ZENERGY BRANDS, INC.

FORM 10-Q
(Quarterly Report)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2018

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

For the transition period from __________ to __________

Commission File Number: 000-55771

ZENERGY BRANDS, INC.

(Exact Name of Registrant as Specified in its Charter)

Nevada	**20-8881686**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

7700 Windrose Ave. #G300, Plano TX 75024
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number including area code: **469-228-1400**

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]

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

Large accelerated filer	[ ]		Accelerated filer	[ ]
Non-accelerated filer	[ ]	(Do not check if a smaller reporting company)	Smaller reporting company	[X]
			Emerging growth company	[X]

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 1,057,268,441 of Class A Common shares outstanding, 10,000,000 of Class B Common Shares outstanding, and 500,000 Preferred Shares Series A outstanding as of May 16, 2018.

ZENERGY BRANDS, INC.

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

ZENERGY BRANDS, INC.
CONDOLIDATED BALANCE SHEETS

	March 31, 2018 (unaudited)	December 31, 2017
ASSETS		
Current Assets		
Cash and cash equivalents	$ 558,033	$ 27,849
Current portion of financing receivables, net	54,089	7,971
Related party receivable	-	10,578
Other assets	12,583	3,526
Prepaid expenses	17,311	34,066
Total current assets	642,016	83,990
Long-term assets		
Financing receivables, net	341,066	54,378
Other long-term assets	-	10,631
Total long-term assets	341,066	65,009
Fixed Assets		
Software	156,956	156,955
Less: Amortization	(16,797)	(11,072)
Total fixed assets	140,159	145,883
Total assets	$ 1,123,241	$ 294,882
LIABILITIES & SHAREHOLDERS' DEFICIT		
Liabilities		
Current liabilities		
Accounts payable	$ 412,481	$ 389,520
Related party accounts payable	45,000	60,312
Accrued interest	181,860	133,519
Accrued payroll	45,097	353,793
Deferred revenue	48,146	520
Other current liabilities	5,105	21,579
Subscription liabilities	44,000	44,000
Related party convertible promissory note, net	169,000	169,000
Notes payable	621,664	19,464
Convertible promissory notes, net	1,342,096	1,046,663
Total current liabilities	2,914,449	2,238,370
Long-term liabilities		
Deferred revenue	32,766	3,743
Total long-term liabilities	32,766	3,743
Total liabilities	2,947,215	2,242,113
Mezzanine equity		
Beneficial conversion feature	989,477	693,076
Warrants	81,530	81,530
Total Mezzanine equity	1,071,007	774,606
Shareholders' deficit		
Class A Common stock par value $.001, 4,200,000,000 shares authorized, 1,057,268,441 and 973,105,369 issued and outstanding, respectively	1,057,267	973,105
Class B Common stock par value $.001, 10,000,000 shares authorized, 10,000,000 issued and outstanding	10,000	10,000
Preferred stock series A par value $.001, 2,000,000 shares authorized, 500,000 and 0, respectively issued and outstanding	500	500
Preferred stock par value $.001, 38,000.000 shares authorized, none issued	-	-
Additional paid-in capital	2,576,248	1,926,569
Accumulated deficit	(6,538,996)	(5,632,011)
Total shareholders' deficit	(2,894,981)	(2,721,837)
Total liabilities & shareholders' deficit	$ 1,123,241	$ 294,882

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

ZENERGY BRANDS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	For the Periods Ended	
	March 31, 2018	March 31, 2017
Revenue	$ 301,809	$ 4,832
Cost of goods sold	208,341	7,491
Gross profit (loss)	93,468	(2,659)
Operating expenses		
Selling, general and administrative expenses	750,862	478,968
Amortization expense	5,725	942
Total Operating Expense	756,587	479,910
Operating loss	(663,119)	(482,569)
Other income (expense)		
Interest income	1,854	-
Forgiveness of debt	313,500	-
Loss on extinguishment of debt	(52,024)	-
Interest expense	(507,197)	(63,108)
Total other expense	(243,867)	(63,108)
Net loss	$ (906,986)	$ (545,677)
Per share information:		
Net loss per share - basic	$ (0.001)	$ (0.001)
Weighted average shares outstanding - basic	666,831,273	605,972,340
Weighted average shares outstanding - diluted	1,848,434,290	757,217,007

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

ZENERGY BRANDS, INC.
CONSOLIDATED STATEMENTS OF CHANGE IN SHAREHOLDERS' DEFICIT
(unaudited)

	Class A Common Stock		Class B Common Stock		Series A Preferred Stock				
	Shares	Amount	Shares	Amount	Shares	Amount	Accumulated Deficit	Additional Paid-in-Capital	Total
December 31, 2016 - Audited	853,262,525	$ 853,262	10,000,000	$ 10,000	-	$ -	$ (2,328,890)	$ 274,903	$ (1,190,725)
Net Loss	-	-	-	-	-	-	(3,303,121)	-	(3,303,121)
Conversion of warrants	919,091	919					-	(919)	-
Conversion of notes payable	38,053,031	38,053	-	-	-	-	-	103,197	141,250
Conversion of mezzanine equity	-	-	-	-	-	-	-	858,350	858,350
Class A common stock issued	68,514,143	68,514	-	-	-	-	-	410,385	478,899
Series A preferred stock issued	-	-	-	-	500,000	500	-	124,500	125,000
Common stock issued for service and fees	12,356,579	12,357	-	-	-	-	-	156,153	168,510
December 31, 2017 - Audited	973,105,369	$ 973,105	10,000,000	$ 10,000	500,000	$ 500	$ (5,632,011)	$ 1,926,569	$ (2,721,837)
Net Loss	-	-	-	-	-	-	(906,986)	-	(906,986)
Extinguishment of debt	-	-	-	-	-	-	-	52,024	52,024
Conversion of warrants	-	-					-	-	-
Conversion of notes payable	27,079,738	27,079	-	-	-	-	-	16,638	43,717
Conversion of mezzanine equity	-	-	-	-	-	-	-	408,599	408,599
Class A common stock issued	27,083,334	27,083	-	-	-	-	-	52,418	79,501
Series A preferred stock issued	-	-	-	-	-	-	-	-	-
Common stock issued for service and fees	30,000,000	30,000	-	-	-	-	-	120,000	150,000
March 31, 2018 - Unaudited	1,057,268,441	1,057,267	10,000,000	10,000	500,000	500	(6,538,997)	2,576,248	(2,894,981)

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

ZENERGY BRANDS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	March 31, 2018	March 31, 2017
OPERATING ACTIVITIES		
Net Loss	$ (906,985)	$ (545,677)
Adjustments to reconcile net loss to net cash used in operating activities		
Amortization of debt discount	448,850	41,364
Amortization of software	5,725	942
Compensation and fees paid in stock	150,000	-
Loss on extinguishment of debt	52,024	-
Changes in operating assets and liabilities		
Prepaid expenses and other current assets	7,698	14,103
Related party receivable	10,578	-
Other long-term assets	10,631	-
Accounts payable and other current liabilities	6,487	9,420
Accounts payable related party	(15,312)	-
Accrued interest	48,341	13,655
Accrued payroll	(308,696)	40,749
Deferred revenue	76,649	-
Net cash used in operating activities	(414,010)	(425,444)
INVESTING ACTIVITIES		
Financing receivable extended	(332,806)	-
Software	-	(17,706)
Net cash used in investing activities	(332,806)	(17,706)
FINANCING ACTIVITIES		
Proceeds from issuance of preferred stock	-	125,000
Proceeds from issuance of common stock	79,500	-
Proceeds from issuance of stock subscription	-	135,000
Proceeds from sale of minority interest	-	20,000
Proceeds from notes payable	600,000	40,000
Proceeds from convertible promissory notes	705,000	82,500
Pay down of convertible promissory notes	(107,500)	-
Net cash provided by financing activities	1,277,000	402,500
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	$ 27,849	$ 51,710
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 558,033	$ 11,060
Supplemental disclosure of non cash transactions		
Conversion of notes payable and interest to common stock	$ 52,824	$ -
Cash paid for interest expense	$ 900	$ 588

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

ZENERGY BRANDS, INC.
NOTES TO CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2018

1. Organization – Nature of Operations

Zenergy Brands, Inc. (the "Company", ("Zenergy") or ("ZNGY") was incorporated under the laws of the State of Nevada on July 28, 1999. As part of our rebranding and marketing efforts focused on our energy and smart controls business, our board of directors unanimously approved on October 18, 2017 the change of our corporate name to Zenergy Brands, Inc. from The Chron Organization, Inc. ("CHRO")

Zenergy Brands, Inc. a business-to-business company, whose business platform is a combined offering of energy services and smart controls. Our business model is based upon the belief that these two aspects, combined with an ever-increasing commercial demand for more sustainable business practices will continue to be burgeoning trends. Historically, services such as electricity and natural gas have been provided by monopoly based companies; these legacy entities are in the business of selling commodity and related services and naturally, selling as much of these (kilo-watt-hours of electricity and thermal units of natural gas) as possible. However, the growing demand from commercial and municipal entities for responsible energy, more control and transparency, and overall sustainability, have proven to be at odds with the mission of these legacy entities. Zenergy offers a unique value proposition to commercial, industrial, and municipal customers whereby we offer a means to reduce their utility expenses anywhere from 20% up to 60% through energy-efficient and smart control products and services.

2. Summary of Significant Accounting Policies

Principals of Consolidation – The accompanying consolidated financial statements include the accounts of the Company, and its subsidiaries Zen Technologies, Inc. and Zen Power & Gas, Inc., All significant intercompany transactions and balances have been eliminated.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of sales and expenses during the reporting periods. Key estimates in the accompanying financial statements include, among others, revenue recognition, allowances for doubtful accounts, valuation of long-lived assets, and deferred income tax asset valuation allowances.

The financial statements are presented on the basis of the Company's ability to continue as a going concern. See further information in Note 3. *Going Concern* .

Cash and Cash Equivalents – The Company considers all highly-liquid investments with a maturity of three months or less, when purchased, to be cash equivalents

Prepaid Expenses – As of March 31, 2018, and December 31, 2017 prepaid expenses totaled $17,311 and $34,066, respectively. The balance of prepaid expenses consists of business insurance and rent related expenses.

Fair Value of Financial Instruments - The Company calculates the fair value of its assets and liabilities which qualify as financial instruments and includes this information in the notes to consolidated financial statements when the fair value is different than the carrying value of those financial instruments. The estimated fair value of accounts receivable, financed receivables, prepaid and other current assets, and accounts payable and accrued expenses approximate the carrying amounts due to the relatively short maturity of these instruments. The carrying value of short- and long-term debt also approximates fair value since these instruments bear market rates of interest. None of these instruments are held for trading purposes.

