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

FORM 10-K

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

For the Fiscal Year Ended December 31, 2017

☐ **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 814-00175

TimefireVR Inc.
(Exact name of registrant as specified in its charter)

Nevada	**86-0490034**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
7150 E. Camelback Rd. **Suite 444** **Scottsdale, AZ**	**85251**
(Address of principal executive offices)	**(Zip Code)**

(602) 617-8888
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Title of each class:	**Name of each exchange on which registered:**
Common Stock, $.001 par value	**N/A**

Indicate by check mark if a registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

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 preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes ☑ No ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller Reporting Company	☑
		Emerging Growth Company	☐

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 the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the closing price as of the last business day of the registrant's most recently completed second fiscal quarter was approximately $936,180.

As of April 3, 2018, there were 155,601,804 shares of the issuer's $0.001 par value common stock issued and outstanding.

TABLE OF CONTENTS

PART I

Item 1. Description of Business

General

TimefireVR Inc. (“we”, “us”, “our” the “Company” and “Timefire”) was originally incorporated in the State of Colorado on February 16, 1984 under the name of Oravest Interests, Inc. On April 10, 2002 we re-domiciled to the State of Nevada under the name Broadleaf Capital Partners, Inc. On July 23, 2014 we changed our name to EnergyTek Corp. since the Company was engaged in the oil and gas business. On November 21, 2016, we changed our name to TimefireVR Inc. We are currently in the process of changing our name to TeraForge Ventures Inc.

On March 31, 2014 we closed a transaction whereby we acquired certain assets and assumed certain liabilities of Texas Gulf Oil & Gas, Inc., a Nevada corporation, which were contributed to our then wholly-owned subsidiary Texas Gulf Exploration & Production, Inc. On March 31, 2014, we also closed a transaction whereby we acquired certain assets and assumed certain liabilities of Litigation Capital, Inc., a Nevada corporation, which were contributed to our then wholly-owned subsidiary Legal Capital Corp.

On January 6, 2015, we entered into a Joint Venture Agreement with Wagley Offshore-Onshore, Inc. to pursue a distressed energy asset acquisition program. The joint venture was formed as Wagley-EnergyTEK J.V. LLC, a Texas limited liability company, to which we issued 2,000,000 restricted shares of our common stock.

Sale of Our Existing Business

Effective September 13, 2016, the Company acquired Timefire, LLC (“TLLC”), a Phoenix-based virtual reality content developer which is an Arizona limited liability company. As consideration for the acquisition, the Company issued the equity holders of TLLC a total of 41,400,000 shares of the Company's common stock and 2,800,000 five-year warrants, which constituted a change of control of the Company (the “Merger”).

In December 2016, the Company transferred ownership of its legacy oil and gas subsidiaries and Legal Capital Corp. to Litigation Capital, Inc. in exchange for Litigation Capital, Inc. assuming approximately $180,000 of the Company’s liabilities.

On January 3, 2018, the Company effected the sale of TLLC to a group which included its former owners including two of our former executive officers and directors. The Company received: (i) $100,000 in cash and (ii) a secured promissory note in the principal amount of $120,000 bearing 6% annual interest that matures in September 2018. Additionally, the buyers of TLLC assumed certain of the Company’s liabilities totaling approximately $558,054. The Company’s business model in the virtual reality business was not successful and the Company was unable to continue to finance its business due to a loss of confidence in the virtual reality business by the Company’s investors and threats of resignation from the Company’s officers, directors and lead technologist and TLLC employees. While shareholder approval was required by Nevada law, the purchasers refused to fund TLLC unless we closed immediately. Certain investors that had financed the Company had agreed to provide further funding if we sold TLLC and received a release from key liabilities including past due promissory notes. Rather than cease operations and have no working capital, we adhered to the TLLC purchasers' demands and closed the sale. Pending finalization of the sale of TLLC over the year-end holidays, these investors lent us approximately $669,000 on December 21, 2017 and cancelled past due notes held by the investors on January 3, 2018 as explained in the following paragraph. Because we needed to eliminate state law liabilities, we opted to get irrevocable proxies which would permit us to seek shareholder ratification. We have filed a preliminary proxy statement which has not yet been finalized. We expect to file an amendment by mid-April 2018.

Effective January 3, 2018, the Company entered into an Exchange Agreement (the “Exchange”) with certain of the Company’s investors pursuant to which the Company issued 303,714 shares of the Company’s new Convertible Series E Preferred Stock in exchange for the cancellation of the Company’s Series A Convertible Preferred Stock, Series A-1 Convertible Preferred Stock, Series C Convertible Preferred Stock, Senior Convertible Notes issued March 3, 2017, Senior Convertible Notes issued August 21, 2017, and certain of the Company’s outstanding Warrants. This Exchange had the effect of simplifying our capital structure and eliminating past due secured debt while substantially increasing future potential dilution. Effective December 21, 2017, we closed a private placement with our principal investors in which we borrowed $668,750 and issued the investors $703,947 in 5% Original Issue Discount Senior Secured Convertible Notes which Notes were due January 18, 2018, convertible at $0.03 per share and pay 8% per annum interest. The short-term nature was designed to ensure the TLLC sale closed in early January. On March 6, 2018, we borrowed $1 million from these same investors and issued them $1,052,632 new 5% Original Issue Discount Senior Secured Convertible Notes (the "March Notes") which are due on April 15, 2019. The March Notes pay 8% per annum interest and are convertible at $0.03 per share. On the maturity date, we must pay 120% of the principal of the March Notes. The March Notes are secured by a first lien on the Company's assets. For information on the warrants we issued, see Item 8 “Financial Statements” Note 11. Also on March 6, 2018, the investors extended their other Convertible Notes to April 15, 2019.

Summary of Recent Developments

On January 3, 2018, we announced our entry into the cryptocurrency business. As of April 6, 2018, we owned approximately $41,000 worth of Ether. In addition to its current business, the Company intends to enter into the cryptocurrency mining business. In order to enter the cryptocurrency mining business, we entered into an Advisory Agreement with two parties on March 16, 2018. Under the Advisory Agreement, the parties will provide consulting services to us concerning cryptocurrency mining and other opportunities in the cryptocurrency business. The parties to the Advisory Agreement will also provide us with an engineer who will provide half-time services to us in the mining business under which he will provide logistical advice and mining oversight including designing, and building overhead operating proprietary software, and monitoring operations of the mining systems. Under the Advisory Agreement, we agreed to reimburse one party $5,000 per month for the services of the mining engineer. Assuming we have entered into the mining business within 90 days, we agreed to pay a sales royalty as additional consideration. Further, upon finalizing the agreement, we will issue 6,666,666 shares of common stock (with an agreed value of $200,000) which will vest quarterly subject to the Advisory Agreement remaining in effect on each applicable vesting date and an additional 6,666,666 three-year warrants exercisable at $0.05 with the same vesting provisions.

Our Bitcoin Mining Business

In late March we entered into a co-location arrangement with an unaffiliated third party in the mining business. We ordered high speed computer servers and, in early April 2018, after delivery of the servers, will initiate our mining of Bitcoin. The intent of this purchase and location is to allow us to solidify, test and validate our hardware and software operating systems prior to expanding our mining operations. We are currently evaluating locations in Pennsylvania, Oregon, and Wyoming for mining and are considering the costs, management, and security advantages of each potential future location. See the general discussion of mining beginning at page 5 of this Report.

Cryptocurrency Business

We have been negotiating a series of agreements with Cryptogram, LLC ("Cryptogram") including a License Agreement (the "License"). Cryptogram is a development stage company developing cryptocurrency data analytics, portfolio management, a cryptocurrency trading platform, and an information sharing software program.The software program being developed is designed for traders of cryptocurrency and is being designed to provide real price and volume information similar to how Bloomberg's software programs are used in the capital markets. Cryptogram has developed prototype software which can be used on a computer and mobile devices by cryptocurrency investors in tracking prices and receiving technical data and other information which we believe can be sold to investors. The initial target is to complete the development of the first stage for sale to individual investors on a monthly fee basis with further development for the professional market when Cryptogram raises additional funds.

Under a term sheet we entered into with Cryptogram, we will pay Cryptogram $500,000 for the License. Additionally, we will issue Cryptogram $250,000 of our new Series A Convertible Preferred Stock in exchange for a 10% interest in Cryptogram and a Warrant to acquire up to an additional 30% of Cryptogram for $10 million. The License to the Cryptogram software will allow us to market the software to individual retail investors. Although we believe that we will finalize our agreements with Cryptogram in April, there are no assurances that we will successfully enter into any agreements with Cryptogram or acquire the License.

The Company intends to acquire Bitcoin, Ether, and invest in other cryptocurrency technologies.

Bitcoins and the Bitcoin Network

A Bitcoin is one type of cryptocurrency that is issued by, and transmitted through, an open source, math-based protocol platform using cryptographic security that is known as the "Bitcoin Network." The Bitcoin Network is an online, peer-to-peer user network that hosts the public transaction ledger, known as the "Blockchain," and the source code that comprises the basis for the cryptography and math-based protocols governing the Bitcoin Network. Bitcoins can be used to pay for goods and services or can be converted to fiat currencies, such as the US Dollar. Bitcoins are the initial and leading cryptocurrency and therefore offer the greatest mining opportunity.

Bitcoin transactions and ownership are recorded and reflected on the digital transaction ledger known as the "Blockchain," which is a digital file stored in a decentralized manner on the computers of each Bitcoin Network user. The Blockchain records the transaction history of all Bitcoins in existence and, through the transparent reporting of transactions, allows the Bitcoin Network to verify the association of each Bitcoin with the digital wallet that owns them. Users keep their Bitcoins in an electronic computer file known as a digital wallet.

The Bitcoin Network is decentralized and does not rely on either governmental authorities or financial institutions to create, transmit or determine the value of Bitcoins. Rather, Bitcoins are created and allocated by the Bitcoin Network protocol through a "mining" process subject to a strict, well-known issuance schedule.

Overview of the Bitcoin Network's Operations

In order to own, transfer or use Bitcoins, a person generally must have internet access to connect to the Bitcoin Network. Bitcoin transactions between parties occur very rapidly (within several seconds) and may be made directly between end-users without the need for a third-party intermediary, although there are entities that provide third-party intermediary services. To prevent the possibility of double-spending a single Bitcoin, a user must notify the Bitcoin Network of the transaction by broadcasting the transaction data to its network peers. The Bitcoin Network provides confirmation against double-spending by memorializing every transaction in the Blockchain, which is publicly accessible and transparent. This memorialization and verification against double-spending is accomplished through the Bitcoin mining process, which adds "blocks" of data, including recent transaction information, to the Blockchain.

Transaction Verification (Mining)

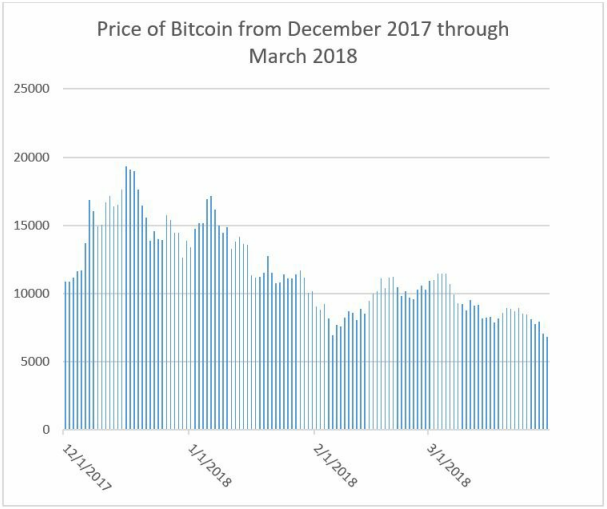
The process by which Bitcoins are "mined" results in new blocks being added to the Blockchain and new Bitcoins being issued to the miners. Miners engage in a set of prescribed complex mathematical calculations in order to add a block to the Blockchain and thereby confirm Bitcoin transactions included in that block's data. Miners that are successful in adding a block to the Blockchain are automatically awarded a fixed number of Bitcoins for their effort; we also refer to this process of receiving the aforementioned award as transaction verification services. This reward system is the method by which new Bitcoins enter into circulation to the public and is accomplished in the added block through the notation of the new Bitcoin creation and their allocation to the successful miner's digital wallet. To begin mining, a user can download and run Bitcoin Network mining software, which, like regular Bitcoin Network software programs, turns the user's computer into a "node" on the Bitcoin Network that validates blocks. Due to the enhanced investor interest in Bitcoin, there has been large increases in, and a scarcity of, computer servers needed for mining. Additionally, since these high-speed servers use vast amounts of electricity, there has been a spike in the prices of electricity in the areas where mining has been prevalent. These areas were selected for their then low prices. The "poster boy or girl" for mining is Bitcoin mining which uses huge amounts of electricity to operate the computer servers. Miners sought out areas where electric power was relatively inexpensive. This has caused electricity prices to spike in these areas. Locations such as East Wenatchee, Washington have witnessed a swell in occupants and business as miners relocate to areas with cheap electricity. The mining industry has witnessed a change from small miners operating from their homes to large mining "farms" operated by companies with substantial capital, computer resources and other capabilities and competitive advantages. As electricity prices have risen as a result of mining, local officials have become alarmed because area residents are forced to pay more for their electricity. Very recently, Plattsburg, NY banned certain aspects of mining.

