not be entitled to dividends.

Liquidation: In the event of any Liquidation, holders of Series C Preferred shall be entitled to \$1,000 per share after payments have been made to holders of the Series D Preferred and Series B Preferred. If, upon Liquidation, our remaining assets are insufficient to pay Series D Preferred holders the full \$100 per share to which they are entitled, then the remaining assets shall be distributed on a pro rata basis to all holders of Series C Preferred and any other class of our capital stock that ranks equal to the Series C preferred.

Preferred Series C Shares Outstanding:

There were 20 Series C shares outstanding at December 31, 2016, 2017 and 2018.

There were 20 Series C shares outstanding at March 31, 2019.

3.2.4. Preferred Series D

On December 30, 2013, we filed a Certificate of Designations with the State of Illinois under which we designated 500,000 shares of Preferred Stock as Series D Preferred stock (the Series D preferred). The following describes certain information with respect to the Series D Preferred Stock:

Ranking: The Series D Preferred ranks, with respect to rights upon liquidation, dissolution, or winding up of the affairs of our Company (collectively "Liquidation"), (i) senior to the Common Stock, (ii) equal to the

Series B Preferred Stock, (iii) senior to any and all other classes or series of our Preferred Stock whether authorized now, or at any time in the future, unless any such subordination to any other class or series of Preferred Stock, is expressly agreed to, pursuant to an affirmative vote or written consent of holders of at least sixty-seven percent (67%) of the Series D Preferred issued and outstanding at the time of any such vote or written consent, and (iv) junior to any and all existing and future indebtedness of the Company.

Right of Conversion: Any holder of Series D Preferred shall have the right to convert any or all of their Series D Preferred Stock into a number of fully paid and non-assessable shares of common stock at the rate of 1,000 common shares for each share of Series D Preferred. No conversion will be allowed which would cause the common share beneficial ownership of the holder and its affiliates to exceed 4.9% of our issued and outstanding common shares after such conversion unless such provision is waived by the holder with 61 days' notice.

Dividends: Series D Preferred shall not be entitled to dividends.

Liquidation: In the event of any Liquidation, holders of Series D Preferred shall be entitled to \$40 per share. If, upon Liquidation, our remaining assets are insufficient to pay Series D Preferred holders the full \$40 per share to which they are entitled, then the remaining assets shall be distributed on a pro rata basis to all holders of Series D Preferred and any other class of our capital stock that ranks equal to the Series D preferred.

Preferred Series D Shares Outstanding:

There were 116,435 Series D shares outstanding at December 31, 2016, 2017 and 2018.

There were 116,435 Series D shares outstanding at March 31, 2019.

Note 4. Subsequent Events

4.1. Common Stock Issuances

On April 22, 2019, 44,000,000 shares of Common Stock were issued to two entities in the conversion and cancellation of 4,400 shares of Series B Preferred Stock.

4.2. Preferred Stock Conversions

On April 22, 2019, 44,000,000 shares of Series B Preferred Stock were cancelled under demands for conversion into 44,000,000 shares of Common Stock.