Basic and Diluted Net Loss per Common Stock – Basic net loss per common share is computed by dividing net loss by the weighted-average number of common shares outstanding during the period. Diluted net 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. In periods when losses are reported, the weighted-average number of common shares outstanding excludes common stock equivalents because their inclusion would be anti-dilutive. The dilutive shares outstanding at March 31, 2018 and December 31, 2017 are as follows:

	March 31, 2018	December 31, 2017
Related party convertible promissory notes	56,333,333	56,333,333
Related Party Warrants	32,166,767	32,166,667
Convertible promissory notes	1,070,941,917	299,860,000
Warrants	22,161,000	19,161,000
Diluted shares outstanding	1,181,603,017	407,521,000

Income Taxes – The Company estimates its current tax position together with its future tax consequences attributable to temporary differences resulting from differing treatment of items, such as depreciation and other reserves for tax and accounting purposes. These temporary differences result in deferred tax assets and liabilities. Management must then assess the likelihood that its deferred tax assets will be recovered from future taxable income, prior year carryback, or future reversals of existing taxable temporary differences. To the extent management believes that recovery is unlikely, management establishes a valuation allowance against these deferred tax assets. Significant judgment is required in determining the Company’s provision for income taxes, its deferred tax assets and liabilities, and any valuation allowance recorded against its deferred tax assets. At March 31, 2018 and December 31, 2017, the Company has recorded a full valuation allowance against its net deferred tax assets due to the uncertainty these assets will be used in the future.

Sales-type Leasing and Related Revenue Recognition - The Company installs and leases energy equipment to its customer under a Managed Energy Services Agreement (“MESA”). The Company typically transfers ownership of the equipment to its customers at the end of the lease through a purchase option. The investment in these projects is recorded as an investment on sales-type leases in accordance with Financial Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 842, “Leases”, and its various amendments and interpretations. The Company finances energy efficiency projects. The sales and cost of sales are recognized upon completion of the installation of equipment. The investment in sales-type leases consists of the sum of the minimum lease payments receivable less unearned interest income and estimated executory cost. Minimum lease payments are part of the lease agreement between the Company (as the lessor) and the customer (as the lessee). The discount rate implicit in the lease is used to calculate the present value of minimum lease payments. The minimum lease payment consists of the gross lease payments net of executory costs, if any. While revenue is recognized at the project completion date, the cash flow from the sales-type lease occurs over the course of the lease, which results in interest income and reduction of receivables. Revenue is recognized net of sales tax.

Financing Receivables **–** Finance receivables are receivables that the Company has the intent and ability to hold for the foreseeable future or until maturity, or receivables associated with an on-balance sheet securitization classified as secured financing. The financing receivables are reported at the principal amount outstanding, net of deferred interest and offset to deferred revenue. The Company manages the economic risks exposures, including credit risk, by adjusting underwriting standards and risk limits, augmenting the servicing and collection activities. The deferred revenue is amortized over the contractual life of the related finance receivable in accordance with FASB ASC 842. Finance receivables are classified as either short-term or long-term assets.

Software Development Costs – The Company capitalizes certain expenditures to the development of its software application. Capitalization begins when technological feasibility is established. Capitalized costs are amortized using the straight-line method over the estimated useful life of the developed product.

Beneficial Conversion Feature - The Company accounts for convertible notes payable in accordance with the guidelines established by the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Codification (“ASC”) Topic 470-20, Debt with Conversion and Other Options, Emerging Issues Task Force (“EITF”) 98-5, Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios, and EITF 00-27, Application of Issue No 98-5 To Certain Convertible Instruments. The Beneficial Conversion Feature (“BCF”) of a convertible note is normally characterized as the convertible portion or feature of certain notes payable that provide a rate of conversion that is below market value or in-the-money when issued. The Company records a BCF related to the issuance of a convertible note when issued and records the estimated fair value of any warrants issued with those convertible notes. Beneficial conversion features that are contingent upon the occurrence of a future event are recorded when the contingency is resolved.

The BCF of a convertible note is measured by allocating a portion of the note’s proceeds to the warrants, if applicable, and as a discount on the carrying amount of the convertible note equal to the intrinsic value of the conversion feature, both of which are credited to additional paid-in-capital. The value of the proceeds received from a convertible note is then allocated between the conversion features and warrants and the debt on an allocated fair value basis. The allocated fair value is recorded in the financial statements as a debt discount (premium) from the face amount of the note and such discount is amortized over the expected term of the convertible note (or to the conversion date of the note, if sooner) and is charged to interest expense.

Classification **-** The Company had classified the beneficial conversion feature of the convertible notes as mezzanine equity on the consolidated balance sheets as the stock was contingently redeemable. Upon the occurrence of certain change in control events that are outside the Company's control, including liquidation, sale or transfer of the Company, holders of the convertible preferred stock could cause redemption for cash. Pursuant to ASC 480-10-S99-3A, the SEC finds that a BCF should be separated from a convertible instrument and recorded in additional paid-in capital. However, Company's filing with the SEC should present BCF as mezzanine equity in order to distinguish them from permanent equity. The balance sheet reflects the redeemable equity instruments as mezzanine equity separate from permanent equity.

New Pronouncements

Revenue from contracts with customers - In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)", which superseded previous revenue recognition guidance. ASU No. 2014-09 and its amendments were included in Accounting Standards Codification ("ASC") 606 "Revenue from Contracts with Customers". ASC 606 requires that a company recognize revenue at an amount that reflects the consideration to which the company expects to be entitled in exchange for transferring goods or services to a customer. The Company adopted ASC 606 effective January 1, 2018, using the modified retrospective approach, with no impact to the opening retained earnings. Results for periods beginning on or after January 1, 2018 are presented under ASC 606, while prior periods are not adjusted and continue to be reported in accordance with the prior accounting guidance under ASC 605 "Revenue Recognition".

3. Going Concern

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern ("ASU 2014-15"). This update is intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern within one year of the date of issuance of the entity's financial statements and to provide related footnote disclosures in certain circumstances. This guidance is effective for fiscal years ending after December 15, 2016 and for interim periods thereafter. The Company adopted ASU 2014-15 as of the required effective date of December 31, 2016. The Company performed a working capital analysis as of December 31, 2017 and 2016 to determine whether or not this disclosure was appropriate and included the additional disclosure.

When evaluating the Company's ability to meet its obligations, Management considered the current financial condition, including liquidity sources at the date that the financial statements were issued, the Company's conditional and unconditional obligations due or anticipated within one year after the date that the financial statements were issued, funds necessary to maintain the Company's operations considering its current financial condition, and other conditions and events, when considered in conjunction with the items pervious mentioned, that may adversely affect its ability to meet its obligations. The Company has concluded that there is substantial doubt about its ability to continue as a going concern for the three months ended March 31, 2018 and year ended December 31, 2017.

Based on an analysis by the Company under ASU 2014-15, the Company has concluded that there is substantial doubt about its ability to continue as a going concern within one year of the date of these financial statements. Consequently, the Company's financial statements for the three months ended March 31, 2018 and 2017 have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company reported a net loss of $906,985 and $545,677 for the three months ended March, 31, 2018 and 2017, respectively, and an accumulated deficit of $6,538,996 at March 31, 2018. At March 31, 2018 and 2017 the Company had a working capital deficit of $2,272,433 and $2,154,380, respectively, and negative cash flow from continuing operating activity of $414,010 and $425,444, respectively, for the three months ended March 31, 2018, and 2017.

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

During the 2018 fiscal year, the Company intends to continue its efforts to raise funds to support its efforts through the sale of equity and/or debt securities.

To the extent the Company's operations are not sufficient to fund the Company's capital requirements, the Company may attempt to enter into a revolving loan agreement with financial institutions or attempt to raise capital through the sale of additional capital stock or through the issuance of debt. At the present time, the Company does not have a revolving loan agreement with any financial institution.

4. Finance Receivables

Finance receivables include sales-type leases arising from the Master Energy Sales Agreements ("MESA") that the Company enters into with its customers. The receivables are collateralized by a security interest in the underlying assets. Finance receivables, net are related to the sales-type leases under ASC 842 ("Leases"), and are as follows at March 31, 2017:

Gross receivables sales	$	576,838
Deferred implied interest		(181,683)
Finance receivables, net		395,155
Less current portion of finance receivables, net		(54,089)
Finance receivables due after one year	$	341,066

5. Notes Payable

On March 29, 2017, the Company entered into a promissory note agreement (the "March 2017 Promissory Note") with a third-party in the amount of $40,000. The promissory note carries an interest rate of 10% per annum and had an original maturity date of May 15, 2017. The principal balance of the note at March 31, 2018 was $40,000, and accrued interest was $4,022. As additional consideration for entering into the note, the Company issued to the third-party note holder a warrant for the purchase of 1,000,000 shares of common stock in the Company, exercisable at two cents ($0.02) per share for a period of one year from the date of issue. The note maturity was extended to May 15, 2018 and additional warrants were issued allowing the holder to purchase an additional eleven million (11,000,000) shares of the Company's common stock. Terms of the warrant options are the same terms as the original warrant issued with the March 29, 2017 Note.

The Company determined the fair value of the warrants which resulted in a debt discount of $31,347 which was recorded as a reduction in carrying value of the March 2017 Promissory Note and offset in mezzanine equity. The balance of the debt discount for the warrants issued at March 31, 2018 was $18,336.

On March 26, 2018 the Company entered into a promissory note agreement (the "March 2018, Promissory Note") with a third-party in the amount of $600,000. The promissory note carries an interest rate of 10% per annum. The principal balance of the note at March 31, 2018 was $600,000. The maturity date of the promissory note is March 26, 2019.

6. Related Party Convertible Promissory Note

As of March 31, 2018 and December 31, 2017, the Company had an outstanding related party convertible promissory note of $169,000, with a maximum availability of $200,000 (the "Related Party Convertible Promissory Notes"). See Note 8. *Related Party Transactions.*

On November 20, 2015, the Company issued a Convertible Promissory Note to a related party (the "Related Party Convertible Promissory Note"). The Related Party Convertible Promissory Note accrues interest at a rate of 2% per annum. The principal balance under the Related Party Convertible Promissory Note at March 31, 2018, and December 31, 2017 was $169,000, respectively, and accrued interest was $8,855 and $8,021, respectively, and is due on December 31, 2018 at which time all unpaid principal and interest is due. The effective interest rate at March 31, 2018 was 114%.

The holder of the Related Party Convertible Promissory Note has the right to convert all or any part of the outstanding principal and accrued interest to shares of common stock of the Company. The Related Party Convertible Promissory Note can be converted by the holder in part from time to time after the issuance date by submitting notice of conversion. The November 2015 Related Party Convertible Promissory Note is convertible at a $0.003 per share conversion price.

The Related Party Convertible Promissory Note contained a beneficial conversion feature which resulted in a debt discount of $155,660 which was recorded as a reduction in carrying value of the Related Party Convertible Promissory Note and offset in mezzanine equity. At March 31, 2018, and December 31, 2017, the debt discount was $0.

In connection with the Related Party Convertible Promissory Note, the holder was issued a total of 32,166,667 warrants exercisable at $0.05 expiring in November 2020. The Company determined the fair value of the warrants which resulted in a debt discount of $37,366 which was recorded as a reduction in carrying value of the Related Party Convertible Promissory Note and offset in mezzanine equity. At March 31, 2018 and December 31, 2017 the debt discount was $0.

Related Party Convertible Promissory Note Summary

The fair value of the embedded beneficial conversion features and the fair value of the warrants underlying the Related Party Convertible Promissory Notes were calculated pursuant to the Black-Scholes Model. The following table summarizes the carrying value of the Convertible Promissory Notes as of March 31, 2018 and December 31, 2017.