We have purchased servers and entered into an arrangement with a mining company that will permit us to commence mining operations. We anticipate that we will commence our actual mining by April 10, 2018 from our mining location in Brooklyn, NY

Alternative cryptocurrencies

Bitcoins are not the only type of cryptocurrency founded on math-based algorithms and cryptographic security, although it was considered the most prominent as of March 2018. Over 1,500 other cryptocurrencies, have been developed since the Bitcoin Network's inception, including Ether, Ripple, Litecoin, Dash, and Monero. The Bitcoin Network, however, possesses the "first-to-market" advantage and thus far has captured the majority of the industry's market share and is secured by a mining network with significantly more processing power than that of any other cryptocurrency. The Company is examining and will continue to examine these other cryptocurrencies, subject to financing, existing market conditions and regulatory compliance.

In 2017, Bitcoin and other cryptocurrencies experienced substantial price increases particularly in the late fall with extreme volatility beginning in the second half of December as illustrated by the following chart showing the price of Bitcoin from December 1, 2017 through March 30, 2018:



As the price of Bitcoin and other cryptocurrencies rose, the speculative fever brought substantial competition to the business both from established companies, early stage entrants and bad actors. The effect has been to make existing and new businesses much more expensive due to the growing demand and relatively limited supply.

Competition

As we enter this business, we face substantial competition and a myriad of other risks. We have one employee, our Chief Executive Officer, and relatively limited financial and other resources. See the "Risk Factors" that are at the end of Item 9. "Management's Discussion and Analysis of Financial Condition and Results of Operations," including the regulatory section under the section of "Risk Factors" entitled "Risk of Future Cryptocurrency Legislation and Regulation."

Cryptocurrency

Subject to raising additional capital, the Company's cryptocurrency initiatives will compete with other industry participants that focus on investing in and mining of Bitcoin, Ether, and other cryptocurrencies. Market and financial conditions, and other conditions beyond the Company's control, may make it more attractive to invest in other entities, or to invest in cryptocurrency directly. Companies have raised substantial capital this year seeking to enter the cryptocurrency business. Our lack of capital is a competitive disadvantage.

Mining

The business of mining of Bitcoin and other cryptocurrency is extremely competitive. Over the last several years as costs have spiked and the price of Bitcoin increased, large sources of capital have entered the mining business. This factor, as well as the prior experience and technical capabilities of our competitors, puts us at a competitive disadvantage.

Cryptocurrency Software Business

If we acquire the License our potential competitors may have greater resources, longer histories, and lower cost operations. Several other companies offer cryptocurrency software which provides users with the ability to buy, sell, and access important cryptocurrency information. They may secure better terms from server suppliers and devote more resources to technology infrastructure. Other companies may also enter into business combinations or alliances that strengthen their competitive positions.

Employees

We currently have one full time employee, our Chief Executive Officer. Our Chief Financial Officer is a part-time contractor.

Regulation

Because we will buy, hold, and sell cryptocurrency, we are subject to numerous federal and state laws around the world regarding cryptocurrency. The scope of these regulations are continuing to evolve, and they may be inconsistent among the locations in which we operate and our users reside. Compliance with these rules may be difficult and costly, and if we fail to comply, we could face liability under these statutes and legal or administrative actions by government entities and private litigants. See "Risk Factors" below, for further discussion of the risks we face.

Facilities

See Item 2. "Description of Property."

Item 1A. RISK FACTORS

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 (the "Exchange Act") and are not required to provide the information under this item. See the Risk Factors we voluntarily disclose at the end of Item 7 of this Report.

Item 2. Description of Property

The Company's principal office is located at 7150 E. Camelback Rd. Suite 444 Scottsdale AZ 85251 for which the Company pays monthly rent in the amount of $729.

Item 3. Legal Proceedings

From time to time, we may be party to, or otherwise involved in, legal proceedings arising in the normal and ordinary course of business. As of the date of this Report, we are not aware of any proceeding, threatened or pending, against us which, if determined adversely, would have a material effect on our business, results of operations, cash flows or financial position.

Item 4. Mine Safety Disclosures

Not Applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

The common stock of the Company is quoted on the OTCQB under the symbol of TFVR. The following table sets forth the range of high and low bid prices during each quarter for the years ended December 31, 2017 and December 31, 2016. The over-the-counter market quotations may reflect inter-dealer prices, without retail market-up, markdown or commission and may not represent actual transactions. The market information was obtained from the OTCQB. Prices have been adjusted for the 1-for-10 reverse stock split effective November 21, 2016.

Year Ended December 31, 2017

	High	Low
Quarter ended March 31, 2017	$ 0.85	$ 0.20
Quarter ended June 30, 2017	$ 0.55	$ 0.03
Quarter ended September 30, 2017	$ 0.06	$ 0.02
Quarter ended December 31, 2017	$ 0.19	$ 0.01

Year Ended December 31, 2016

	High	Low
Quarter ended March 31, 2016	$ 0.60	$ 0.20
Quarter ended June 30, 2016	$ 0.50	$ 0.40
Quarter ended September 30, 2016	$ 0.80	$ 0.40
Quarter ended December 31, 2016	$ 2.50	$ 0.40

Dividends

We have not paid cash dividends on our common stock and do not plan to pay such dividends in the foreseeable future. Our board of directors (the "Board") will determine our future dividend policy on the basis of many factors, including results of operations, capital requirements, general business conditions, and state law regulating the payment and distribution of dividends.

Shareholders

As of April 3, 2018, there were 155,601,804 shares of common stock outstanding, held by approximately 557 shareholders of record. In addition, as of April 3, 2018, there were approximately 195,382 shares of Series E Convertible Preferred Stock outstanding.

Transfer Agent

The Transfer Agent for the Company's Common Stock is Equity Stock Transfer, 237 W 37th Street, Suite 601, New York, New York 10018.

Recent Sales of Unregistered Securities

We have previously disclosed all sales of securities without registration under the Securities Act of 1933 (the "Act"), other than the following:

On January 20, 2017, the Company issued 50,000 shares of the Company's common stock to a third party for services to be rendered.

On April 27, 2017, the Company issued 1,000,000 shares of the Company's common stock to a third party for services to be rendered.

On April 27, 2017, the Company issued 25,000 shares of the Company's common stock to a third party for services to be rendered.

In connection with the conversion of the Company's Convertible Series E Preferred Stock into shares of the Company's common stock the Company has issued a total of 108,332,000 shares of common stock on various dates between January 4, 2018 and April 2, 2018.

All the shares issued in connection with the transactions listed above were exempt from registration under Section 4(a)(2) of the Securities Act of 1933 (the "Act") and Rule 506(b) thereunder as transactions not involving a public offering. Each of the third parties acquired their shares for investment and not with a view to distribution. We reasonably believed that each third party was an accredited investor as defined by Rule 501 under the Act.

Purchases of Equity Securities by the Registrant and Affiliated Purchasers

We did not repurchase any shares of our common stock during the fiscal year ended December 31, 2017.

Item 6. Selected Financial Data

None

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This discussion should be read in conjunction with the other sections contained herein, including the risk factors and the consolidated financial statements and the related exhibits contained herein. The various sections of this discussion contain a number of forward-looking statements, all of which are based on our current expectations and could be affected by the uncertainties and risk factors described throughout this Report as well as other matters over which we have no control. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including but not limited to those set forth in this Report. See "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements."

Company Overview

The Company is a Nevada corporation. In 2017, we completed the development of TLLC's virtual reality software and failed in our attempt to monetize it. In the fourth quarter of 2017, based upon input from our principal investors who refused to further fund TLLC, we made the decision to terminate TLLC, and our then Chief Executive Officer, who was one of TLLC's founders, resigned. We negotiated the sale of TLLC to its founders and prior key investors in December 2017 and closed the sale on January 3, 2018. On January 4, 2018, we announced our entry into the cryptocurrency business and we are currently pursuing business ventures in the cryptocurrency business and have initiated the mining of Bitcoins.

Results of Operations

Total revenue for the years ended December 31, 2017 and 2016 was $933 and $203,640, respectively. The revenue in 2016 was due to a one-time project completed for a related party. The revenue in 2017 was due to the limited release of our virtual reality business platform. The Results of Operations refers to our legacy TLLC virtual reality business.

Operating expenses in the year ended December 31, 2017 amounted to $2,688,824 as compared to $1,655,948 for the year ended December 31, 2016. The increase in operating expenses is due to an increase in operations of TLLC for the year ended 2017 compared to the year ended 2016.

Net income for the year ended December 31, 2017 was $1,128,827 compared to a loss of $3,376,775 for the year ended December 31, 2016. This difference is primarily due to the post-merger operational scale-up which was offset by a $4,193,081 non-cash gain in the fair value of the warrants issued to investors. Investors should understand that these warrants either create a non-cash gain or loss which is inverse to the price of the Company's common stock. Because the price was lower on December 31, 2017 than on December 31, 2016, the resulting difference is non-cash income.

Our operating loss for 2017 increased to $2,688,171 from $1,655,948 for 2016.

Liquidity and Capital Resources

As of April 3, 2018, we had approximately $1.15 million in cash which is sufficient working capital to support operations for the next 12 months. There is no assurance that any additional financing will be available or if available, on terms that will be acceptable. However, we have $1,826,579 of Convertible Notes due in April 2019 which require payment of 120% of principal and interest.

Going Concern

The Company has incurred losses since inception and requires additional funding for future operating activities. The Company's activities are not generating a level of revenue sufficient to fund its current operating activities. These factors create an uncertainty as to how the Company will fund its operations and maintain sufficient cash flow to operate as a going concern. The combination of these factors, among others, raise substantial doubt about the Company's ability to continue as a going concern.

The Company's ability to meet its cash requirements in the next year is dependent upon obtaining additional financing. If this is not achieved, the Company may be unable to obtain sufficient cash flow to fund its operations and obligations, and as a result there is substantial doubt the Company will be able to continue as a going concern. The accompanying condensed consolidated financial statements have been prepared on a going concern basis, and accordingly, do not include any adjustments relating to the recoverability and classification of recorded asset amounts; nor do they include adjustments to the amounts and classification of liabilities that might be necessary should the Company be unable to continue operations or be required to sell its assets.

Critical Accounting Policies and Estimates

Our financial statements and accompanying notes have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

We regularly evaluate the accounting policies and estimates that we use to prepare our financial statements. A complete summary of these policies is included in the notes to our financial statements. In general, management's estimates are based on historical experience, on information from third party professionals, and on various other assumptions that are believed to be reasonable under the facts and circumstances. Actual results could differ from those estimates made by management.

The Company has implemented all new accounting pronouncements that are in effect. These pronouncements did not have any material impact on the financial statements unless otherwise disclosed, and the Company does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

Off Balance Sheet Arrangements

We do not engage in any activities involving variable interest entities or off-balance sheet arrangements.

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the following Risk Factors before deciding whether to invest in our Company. Additional risks and uncertainties not presently known to us, or that we currently deem immaterial, may also impair our business operations or our financial condition. If any of the events discussed in the Risk Factors below occur, our business, consolidated financial condition, results of operations or prospects could be materially and adversely affected. In such case, the value and marketability of the common stock could decline.

You should recognize that we have been unable to generate material revenues from our legacy business. As a result, we made the decision to enter the blockchain and cryptocurrency business, a business which is subject to special risks described below

Risks Relating to Our Financial Condition

If we cannot complete a financing in the near future, we will be required to cease operations.

We had net income of $1,128,827 during the year ended December 31, 2017. However, the Company has a history of incurring losses. The Company has an accumulated deficit of $2,740,558 as of December 31, 2017. As of April 3, 2018, we have approximately $1.15 million in cash available and based on our estimated current liabilities, our working capital is approximately $1.1million. We expect that we can manage our accounts payable and sustain operations until March 2019. To remain operational beyond that time, we must complete a financing. Because small companies like ours generally face more obstacles in obtaining financing, we cannot assure you that we will be successful in raising additional capital if needed. Further, if we complete a financing it may be very dilutive to shareholders.

Our ability to continue as a going concern is in doubt unless we obtain adequate new debt or equity financing and achieve sufficient sales levels.

As noted above, we have incurred significant net losses to date. We anticipate that we will continue to lose money for the foreseeable future. Additionally, we have negative cash flows from operations and no expectations of revenue in the near future. Our continued existence is dependent upon generating sufficient working capital and obtaining adequate new debt or equity financing. Because of our continuing losses, without improvements in our cash flow from operations or new financing, we may have to continue to restrict our expenditures. Working capital limitations may impinge on our day-to-day operations, which may contribute to continued operating losses.

Because of the recent declines in the price of our common stock, third parties have declined to do business with us.