7. Convertible Promissory Notes and Warrants

Ziegler September 2016 Convertible Promissory Note

On September 6, 2016, the Company issued a Convertible Promissory Note totaling $300,000 to a third-party (the "September 2016 Convertible Promissory Note"). The September 2016 Convertible Promissory Note matures on September 5, 2018, and accrues interest at a rate of 10% per annum. All unpaid principal and interest is due at maturity. As of March 31, 2018 and December 31, 2017, the outstanding principal was $300,000. The accrued interest balance at March 31, 2018 and December 31 2017, was $46,932 and $39,534, respectively. The effective interest rate at December 31, 2017 was 82%.

The holder of the Convertible Promissory Note has the right to convert all or any part of the outstanding principal and accrued interest to shares of common stock of the Company. The Convertible Promissory Note can be converted by the holder in part from time to time after the issuance date by submitting notice of conversion. The September 2016 Convertible Promissory Note is convertible at the option of the holder into that number of shares of the Company's common stock determined by dividing such principal amount and accrued interest by the conversion rate. The conversion rate is defined as seventy percent (70%) of the volume weighted average price over the prior ten (10) day trading period from the date of notice of conversion, but in no event shall the Conversion price be less than $0.02.

The September 2016 Convertible Promissory Note contained a beneficial conversion feature which resulted in a debt discount of $158,688 which was recorded as a reduction in carrying value of the September 2016 Convertible Promissory Note and offset in mezzanine equity. A charge to debt discount in the amount of $19,836 and $80,171 was expensed through interest expense during the three months ended March 31, 2018 and year ended December 31, 2017, respectively. At March 31, 2018 the debt discount was $33,060.

In connection with the September 2016 Convertible Promissory Note, the holder was issued 6,000,000 warrants exercisable at $0.05 expiring in September 2018. The Company determined the fair value of the warrants which resulted in a debt discount of $30,117, recorded as a reduction to the carrying value of the September 2016 Convertible Promissory Note and offset in mezzanine equity. The balance of the fair value of the warrants at March 31, 2018 and December 31, 2017, $6,274 and $10,039, respectively.

Steffan –Ziegler November 2016 Convertible Promissory Notes

On November 25, 2016, the Company issued two Convertible Promissory Notes totaling $200,000 to third-parties (the "November 2016 Convertible Promissory Notes"). The November 2016 Convertible Promissory Notes mature on November 24, 2018, and accrues interest at a rate of 10% per annum. As of March 31, 2018 and December 31, 2017, the outstanding principal was $200,000. The accrued interest balance at March 31, 2018 and December 31, 2017 was $26,959 and $22,027, respectively. The effective interest rate at December 31, 2017 was 79%.

The holders of the November 2016 Convertible Promissory Notes have the right to convert all or any part of the outstanding principal and accrued interest to shares of common stock of the Company. The November 2016 Convertible Promissory Notes can be converted by the holders in part from time to time after the issuance date by submitting notice of conversion. The November 2016 Convertible Promissory Notes are convertible at the option of the holder into that number of shares of the Company's common stock determined by dividing such principal amount and accrued interest by the conversion rate. The conversion rate is defined as seventy percent (70%) of the volume weighted average price over the prior ten (10) day trading period from the date of notice of conversion, but in no event shall the Conversion price be less than $0.02.

The November 2016 Convertible Promissory Notes contained beneficial conversion features which resulted in a debt discount of $99,123 which was recorded as a reduction in carrying value of the November 2016 Convertible Promissory Notes and offset in additional mezzanine equity. During the three months ended March 31, 2018 and twelve months ended December 31, 2017 a charge to debt discount in the amount of $12,390 and $49,562 was expensed through interest expense, respectively. At March 31, 2018 and December 31, 2017, the debt discount was $33,041 and $45,431, respectively.

In connection with the November 2016 Convertible Promissory Notes, the holders were issued 4,000,000 warrants exercisable at $0.05 expiring in November 2019. The Company determined the fair value of the warrants which resulted in a debt discount of $13,409, recorded as a reduction to the carrying value of the November 2016 Convertible Promissory Note and offset in mezzanine equity. The balance of the fair value of the warrants at March 31, 2018 and December 31, 2017 was $4,156 and $5,832, respectively.

Bellridge Capital, LP March 2017 Convertible Promissory Note

On March 17, 2017, the Company issued a Convertible Promissory Notes totaling $82,500 to a third-party (the “March 2017 Convertible Promissory Note”). The March 2017 Convertible Promissory Note matures on March 17, 2018, and accrues interest at a rate of 12% per annum. On January 9, 2018, the Company paid The March 17, 2017 Convertible Note in the amount of $82,500, with accrued interest of $8,167. In addition, the Company paid a prepayment penalty of $16,500.

The March 2017 Convertible Promissory Note contained a beneficial conversion feature which resulted in a debt discount of $38,308 which was recorded as a reduction in carrying value of the March 2017 Convertible Promissory Note and offset in mezzanine equity. During the three months ended March 31, 2017 a charge to debt discount in the amount of $8,168 was recorded through interest expense. At March 31, 2018, the debt discount was $0.

In connection with the March 2017 Convertible Promissory Note, the holder was issued 500,000 warrants exercisable at $0.03 expiring in March 2020. The Company determined the fair value of the warrants which resulted in a debt discount of $2,951 recorded as a reduction to the carrying value of the March 2017 Convertible Promissory Note and offset in mezzanine equity. The balance of the fair value of the warrants at March 31, 2018 was $0.

Bellridge Capital, LP April 2017 Convertible Promissory Note

On April 25, 2017, the Company issued a Convertible Promissory Notes totaling $82,500 to a third-party (the “April 2017 Convertible Promissory Note”). The April 2017 Convertible Promissory Note matured on April 25, 2018, and accrues interest at a rate of 12% per annum. All unpaid principal and interest is due at maturity. As of March 31, 2018 and December 31, 2017, the outstanding principal was $82,500. The accrued interest balance at March 31, 2018 and December 31, 2017 was $9,222 and $6,781. In addition, the Company recorded an original issue discount (OID) in the amount of $7,500. During the three months ended March 31, 2018 a charge to the OID debt discount was recorded in the amount of $1,875 through interest expense. The balance of the OID discount at March 31, 2018 was $625. The effective interest rate at March 31, 2018 was 85%.

The holder of the April 2017 Convertible Promissory Note have the right to convert all or any part of the outstanding principal and accrued interest to shares of common stock of the Company. The April 2017 Convertible Promissory Note can be converted by the holder in part from time to time after the issuance date by submitting notice of conversion. The April 2017 Convertible Promissory Note are convertible at the option of the holder into that number of shares of the Company’s common stock determined by dividing such principal amount and accrued interest by the conversion rate. The conversion rate is defined as the lower of $0.03 or sixty percent (60%) of the lowest closing price over the 20-day trading period from the date of notice of conversion, but in no event shall the Conversion price be less than $0.001.

The April 2017 Convertible Promissory Note contained a beneficial conversion feature which resulted in a debt discount of $55,632 which was recorded as a reduction in carrying value of the April 2017 Convertible Promissory Note and offset in mezzanine equity. During the three months ended March 31, 2018 a charge to debt discount in the amount of $13,908 was recorded through interest expense. At March 31, 2018, the debt discount was $4,636.

In connection with the April 2017 Convertible Promissory Note, the holder was issued 500,000 warrants exercisable at $0.05 expiring in April 2020 (the "Warrants"). The Company determined the fair value of the warrants which resulted in a debt discount of $632 recorded as a reduction to the carrying value of the April 2017 Convertible Promissory Note and offset in mezzanine equity. The balance of the fair value of the warrants at March 31, 2018 was $516.

Bellridge Capital, LP June 2017 Convertible Promissory Note

On June 20, 2017, the Company issued a Convertible Promissory Notes totaling $187,000 to a third-party for a purchase price of $170,000 (the "June 2017 Convertible Promissory Note"). The June 2017 Convertible Promissory Note matures on June 20, 2018, and accrues interest at a rate of 12% per annum. All unpaid principal and interest is due at maturity. As of March 31, 2018, and December 31, 2017 the outstanding principal was $187,000. The accrued interest balance at March 31, 2018, and December 31, 2017 was $17,460 and $11,927, respectively. In addition, the Company recorded an original issue discount (OID) in the amount of $18,700. During the three months ended March 31, 2018 a charge to the OID debt discount was recorded in the amount of $4,675 through interest expense. The balance of the OID discount at March 31, 2018 was $4,675. The effective interest rate at December 31, 2017 was 131%.

The holder of the June 2017 Convertible Promissory Note have the right to convert all or any part of the outstanding principal and accrued interest to shares of common stock of the Company. The June 2017 Convertible Promissory Note can be converted by the holder in part from time to time after the issuance date by submitting notice of conversion. The June 2017 Convertible Promissory Note are convertible at the option of the holder into that number of shares of the Company's common stock determined by dividing such principal amount and accrued interest by the conversion rate. The conversion rate is defined as the lower of $0.03 or sixty percent (60%) of the lowest closing price over the prior twenty 20-day trading period from the date of notice of conversion, but in no event shall the Conversion price be less than $0.001.

The June 2017 Convertible Promissory Note contained a beneficial conversion feature which resulted in a debt discount of $131,332 which was recorded as a reduction in carrying value of the April 2017 Convertible Promissory Note and offset in in mezzanine equity. During the three months ended March 31, 2018 a charge to debt discount in the amount of $32,833 was recorded through interest expense. At March 31, 2018, the debt discount was $32,833.

In connection with the June 2017 Convertible Promissory Note, the holder was issued 500,000 warrants exercisable at $0.03 expiring in June 2020. The Company determined the fair value of the warrants which resulted in a debt discount of $6,665 recorded as a reduction to the carrying value of the June 2017 Convertible Promissory Note and offset in additional paid in capital. The balance of the fair value of the warrants at March 31, 2018 was $4,999.

Auctus Fund, LLC July 28, 2017 Convertible Promissory Note

On July 28, 2017, the Company issued a Convertible Promissory Note totaling $200,000 to a third-party for a purchase price of $195,000 (the "July 28, 2017 Convertible Promissory Note"). The July 28, 2017 Convertible Promissory Note matures on April 28, 2018, and accrues interest at a rate of 10% per annum. As of March 31, 2018 and December 31, 2017, the outstanding principal was $141,373. The accrued interest balance at March 31, 2018 and December 31, 2017 was $4,910 and $1,425, respectively. In addition, the Company recorded an original issue discount (OID) in the amount of $5,000. During the three months ended March 31, 2018 a charge to the OID debt discount was recorded in the amount of $1,183 through interest expense. The balance of the OID discount at March 31, 2018 was $394. The effective interest rate at March 31, 2018 was 121%.

The holder of the July 28, 2017 Convertible Promissory Note have the right to convert all or any part of the outstanding principal and accrued interest to shares of common stock of the Company. The July 28, 2017 Convertible Promissory Note can be converted by the holder in part from time to time after the issuance date by submitting notice of conversion. The July 28, 2017 Convertible Promissory Note are convertible at the option of the holder into that number of shares of the Company's common stock determined by dividing such principal amount and accrued interest by the conversion rate. The conversion rate is defined as the lower of $0.04 or sixty percent (60%) of the lowest closing price over the prior twenty 20-day trading period from the date of notice of conversion, but in no event shall the Conversion price be less than $0.001.

The July 28, 2017 Convertible Promissory Note contained a beneficial conversion feature which resulted in a debt discount of $136,699 which was recorded as a reduction in carrying value of the July 28, 2017 Convertible Promissory Note and offset in additional paid in capital. During the three months ended March 31, 2018 a charge to debt discount in the amount of $38,823 was recorded through interest expense. At March 31, 2018, the debt discount was $12,941.

In connection with the July 28, 2017 Convertible Promissory Note, the holder was issued 666,000 warrants exercisable at $0.03 expiring in July 2022 . The Company determined the fair value of the warrants which resulted in a debt discount of $3,366 recorded as a reduction to the carrying value of the June 2017 Convertible Promissory Note and offset in mezzanine equity. The balance of the fair value of the warrants at March 31, 2018 was $2,183.

Morningview Financial, LLC July 31, 2017 Convertible Promissory Note

On July 31, 2017, the Company issued a Convertible Promissory Notes totaling $105,000 to a third-party for a purchase price of $100,000 (the "July 31, 2017 Convertible Promissory Note"). The July 31, 2017 Convertible Promissory Notes matures on July 31, 2018, and accrues interest at a rate of 10% per annum. All unpaid principal and interest is due at maturity. As of March 31, 2018 and December 31, 2017, the outstanding principal was $68,283 and $105,000, respectively. The accrued interest balance at March 31, 2018 and December 31, 2017 was $6,805 and $4,401, respectively. In addition, the Company recorded an original issue discount (OID) in the amount of $5,000. During the three months ended March 31, 2018 a charge to the OID debt discount was recorded in the amount of $1,079 through interest expense. The balance of the OID discount at March 31, 2018 was $1,838. The effective interest rate at December 31, 2017 was 163%.

The holder of the July 31, 2017 Convertible Promissory Note has the right to convert all or any part of the outstanding principal and accrued interest to shares of common stock of the Company. The July 31, 2017 Convertible Promissory Note can be converted by the holder in part from time to time after the issuance date by submitting notice of conversion. The July 31, 2017 Convertible Promissory Note are convertible at the option of the holder into that number of shares of the Company's common stock determined by dividing such principal amount and accrued interest by the conversion rate. The conversion rate is defined as a price of the lower of $0.03 or sixty percent (60%) of the lowest closing price over the prior twenty 20-day trading period from the date of notice of conversion, but in no event shall the Conversion price be less than $0.001. During the three months ended March 31, 2018 the holder of the Note converted $23,717 of the outstanding principal balance into 14,734,059 shares of Class A Common Stock.

The July 31, 2017 Convertible Promissory Note contained a beneficial conversion feature which resulted in a debt discount of $70,000 which was recorded as a reduction in carrying value of the July 31, 2017 Convertible Promissory Notes and offset in mezzanine equity. During the three months ended March 31, 2018 a charge to debt discount in the amount of $13,296 was recorded through interest expense. At March 31, 2018, the debt discount was $22,638.

2 Plus 2, LLC. July 31, 2017 Convertible Promissory Note

On July 31, 2017, the Company issued a Convertible Promissory Notes totaling $25,000 to a third-party for a purchase price of $22,500 (the "July 31, 2017 2 Plus 2 Convertible Promissory Note"). The July 31, 2017 2 Plus 2 Convertible Promissory Note matures on July 31, 2018, and accrues interest at a rate of 8% per annum. All unpaid principal and interest is due at maturity. As of March 31, 2018 and December 31, 2017, the outstanding principal was $12,233. The accrued interest balance at March 31, 2018 and December 31, 2017 was $1,080 and $838. In addition, the Company recorded an original issue discount (OID) in the amount of $2,500. During the three months ended March 31, 2018 a charge to the OID debt discount was recorded in the amount of $263 through interest expense. The balance of the OID discount at March 31, 2018 was $350. The effective interest rate at December 31, 2017 was 285%.

The holder of the July 31, 2017 2 Plus 2 Convertible Promissory Note has the right to convert all or any part of the outstanding principal and accrued interest to shares of common stock of the Company. The July 31, 2017 2 Plus 2 Convertible Promissory Note can be converted by the holder in part from time to time after the issuance date by submitting notice of conversion. The July 31, 2017 2 Plus 2 Convertible Promissory Note are convertible at the option of the holder into that number of shares of the Company's common stock determined by dividing such principal amount and accrued interest by the conversion rate. The conversion rate is defined as a price of sixty percent (60%) of the lowest closing price over the prior twenty 20-day trading period from the date of notice of conversion, but in no event shall the Conversion price be less than $0.001.

The July 31, 2017 2 Plus 2 Convertible Promissory Note contained a beneficial conversion feature which resulted in a debt discount of $20,820 which was recorded as a reduction in carrying value of the July 31, 2017 Convertible Promissory Notes and offset in mezzanine equity. During the three months ended March 31, 2018 a charge to debt discount in the amount of $2,550 was recorded through interest expense. At March 31, 2018, the debt discount was $3,401.

In connection with the July 31, 2017 2 Plus 2 Convertible Promissory Note, the holder was issued 250,000 warrants exercisable at $0.035 expiring in July 2020. The Company determined the fair value of the warrants which resulted in a debt discount of $4,180 recorded as a reduction to the carrying value of the July 31, 2017 Convertible Promissory Note and offset in mezzanine equity. The balance of the fair value of the warrants at March 31, 2018 was $1,393.

L&H Inc. July 31, 2017 Convertible Promissory Note

On July 31, 2017, the Company issued a Convertible Promissory Notes totaling $25,000 to a third-party for a purchase price of $22,500 (the "July 31, 2017 L&H Convertible Promissory Note"). The July 31, 2017 L&H Convertible Promissory Note matures on July 31, 2018, and accrues interest at a rate of 8% per annum. All unpaid principal and interest is due at maturity. On January 17, 2018, the Company paid the July 31, 2017 Convertible Note in the amount of $25,000, with accrued interest of $939. In addition, the Company paid a prepayment penalty of $2,594.

The July 31, 2017 L&H Convertible Promissory Note contained a beneficial conversion feature which resulted in a debt discount of $20,820 which was recorded as a reduction in carrying value of the July 31, 2017 L&H Convertible Promissory Notes and offset in mezzanine equity. During the three months ended March 31, 2018 a charge to debt discount in the amount of $12,145 was recorded through interest expense. At March 31, 2018, the debt discount was $0.

In connection with the July 31, 2017 L&H Convertible Promissory Note, the holder was issued 500,000 warrants exercisable at $0.035 expiring in August 2020. The Company determined the fair value of the warrants which resulted in a debt discount of $4,180 recorded as a reduction to the carrying value of the July 31, 2017 Convertible Promissory Note and offset in mezzanine equity. The balance of the fair value of the warrants at December 31, 2017 was $0.

Greentree Financial Group, Inc. August 1, 2017 Convertible Promissory Note

On August 1, 2017, the Company issued a Convertible Promissory Notes totaling $75,000 to a third-party for a purchase price of $67,500 (the “August 1, 2017 Convertible Promissory Note”). The August 1, 2017 Convertible Promissory Note matures on July 31, 2018, and accrues interest at a rate of 8% per annum. All unpaid principal and interest is due at maturity. As of March 31, 2018 and December 31, 2017, the outstanding principal was $53,650. The accrued interest balance at March 31, 2018 and December 31, 2017 was $3,573 and $2,515, respectively. In addition, the Company recorded an original issue discount (OID) in the amount of $7,500. During the three months ended March 31, 2018 a charge to the OID debt discount was recorded in the amount of $1,350 through interest expense. The balance of the OID discount at March 31, 2018 was $1,800. The effective interest rate at December 31, 2017 was 286%.

The holder of the August 1, 2017 Convertible Promissory Note has the right to convert all or any part of the outstanding principal and accrued interest to shares of common stock of the Company. The August 1, 2017 Convertible Promissory Note can be converted by the holder in part from time to time after the issuance date by submitting notice of conversion. The August 1, 2017 Convertible Promissory Note are convertible at the option of the holder into that number of shares of the Company’s common stock determined by dividing such principal amount and accrued interest by the conversion rate. The conversion rate is defined as a price of sixty percent (60%) of the lowest closing price over the prior twenty 20-day trading period from the date of notice of conversion, but in no event shall the Conversion price be less than $0.001.

The July 31, 2017 Convertible Promissory Note contained a beneficial conversion feature which resulted in a debt discount of $46,291 which was recorded as a reduction in carrying value of the July 31, 2017 Convertible Promissory Notes and offset in mezzanine equity. During the three months ended March 31, 2018 a charge to debt discount in the amount of $13,063 was recorded through interest expense. At March 31, 2018, the debt discount was $11,240.

In connection with the July 31, 2017 Convertible Promissory Note, the holder was issued 4,250,000 warrants exercisable at $0.035 expiring in July 2020. The Company determined the fair value of the warrants which resulted in a debt discount of $28,709 recorded as a reduction to the carrying value of the July 2017 Convertible Promissory Note and offset in mezzanine equity. The balance of the fair value of the warrants at March 31, 2018 was $15,407.

Additionally, the Company issued a $25,000 convertible promissory note for consulting services to be provided by Greentree Financial Group under a Financial Advisory Agreement (the “FAA July 2017 Convertible Promissory Note”). The FAA July 2017 Convertible Promissory Note has an annual interest rate of eight percent (8%) and is due on July 31, 2018. All unpaid principal and interest is due at maturity. The holder has the right, at any time, to convert all or a portion of the note into shares of common stock of the Company at the conversion price. The per shares conversion price is equal to the lesser of $0.03 or the lowest per share trading price for the 20-day trading period multiplied by sixty-percent (60%); however, the conversion shall not be less than $0.001. As of March 31, 2018 and December 31, 2017 the outstanding principal was $25,000. The accrued interest balance at March 31, 2018 and December 31, 2017 was $1,332 and $838, respectively. The effective interest rate at December 31, 2017 was 94%.

The July FAA July 2017 Convertible Promissory Note contained a beneficial conversion feature which resulted in a debt discount of $16,667 which was recorded as a reduction in carrying value of the FAA July 2017 Convertible Note and offset in mezzanine equity. During the three months ended March 31, 2018 a charge to debt discount in the amount of $4,167 was recorded through interest expense. At December 31, 2017, the debt discount was $5,556.

JSJ Investments, Inc. September 2017 Convertible Promissory Note

On September 20, 2017, the Company issued a Convertible Promissory Note totaling $110,000 to a third-party for a purchase price of $105,000 (the “September 2017 Convertible Promissory Note”). The September 2017 Convertible Promissory Note matures on June 20, 2018, and accrues interest at a rate of 10% per annum. All unpaid principal and interest is due at maturity. As of March 31, 2018 and December 31, 2017, the outstanding principal was $90,000 and $110,000, respectively. The accrued interest balance at March 31, 2018 and December 31, 2017 was $5,293 and $3,074, respectively. In addition, the Company recorded an original issue discount (OID) in the amount of $5,000. During the three months ended March 31, 2018 a charge to the OID debt discount was recorded in the amount of $2,625 through interest expense. The balance of the OID discount at March 31, 2018 was $1,125. The effective interest rate at December 31, 2017 was 110%.