As of the close of business on April 3, 2018, the price of our common stock was $0.008 as reported on the OTCQB. The holders of our Series E Preferred Stock may convert their Series E Preferred Stock into a large number of shares of our common stock which may cause the price of our common stock to stay below $0.01. Because of the recent large decline in the price of our common stock, we have faced the loss of pending business opportunities and reluctance by third parties to enter into business with us. As a result of our low stock price, we may continue to lose business opportunities in the future. If our stock price does not increase or if we are unable to enter into agreements with third parties, we likely will be unable to pay our debt which is due in April 2019.

Risk of Future Cryptocurrency Legislation and Regulation

Because of sharp run ups in the price of Bitcoin and other cryptocurrencies and the recent declines, as well as a number of fraudulent and other wrongful campaigns affecting cryptocurrency, the Securities and Exchange Commission (the "SEC") and, other federal regulators and state regulators, and foreign authorities have recently increased their focus on cryptocurrency issuances and trading and it is likely that there will be future legislation and new rules, which may adversely affect the business of the Company.

In public speeches, the Chairman of the SEC has focused substantial attention and concerns related to the issuance and trading of cryptocurrency. The SEC has also filed lawsuits, suspended trading of cryptocurrency companies, taken administrative action to stop an initial coin offering ("ICO") and is reportedly issuing subpoenas relating to promotion of ICOs. While the Company cannot predict what kind of legislation and regulation may be enacted in the future, it is possible that any such legislation and regulation may adversely affect the Company which could cause our stock price to fall sharply.

If regulatory changes or interpretations require the regulation of cryptocurrency under the Actand the Company under the Investment Company Act of 1940 (the "1940 Act") by the SEC, we may be required to register and comply with such regulations, which may result in extraordinary, non-recurring expenses to us.

Current and future legislation, the SEC rulemaking and other regulatory developments, including interpretations released by a regulatory authority, may impact the manner in which cryptocurrency is treated for classification and clearing purposes. The SEC's July 25, 2017 Report of Investigation Pursuant to Section 21(a) of the Securities Exchange Act of 1934: The DAO (the "Report") expressed its view that cryptocurrencies may be securities depending on the facts and circumstances. We are not aware of any rules that have been proposed to regulate cryptocurrency as securities. We cannot be certain as to how future regulatory developments will impact the treatment of cryptocurrency under the law. Such additional registrations may result in extraordinary, non-recurring expenses, thereby materially and adversely impacting an investment in us. If we determine not to comply with such additional regulatory and registration requirements, we may seek to cease certain of our operations. Any such action may adversely affect an investment in us.

To the extent that cryptocurrencies including Ether and any other cryptocurrencies we may own are deemed by the SEC to fall within the definition of a security, we may be required to register and comply with additional regulation under the 1940 Act, including additional periodic reporting and disclosure standards and requirements and the registration of our Company as an investment company. Further, we have acquired a minority interest in a cryptocurrency business which interest is a security. Because the 40% test under the 1940 Act includes this minority interest and the Ether we own, we are limited in our future activities with respect to acquisitions of minority interests in businesses and our ownership of cryptocurrencies. In addition, as our percentage ownership of securities increases, the volatility of Ether or other cryptocurrencies we own may cause us to inadvertently cross this 40% threshold. While we would have one-year to cure a violation, this can only occur once in a three-year period.

Additionally, one or more states may conclude that Ether, Bitcoin and the other cryptocurrencies we may own are a security under state securities laws which would require registration under state laws including merit review laws which would adversely impact us since we would likely not comply. Some states including California define the term "investment contract" more strictly than the SEC. Such additional registrations may result in extraordinary, non-recurring expenses of our Company, thereby materially and adversely impacting an investment in our Company. If we determine not to comply with such additional regulatory and registration requirements, we may seek to cease all or certain parts of our operations. Any such action would likely adversely affect an investment in us and investors may suffer a complete loss of their investment.

If regulatory changes or actions occur, it may restrict the use of virtual currency in a manner that adversely affects an investment in us.

Until recently, little or no regulatory attention has been directed toward Bitcoin, other cryptocurrencies and the markets where they trade by U.S. federal and state governments, foreign governments and self-regulatory agencies. As Bitcoin and other cryptocurrency have grown in popularity and in market size and ICOs which tend to be securities, the SEC, Federal Reserve Board, U.S. Congress and certain other U.S. agencies (e.g., the CFTC, the Financial Crimes Enforcement Network ("FinCEN") and the Federal Bureau of Investigation) have questioned whether ICOs and cryptocurrencies are securities. Based on enforcement actions brought by the SEC and speeches by its Chairman, it seems clear that ICOs are, in almost all cases, securities. The Company does not intend to acquire ICOs because they are securities and, with one exception not applicable to the Company, sold in violation of the federal securities laws.

On July 25, 2017, the SEC issued its Report which concluded that cryptocurrencies issued for the purpose of raising funds may be securities within the meaning of the federal securities laws. The Report focused on the activities of a virtual organization which offered tokens in exchange for Ether which is the second largest reported cryptocurrency. The Report emphasized that whether a cryptocurrency is a security is based on the facts and circumstances. Although the Company's activities are not focused on using cryptocurrency to raise capital or assisting others that do so, the federal securities laws are very broad, and there can be no assurances that the SEC will not take enforcement action against the Company in the future including for the sale of unregistered securities in violation of the Act or acting as an unregistered investment company in violation of the 1940 Act. The SEC has taken various actions against persons or entities misusing Bitcoin in connection with fraudulent schemes (i.e., Ponzi scheme), inaccurate and inadequate publicly disseminated information, and the offering of unregistered securities. More recently, the SEC suspended trading a number of cryptocurrencies public companies. To the extent Bitcoin is determined to be a security or to the extent that a US or foreign government or quasi-governmental agency exerts regulatory authority over the trading and ownership, trading or ownership in Bitcoin, an investment in us may be adversely affected. Very recently there has been much discussion concerning the need for legislation and underlying regulation to address these concerns.

Local state regulators such as the New York State Department of Financial Services (the "NYSDFS") have also initiated examinations of Bitcoin, the Bitcoin Network and the regulation thereof. In 2015 the NYSDFS issued its final BitLicense regulatory framework. The BitLicense regulates the conduct of businesses that are involved in "virtual currencies" in New York or with New York customers and prohibits any person or entity involved in such activity to conduct activities without a license. As more states regulate cryptocurrency investing and trading, we may be required to comply with these regulations or cease operation.

A similar message is being expressed overseas by regulators. While the Company cannot predict what kind of legislation and regulation may be enacted in the future, it is possible that any such legislation and regulation may adversely affect the Company which could cause our stock price to fall sharply.

Bitcoin currently faces an uncertain regulatory landscape in not only the United States but also in many foreign jurisdictions such as the European Union, China and Russia. While certain governments such as Germany, where the Ministry of Finance has declared Bitcoin to be "Rechnungseinheiten" (a form of private money that is recognized as a unit of account, but not recognized in the same manner as fiat currency), have issued guidance as to how to treat Bitcoin, most regulatory bodies have not yet issued official statements regarding intention to regulate or determinations on regulation of Bitcoin, the Bitcoin Network and Bitcoin users. Some countries such as Kyrgyzstan, Nepal, and Cambodia have banned the trading or possession of cryptocurrencies or have issued reports that possessing cryptocurrencies may not be legal. Other Countries, such as South Korea, have not banned cryptocurrencies but have made statement's that ICOs would be prohibited as a fundraising tool.

The effect of any future regulatory change on us, Bitcoins, or other cryptocurrency is impossible to predict, but such change could be substantial and adverse to us and could adversely affect an investment in us.

If cryptocurrencies such as Bitcoin and Ether are found to be securities, our business model may not be successful.

Bitcoin is the oldest and most well-known form of cryptocurrency. Bitcoin, Ether, and other forms of cryptocurrencies have been the source of much regulatory consternation, resulting in differing definitional outcomes without a single unifying statement. When the interests of investor protection are paramount, for example in the offer or sale of ICO tokens, the SEC has no difficulty concluding that the token offerings are securities under the "Howey" test as stated by the United States Supreme Court. As such, ICO offerings would require registration under the Act or an available exemption therefrom for offers or sales in the United States to be lawful. Section 5 of the Act provides that, unless a registration statement is in effect as to a security or it is exempt, it is unlawful for any person, directly or indirectly, to engage in the offer or sale of securities. To date, we are not aware of any court that has considered whether or not any forms of cryptocurrency are involved in the offer and sale of a security. In contrast, the SEC's Chairman has stated that all ICOs of which he is aware involve the sale of a security. In any event, our counsel has advised us that it does not believe that Bitcoin is a security. Although we do not believe our activities require registration for us to conduct such activities, the SEC or a state securities regulator may challenge our position, and we may face regulation under the Act or the 1940 Act. Such regulation or the inability to meet the requirements to continue operations, would have a material adverse effect on our business and operations.

If Bitcoin were held to be a security, we may be exposed to liabilities to the SEC. We may face similar issues with various state securities regulators who may interpret our actions as requiring registration under state securities laws.

If we acquire cryptocurrencies which are securities, even unintentionally, we may violate the 1940 Act and incur potential third-party liabilities

The Company intends to comply with the 1940 Act in all respects. To that end, if the Company acquires cryptocurrencies which are determined to constitute investment securities of a kind that subject the Company to registration and reporting under the 1940 Act, the Company will limit its holdings of securities to less than 40% of its assets (excluding cash). Section 3(a)(1)(C) of the 1940 Act defines "investment company" to mean any issuer that is engaged in the business of investing in securities, having a value exceeding 40% of the value of such issuer's total assets (exclusive of cash). If we violate this 40% limit, we will have one-year to cure by getting our investment securities below the 40% test. However, we may only do this every three years. What complicates this is (i) we may inadvertently surpass the 40% limit due to a spike in the price of a security we own or (ii) a court or the SEC administratively may rule that cryptocurrencies we own are securities. If we ever are required to register as an investment company, we may be required to cease operations.

If regulatory changes or interpretations of our activities require our registration as a money services business under the regulations promulgated by FinCEN under the authority of the U.S. Bank Secrecy Act or under state regulations, we may be required to register and comply with such regulations, the required registrations, licensure and regulatory compliance steps may result in extraordinary, non-recurring expenses to us or cause us to cease operating in the area which requires registration.

The Company is engaged in a business activity that involves transmitting cryptocurrency. Although the Company does not feel this business activity categorizes it as a Money Services Business ("MSB") or Money Transmitter ("MT") under regulations promulgated by the Financial Crimes Enforcement Network ("FinCEN") under the Bank Secrecy Act or any other applicable state MSB or MT law changing regulations or regulatory interpretations of the Company's business activities may require it to register and comply with MSB and/or MT regulations. In the event the Company is required to register as a MSB or MT, the Company may be required to obtain MSB or MT licensure and take regulatory compliance steps including implementing anti-money laundering programs, reporting to FinCEN or a state regulatory authority regarding the Company's MSB or MT business, and maintaining certain records. Additionally, in the event that companies that we do business with are not properly registered, our business will be adversely affected and we may be liable for being an unlicensed MSB or MT.

Currently, multiple states have finalized or proposed regulatory frameworks for businesses conducting cryptocurrency business activities and have made public statements indicating cryptocurrency businesses may be required to seek licenses as MSBs or MTs in the near future. The effect of any future regulatory change on us, Bitcoins, or other cryptocurrencies is impossible to predict, but such change could be substantial and adverse to us and could adversely affect an investment in us.

To the extent that the activities of the Company cause it to be deemed a MSB or MT or equivalent designation the Company may be required to seek a license or otherwise register with the U.S. Department of Treasury or a state regulator and comply with state regulations that may include the implementation of anti-money laundering programs, maintenance of certain records and other operational requirements. In addition to New York's BitLicense framework for businesses that conduct "cryptocurrency business activity," the Conference of State Bank Supervisors has proposed a model form of state level "cryptocurrency" regulation and additional state regulators including those from California, Idaho, Virginia, Kansas, Texas, South Dakota and Washington have made public statements indicating that cryptocurrency businesses may be required to seek licenses as MSBs or MTs. In July 2016, North Carolina updated the law to define "cryptocurrency" and the activities that trigger licensure in a business-friendly approach that encourages companies to use cryptocurrency and blockchain technology. Specifically, the North Carolina law does not require miners or software providers to obtain a license for multi-signature software, smart contract platforms, smart property, colored coins and non-hosted, non-custodial wallets. Starting January 1, 2016, New Hampshire requires anyone who exchanges a cryptocurrency for another currency must become a licensed and bonded MT. Washington recently passed legislation requiring that cryptocurrency exchanges be registered as MSBs or MTs, that cryptocurrency exchanges agree to third-party security audits of their transmission systems, and that they post surety bonds to cover the cost of certain customer claims. In numerous other states, including Connecticut and New Jersey, legislation is being proposed or has been introduced regarding the treatment of Bitcoin and other cryptocurrencies. The Company will continue to monitor for developments in such legislation, guidance or regulations.

Regulators in Missouri and New York have brought cases against businesses or individuals for operating unlicensed MSBs or MTs relating to the transmission of cryptocurrency. Additionally, federal regulators have investigated and prosecuted cases in Ohio and Michigan relating to unlicensed MSBs or MTs. FinCEN recently announced that mining and investing in cryptocurrency for personal use does not constitute activity requiring a MSB or MT license.