The holder of the September 2017 Convertible Promissory Note have the right to convert all or any part of the outstanding principal and accrued interest to shares of common stock of the Company. The September 2017 Convertible Promissory Note can be converted by the holder in part from time to time after the issuance date by submitting notice of conversion. The September 2017 Convertible Promissory Note are convertible at the option of the holder into that number of shares of the Company's common stock determined by dividing such principal amount and accrued interest by the conversion rate. The conversion rate is defined as the lower of $0.02 or sixty percent (60%) of the lowest closing price over the prior twenty 20-day trading period from the date of notice of conversion, but in no event shall the Conversion price be less than $0.001. During the three months ended March 31, 2018 the holder of the Note converted $23,717 of the outstanding principal balance into 12,345,679 shares of Class A Common Stock.

The September 2017 Convertible Promissory Note contained a beneficial conversion feature which resulted in a debt discount of $73,333 which was recorded as a reduction in carrying value of the September 2017 Convertible Promissory Note and offset in mezzanine equity. During the three months ended March 31, 2018 a charge to debt discount in the amount of $38,500 was recorded through interest expense. At March 31, 2018, the debt discount was $16,500.

Vista Capital Investments, LLC October 2, 2017 Convertible Promissory Note

On October 2, 2017, the Company issued a Convertible Promissory Notes totaling $220,000 to a third-party for a purchase price of $200,000 (the "October 2, 2017 Convertible Promissory Note"). The October 2, 2017 Convertible Promissory Note matures on October 2, 2019, and accrues interest at a one-time interest charge rate of 8%. In addition, the Company agreed to issue the holder of the October 2, 2017 Convertible Promissory Note 3,000,000 commitment shares to induce the holder to enter into the Purchase Agreement. As of March 31, 2018 and December 31, 2017, the outstanding principal was $220,000. The accrued interest balance at March 31, 2018 and December 31, 2017 was $21,940 and $17,600, respectively. In addition, the Company recorded an original issue discount (OID) in the amount of $20,000. During the three months ended March 31, 2018 a charge to the OID debt discount was recorded in the amount of $2,500 through interest expense. The balance of the OID discount at March 31, 2018 was $15,000. The effective interest rate at December 31, 2017 was 78%.

The holder of the October 2, 2017 Convertible Promissory Notes have the right to convert all or any part of the outstanding principal and accrued interest to shares of common stock of the Company. The October 2, 2017 Convertible Promissory Note can be converted by the holder in part from time to time after the issuance date by submitting notice of conversion. The October 2, 2017 Convertible Promissory Note are convertible at the option of the holder into that number of shares of the Company's common stock determined by dividing such principal amount and accrued interest by the conversion rate. The conversion rate is defined as $0.015.

The October 2, 2017 Convertible Promissory Note contained a beneficial conversion feature which resulted in a debt discount of $101,200 which was recorded as a reduction in carrying value of the October 2, 2017 Convertible Promissory Notes and offset in mezzanine equity. During the three months ended March 31, 2018 a charge to debt discount in the amount of $12,650 was recorded through interest expense. At March 31, 2018, the debt discount was $75,900.

Crown Bridge Partners, LLC November 2017 Convertible Promissory Note

On May 31, 2017, the Company issued a Convertible Promissory Notes totaling $46,000 to a third-party for a purchase price of $40,000 (the "November 2017 Convertible Promissory Note"). The November 2017 Convertible Promissory Note matures on November 13, 2018, and accrues interest at a rate of 5% per annum. As of March 31, 2018 and December 31, 2017, the outstanding principal was $46,000. The accrued interest balance at March 31, 2018 and December 31, 2017 was $870 and $302, respectively. In addition, the Company recorded an original issue discount (OID) in the amount of $6,000. During the three months ended March 31, 2018 a charge to the OID debt discount was recorded in the amount of $1,500 through interest expense. The balance of the OID discount at March 31, 2018 was $3,500. The effective interest rate at December 31, 2017 was 300%.

The holder of the May31, 2017 Convertible Promissory Notes have the right to convert all or any part of the outstanding principal and accrued interest to shares of common stock of the Company. The May 31, 2017 Convertible Promissory Note can be converted by the holder in part from time to time after the issuance date by submitting notice of conversion. The May 31, 2017 Convertible Promissory Note are convertible at the option of the holder into that number of shares of the Company's common stock determined by dividing such principal amount and accrued interest by the conversion rate. The conversion rate is defined as $0.015.

The November 2017 Convertible Promissory Note contained a beneficial conversion feature which resulted in a debt discount of $34,303 which was recorded as a reduction in carrying value of the November 2017 Convertible Promissory Note and offset in in mezzanine equity. During the three months ended March 31, 2018 a charge to debt discount in the amount of $8,576 was recorded through interest expense. At March 31, 2018, the debt discount was $20,010.

In connection with the November 2017 Convertible Promissory Note, the holder was issued 920,000 warrants exercisable at $0.05 expiring in November 2022 (the "Warrants"). The Company determined the fair value of the warrants which resulted in a debt discount of $11,697 recorded as a reduction to the carrying value of the November 2017 Convertible Promissory Note and offset in in mezzanine equity. The balance of the fair value of the warrants at March 31, 2018 was $10,379.

Power Up Lending Group, Ltd. November 13, 2017 Convertible Promissory Note

On November 13, 2017, the Company issued a Convertible Promissory Notes totaling $68,000 to a third-party (the "November 13, 2017 Convertible Promissory Note"). The July 31, 2017 Convertible Promissory Note matures on August 20, 2018, and accrues interest at a rate of 12% per annum. As of March 31, 2018 and December 31, 2017, the outstanding principal was $68,000. The accrued interest balance at March 31, 2018 and December 31, 2017 was $3,085 and $1,073, respectively. The effective interest rate at December 31, 2017 was 114%.

The holder shall have the right from time to time, and at any time during the period beginning on the date which is one hundred eighty (180) days following the date of this note and ending on the later of: (i) the Maturity Date and (ii) the date of payment of the Default , each in respect of the remaining outstanding principal amount of this note to convert all or any part of the outstanding and unpaid principal amount of this note into fully paid and non-assessable shares of Common Stock, as such Common Stock exists on the Issue Date, or any shares of capital stock or other securities of the Borrower into which such Common Stock shall hereafter be changed or reclassified at the conversion price (the "Conversion Price") determined as provided herein (a "Conversion"); provided, however, that in no event shall the holder be entitled to convert any portion of this note in excess of that portion of this note upon conversion of which the sum of (1) the number of shares of Common Stock beneficially owned by the holder and its affiliates (other than shares of Common Stock which may be deemed beneficially owned through the ownership of the unconverted portion of the notes or the unexercised or unconverted portion of any other security of the Borrower subject to a limitation on conversion or exercise analogous to the limitations contained herein) and (2) the number of shares of Common Stock issuable upon the conversion of the portion of this Note with respect to which the determination of this provision is being made, would result in beneficial ownership by the holder and its affiliates of more than 4.99% of the outstanding shares of Common Stock.

The Conversion Price shall be equal to: (A) if the Market Price is greater than or equal to $0.011, the greater of: (i) the Variable Conversion Price (as defined herein) and (ii) the Fixed Conversion Price (as defined herein); and (B) if the Market Price is less than $0.011 the lesser of: (i) the Variable Conversion Price (as defined herein) and (ii) the Fixed Conversion Price (as defined herein); (subject, in each case, to equitable adjustments for stock splits, stock dividends or rights offerings by the Borrower relating to the Borrower's securities or the securities of any subsidiary of the Borrower, combinations, recapitalization, reclassifications, extraordinary distributions and similar events). The "Variable Conversion Price" shall mean 61% multiplied by the Market Price (as defined herein) (representing a discount rate of 39%). "Market Price" means the average of the lowest two (2) Trading Prices (as defined below) for the Common Stock during the fifteen (15) Trading Day period ending on the latest complete Trading Day prior to the Conversion Date.

The November 13, 2017 Convertible Promissory Note contained a beneficial conversion feature which resulted in a debt discount of $43,475 which was recorded as a reduction in carrying value of the November 2017 Convertible Promissory Note and offset in in mezzanine equity. During the three months ended March 31, 2018 a charge to debt discount in the amount of $10,869 was recorded through interest expense. At March 31, 2018, the debt discount was $25,360.

EMA Financial, LLC December 13, 2017 Convertible Promissory Note

On December 13, 2017, the Company issued a Convertible Promissory Notes totaling $137,500 to a third-party for a purchase price of $125,000 (the "December 13, 2017 Convertible Promissory Note"). The December 13, 2017 Convertible Promissory Note matures on December 13, 2018, and accrues interest at a rate of 12% per annum. As of March 31, 2018 and December 31, 2017, the outstanding principal was $137,500. The accrued interest balance at March 31, 2018 and December 31, 2017 was $4,882 and $814, respectively. In addition, the Company recorded an original issue discount (OID) in the amount of $12,500. During the three months ended March 31, 2018 a charge to the OID debt discount was recorded in the amount of $2,000 through interest expense. The balance of the OID discount at March 31, 2018 was $5,333. The effective interest rate at March 31, 2018 was 132%.

The holder of the December 13, 2017 Convertible Promissory Note has the right to convert all or any part of the outstanding principal and accrued interest to shares of common stock of the Company. The conversion price shall equal the lower of: (i) the closing sale price of the Common Stock on the Principal Market on the Trading Day immediately preceding the Closing Date, and (ii) 60% of either the lowest sale price for the Common Stock on the Principal Market during the twenty (20) consecutive Trading Days including and immediately preceding the Conversion Date, or the closing bid price, whichever is lower, provided, however, if the Company's share price at any time loses the, then the Conversion Price may, in the holder's sole and absolute discretion, be reduced to a fixed conversion price of 0.00001. The Company may prepay the EMA note subject to a prepayment factor. The prepayment factor shall equal one hundred and fifty percent (150%), provided that such Prepayment factor shall equal one hundred and thirty five percent (135%) if the optional prepayment date occurs on or before the date which is ninety (90) days following the issue date.

The December 13, 2017 Convertible Promissory Note contained a beneficial conversion feature which resulted in a debt discount of $91,667 which was recorded as a reduction in carrying value of the December 13, 2017 Convertible Promissory Notes and offset in mezzanine equity. During the three months ended March 31, 2018 a charge to debt discount in the amount of $22,917 was recorded through interest expense. At March 31, 2018, the debt discount was $61,111.

RB Capital Partners, Inc. 2017 Convertible Promissory Notes

As of March 31, 2018 and December 31, 2017, the Company had outstanding $780,000 and $75,000, respectively, of unsecured convertible commercial promissory notes (the RB Capital Partners, Inc. 2017 Convertible Promissory Notes). The notes have a maturity of one year from the time of issuance and accrue interest at the rate of 12%. The accrued interest on the RB Capital Partners, Inc. Convertible Promissory Notes at March 31, 2018 and December 31, 2017 was $16,348 and $740, respectively. The effective interest rate at March 31, 2018 was 1212%.