If we are deemed to be a MSB or MT, the Company may decide to cease operations or may not be capable with complying with certain federal or state regulatory obligations applicable to MSBs and MTs. Any termination of Company operations in response to changed regulatory circumstances or interpretations at the federal or state levels will adversely affect our business and your investment in the Company.

It may be illegal now, or in the future, to acquire, own, hold, sell or use cryptocurrencies in one or more countries, and ownership of, holding or trading in our securities may also be considered illegal and subject to sanction.

Although cryptocurrencies are currently not regulated or are lightly regulated in most countries, including the United States, one or more countries such as China, South Korea or Russia may take regulatory actions in the future that severely restricts the right to acquire, own, hold, sell or use cryptocurrencies or to exchange cryptocurrencies for fiat currency. Such an action may also result in the restriction of ownership, holding or trading in our securities. Some countries such as Kyrgyzstan, Nepal, and Cambodia have banned the trading or possession of cryptocurrencies or have issued reports that possessing cryptocurrencies may not be legal. Such restrictions may adversely affect an investment in us, if we elect to do business outside of the United States.

If federal or state legislatures or agencies initiate or release tax determinations that change the classification of cryptocurrency as property for tax purposes (in the context of when such Bitcoins are held as an investment), such determination could have a negative tax consequence on our Company or our shareholders.

Current Internal Revenue Service ("IRS") guidance indicates that cryptocurrency such as Bitcoin should be treated and taxed as property, and that transactions involving the payment of Bitcoin for goods and services should be treated as barter transactions. While this treatment creates a potential tax reporting requirement for any circumstance where the ownership of the cryptocurrency passes from one person to another, usually by means of cryptocurrency transactions (including off-blockchain transactions), it preserves the right to apply capital gains treatment to those transactions.

On December 5, 2014, the New York State Department of Taxation and Finance issued guidance regarding the application of state tax law to cryptocurrency such as Bitcoin. The agency determined that New York State would follow the IRS guidance with respect to the treatment of cryptocurrency such as Bitcoin for state income tax purposes. Furthermore, they defined cryptocurrency such as Bitcoin to be a form of "intangible property," meaning the purchase and sale of Bitcoin for fiat currency is not subject to state income tax (although transactions of Bitcoin for other goods and services may be subject to sales tax under barter transaction treatment). It is unclear if other states will follow the guidance of the IRS and the New York State Department of Taxation and Finance with respect to the treatment of cryptocurrency such as Bitcoin for income tax and sales tax purposes. If a state adopts a different treatment, such treatment may have negative consequences including the imposition of a greater tax burden on investors in Bitcoin or imposing a greater cost on the acquisition and disposition of Bitcoin, generally; in either case potentially having a negative effect on prices in the cryptocurrency exchange market and may adversely affect an investment in our Company.

Foreign jurisdictions may also elect to treat cryptocurrency such as Bitcoin differently for tax purposes than the IRS or the New York State Department of Taxation and Finance. To the extent that a foreign jurisdiction with a significant share of the market of Bitcoin users imposes onerous tax burdens on Bitcoin users, or imposes sales or value added tax on purchases and sales of Bitcoin for fiat currency, such actions could result in decreased demand for Bitcoin in such jurisdiction, which could impact the price of Bitcoin or other cryptocurrency and negatively impact an investment in our Company.

Since there has been limited precedent set for financial accounting or taxation of cryptocurrencies it is unclear how we will be required to account for cryptocurrency transactions and the taxation of our businesses.

There is currently no authoritative literature under accounting principles generally accepted in the United States which specifically addresses the accounting for cryptocurrency. Therefore, by analogy, we intend to record cryptocurrency similar to financial instruments under ASC 825, Financial Instruments, because the economic nature of these cryptocurrency is most closely related to a financial instrument such as an investment in a foreign currency.

In 2014, the IRS issued guidance in Notice 2014-21 that classified cryptocurrency as property, not currency, for federal income tax purposes. But according to the requirements of the Fair Trade and Accurate Credit Transactions Act, which requires foreign financial institutions to provide the IRS with information about accounts held by U.S. taxpayers or foreign entities controlled by U.S. taxpayers, cryptocurrency exchanges, in the ordinary course of doing business, are considered financial institutions.

On November 30, 2016, a federal judge in the Northern District of California granted an IRS application to serve a "John Doe" summons on Coinbase Inc., which operates a cryptocurrency wallet and exchange business. The summons asked Coinbase to identify all U.S. customers who transferred convertible cryptocurrency from 2013 to 2015. The IRS is trying to get cryptocurrency owners to report the value of their wallets to the federal government and the IRS is treating cryptocurrency as both property and currency.

We believe that all of our cryptocurrency activities will be accounted for on the same basis regardless of the form of cryptocurrency. A change in regulatory or financial accounting standards or interpretation by the IRS or accounting standards or the SEC could result in changes in our accounting treatment, taxation and the necessity to restate our financial statements. Such a restatement could negatively impact our business, prospects, financial condition and results of operation. Further, actions by the IRS or other regulators which impinge on the anonymity of cryptocurrency may adversely affect our future business and prospects and reduce the value of our cryptocurrency.

Risks Concerning Cryptocurrency Mining

Because of a supply shortage, we may be unable to purchase adequate computer equipment to mine cryptocurrency at a competitive level.

Mining cryptocurrency requires running high-end computers which process complex algorithms to add to the blockchain. Because mining cryptocurrency requires large amounts of computer processing power, there is a worldwide shortage for computer components which can successfully mine cryptocurrency. There is a worldwide shortage for high-end graphics cards which can be enabled to function as computer processors for mining cryptocurrency. Further, other types of computer components, which can be used for mining, are in short supply. As more individuals enter the mining business the demand for components rises. Additionally, as more miners engage in mining the ability to successfully mine cryptocurrency requires more powerful components. If we are unable to obtain adequate components to mine cryptocurrency we will be unable to engage in mining. As such, we may be unable to acquire the components we need to successfully mine cryptocurrency which could have an adverse price on our stock.

If we cannot secure affordable electric power, our mining business will not be successful.

Mining cryptocurrency requires a substantial amount of electricity in order to power the computers, commonly referred to as mining rigs, which mine cryptocurrency. Locations offering cheap mining electricity, both within the United States and internationally, have been historically targeted by groups of people interested in mining. The mining industry has witnessed a change from small miners operating from their homes to large mining "farms" operated by companies with substantial capital, computer resources and other capabilities and competitive advantages. The surge in population to these areas caused by new mining activity has caused electricity prices to increase for local residents. In reaction to electricity prices rising, local officials in some areas have taken action to ban or restrict certain aspects of mining. If we are unable to locate areas with cheap electricity costs which are feasible for mining or if the electricity costs where we have a mining rig increase in value or if the area in which we operate a mining rig passes ordinances which restrict our mining activities we may be unable to mine cryptocurrency in a way that is profitable which could have an adverse price on our stock.

If a malicious actor or botnet obtains control in excess of 50% of the processing power active on the Bitcoin network, it is possible that such actor or botnet could manipulate the blockchain in a manner that adversely affects an investment in us.

If a malicious actor or botnet (a volunteer or hacked collection of computers controlled by networked software coordinating the actions of the computers) obtains a majority of the processing power dedicated to mining on the Bitcoin network, including the Bitcoin network, it may be able to alter the blockchain by constructing alternate blocks if it is able to solve for such blocks faster than the remainder of the miners on the blockchain can add valid blocks and could control, exclude or modify the ordering of transactions, though it could not generate new Bitcoin or transactions using such control.

The approach towards and possible crossing of the 50% threshold indicate a greater risk that a single mining pool could exert authority over the validation of Bitcoin transactions. To the extent that the Bitcoin ecosystems do not act to ensure greater decentralization of Bitcoin mining processing power, the feasibility of a malicious actor obtaining in excess of 50% of the processing power on the Bitcoin network (e.g., through control of a large mining pool or through hacking such a mining pool) will increase, which may adversely impact an investment in us.

If the award of Bitcoin for solving blocks and transaction fees for recording transactions are not sufficiently high to incentivize miners, miners may cease expending hashrate to solve blocks and confirmations of transactions on the blockchain could be slowed temporarily. A reduction in the hashrate expended by miners on the Bitcoin network could increase the likelihood of a malicious actor obtaining control in excess of 50% of the aggregate hashrate active on such network or the blockchain, potentially permitting such actor to manipulate the blockchain in a manner that adversely affects an investment in us.

Bitcoin miners record transactions when they solve for and add blocks of information to the blockchain. When a miner solves for a block, it creates that block. Typically, Bitcoin transactions will be recorded in the next chronological block if the spending party has an internet connection and at least one minute has passed between the transaction's data packet transmission and the solution of the next block. If a transaction is not recorded in the next chronological block, it is usually recorded in the next block thereafter.

As the award of new Bitcoin for solving blocks declines, and if transaction fees are not sufficiently high, miners may not have an adequate incentive to continue mining and may cease their mining operations. Any reduction in confidence in the confirmation process or aggregate speed of completing transactions on the Bitcoin network (the hashrate) may negatively impact the value of Bitcoin, which will adversely impact an investment in us.

To the extent Bitcoin mining operations experience low profit margins, their operators are more likely to immediately sell their Bitcoin earned by mining in the Bitcoin exchange market, resulting in a reduction in the price of Bitcoin that could adversely impact an investment in us.

Over the past two years, professionalized Bitcoin mining operations have largely replaced individual users mining with computer processors, graphics processing units and first-generation servers. Professionalized mining operations are of a greater scale than prior miners and have more defined, regular expenses and liabilities. These regular expenses and liabilities may require professionalized mining operations to immediately sell Bitcoin earned from mining operations on the Bitcoin exchange market, which is different than individual miners in past years who didn't face pressures to immediately divest of their Bitcoin. The immediate selling of newly mined Bitcoin greatly increases the supply of Bitcoin on the Bitcoin exchange market, creating downward pressure on the price of each Bitcoin.

The extent to which the value of Bitcoin mined by a professionalized mining operation exceeds the allocable capital and operating costs determines the profit margin of such operation. A professionalized mining operation may be more likely to sell a higher percentage of its newly mined Bitcoin rapidly if it is operating at a low profit margin—and it may partially or completely cease operations if its profit margin is negative. Lower Bitcoin prices could result in further tightening of profit margins, particularly for professionalized mining operations with higher costs and more limited capital reserves, creating a network effect that may further reduce the price of Bitcoin until mining operations with higher operating costs become unprofitable and remove mining power from the respective Bitcoin network. The network effect of reduced profit margins resulting in greater sales of newly mined Bitcoin could result in a reduction in the price of Bitcoin that could adversely impact an investment in us.

To the extent that any miners cease to record transactions in solved blocks, transactions that do not include the payment of a transaction fee will not be recorded on the blockchain until a block is solved by a miner who does not require the payment of transaction fees. Any widespread delays in the recording of transactions could result in a loss of confidence in that cryptocurrency network, which could adversely impact an investment in us.

To the extent that any miners cease to record transaction in solved blocks, such transactions will not be recorded on the blockchain. Currently, there are no known incentives for miners to elect to exclude the recording of transactions in solved blocks; however, to the extent that any such incentives arise (e.g., a collective movement among miners or one or more mining pools forcing Bitcoin users to pay transaction fees as a substitute for or in addition to the award of new Bitcoins upon the solving of a block), actions of miners solving a significant number of blocks could delay the recording and confirmation of transactions on the blockchain. Any systemic delays in the recording and confirmation of transactions on the blockchain could result in greater exposure to double-spending transactions and a loss of confidence in certain or all cryptocurrency networks, which could adversely impact an investment in us.

The acceptance of cryptocurrency network software patches or upgrades by a significant, but not overwhelming, percentage of the users and miners in any cryptocurrency network could result in a "fork" in the respective blockchain, resulting in the operation of two separate networks until such time as the forked blockchains are merged. The temporary or permanent existence of forked blockchains could adversely impact an investment in us.

Cryptocurrency networks are open source projects and, although there is an influential group of leaders in, for example, the Bitcoin network community known as the "Core Developers," there is no official developer or group of developers that formally controls the Bitcoin network. Any individual can download the Bitcoin network software and make any desired modifications, which are proposed to users and miners on the Bitcoin network through software downloads and upgrades, typically posted to the Bitcoin development forum on GitHub.com. A substantial majority of miners and Bitcoin users must consent to those software modifications by downloading the altered software or upgrade that implements the changes; otherwise, the changes do not become a part of the Bitcoin network. Since the Bitcoin network's inception, changes to the Bitcoin network have been accepted by the vast majority of users and miners, ensuring that the Bitcoin network remains a coherent economic system; however, a developer or group of developers could potentially propose a modification to the Bitcoin network that is not accepted by a vast majority of miners and users, but that is nonetheless accepted by a substantial population of participants in the Bitcoin network. In such a case, and if the modification is material and/or not backwards compatible with the prior version of Bitcoin network software, a fork in the blockchain could develop and two separate Bitcoin networks could result, one running the pre-modification software program and the other running the modified version (i.e., a second "Bitcoin" network). Such a fork in the blockchain typically would be addressed by community-led efforts to merge the forked blockchains, and several prior forks have been so merged. This kind of split in the Bitcoin network could materially and adversely impact an investment in us and, in the worst case scenario, harm the sustainability of the Bitcoin network's economy.