On November 17, 2017 the Company issued a Convertible Promissory Note in the Amount of $25,000. The Convertible Promissory Note (the "Note") bears twelve percent (12%) interest per annum. The Note shall be payable upon demand. Commencing on the Demand Date, all principal shall be payable by the Company upon demand made by the holder. The Note is for a period of (12) months and cannot be converted until six (6) months from the issuance date. The holder shall have the right, exercisable in whole or in part, to convert the outstanding principal into a number of fully paid and non-assessable whole shares of the Company's $0.001 par value common stock. The November 17, 2017 Convertible Promissory Note contained a beneficial conversion feature which resulted in a debt discount of $25,000 which was recorded as a reduction in carrying value of the November 17, 2017 Convertible Promissory Note and offset in in mezzanine equity. During the three months ended March 31, 2017 a charge to debt discount in the amount of $6,250 was recorded through interest expense. The debt discount at March 31, 2018 was $16,667.

On December 1, 2017, the Company issued a Convertible Promissory Note in the Amount of $25,000. The note bears twelve percent (12%) interest per annum and is payable upon demand. Commencing on the Demand Date, all principal shall be payable by the Company upon demand made by the holder. The Note is for a period of (12) months and cannot be converted until six (6) months from the issuance date. The holder shall have the right, exercisable in whole or in part, to convert the outstanding principal into a number of fully paid and non-assessable whole shares of the Company's $0.001 par value common stock. The December 1, 2017 Convertible Promissory Note contained a beneficial conversion feature which resulted in a debt discount of $25,000 which was recorded as a reduction in carrying value of the December 1, 2017 Convertible Promissory Note and offset in in mezzanine equity During the three months ended March 31, 2017 a charge to debt discount in the amount of $6,250 was recorded through interest expense. The debt discount at March 31, 2018 was $16,667.

On December 15, 2017, the Company issued a Convertible Promissory Note in the Amount of $25,000. The note bears twelve percent (12%) interest per annum and is payable upon demand. Commencing on the Demand Date, all principal shall be payable by the Company upon demand made by the holder. The note is for a period of (12) months and cannot be converted until six (6) months from the issuance date. The holder shall have the right, exercisable in whole or in part, to convert the outstanding principal into a number of fully paid and non-assessable whole shares of the Company's $0.001 par value common stock. The note contained a beneficial conversion feature which resulted in a debt discount of $25,000 which was recorded as a reduction in carrying value of the note and offset in in mezzanine equity. During the three months ended March 31, 2017 a charge to debt discount in the amount of $6,250 was recorded through interest expense. The debt discount at March 31, 2018 was $16,667.

On January 2, 2018, the Company issued a Convertible Promissory Note in the Amount of $25,000. The note bears twelve percent (12%) interest per annum and is payable upon demand. Commencing on the Demand Date, all principal shall be payable by the Company upon demand made by the holder. The Note is for a period of (12) months and cannot be converted until six (6) months from the issuance date. The holder shall have the right, exercisable in whole or in part, to convert the outstanding principal into a number of fully paid and non-assessable whole shares of the Company's $0.001 par value common stock. The note contained a beneficial conversion feature which resulted in a debt discount of $25,000 which was recorded as a reduction in carrying value of the note and offset in in mezzanine equity. During the three months ended March 31, 2017 a charge to debt discount in the amount of $6,250 was recorded through interest expense. The debt discount at March 31, 2018 was $18,750.

On January 8, 2018, the Company issued a Convertible Promissory Note in the Amount of $150,000. The note bears twelve percent (12%) interest per annum and is payable upon demand. Commencing on the Demand Date, all principal shall be payable by the Company upon demand made by the holder. The note is for a period of (12) months and cannot be converted until six (6) months from the issuance date. The holder shall have the right, exercisable in whole or in part, to convert the outstanding principal into a number of fully paid and non-assessable whole shares of the Company's $0.001 par value common stock. The note contained a beneficial conversion feature which resulted in a debt discount of $150,000 which was recorded as a reduction in carrying value of the January 8, 2018 Convertible Promissory Note and offset in in mezzanine equity. During the three months ended March 31, 2017 a charge to debt discount in the amount of $37,500 was recorded through interest expense. The debt discount at March 31, 2018 was $112,500.

On January 12, 2018, the Company issued a Convertible Promissory Note in the Amount of $150,000. The note bears twelve percent (12%) interest per annum and is payable upon demand. Commencing on the Demand Date, all principal shall be payable by the Company upon demand made by the holder. The note is for a period of (12) months and cannot be converted until six (6) months from the issuance date. The holder shall have the right, exercisable in whole or in part, to convert the outstanding principal into a number of fully paid and non-assessable whole shares of the Company's $0.001 par value common stock. The note contained a beneficial conversion feature which resulted in a debt discount of $150,000 which was recorded as a reduction in carrying value of the note and offset in in mezzanine equity. During the three months ended March 31, 2017 a charge to debt discount in the amount of $37,500 was recorded through interest expense. The debt discount at March 31, 2018 was $112,500.

On January 29, 2018, the Company issued a Convertible Promissory Note in the Amount of $30,000. The note bears twelve percent (12%) interest per annum. The note shall be payable upon demand. Commencing on the Demand Date, all principal shall be payable by the Company upon demand made by the holder. The note is for a period of (12) months and cannot be converted until six (6) months from the issuance date. The holder shall have the right, exercisable in whole or in part, to convert the outstanding principal into a number of fully paid and non-assessable whole shares of the Company's $0.001 par value common stock. The note contained a beneficial conversion feature which resulted in a debt discount of $30,000 which was recorded as a reduction in carrying value of the note and offset in in mezzanine equity. During the three months ended March 31, 2017 a charge to debt discount in the amount of $16,667 was recorded through interest expense. The debt discount at March 31, 2018 was $25,000.

On February 6, 2018, the Company issued a Convertible Promissory Note in the Amount of $100,000. The note bears twelve percent (12%) interest per annum. The note shall be payable upon demand. Commencing on the Demand Date, all principal shall be payable by the Company upon demand made by the holder. The note is for a period of (12) months and cannot be converted until six (6) months from the issuance date. The holder shall have the right, exercisable in whole or in part, to convert the outstanding principal into a number of fully paid and non-assessable whole shares of the Company's $0.001 par value common stock. The February 6, 2018 Convertible Promissory Note contained a beneficial conversion feature which resulted in a debt discount of $100,000 which was recorded as a reduction in carrying value of the On February 6, 2018 Convertible Promissory Note and offset in in mezzanine equity. During the three months ended March 31, 2017 a charge to debt discount in the amount of $5,000 was recorded through interest expense. The debt discount at March 31, 2018 was $83,333.

On February 20, 2018, the Company issued a Convertible Promissory Note in the Amount of $115,000. The note bears twelve percent (12%) interest per annum. The note shall be payable upon demand. Commencing on the Demand Date, all principal shall be payable by the Company upon demand made by the holder. The note is for a period of (12) months and cannot be converted until six (6) months from the issuance date. The holder shall have the right, exercisable in whole or in part, to convert the outstanding principal into a number of fully paid and non-assessable whole shares of the Company's $0.001 par value common stock. The note contained a beneficial conversion feature which resulted in a debt discount of $115,000 which was recorded as a reduction in carrying value of the note and offset in in mezzanine equity. During the three months ended March 31, 2017 a charge to debt discount in the amount of $9,583 was recorded through interest expense. The debt discount at March 31, 2018 was $105,417.

On March 5, 2018, the Company issued a Convertible Promissory Note in the Amount of $75,000. The note bears twelve percent (12%) interest per annum. The note shall be payable upon demand. Commencing on the Demand Date, all principal shall be payable by the Company upon demand made by the holder. The note is for a period of (12) months and cannot be converted until six (6) months from the issuance date. The holder shall have the right, exercisable in whole or in part, to convert the outstanding principal into a number of fully paid and non-assessable whole shares of the Company's $0.001 par value common stock.. The Note contained a beneficial conversion feature which resulted in a debt discount of $75,000 which was recorded as a reduction in carrying value of the On March 5, 2018 Convertible Promissory Note and offset in in mezzanine equity. During the three months ended March 31, 2017 a charge to debt discount in the amount of $6,250 was recorded through interest expense. The debt discount at March 31, 2018 was $68,750.

On March 15, 2018, the Company issued a Convertible Promissory Note in the Amount of $60,000. The note bears twelve percent (12%) interest per annum. The note shall be payable upon demand. Commencing on the Demand Date, all principal shall be payable by the Company upon demand made by the holder. The note is for a period of (12) months and cannot be converted until six (6) months from the issuance date. The holder shall have the right, exercisable in whole or in part, to convert the outstanding principal into a number of fully paid and non-assessable whole shares of the Company's $0.001 par value common stock. The note contained a beneficial conversion feature which resulted in a debt discount of $60,000 which was recorded as a reduction in carrying value of the On March 15, 2018 Convertible Promissory Note and offset in in mezzanine equity. During the three months ended March 31, 2017 a charge to debt discount in the amount of $5,000 was recorded through interest expense. The debt discount at March 31, 2018 was $55,000.

Convertible Promissory Note Summary

The fair value of the embedded beneficial conversion features and the fair value of the warrants underlying the Convertible Promissory Notes were calculated pursuant to the Black-Scholes Model. The following table summarizes the carrying value of the Convertible Promissory Note as of March 31, 2018 and December 30, 2017:

	March 31, 2018	December 31, 2017
Convertible Promissory Note	$ 2,411,539	$ 1,854,106
Less: debt discount	(989,477)	(142,523)
Warrants	(45,326)	(60,994)
Total net carrying value	$ 1,376,737	$ 1,650,589

8. Income Taxes

No provision for federal income taxes has been recognized for the three months ended March 31, 2017 and twelve months ended December 31, 2017, as the Company has a net operating loss carry forward for income tax purposes available in each period. Additionally, it is uncertain if the Company will have taxable income in the future, so a valuation allowance has been established for the full value of net deferred tax assets. The deferred tax asset consists of net operating loss carry forwards and a cumulative deferral of tax deductions under the Cash Basis of Accounting, which the Company utilizes for tax purposes. The Company has no deferred tax liabilities.

At March 31, 2018 and December 31, 2017, the Company has net operating loss carry forwards on a pretax basis of $5,172,206 and $4,336,530 respectively, resulting in future tax assets of $1,086,163 and $910,671, respectively for federal income tax purposes. This net operating loss carry forwards through December 31, 2017 may be carried forward in varying amounts until 2037 and may be limited in their use due to significant changes in the Company's ownership. Net Operating Losses generated after December 31, 2018 have no expiration date. The Company also has a cumulative deferral of tax deductions under the Cash Basis of Accounting on a pretax basis of $1,317,489 and $938,930, respectively, resulting in future tax assets of $210,838 and $197,175, respectively, for federal income tax purposes. This cumulative deferral of tax deductions varies each year with the Company's operations and will be deductible in future periods.

The Company has revalued its deferred tax asset and the corresponding valuation allowance for the change in the corporate tax rate beginning in January, 2018. As of December 31, 2017, the Company reduced the deferred tax asset by $189,154 and the corresponding valuation allowance by the same amount for the decrease of the corporate tax rate from 34% to 21%.

9. Shareholder Deficit

The Company currently has an equity line of credit with Bellridge Capital, LLC whereas upon certain terms and conditions the Company has the right to issue and sell up to $2,500,000 worth of shares of the Company's common Stock. During the three months ended March 31, 2018 the Company drew down $79,500 on the equity line of credit and issued Bellridge Capital, LLC 27,083,334 shares of the Company's Class A Common Stock.

During the three months ended March 31, 2018, the Company issued 30,000,000 shares of Class A Common Stock for third-party services rendered. The fair market value of the services rendered were $150,000.

10. Contingencies

In the ordinary course of conducting its business, the Company may be subject to loss contingencies including possible disputes and lawsuits. Management believes that any outcome of such contingences will not have a material impact on the Company's financial position or results of future operations.

11. Subsequent Events

On April 3, 2018, Zenergy Power & Gas, Inc. ("ZP&G"), a Texas corporation formerly known as Zen Energy Inc., and a wholly-owned subsidiary of Zenergy Brands, Inc., a Nevada corporation (the "Company") consummated the purchase of 87.37% of the issued and outstanding equity interests (the "Purchased Interests") of Enertrade Electric, LLC, a Texas limited liability company ("Enertrade"), from Luccirelli & Gomez, LLC ("L&G") and TCN Holdings, LLC ("TCN" and together with L&G, collectively, the "Sellers") , pursuant to the terms and conditions of that certain Equity Interest Purchase Agreement, dated January 20, 2017, by and among ZP&G, Enertrade, the Sellers, and Genaro Gomez Castanares and Donnie Goodwin (the "Principals"), the principals of the Sellers (as amended by that certain First Amendment to Equity Interest Purchase Agreement dated March 20, 2017 and as further amended by that certain Second Amendment to Equity Interest Purchase Agreement dated October 31, 2017, collectively, the "Purchase Agreement"). ZP&G, Enertrade, the Sellers and the Principals are referred to collectively as the "Parties".

The aggregate consideration paid by ZP&G for the Purchased Interests was $1,650,000 as adjusted for Enertrade's closing date working capital, indebtedness and unpaid transaction costs, and consisted of (i) cash consideration of $500,000 which was paid at the closing and (ii) the delivery at the closing of an interest free promissory note in favor of the Sellers (the "Note") with an original principal amount of $1,150,000. The principal amount of the Note was subject to reduction to the extent that the estimated closing date adjustments exceeded $500,000 and the other adjustments set forth thereunder. The Note is payable in two installments, $650,000 (or 100% of the then outstanding principal balance, if less) is due and payable on July 2, 2018 and the remaining principal balance (subject to adjustments under the Note) is due on November 2, 2018. The Note was not registered under the Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state, and was offered and sold in reliance on the exemption from registration afforded by Section 4(a)(2) or other appropriate exemptions promulgated under the Securities Act.

On March 28, 2018 the Company entered into a Managed Service Agreement ("MESA") with Tanglewood Resort. The term of the MESA is effective as of March 28, 2018 and expires in seven (7) years from the completion date. The total gross payments under the MESA is approximately $300,000. The Company intends to complete the project during the three months ended June 2018.

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

FORWARD-LOOKING STATEMENTS

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

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

The following discussion should be read in conjunction with our consolidated financial statements and the related notes that appear elsewhere in this quarterly report on Form 10-Q.

Introduction

The following discussion and analysis was prepared to supplement information contained in the accompanying financial statements and is intended to provide certain details regarding the Company's financial condition as of March 31, 2018, and the results of operations for the three months ended March 31, 2018. It should be read in conjunction with the unaudited financial statements and notes thereto contained in this report as well as the audited financial statements included in the Company's Annual Report for the fiscal year ended December 31, 2017 included in the Company's Form 10, filed with the SEC.

Business Overview

The following is a summary of some of the information contained in this document. Unless the context requires otherwise, references in this document to "our Company," "us," "we," "our," "Zenergy," or the "Company" are to Zenergy Brands, Inc.

We are a business-to-business company, whose business platform is a combined offering of energy services and smart controls. Our business model is based upon the belief that these two aspects, combined with an ever-increasing commercial demand for more sustainable business practices will continue to be burgeoning trends. Historically, services such as electricity and natural gas have been provided by monopoly based companies; these legacy entities are in the business of selling commodity and related services and naturally, selling as much of these (kilo-watt-hours of electricity and thermal units of natural gas) as possible. In some cases, it has been this way for nearly a century. However, the growing demand from commercial and municipal entities for responsible energy, more control and transparency, and overall sustainability, have proven to be at odds with the mission of these legacy entities. Zenergy offers a unique value proposition to commercial, industrial, and municipal customers whereby we offer a means to reduce their utility expenses anywhere from 20% up to 60% through energy-efficient and smart control products and services.

Toward making our claim in the marketplace, we have built a service offering that we have deemed “Energy as a Service” and/or “Sustainability as a Service”. We also have plans to complement this offering by launching a “Retail Energy Platform” that, when combined, are expected to position us to become a provider of a unique suite of energy usage and management products and services to commercial, industrial, and municipal end-use customers which we refer to as “target customers”. Currently, we (i) provide energy brokerage and procurement services, (ii) sell commercial energy conservation equipment, load factor improvement technologies, HVAC & Refrigeration based technologies, LED lighting and lighting controls, and (iii) plan to sell commercial energy utility services following the completion of our planned acquisition of Enertrade Electric, LLC (“Enertrade”), a Texas based Retail Electric Provider as further discussed below.

The foundation of our unique selling proposition is based on our Zero Cost Program. This is a turnkey solution that enables our target customers to upgrade their older, inefficient customer premise equipment and assets, allowing for installation of energy-efficient retrofits such as HVAC and refrigeration motor controllers, load factor improvement technologies, building-envelope-based technologies, weatherization-based technologies, smart controls, and LED lighting, all at no up-front cost to them. The Zero Cost Program will be facilitated through an industry standard agreement referred to as a Managed Energy Services Agreement (“MESA”). Under the MESA, Zenergy will be obligated to develop, arrange financing for, install and maintain all energy efficiency measures and equipment installed by Zenergy. Zenergy will retain ownership of all installed equipment. The minimum term of the MESA is expected to be five years with an expected average of seven years. Under the terms of the MESA, our customers will be obligated to pay us a portion of their savings in utility costs following the installation of our equipment; these are referred to as “Service Payments”. Service Payments are expected to be fixed payments made on a monthly basis over the term of the agreement from the customer to Zenergy and these payments are expected to scale down over the term of the MESA, allowing the customer to reap more and more of the dollar savings from the respective utility company each year.

Effectuating a successful MESA will require us to implement credit review and standard underwriting procedures. This process includes, but is not limited to, the following: standard credit screening provided by credit reporting agencies (i.e. Experian), business profile reports from Dun & Bradstreet, review of trade credit and references, confirmation that client has been in operation for greater than 10 years, and our proprietary review and assessment of historical accounting records and industry landscape. In order for Zenergy to effectively market, sell, and implement MESAs, Zenergy must utilize third-party financing entities to provide project and strategic financing toward fulfilling its working capital requirements to acquire and install the equipment required under the MESA. For this reason, we engaged in discussions with advisors and investment banks for the purpose of procuring a long-term and scalable financing solution for this aspect of our business.

With respect to our retail energy plans, through a Texas PUC approved and licensed “Retail Electric Provider” or “REP”, we plan to target end-use customers in the commercial and industrial sectors. While many of our customers are expected to be existing Zero Cost Customers, we also plan to market our retail electricity service in general. Members of our management team have experience in building Retail Electric Providers. We believe that this experience and industry expertise will help us build a viable and well-rounded energy services company, with a large emphasis on conservation and sustainability. Furthermore, we believe that the combination of our energy conservation products and our ability to provide retail energy services following the completion of our planned acquisition of Enertrade will provide us with a significant advantage over our competitors. We believe that this combination will allow us to offer a very unique value proposition to the customer.

We do not know whether we will be able to successfully implement our business strategy or whether our business strategy will ultimately be successful. Our growth strategy is largely dependent on our ability to secure project financing for the Zero Cost contracts currently in our pipeline and develop synergies with that business following the completion of our plan to engage in the sale of electric energy to retail customers in Texas by acquiring Enertrade. As is typically the case involving products and service offerings, anticipation of demand and market acceptance are subject to a high level of uncertainty. The success of our products and planned service offerings primarily depends on consumer interest and acceptance. In general, achieving market acceptance for our products and planned energy utility services will require substantial marketing efforts and the expenditure of significant funds, which we may not have available, to create awareness and demand among customers and clients. Furthermore, the completion of the acquisition of Enertrade is dependent on our ability to raise the funds we need to complete the purchase and complete the conditions to closing discussed below. See “Description of Business—Zenergy Power & Gas, Inc.”

Corporate Name Change and Share Increase

As part of our rebranding and marketing efforts focused on our energy and smart controls business, our board of directors unanimously approved on October 18, 2017 the change of our corporate name to Zenergy Brands, Inc. In addition, the board of directors unanimously approved on October 18, 2017 to increase our authorized Class A Common Stock from 1,450,000,000 shares to 1,700,000,000 shares, which such shares will be issuable on such terms and conditions as the board of directors may determine from time to time. Subsequent to our board of directors' approval of these amendments, the holders of a majority of the voting power of our voting stock, on October 18, 2017 approved, by written consent, the amendments. The consenting stockholders and their respective approximate ownership percentages of our voting stock totaled an aggregate of 78.8% of the outstanding voting stock.

Pursuant to Rule 14c-2 promulgated under the Exchange Act, the amendments discussed above will not be effected until at least 20 calendar days after the mailing of an Information Statement to our stockholders. The amendments have been filed with the Nevada Secretary of State. However, because the Class A Common Stock is quoted on the OTC Markets, the name change requires processing by the Financial Industry Regulatory Authority ("FINRA"), as well, pursuant to Rule 10b-17 of the Exchange Act in order for the name change to be recognized in the market for trading purposes. We expect to receive FINRA's clearance prior to the expiration of the 20-day waiting period under Rule 14c-2, and we expect that the name change and share increase will be effective in November 2017.

Three Months Ended March 30, 2018 Compared to Three Months Ended March 31, 2017

The following comparative analysis on results of operations was based primarily on the comparative financial statements, footnotes and related information for the periods identified below and should be read in conjunction with the consolidated financial statements and the notes to those financial statements that are included elsewhere in this Form 10-Q.. For comparative purposes, we are comparing the three months ended March 31, 2018, to the three months ended March 31, 2017.

Revenue. Total revenue was $301,809 for the three months ended March 31, 2018 compared to $4,832 for the three months ended March 31, 2017. The increase is primarily a result of the Company's launch of its Managed Energy Services.

Cost of goods sold and Gross Profit (loss) . Our cost of goods sold for the three months ended March 31, 2018 of $208,341 compared to $7,491 for the three months ended March 31, 2017. The increase is a result of increases in our sales. Our gross profit (loss) for the three months ended March 31, 2018 was $93,468 compared to ($2,659) for the three months ended March 31, 2017. The increases are a result of increases in our sales.

Selling, general and administrative expenses . Total selling, general and administrative expenses were $750,861 and $478,968 for the three months ended March 31, 2018 and 2017, respectively. The increase is primarily attributable to increases in selling, general and administrative expenses associated with the development of our MESA product and service offering and ramping up our sales efforts, consisting primarily of increases in salary and wages of approximately $25,140, contractor and consulting expense of $212,000, and rent of $18,000.