Because there is a limited supply of Bitcoin, miners may not have an adequate incentive to continue mining Bitcoin and the Company may be unable to use its mining equipment to mine other cryptocurrencies.

The current fixed reward for solving a new Bitcoin block is 12.5 Bitcoin per block; the reward decreased from 25 Bitcoin in July 2016. The reward for adding a block to the Bitcoin protocol is halved every 210,000 blocks and it is estimated that it will halve again in about four years. The current Bitcoin protocol permits a total of 21 million Bitcoin to exist. As the number of Bitcoin remaining for mining decreases the processing power required to record new blocks on the blockchain increases. Eventually the processing power required to add a block to the blockchain may exceed the value of the reward for adding a block. Further, at some point, there will be no Bitcoin to mine.

Once the processing power required to add a block to the blockchain exceeds the value of the reward for adding a block the Company may need to use its mining equipment to mine other types of cryptocurrency. If the Company is unable to successfully mine other types of cryptocurrency, the Company may have to discontinue its mining operations and sell the Company's mining equipment which may result in a net loss to the Company's mining business.

Risks Related to Cryptocurrency

The further development and acceptance of cryptocurrency networks and other cryptocurrency, which represent a new and rapidly changing industry, are subject to a variety of factors that are difficult to evaluate. The slowing or stopping of the development or acceptance of cryptocurrency systems may adversely affect an investment in us.

Cryptocurrencies, such as Bitcoin, which may be used to buy and sell goods and services are a new and rapidly evolving industry of which the cryptocurrency networks are prominent, but not unique, parts. The growth of the cryptocurrency industry in general, and the cryptocurrency networks of Bitcoin in particular, are subject to a high degree of uncertainty. There is no assurance that a person who accepts acryptocurrency as payment today will continue to do so in the future. The factors affecting the further development of the cryptocurrency industry, as well as the cryptocurrency networks, include:

- continued worldwide growth in the adoption and use of Bitcoin and other cryptocurrency;
- government and quasi-government regulation of Bitcoin and other cryptocurrency and their use, or restrictions on or regulation of access to and operation of the cryptocurrency network or similar cryptocurrency systems;
- the maintenance and development of the open-source software protocol of the Bitcoin network;
- changes in consumer demographics and public tastes and preferences;
- the availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies;
- general economic conditions and the regulatory environment relating to cryptocurrency; and
- the impact of regulators focusing on cryptocurrency and the costs associated with such regulatory oversight.

A decline in the popularity or acceptance of the cryptocurrency networks of Bitcoin or similar cryptocurrency systems, could adversely affect an investment in us.

Because, there is relatively small use of cryptocurrency in the retail and commercial marketplace in comparison to relatively large use by speculators, it may contribute to price volatility that could adversely affect an investment in us.

As relatively new products and technologies, cryptocurrency and the blockchain networks on which they exist have only recently become widely accepted as a means of payment for goods and services by some major retail and commercial outlets, and use of cryptocurrency by consumers to pay such retail and commercial outlets remains limited. Conversely, a significant portion of demand for cryptocurrency is generated by speculators and investors seeking to profit from the short- or long-term holding of such cryptocurrency. A lack of expansion of cryptocurrency into retail and commercial markets, or a contraction of such use, may result in increased volatility or a reduction in the price of all or any cryptocurrency, either of which could adversely impact an investment in us.

If significant contributors to the Bitcoin network could propose amendments to the network's protocols and software and the amendments are accepted and authorized by such network, it could adversely affect an investment in us.

With respect to the Bitcoin network, a small group of individuals contribute to the Bitcoin Core project. These individuals can propose refinements or improvements to the Bitcoin network's source code through one or more software upgrades that alter the protocols and software that govern the Bitcoin network and the properties of Bitcoin, including the irreversibility of transactions and limitations on the mining of new Bitcoin. To the extent that a significant majority of the users and miners on the Bitcoin network install such software upgrade(s), the Bitcoin network would be subject to new protocols and software that may adversely affect an investment in us. In the event a developer or group of developers proposes a modification to the Bitcoin network that is not accepted by a majority of miners and users, but that is nonetheless accepted by a plurality of miners and users, two or more competing and incompatible blockchain implementations could result. This is known as a "hard fork" which could materially and adversely affect the perceived value of Bitcoin as reflected on one or both incompatible blockchains, which may adversely affect an investment in us. The same risk applies if we diversify our business in the future and make investments in the blockchain and cryptocurrency business. Other generic cryptocurrency-type risks apply if we diversify our investment portfolio.

Forks in the Bitcoin network may occur in the future which may affect the value of Bitcoin held by us.

On August 1, 2017 Bitcoin's blockchain was forked and Bitcoin Cash was created. The fork resulted in a new blockchain being created with a shared history, and a new path forward. Bitcoin Cash has a block size of 8mb and other technical changes. On October 24, 2017, Bitcoin's blockchain was forked and Bitcoin Gold was created. The fork resulted in a new blockchain being created with a shared history, and new path forward, Bitcoin Gold has a different proof of work algorithm and other technical changes. The value of the newly created Bitcoin Cash and Bitcoin Gold may or may not have value in the long run and may affect the price of Bitcoin if interest is shifted away from Bitcoin to the newly created Bitcoin. If a fork occurs on a Bitcoin Network, it may have a negative effect on the value of Bitcoin and may adversely affect an investment in us.

Because of our involvement in the blockchain and cryptocurrency business, it is more likely that we may be the target of security breaches, computer viruses and computer hacking attacks, which in turn may harm our business and results of operations.

Security breaches, computer malware and computer hacking attacks have become more prevalent in our industry and may occur on our systems in the future. This risk is accentuated because hackers may be more inclined to hack us in anticipation of stealing our cryptocurrency. Any security breach caused by hacking, which involves efforts to gain unauthorized access to information or systems, or to cause intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment, and the inadvertent transmission of computer viruses could harm our business, financial condition and operating results. Though it is difficult to determine what harm may directly result from any specific interruption or breach, any failure to maintain performance, reliability, security and availability of our network infrastructure to the satisfaction of our users may harm our reputation and our ability to retain existing users and attract new users.

Because the cryptocurrency exchanges on which cryptocurrencies trade are relatively new and, in most cases, largely unregulated, they may be more exposed to fraud and failure than established, regulated exchanges for other products.

The cryptocurrency exchanges on which Bitcoin trade are new and, in most cases, largely unregulated. Furthermore, many cryptocurrency exchanges (including several of the most prominent United States dollar denominated cryptocurrency exchanges) do not provide the public with significant information regarding their ownership structure, management teams, corporate practices or regulatory compliance. As a result, the marketplace may lose confidence in, or may experience problems relating to, cryptocurrency exchanges, including prominent exchanges handling a significant portion of the volume of cryptocurrency trading.

For example, over the past several years, a number of Bitcoin exchanges have been closed due to fraud, failure or security breaches. In many of these instances, the customers of such Bitcoin exchanges were not compensated or made whole for the partial or complete losses of their account balances in such Bitcoin exchanges. While smaller Bitcoin exchanges are less likely to have the infrastructure and capitalization that make larger Bitcoin exchanges more stable, larger Bitcoin exchanges are more likely to be appealing targets for hacker and "malware" (i.e., software used or programmed by attackers to disrupt computer operation, gather sensitive information or gain access to private computer systems). In January 2018, it was reported that $530 million of cryptocurrency were missing from a Japanese exchange. Further, the collapse of the largest Bitcoin exchange in 2014 suggests that the failure of one component of the overall Bitcoin ecosystem can have consequences for both users of a Bitcoin exchange and the Bitcoin industry as a whole.

A lack of stability in the cryptocurrency exchange market and the closure or temporary shutdown of cryptocurrency exchanges due to fraud, business failure, hackers or malware, or government-mandated regulation may reduce confidence in the cryptocurrency networks and result in greater volatility in cryptocurrency values. These potential consequences of a cryptocurrency exchange's failure could adversely affect an investment in us.

If political or economic crises motivate large-scale sales of cryptocurrency, it could result in a reduction in some or all cryptocurrency' values and adversely affect an investment in us.

As an alternative to fiat currencies that are backed by central governments, cryptocurrency such as Bitcoin, which are relatively new, are subject to supply and demand forces based upon the desirability of an alternative, decentralized means of buying and selling goods and services, and it is unclear how such supply and demand will be impacted by geopolitical events. Nevertheless, political or economic crises may motivate large-scale acquisitions or sales of cryptocurrency either globally or locally. Large-scale sales of cryptocurrency would result in a reduction in their value and could adversely affect an investment in us. The recent dramatic drop in the value of Bitcoin and other cryptocurrency seems likely to have resulted from substantially selling and possibly small investor panic.

Because demand for Bitcoin is driven, in part, by its status as the most prominent and secure cryptocurrency, it is possible that cryptocurrency other than Bitcoin could have features that make them more desirable to a material portion of the cryptocurrency user base this could result in a reduction in demand for Bitcoin, which could have a negative impact on the price of Bitcoin and adversely affect an investment in us.

Bitcoin holds a "first-to-market" advantage over other cryptocurrency. This first-to-market advantage is driven in large part by having the largest user base and, more importantly, the largest combined mining power in use to secure their respective blockchains and transaction verification systems. Having a large mining network results in greater user confidence regarding the security and long-term stability of a cryptocurrency network and its blockchain; as a result, the advantage of more users and miners makes a cryptocurrency more secure, which makes it more attractive to new users and miners, resulting in a network effect that strengthens the first-to-market advantage.

As of March 6, 2018, there were over 1,500 alternate cryptocurrencies tracked by CoinMarketCap, having a total market capitalization (including the market capitalization of Bitcoin) of approximately $442 billion, using market prices and total available supply of Bitcoin. Despite the marked first to market advantage of the Bitcoin network over other cryptocurrency networks, it is possible that another cryptocurrency could become materially popular. If a cryptocurrency obtains significant market share (either in market capitalization, mining power or use as a payment technology), this could reduce Bitcoin's market share as well as other cryptocurrency we may become involved in and have a negative impact on the demand for, and price of, such cryptocurrency and could adversely affect an investment in us.

To the extent that we own cryptocurrency, we are subject to a risk that we will lose the private key necessary to convert it to cash or sell it, or the private key will be hacked.

We own cryptocurrency and expect that we will continue to do so. A private key, which is a complex numeric password is necessary to convert cryptocurrency to cash or sell it. While we have established procedures to safeguard our private key, if our procedures are insufficient or if we are hacked, we will irrevocably lose the value of our cryptocurrency. If a foreign third party has already gained access to our system while using our private key the third party may be able to access and manipulate our cryptocurrency.

Because cryptocurrency transactions are irrevocable and stolen or incorrectly transferred cryptocurrencies may be irretrievable, any incorrectly executed cryptocurrency transactions could adversely affect an investment in us.

Cryptocurrency transactions are not, from an administrative perspective, reversible without the consent and active participation of the recipient of the transaction or, in theory, control or consent of a majority of the processing power on the respective cryptocurrency network. Once a transaction has been verified and recorded in a block that is added to the blockchain, an incorrect transfer of cryptocurrencies or a theft of cryptocurrencies generally will not be reversible, and we may not be capable of seeking compensation for any such transfer or theft since the parties are anonymous. It is possible that, through computer or human error, or through theft or criminal action, our cryptocurrencies could be transferred from us in incorrect amounts or to unauthorized third parties. To the extent that we are unable to seek a corrective transaction with such third party or are incapable of identifying the third party which has received our cryptocurrencies through error or theft, we will be unable to revert or otherwise recover incorrectly transferred cryptocurrencies. The damages from any such loss could adversely affect an investment in us.

The Company's Bitcoin may be subject to loss, damage, theft or restriction on access.

We believe that the Company's Bitcoin will be an appealing target to hackers or malware distributors seeking to destroy, damage or steal our cryptocurrency. We cannot guarantee that any security software will prevent such loss, damage or theft, whether caused intentionally, accidentally or by act of God. Access to the Company's Bitcoin or private key could be restricted by natural events (such as an earthquake or flood) or human actions (such as a terrorist attack). We cannot currently insure the loss of our Bitcoin. While the Company will continue to seek out opportunities to insure or prevent loss of our Bitcoin we cannot ensure that any developments in insurance or technology will reduce the risk of loss of our Bitcoin. The loss or theft of part or all of the Company's Bitcoin may adversely affect our operations and, consequently, an investment in us.

General Risks

Because our business model is evolving, we cannot assure you that our business model will be successful. Further, because it is very unlikely that shareholder approval will be required, our management and Board will have broad discretion in determining what businesses we may enter, whether in the blockchain/cryptocurrency area or otherwise. We cannot assure you that it will complete any additional acquisitions or if we do, such acquisitions will be successful.