Loss from operations and net loss. Loss from operations and net loss were ($906,985) and ($545,677) for the three months ended March 31, 2018 and 2017, respectively. The increase is primarily attributable to an increase in operating expenses, other expenses cost of goods sold, partially offset by an increase in revenues.

Liquidity and Capital Resources. Liquidity is the ability of an enterprise to generate adequate amounts of cash to meet its needs for cash requirements. We had a working capital deficit of $2,272,433 as of March 31, 2018 compared to a working capital deficit of $2,154,380 as of December 31, 2017 primarily as a result of an increase in borrowings, subscription liabilities, accounts payables and accrued payroll. Working capital consisted of total current assets of $642,016 offset by current liabilities of $2,914,449 as of March 31, 2018 and total current assets of $83,990 offset by current liabilities of $2,238,370 as of December 31, 2017.

Net cash flow used in operating activities was $414,010 for the three months ended March 31, 2018 as compared to net cash flows provided in operating activities of $425,444 for the three months ended March 31, 2017. Net cash flow used in investing activities was $332,806 for the three months ended March 31, 2018 as compared to $17,706 for the three months ended March 31, 2017.

Our primary source of liquidity has been proceeds from the issuance of debt securities and equity securities. Net cash provided by financing activities was $1,277,000 for the three months ended March 31, 2018 as compared to $402,500 for the three months ended March 31, 2017. During the three months ended March 31, 2018, we received $79,500 from the sale of common stock, $705,000 from proceeds from convertible promissory notes, and $600,000 from proceeds for a stock subscription.

Cash Requirements

Our management does not believe that our current capital resources will be adequate to continue operating our company and maintaining our business strategy for more than 12 months. Accordingly, we will have to raise additional capital in the near future to meet our working capital requirements. There can be no assurance that additional financing will be available to us when needed or, if available, that it can be obtained on commercially reasonable terms. If we are not able to obtain the additional financing on a timely basis, if and when it is needed, we will be forced to scale down or perhaps even cease the operation of our business. We are also obligated to pay interest and principal under outstanding promissory notes. See Footnote 5 of our unaudited financial statement for three months ended March 31, 2018.

Going Concern

The accompanying audited financial statements for the three months ended March 31, 2018 have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company reports a net loss of $906,985 for the three months ended March 31, 2018, and $545,677 loss for the three months ended March 31, 2017, and an accumulated deficit of $6,538,996 as of March 31, 2018.

The Company had a working capital deficit of $2,272,433 and negative cash flow from continuing operating activity of $414,010 at March 31, 2018. The Company's revenue from operations is not sufficient to meet its working capital needs and will be dependent on funds raised to satisfy its ongoing capital requirements for at least the next twelve months. The Company will require additional financing in order to execute its operating plan and continue as a going concern. The Company cannot predict whether this additional financing will be in the form of equity or debt, or be in another form. The Company may not be able to obtain the necessary additional capital on a timely basis, on acceptable terms, or at all. In any of these events, the Company may be unable to implement its current plans for expansion or respond to competitive pressures, any of these circumstances would have a material adverse effect on its business, prospects, financial condition and results of operations.

Critical Accounting Policies

We have identified the following policies below as critical to its business and results of operations. Our reported results are impacted by the application of the following accounting policies, certain of which require management to make subjective or complex judgments. These judgments involve making estimates about the effect of matters that are inherently uncertain and may significantly impact quarterly or annual results of operations. For all of these policies, management cautions that future events rarely develop exactly as expected, and the best estimates routinely require adjustment. Specific risks associated with these critical accounting policies are described in the following paragraphs.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of sales and expenses during the reporting periods. Key estimates in the accompanying financial statements include, among others, revenue recognition, allowances for doubtful accounts, valuation of long-lived assets, and deferred income tax asset valuation allowances.

The financial statements are presented on the basis of the Company's ability to continue as a going concern. Other than continued current involvement, some transactions prior to December 31, 2015 have been reclassified as discontinued operations in the financial statements included in this Registration Statement.

Cash and Cash Equivalents – The Company considers all highly-liquid investments with a maturity of three months or less, when purchased, to be cash equivalents. Cash on-hand at March 31, 2018 and December 31, 2017were $558,033 and $27,849, respectively.

Sales-type Leasing and Related Revenue Recognition - The Company installs and leases energy equipment to its customer under a Managed Energy Services Agreement "(MESA"). The Company typically transfers ownership of the equipment to its customers at the end of the lease. The investment in these projects is recorded as an investment on sales-type leases in accordance with Financial Standards Board ("FASB") Accounting Standards Codification ("ASC") 842, "Leases", and its various amendments and interpretations. The Company finances energy efficiency projects. The sales and cost of sales are recognized upon completion of the installation of equipment. The investment in sales-type leases consists of the sum of the minimum lease payments receivable less unearned interest income ad estimated executory cost. Minimum lease payments are part of the lease agreement between the Company (as the lessor) and the customer (as the lessee). The discount rate implicit in the lease is used to calculate the present value of minimum lease payments. The minimum lease payment consists of the gross lease payments net of executory costs, if any. Unearned interest income is amortized to income over the lease term to produce a constant periodic rate of return on net investment in the lease. While revenue is recognized at the project completion date, the cash flow from the sales-type lease occurs over the course of the lease, which results in interest income and reduction of receivables. Revenue is recognized net of sales tax.

Software Development Costs – The Company capitalizes certain expenditures to the development of its software application. Capitalization begins when technological feasibility is established. Capitalized costs are amortized using the straight-line method over the estimated useful life of the developed product.

Beneficial Conversion Feature - The Company accounts for convertible notes payable in accordance with the guidelines established by the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") Topic 470-20, Debt with Conversion and Other Options, Emerging Issues Task Force ("EITF") 98-5, Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios, and EITF 00-27, Application of Issue No 98-5 To Certain Convertible Instruments. The Beneficial Conversion Feature ("BCF") of a convertible note is normally characterized as the convertible portion or feature of certain notes payable that provide a rate of conversion that is below market value or in-the-money when issued. The Company records a BCF related to the issuance of a convertible note when issued and records the estimated fair value of any warrants issued with those convertible notes. Beneficial conversion features that are contingent upon the occurrence of a future event are recorded when the contingency is resolved.

The BCF of a convertible note is measured by allocating a portion of the note's proceeds to the warrants, if applicable, and as a discount on the carrying amount of the convertible note equal to the intrinsic value of the conversion feature, both of which are credited to additional paid-in-capital. The value of the proceeds received from a convertible note is then allocated between the conversion features and warrants and the debt on an allocated fair value basis. The allocated fair value is recorded in the financial statements as a debt discount (premium) from the face amount of the note and such discount is amortized over the expected term of the convertible note (or to the conversion date of the note, if sooner) and is charged to interest expense.

Recent Accounting Pronouncements

We implemented all new accounting standards that are in effect and that may impact its consolidated financial statements. We do not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on the consolidated financial position or results of operation.

Off-Balance Sheet Arrangements

As of March 31, 2018, we did not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors. The term "off-balance sheet arrangement" generally means any transaction, agreement or other contractual arrangement to which an entity unconsolidated with us is a party, under which we have any obligation arising under a guarantee contract, derivative instrument or variable interest or a retained or contingent interest in assets transferred to such entity or similar arrangement that serves as credit, liquidity or market risk support for such assets.

Plan of Operation and Funding

During the next twelve months, we anticipate that our principal sources of liquidity will consist of any, or all, of the following: 1) proceeds from potential equity financing, 2) revenue generated from our operations, and 3) additional debt borrowings. While we are presently generating revenue and we anticipate our revenue will continue to increase.

On a long-term basis, our ability to ultimately achieve and maintain profitability and positive cash flow is dependent upon our ability to successfully continue to develop our products and our ability to generate revenues.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Act of 1934 and are not required to provide the information under this item.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

The Company's management conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and Rule 15d-15(e) under the 1934 Act) pursuant to Rule 13a-15 under the 1934 Act as of March 31, 2018. The Company's disclosure controls and procedures are designed to provide reasonable, not absolute assurance that information required to be disclosed in the reports it files or submits under the 1934 Act is recorded, processed, summarized and reported on a timely basis and that such information is communicated to management and the Company's board of directors to allow timely decisions regarding required disclosure.

Based on this evaluation, it has been concluded that the design and operation of our disclosure controls and procedures are not effective as of March 31, 2018 since the following material weaknesses exist:

- Since inception our chief executive officer also functions as our chief financial officer. As a result, our officers may not be able to identify errors and irregularities in the financial statements and reports.

- We were unable to maintain full segregation of duties within our financial operations due to our reliance on limited personnel in the finance function. While this control deficiency did not result in any material adjustments to our financial statements, it could have resulted in a material misstatement that might have been prevented or detected by a segregation of duties.

- Documentation of all proper accounting procedures is not yet complete.

To the extent reasonably possible given our limited resources, as financial resources become available we intend to take measures to cure the aforementioned weaknesses, including, but not limited to, the following:

- Increasing the capacity of our qualified financial personnel to ensure that accounting policies and procedures are consistent across the organization and that we have adequate control over financial statement disclosures.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the three months ended March 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

We are currently not involved in any litigation that we believe could have a material adverse effect on our financial condition or results of operations. There is no action, suite, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of our company or any of our subsidiaries, threatened against or affecting our company, our common stock, any of our subsidiaries or of our companies or our subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect. We anticipate that we (including current and any future subsidiaries) will from time to time become subject to claims and legal proceedings arising in the ordinary course of business. It is not feasible to predict the outcome of any such proceedings and we cannot assure that their ultimate disposition will not have a materially adverse effect on our business, financial condition, cash flows or results of operations.

Item 1A. Risk Factors.

We are not required to provide this information as we are a Smaller Reporting Company.

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

None .

Item 3. Default Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable to our Company.

Item 5. Other Information.

None.

Item 6. Exhibits

Exhibit No.	Description
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Alex Rodriguez.
32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Alex Rodriguez.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ZENERGY BRANDS, INC.

Date: May 21, 2018

By: */s/ Alex Rodriguez*

Alex Rodriguez, Chief Executive Officer and Chief Financial Officer, (Principal Executive Officer and Principal Financial and Accounting Officer)

EXHIBIT 31.1

Certification of Chief Executive Officer and Chief Financial Officer

I, Alex Rodriguez, certify that;

1. I have reviewed this quarterly report on Form 10-Q of Zenergy Brands, Inc. for the quarter ended March 31, 2018;

2. Based on my knowledge, this report, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

May 21, 2018

/s/ Alex Rodriguez

Alex Rodriguez
Chief Executive and Chief Financial Officer (Principal Executive Officer and Principal Financial and Accounting Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. Sec.1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Zenergy Brands, Inc. (the “Company”) on Form 10-Q for the quarter ended March 31, 2018, as filed with the Securities Exchange Commission on the date hereof (the “Report”), Alex Rodriguez, the Chief Executive Officer and Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the company.

May 21, 2018

/s/ Alex Rodriguez
Alex Rodriguez
Chief Executive Officer and Chief Financial Officer