In January 2018, we sold our only subsidiary which was engaged in developing a virtual reality business and began implementing our plan to engage in the cryptocurrency/blockchain business. As our first step into this new business we invested in Ether and began actively exploring various business opportunities in this sector. We have been negotiating with Cryptogram to acquire a minority interest in Cryptogram, provide the owners of Cryptogram with a minority interest in us, and acquire a License to use Cryptogram's software and technology. We have not yet entered into any agreement with Cryptogram and we may not acquire the License. Acquiring the License is subject to a number of factors and there can be no assurance that we will acquire the License or be able to monetize the License once acquired. If we are unable to acquire the License there may be a substantial disruption to our business model and we may decide to discontinue our plan to engage in the cryptocurrency/blockchain business.

Because our management team has been in place for a very short period, it may be difficult to evaluate our future prospects and the risk of success or failure of our business.

Jonathan Read, our Chief Executive Officer, has only served on our management team since November 2017, although he previously served on our management team beginning prior to our September 2016 acquisition of a virtual reality company. In addition, while the Company has been in existence and pursuing its business objectives for a long time, our Company transitioned its business to seeking blockchain opportunities in late December 2017. These limited time periods make it difficult to project whether our management team and operations will be successful.

If we cannot manage our growth effectively, we may not become profitable.

Businesses which grow rapidly often have difficulty managing their growth. Our staff presently consists of our Chief Executive Officer and a part-time Chief Financial Officer. If we continue to grow as rapidly as we anticipate, we will need to expand our management by recruiting and employing experienced executives and key employees capable of providing the necessary support. We cannot assure you that our management will be able to manage our growth effectively or successfully. Our failure to meet these challenges could cause us to lose money, and your investment could be lost.

If we lose the services of our Chief Executive Officer, it could adversely affect our business.

Jonathan Read, our Chief Executive Officer, is our only employee. If we were to lose his services, it would pose significant difficulties to the Company's ability to continue operations. In addition, it could be costly and time-consuming to identify individuals to replace him if he were to leave, and our operations would be adversely affected. We do not have life insurance covering Mr. Read. Further, the lack of staff and other management support limits Mr. Read's ability to manage and grow our business. In December 2017, we restructured our capital structure. However, this restructuring was extremely dilutive. As of April 3, 2018, holders of our Series E Convertible Preferred Stock may convert their shares into 195,382,000 shares of common stock.

Risks Relating to Our Common Stock

As a result of our recent financings including the March Notes financing, we are obligated to issue a substantial number of additional shares of common stock, which will dilute our present shareholders.

In March 2018, we closed a financing transaction and issued the March Notes. This transaction obligates us to potentially issue 36,491,228 shares of common stock for the March Notes and an additional 35,087,720 shares of common stock for Warrants issued to the holders of the March Notes. In addition, other Convertible Notes, Convertible Preferred Stock and Warrants obligate us to issue shares of common stock. In the future, we may grant additional options, warrants and convertible securities. The exercise, conversion or exchange of options, warrants or convertible securities, including for other securities, will dilute the percentage ownership of our shareholders. The dilutive effect of the exercise or conversion of these securities may adversely affect our ability to obtain additional capital. The holders of these securities may be expected to exercise or convert such options, warrants and convertible securities at a time when we would be able to obtain additional equity capital on terms more favorable than such securities or when our Common Stock is trading at a price higher than the exercise or conversion price of the securities. The exercise or conversion of outstanding warrants, options and convertible securities will have a dilutive effect on the securities held by our shareholders. We have in the past, and may in the future, exchange outstanding securities for other securities on terms that are dilutive to the securities held by other shareholders not participating in such exchange.

Because our common stock is subject to the "penny stock" rules, brokers cannot generally solicit the purchase of our common stock, which adversely affects its liquidity and market price.

The SEC has adopted regulations which generally define "penny stock" to be an equity security that has a market price of less than $5.00 per share, subject to specific exemptions. The market price of our common stock on the OTCQB is presently less than $5.00 per share and therefore we are considered a "penny stock" according to SEC rules. Further, we do not expect our stock price to rise above $5.00 in the immediate future. The "penny stock" designation requires any broker-dealer selling these securities to disclose certain information concerning the transaction, obtain a written agreement from the purchaser and determine that the purchaser is reasonably suitable to purchase the securities. These rules limit the ability of broker-dealers to solicit purchases of our common stock and therefore reduce the liquidity of the public market for our shares.

Moreover, as a result of apparent regulatory pressure from the SEC and the Financial Industry Regulatory Authority, a growing number of broker-dealers decline to permit investors to purchase and sell or otherwise make it difficult to sell shares of penny stocks. The "penny stock" designation may continue to have a depressive effect upon our common stock price.

Because of their share ownership, our former management may be able to exert control over us to the detriment of minority shareholders.

Our former executive officers and directors beneficially own approximately 21% of our common stock. These shareholders acting together, would be able to control our management and affairs and all matters requiring shareholder approval, including significant corporate transactions. This concentration of ownership may have the effect of delaying or preventing our change in control and might affect the market price of our common stock.

If our common stock becomes subject to a "chill" imposed by the Depository Trust Company (the "DTC"), your ability to sell your shares may be limited.

The DTC acts as a depository or nominee for street name shares that investors deposit with their brokers. DTC in the last several years has increasingly imposed a chill or freeze on the deposit, withdrawal and transfer of common stock of issuers whose common stock trades on the tiers of the OTC Markets like that of the Company. Depending on the type of restriction, a chill or freeze can prevent shareholders from buying or selling shares and prevent companies from raising money. A chill or freeze may remain imposed on a security for a few days or an extended period of time (in at least one instance a number of years). While we have no reason to believe a chill or freeze will be imposed against our common stock in the future, if it were your ability to sell your shares would be limited. In such event, your investment will be adversely affected.

Due to factors beyond our control, our stock price may be volatile.

Any of the following factors could affect the market price of our common stock:

- Regulatory changes including new laws and rules which adversely affect companies in the cryptocurrency business;
- Factors including the cost of high speed computer serves and the cost of electricity which affect the viability of mining;
- Prices of cryptocurrencies we may own;
- Our public disclosure of the terms of any financing which we consummate in the future;
- Our failure to generate increasing material revenues;
- Our failure to become profitable;
- Our failure to raise working capital;
- Any acquisitions we may consummate;
- Announcements by us or our competitors of significant contracts, new services, acquisitions, commercial relationships, joint ventures or capital commitments;
- Changes in our management;
- The sale of large numbers of shares of common stock which we may register;
- Short selling activities; or
- Changes in market valuations of similar companies.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted. A securities class action suit against us could result in substantial costs and divert our management's time and attention, which would otherwise be used to benefit our business.

Because we may issue preferred stock without the approval of our shareholders and have other anti-takeover defenses, it may be more difficult for a third party to acquire us and could depress our stock price.

In general, our Board may issue, without a vote of our shareholders, one or more additional series of preferred stock that have more than one vote per share, although the Company's ability to designate and issue preferred stock is currently restricted by covenants under our agreements with prior investors. Without these restrictions, our Board could issue preferred stock to investors who support us and our management and give effective control of our business to our management. Additionally, issuance of preferred stock could block an acquisition resulting in both a drop in our stock price and a decline in interest of our common stock. This could make it more difficult for shareholders to sell their common stock. This could also cause the market price of our common stock shares to drop significantly, even if our business is performing well.

Because we may not be able to attract the attention of major brokerage firms, it could have a material impact upon the price of our common stock.

It is not likely that securities analysts of major brokerage firms will provide research coverage for our common stock since these firms cannot recommend the purchase of our common stock under the penny stock rules referenced in an earlier risk factor. The absence of such coverage limits the likelihood that an active market will develop for our common stock. It may also make it more difficult for us to attract new investors at times when we require additional capital.

Since we intend to retain any earnings for development of our business for the foreseeable future, you will likely not receive any dividends for the foreseeable future.

We have not paid dividends in the past and do not intend to pay any dividends in the foreseeable future, as we intend to retain any earnings for development and expansion of our business operations. As a result, you will not receive any dividends on your investment for an indefinite period of time.

Our Common Stock may be affected by limited trading volume and price fluctuations, which could adversely impact the value of our Common Stock.

Until recently, there has been limited trading in our Common Stock and there can be no assurance that an active trading market in our Common Stock will either develop or be maintained. Our Common Stock has experienced, and is likely to experience in the future, significant price and volume fluctuations, which could adversely affect the market price of our Common Stock without regard to our operating performance. In addition, we believe that factors such as quarterly fluctuations in our financial results and changes in the overall economy or the condition of the financial markets could cause the price of our Common Stock to fluctuate substantially. These fluctuations may also cause short sellers to periodically enter the market in the belief that we will have poor results in the future. We cannot predict the actions of market participants and, therefore, can offer no assurances that the market for cryptocurrency will be stable or appreciate over time.

Offers or availability for sale of a substantial number of shares of our Common Stock may cause the price of our Common Stock to decline.

If our shareholders sell substantial amounts of our outstanding Common Stock preferred stock, convertible notes issuable upon the exercise of outstanding warrants or other convertible securities, it could create a circumstance commonly referred to as an "overhang" and in anticipation of which the market price of our Common Stock could fall. The existence of an overhang, whether or not sales have occurred or are occurring, could make it difficult to raise additional financing through the sale of equity or equity-related securities in the future at a time and price that we deem reasonable or appropriate. The shares of our restricted Common Stock will be freely tradable upon the earlier of: (i) effectiveness of any registration statement covering such shares and (ii) the date on which such shares may be sold without registration pursuant to Rule 144 (or other applicable exemption) under the Act.

Cautionary Note Regarding Forward Looking Statements

This Report includes forward-looking statements including statements regarding liquidity, anticipated cash flows, future capital-raising activity, our future acquisition of cryptocurrency, and our potential entry into an agreement with Cryptogram. All statements other than statements of historical facts contained in this Report, including statements regarding our future financial position, liquidity, business strategy and plans and objectives of management for future operations, are forward-looking statements. The words "believe," "may," "estimate," "continue," "anticipate," "intend," "should," "plan," "could," "target," "potential," "is likely," "will," "expect" and similar expressions, as they relate to us, are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions described in "Risk Factors" immediately above. Other sections of this Report may include additional factors which could adversely affect our business and financial performance. New risk factors emerge from time to time and it is not possible for us to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any risk factor, or combination of risk factors, may cause actual results to differ materially from those contained in any forward-looking statements. Except as otherwise required by applicable laws, we undertake no obligation to publicly update or revise any forward-looking statements or the risk factors described in this Report, whether as a result of new information, future events, changed circumstances or any other reason after the date this Report is filed.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

Not applicable to a smaller reporting Company.

Item 8. Financial Statements and Supplementary Data.

TimefireVR Inc.
Index to Financial Statements
December 31, 2017

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and
Board of Directors of TimefireVR Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of TimefireVR Inc. and its subsidiary (together the "Company") as of December 31, 2017 and 2016, the related consolidated statements of operations, changes in shareholders' equity (deficit), and cash flows, for each of the two years in the period ended December 31, 2017, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has historically incurred operating losses and negative cash flows from operations, has not reached a level of revenues sufficient to fund their operating activities and requires additional funds for future operating activities. These factors raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

We have served as the Company's auditor since 2016.

/s/ Berkower LLC

Iselin, New Jersey
April 9, 2018

TIMEFIREVR INC.
(FORMERLY ENERGYTEK CORP.)
CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2017	December 31, 2016
ASSETS		
Current Assets:		
Cash	$ 559,237	$ 225,379
Escrow fund	—	79,855
Accounts receivable	38	—
Deposit on contract	—	75,000
Prepaid expenses and other current assets	131,250	119,545
Total current assets	690,525	499,779
Other Assets:		
Property and equipment, net	26,128	38,735
Deposit	33,500	44,876
Total Assets	$ 750,153	$ 583,390
LIABILITIES AND SHAREHOLDERS' EQUITY/(DEFICIT)		
Current Liabilities:		
Accounts payable and accrued expenses	$ 349,469	$ 34,450
Demand obligation payable - related party	116,883	—
Convertible notes payable, net	1,564,814	—
Accrued interest	321,824	—
Short-term advance - related party	57,400	—
Total current liabilities	2,410,390	34,450
Long Term Liabilities:		
Derivative liabilities	198,994	4,392,075
Total long term liabilities	198,994	4,392,075
Total liabilities	2,609,384	4,426,525
Commitments and Contingencies	—	—
Mezzanine Equity		
Preferred Series A stock, par value $.01 per share, 134,000 shares authorized; 133,334 shares issued and outstanding at December 31, 2017 and 2016. Stated at redemption value.	1,500,004	1,500,004
Shareholders' Equity/(Deficit):		
Preferred Stock, par value $.01, 10,000,000 shares authorized all series:		
Preferred Series A-1 stock, par value $.01 per share, 21,000 shares authorized; 14,923 and 20,371 shares issued and outstanding at December 31, 2017 and 2016, respectively	149	204
Preferred Series B stock, par value $.01 per share, 300,000 shares authorized; no shares issued and outstanding at December 31, 2017 and 2016	—	—
Preferred Series C stock, par value $.01 per share, 502 and 615 shares issued and outstanding at December 31, 2017 and 2016, respectively	5	6
Common stock, par value $.001 per share, 500,000,000 shares authorized; 47,269,804 and 44,520,065 shares issued and outstanding at December 31, 2017 and 2016, respectively	47,270	44,520
Additional paid-in capital	(666,101)	(1,518,484)
Accumulated deficit	(2,740,558)	(3,869,385)
Total shareholders' equity/(deficit)	(3,359,235)	(5,343,139)
Total Liabilities and Shareholders' Equity/(Deficit)	$ 750,153	$ 583,390

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

TIMEFIREVR INC.
(FORMERLY ENERGYTEK CORP.)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Year Ended	
	December 31, 2017	**December 31, 2016**
Revenues	$ 933	$ 203,640
Cost of sales	280	—
Gross profit	653	203,640
Operating expenses:		
Research and development	993,934	860,533
Occupancy	83,808	57,530
Depreciation & amortization	12,607	12,298
Officer compensation	650,731	237,209
Professional fees	905,469	440,007
Other operating expenses	42,275	48,371
Total operating expenses	2,688,824	1,655,948
Loss from operations	(2,688,171)	(1,452,308)
Other income (expense):		
Gain on sale of assets	—	180,248
Change in fair value of derivative liabilities	4,193,081	(2,094,319)
Interest income	2	3
Interest expense	(376,085)	(10,399)
Total other income (expense)	3,816,998	(1,924,467)
Income (loss) before income taxes	1,128,827	(3,376,775)
Income tax expense	—	—
Net income (loss)	1,128,827	(3,376,775)
Accretion on Series A preferred stock		(1,500,004)
Net income (loss) attributed to common shareholders	$ 1,128,827	$ (4,876,779)
Basic net income (loss) per common share	$ 0.02	$ (0.12)
Diluted net income (loss) per common share	$ 0.02	$ (0.12)
Basic weighted average common shares outstanding	46,421,363	41,981,212
Diluted weighted average common shares outstanding	69,720,326	41,981,212

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

TIMEFIREVR INC.
(FORMERLY ENERGYTEK CORP.)
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY/(DEFICIT)
FOR THE PERIODS ENDED DECEMBER 31, 2017 AND 2016

	Preferred Stock		Common Stock		Additional Paid in	Accumulated	Total Shareholders' Equity
	Shares	Amount	Shares	Amount	Capital	Deficit	(Deficit)
Balance at December 31, 2015	—	$ —	41,400,000	$ 41,400	$ 208,600	$ (492,610)	$ (242,610)
Reverse acquisition - September 13, 2016	21,224	213	608,796	609	(484,379)	—	(483,557)
Preferred Series C stock converted to common stock	(238)	(3)	2,384,600	2,385	(2,382)	—	—
Exchange of shares for services	—	—	125,000	125	162,375	—	162,500
Restricted stock units issued for services	—	—	—	—	97,306	—	97,306
Issuance of rounding shares for reverse split	—	—	1,669	1	—	—	1
Discount on Series A shares	—	—	—	—	(1,500,004)	—	(1,500,004)
Net loss	—	—	—	—	—	(3,376,775)	(3,376,775)
Balance at December 31, 2016	20,986	210	44,520,065	44,520	(1,518,484)	(3,869,385)	(5,343,139)
Preferred Series A-1 stock converted to common stock	(5,448)	(55)	544,739	545	(490)	—	—
Preferred Series C stock converted to common stock	(113)	(1)	1,130,000	1,130	(1,129)	—	—
Exchange of shares for services	—	—	1,075,000	1,075	241,425	—	242,500
Stock options issued for services	—	—	—	—	483,884	—	483,884
Restricted stock units issued for services	—	—	—	—	128,693	—	128,693
Net income	—	—	—	—	—	1,128,827	1,128,827
Balance at December 31, 2017	15,425	$ 154	47,269,804	$ 47,270	$ (666,101)	$ (2,740,558)	$ (3,359,235)

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

TIMEFIREVR INC.
(FORMERLY ENERGYTEK CORP.)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Year Ended	
	December 31, 2017	**December 31, 2016**
Operating Activities:		
Net income (loss)	$ 1,128,827	$ (3,376,775)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	12,607	12,298
Common stock issued for services	242,500	—
Options issued for services	483,884	—
Gain on sale of assets	—	(180,248)
Change in derivative liabilities	(4,193,081)	2,094,319
Restricted stock units issued for services	128,693	97,306
Unearned revenue - related party	—	(156,000)
Interest expense from amortization of debt discount	53,564	—
Deferred rent	904	20,134
Changes in operating assets and liabilities:		
Accounts receivable	(38)	—
Prepaid expenses and other current assets	(11,705)	(29,044)
Deferred contracted software development costs - related party	—	55,938
Escrow fund	79,855	(79,855)
Deposits	86,376	(44,876)
Accrued interest	321,824	8,040
Accounts payable and accrued expenses	314,115	(13,211)
Net Cash Used in Operating Activities	(1,351,675)	(1,591,974)
Investing Activities:		
Purchases of property and equipment	—	(8,736)
Cash acquired in merger	—	420
Net Cash Used in Investing Activities	—	(8,316)
Financing Activities:		
Proceeds from sale of Series A Preferred stock	—	1,500,004
Capital contributions	—	325,000
Proceeds from notes payable	—	25,000
Payments on notes payable	—	(27,500)
Demand obligation payable - related party	116,883	—
Short-term advance - related party	57,400	—
Net proceeds from convertible notes payable	1,511,250	—
Net Cash Provided by Financing Activities	1,685,533	1,822,504
Net Increase in Cash	333,858	222,214
Cash - Beginning of Period	225,379	3,165
Cash - End of Period	$ 559,237	$ 225,379
Supplemental disclosure of non-cash investing and financing activities:		
Common stock issued for officers loans, related party notes and accrued interest	$ —	$ 193,933
Conversion of Series C Preferred stock to common stock	$ 1,130	$ 2,385
Conversion of Series A-1 Preferred stock to common stock	$ 545	$ —
Supplemental disclosure of cash flow information:		
Interest paid in cash	$ 697	$ 1,310
Income taxes paid in cash	$ —	$ —

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

1. Summary of Significant Accounting Policies and Use of Estimates

Basis of Presentation and Organization and Reorganization

TimefireVR Inc., formerly EnergyTek Corp., is a Nevada corporation. Effective September 13, 2016, TimefireVR Inc. entered into an Agreement and Plan of Merger ("Merger Agreement" or the "Merger") through which it acquired Timefire, LLC, a Phoenix-based virtual reality content developer that is an Arizona Limited Liability Company. As consideration for the merger, the Company issued the equity holders of Timefire, LLC a total of 41,400,000 shares of its common stock, and 2,800,000 five year warrants exercisable at $0.58 per share for 100% of the membership interests of Timefire, LLC. As a result, the former members of Timefire, LLC owned approximately 99% of the then outstanding shares of common stock.

For accounting purposes the transaction is being recorded as a reverse recapitalization, with Timefire, LLC as the accounting acquirer. Consequently, the historical pre-Merger financial statements of Timefire, LLC are now those of the Company. The accompanying consolidated financial statements reflect the consolidated operations of TimefireVR Inc. and its wholly-owned subsidiary Timefire, LLC (together "Timefire," "we," "us," "our" or the "Company") from September 13, 2016.

On November 14, 2016, the EnergyTek Corp. filed a Certificate of Amendment to its Articles of Incorporation with the Secretary of State of Nevada to change its name to TimefireVR Inc. and implement a reverse stock split of its common stock at a ratio of one-for-10. The resulting par value difference was charged to additional paid in capital. The name change and reverse stock split each became effective November 21, 2016. All share and earnings per share information have been retroactively adjusted to reflect the reverse stock split.

The accompanying condensed consolidated financial statements have been prepared in conformity with U.S. Generally Accepted Accounting Principles ("U.S. GAAP") for financial information under the rules and regulations of the Securities and Exchange Commission ("SEC").

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. All significant intercompany transactions and balances have been eliminated. Equity investments through which we exercise significant influence over but do not control the investee and are not the primary beneficiary of the investee's activities are accounted for using the equity method where applicable.

Accounting Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could materially differ from those estimates. Significant estimates of the Company include accounting for depreciation and amortization, derivative liabilities, accruals and contingencies, the fair value of Company common stock and the estimated fair value of warrants.

Revenue Recognition

The Company recognizes revenue when it is realized or realizable and earned. The Company considers revenue realized or realizable and earned when all of the following criteria are met: (i) persuasive evidence of an arrangement exists, (ii) the sales price is fixed or determinable, and (iii) collectability is reasonably assured.

Cash and Cash Equivalents

The Company considers all highly liquid instruments, with original maturity of three months or less when purchased, to be cash equivalents. We place our cash and cash equivalents with major financial institutions. Such amounts are guaranteed by the Federal Deposit Insurance Corporation ("FDIC"). From time to time, balances may exceed FDIC coverage limits.

Escrow Fund

Pursuant to the Series A Convertible Preferred Stock Securities Purchase Agreement ("SPA") (see Note 9), the Company was required to hold an initial amount of $215,000 in cash in escrow. The cash is restricted to be used for certain expenses as defined in the SPA. On March 6, 2017, the Company received financing via convertible notes payable (see Note 5). Per the terms of those notes, the Company was required to put $100,000 of the proceeds into the escrow account. As of December 31, 2017, $315,000 has been disbursed from the escrow account, leaving a remaining balance of $0.

Property and Equipment

Property and equipment is recorded at cost reduced by accumulated depreciation. Depreciation is provided for on the straight-line method, over the estimated useful lives of the assets. Maintenance and repairs that neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Betterments or renewals are capitalized when incurred. Gains and losses on the disposition of property and equipment are recorded in the period incurred.

The estimated useful lives of property and equipment are:

- Office furniture and equipment 5 years

The following represents a summary of our property and equipment:

	December 31,	
	2017	2016
Office furniture and equipment	63,034	63,034
Less: accumulated depreciation	(36,906)	(24,299)
	$ 26,128	$ 38,735

Impairment of Long-Lived Assets and Amortizable Intangible Assets

The Company follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") No. 360-10, *"Property, Plant, and Equipment,"* which established a *"primary asset"* approach to determine the cash flow estimation period for a group of assets and liabilities that represents the unit of accounting for a long-lived asset to be held and used. Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

Business Segments

ASC 280, *"Segment Reporting"* requires use of the *"management approach"* model for segment reporting. The management approach model is based on the way a company's management organizes segments within the company for making operating decisions and assessing performance. The Company determined it has one operating segment as of December 31, 2017.

Research and Development Costs

Research and development costs, including design, development and testing of software, are expensed as incurred.

Income Taxes

The Company accounts for income taxes under FASB ASC 740, *Income Taxes*. Deferred income tax assets and liabilities are determined based upon differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is provided when it is more likely than not that a deferred tax asset will not be realized. At December 31, 2017, the entire deferred tax asset, which arises primarily from our net operating losses, has been fully reserved because management has determined that it is not "more likely than not" that the net operating loss carry forwards would be realized in the future.

The Company accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. We do not believe we have any uncertain tax positions deemed material as of December 31, 2017 and 2016. With few exceptions, we believe we are no longer subject to U.S. federal and state income tax examinations by tax authorities for tax periods prior to fiscal 2014. Our practice is to recognize interest and/or penalties related to income tax matters in income tax expense. As of December 31, 2017 and 2016, we had no accrued interest or penalties. We currently have no federal or state tax examinations in progress. Tax years ended December 31, 2014 through 2017 are subject to examination by tax authorities. We currently have no federal or state tax examinations in progress.

Stock-Based Compensation

In accordance with ASC No. 718, Compensation – Stock Compensation ("ASC 718"), the Company measures the compensation costs of stock-based compensation arrangements based on the grant date fair value of granted instruments and recognizes the costs in the financial statements over the period during which such awards vest. Stock-based compensation arrangements include stock options and restricted stock awards.

Equity instruments ("Instruments") issued to non-employees are recorded on the basis of the fair value of the Instruments, as required by ASC 718. ASC No. 505, Equity Based Payments to Non-Employees ("ASC 505"), defines the measurement date and recognition period for such Instruments. In general, the measurement date is (a) when a performance commitment, as defined, is reached or (b) when the earlier of (i) the non-employee performance is complete and (ii) the Instruments are vested. The measured fair value related to the Instruments is recognized over a period based on the facts and circumstances of each particular grant as defined in ASC 505.

Net Income (Loss) Per Share

Basic earnings per share does not include dilution and is computed by dividing loss available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution of securities that could share in the earnings of an entity. Dilutive securities are not included in the weighted average number of shares when inclusion would be anti-dilutive. As of December 31, 2017 and 2016, there were total shares of 23,426,154 and 20,735,364, respectively, issuable upon conversion of preferred stock, exercise of warrants and options.

Fair Value Measurements

ASC 820 Fair Value Measurements defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosure about fair value measurements.

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

Level 1- fair value measurements are those derived from quoted prices (unadjusted in active markets for identical assets or liabilities);

Level 2- fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3- fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

These financial instruments are measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment to estimation. Valuations based on unobservable inputs are highly subjective and require significant judgments. Changes in such judgments could have a material impact on fair value estimates. In addition, since estimates are as of a specific point in time, they are susceptible to material near-term changes. Changes in economic conditions may also dramatically affect the estimated fair values.

Financial instruments classified as Level 1 - quoted prices in active markets include cash.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of December 31, 2017. The respective carrying value of certain financial instruments approximated their fair values due to the short-term nature of these instruments. These financial instruments include cash, accounts payable and accrued expenses.

Derivative Liabilities

The Company issued common stock purchase warrants in September 2016 in conjunction with the Merger Agreement and the SPA. Additional warrants were issued in March and August 2017 as part of private placement offerings (see Note 5). In accordance with ASC No. 480, *Distinguishing Liabilities from Equity* ("ASC 480"), the fair value of these warrants is classified as a liability on the Company's Condensed Consolidated Balance Sheets because, according to the warrants' terms, a fundamental transaction could give rise to an obligation of the Company to pay cash to certain warrant holders. Corresponding changes in the fair value of the warrants are recognized as a gain or loss on the Company's Consolidated Statements of Operations in each subsequent period.

The fair value of the warrants at December 31, 2017 and 2016 was $198,994 and $4,392,075, respectively. The difference has been recorded as a change in change in fair value of derivatives.

Adoption of Recent Accounting Pronouncements

In August 2014, the FASB issued ASU No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* ("ASU 2014-15"), that requires management to evaluate whether there are conditions and events that raise substantial doubt about the Company's ability to continue as a going concern within one year after the financial statements are issued or available to be issued on both an interim and annual basis. Management is required to provide certain footnote disclosures if it concludes that substantial doubt exists or when its plans alleviate substantial doubt about the Company's ability to continue as a going concern. The Company adopted ASU 2014-15 in the fourth quarter of 2016.

In March 2016, the FASB issued ASU No. 2016-09, which revises the guidance in ASC 718, *Compensation - Stock Compensation*, and will change how companies account for certain aspects of share-based payments to employees, including the income tax impact, classification on the statement of cash flows and forfeitures. The guidance is effective for reporting periods (interim and annual) beginning after December 15, 2016, for public companies. The Company adopted ASU No. 2016-09 in the first quarter of 2017.

Recent Accounting Pronouncements

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Accounting for Goodwill Impairment* ("ASU 2017-04"). ASU 2017-04 removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. This standard, which will be effective for the Company beginning in the first quarter of fiscal year 2021, is required to be applied prospectively. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company is currently evaluating the impact this standard will have on its financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This update provides a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. Additionally, this guidance expands related disclosure requirements. The pronouncement was originally set to be effective for annual and interim reporting periods beginning after December 15, 2016. In July 2015, the FASB approved a one-year deferral of the effective date from December 15, 2016 to December 15, 2017. This ASU permits the use of either the retrospective or cumulative effect transition method. We have evaluated the impact this guidance will have on our consolidated financial statements and our adoption method. Our adoption of this standard will not significantly change the timing of the recognition of our revenue or costs. We will adopt the new standard effective January 1, 2018, using the full retrospective method.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The update requires a lessee to recognize, on the balance sheet, a liability to make lease payments and a right-of-use asset representing a right to use the underlying asset for the lease term. The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018, with early adoption permitted. We are currently evaluating both the impact that this standard will have on our consolidated financial statements and which practical expedients to employ during adoption.

There have been no other recently issued accounting pronouncements that have had or are expected to have a material impact on the Company's financial statements.

Subsequent Events

In accordance with ASC 855 "Subsequent Events" the Company evaluated subsequent events after the balance sheet date.

2. Going Concern

The Company has incurred losses since inception and requires additional funds for future operating activities. The Company's selling activity has not reached a level of revenue sufficient to fund its operating activities. These factors create an uncertainty as to how the Company will fund its operations and maintain sufficient cash flow to operate as a going concern. The combination of these factors, among others, raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in response to these factors include the issuances of debt in exchange for cash such as that which is described in Note 11, Subsequent Events.

The Company's ability to meet its cash requirements in the next year is dependent upon obtaining additional financing. If this is not achieved, the Company will be unable to obtain sufficient cash flow to fund its operations and obligations, and as a result there is substantial doubt the Company will be able to continue as a going concern. The accompanying condensed consolidated financial statements have been prepared on a going concern basis, and accordingly, do not include any adjustments relating to the recoverability and classification of recorded asset amounts; nor do they include adjustments to the amounts and classification of liabilities that might be necessary should the Company be unable to continue operations or be required to sell its assets.

3. Reverse Recapitalization

The Company accounted for the Merger Agreement with Timefire, LLC as a reverse recapitalization, with Timefire, LLC being the accounting acquirer. In its determination that Timefire, LLC was the accounting acquirer, the Company considered pertinent facts and circumstances, including the following for the period immediately following the merger: (i) the Timefire, LLC owners received the largest portion of the voting rights of the combined entity; (ii) the management team of the combined entity was primarily comprised of owners or management of Timefire, LLC; (iii) the Board of Directors of the combined entity was primarily comprised of owners, management or affiliates of Timefire, LLC; (iv) the continuing business of the combined entity was to be the business of Timefire, LLC.

4. Gain on Sale of Assets

Effective July 21, 2016, EnergyTek Corp. entered into an agreement with the joint venture formed in 2015, Wagley-EnergyTEK J.V. LLC (the "Wagley J.V."). Pursuant to the agreement, the Wagley J.V. was dissolved, and the 2,000,000 shares EnergyTek Corp. contributed to the Wagley J.V. were cancelled.

An EnergyTek Corp subsidiary assumed $180,248 of its debt, which consisted of approximately $174,000 in notes payable and $6,000 in accounts payable. Additionally, that subsidiary would become a wholly-owned subsidiary of another entity, Litigation Capital, Inc. once certain requirements had been met, and the debt would be assumed by that entity. In December 2016, the requirements were met, and the subsidiary and related debt were transferred to Litigation Capital, Inc. This transaction was recorded as a gain on sale of asset.

5. Convertible Notes Payable

On March 6, 2017, the Company closed on a private placement offering with institutional investors and one director pursuant to which the Company issued and sold the investors Senior Convertible Notes (the "Notes") in the aggregate principal amount of $750,000, with an original issue discount of 5%, for gross proceeds to the Company of $712,500 prior to payment of $20,000 in reimbursement of legal fees of the lead investor. The Notes matured on September 3, 2017 with an initial interest rate of 8% and a default interest rate of 18% which became effective as of the maturity date. On the maturity date, the Company was obligated to repay an amount equal to 120% of outstanding principal and accrued interest. On the maturity date (and subsequently, if the holders elect to extend the maturity date), the investors may elect to convert the Notes into the common stock of the Company at $0.30 per share, subject to adjustment (the "Conversion Price"). As additional consideration, the Company issued the investors a total of 2,500,000 five-year warrants to purchase the Company's common stock, which are exercisable on or after the maturity date at $0.35 per share. The Company failed to pay the Notes on the maturity date, which date the investors did not elect to extend.

On August 18, 2017, the Company closed on an offering of convertible notes and warrants on terms substantially identical to the March 6, 2017 financing. The purchasers are the same investors as in the March financing except for one person who is a former director that did not participate in this financing. The Company received $60,000 in net proceeds from the issuance of $63,158 of convertible notes. Additionally, the Company issued the investors a total of 210,526 five-year warrants exercisable at $.35 per share. The Company failed to pay these convertible notes when due on September 3, 2017.

The March 6 and August 18, 2017 notes were converted on January 3, 2018 via an exchange agreement into Series E Preferred stock. See Note 11.

On October 27, 2017, the Company closed on an offering of convertible notes with two institutional investors in the principal amount of $70,000. These notes matured on November 29, 2017 and bear interest at 8% per annum. On the maturity date, the Company was obligated to repay an amount equal to 120% of the outstanding principal and accrued interest. The investors may elect to convert the notes into common stock of the Company at $.03 per share. The Company failed to pay these convertible notes when due.

On December 21, 2017, the Company closed on an offering with three institutional investors pursuant to which the Company issued and sold convertible notes in the aggregate principal amount of $703,947. These notes had an original issue discount of 5%, for proceeds to the Company in the amount of $668,750. The notes matured on January 20, 2018, bear interest at 8%, and require the repayment of 120% of principal and accrued interest at maturity. The investors may elect to convert the notes into common stock of the Company at $.03 per share.

On March 6, 2018, the holders of the October 27, 2017 and December 21, 2017 notes agreed to extend the due date of these notes to April 15, 2019. See Note 11.

The aggregate principal amount of the above described Notes is $1,587,105, which is shown in the accompanying balance sheet as of December 31, 2017, net of $22,291 debt discount, as Convertible notes payable-net. Accrued interest amounted to $321,824 as of that date and interest expense aggregated $376,085 for the year ended December 31, 2017.

6. Related Party Transactions

During the year ended December 31, 2015, the Company entered into an agreement with a related party, an entity in which a greater than 10% Company shareholder has significant ownership, to provide software development services. During 2015, the Company received $156,000 in payments for these services. The contracted services had not yet been completed as of December 31, 2015, and all amounts received were classified as unearned revenue. During the year ended December 31, 2016, the Company completed this work, recognizing the previously unearned revenue from 2015 as well as an additional $46,500, for a total of $202,500 in revenue from the related party.

On June 2, 2017, the Company entered into an agreement with an entity managed by a former director of the Company to provide services to the entity. A retainer deposit of $57,400 was received, and services were to be initiated within sixty days. As of December 31, 2017, the Company has not yet performed the services outlined in this agreement, and per its terms, will need to return the deposit. This amount is included in Short term advance–related party on the balance sheet. See Note 11.

During the year ended December 31, 2017, the Company received advances totaling $116,883 from a related party, an original Timefire, LLC investor. These advances are not evidenced by a promissory note, and are non-interest bearing. The amount is reflected as Demand obligation payable–related party on the balance sheet. See Note 11.

7. Income Taxes

The components of deferred tax assets at December 31, 2017 and 2016 are as follows:

	2017	2016
Deferred Tax Assets		
Net Operating Losses	$ 6,852,789	$ 9,577,046
Valuation Allowance	(6,852,789)	(9,577,046)
Net Deferred Tax Asset	$ —	$ —

Net operating loss carry forwards for tax purposes were approximately $28 million at December 31, 2017. The losses generally will expire between 2017 and 2037. We used 24.56% and 37.63% effective tax rates for our projected available net operating loss carry-forwards as of December 31, 2017 and 2016, respectively. However, as a result of potential stock offerings and stock issuances in connection with acquisitions, as well as the possibility of the Company not realizing its business plan objectives and having future taxable income to offset, the Company's use of these NOLs may be limited under the provisions of Section 382 of the Internal Revenue Code of 1986, as amended. The Company is in the process of evaluating the implications of Section 382 on its ability to utilize some or all of its NOLs.

In accordance with FASB ASC 740 "Income Taxes", valuation allowances are provided against deferred tax assets, if based on the weight of available evidence, some or all of the deferred tax assets may or will not be realized. Tax benefits of operating loss carry forwards are evaluated on an ongoing basis, including a review of historical and projected future operating results, the eligible carry forward period, and other circumstances. The Company has evaluated its ability to realize some or all of the deferred tax assets on its balance sheet and has established a 100% valuation allowance in the amount of $6,852,789 at December 31, 2017 and $9,577,046 at December 31, 2016. The valuation allowance decreased by approximately $2,720,000 and increased by approximately $515,000 in the years ended December 31, 2017 and 2016, respectively.

8. Commitments and Contingencies

Employment Agreements

Effective September 13, 2016, the Company entered into an employment agreement with its then Chief Executive Officer ("CEO"). The agreement was for a two year period at the rate of $150,000 per annum. The agreement could automatically be extended for additional terms of one year each unless terminated by either party. In addition to other customary benefits, the CEO was granted 500,000 restricted stock units ("RSUs") which were scheduled to vest over a two year period. Effective January 31, 2017, the Company entered into an agreement with its former Chief Executive Officer following his resignation, which terminated the employment agreement and pursuant to which he also agreed to provide certain consulting services to the Company for a period of six months, for a monthly fee of $12,500. In addition, under the agreement, 333,333 unvested restricted stock units previously granted were immediately vested.

Effective September 13, 2016, the Company entered into an employment agreement with its new President. The agreement was for a two year period at the rate of $150,000 per annum. The agreement could be automatically extended for additional terms of one year each unless terminated by either party. The Company is currently in default on this agreement, and the payroll for this officer accrued from July 8, 2017 until his resignation in October 2017. See Note 11.

Effective September 13, 2016, the Company entered into an employment agreement with its new Chief Strategy Officer, who was later named our Chief Executive Officer. The agreement was for a two year period at the rate of $150,000 per annum. The agreement could be automatically extended for additional terms of one year each unless terminated by either party. The Company is currently in default on this agreement, and the payroll for this officer accrued from May 16, 2017 until his resignation in October 2017. See Note 11.

Aggregate accrued payroll for these two former officers was approximately $106,000 as of December 31, 2017. Such amount is included in the accompanying balance sheet as of that date in Accounts payable and accrued expenses.

Lease Agreements

On September 23, 2016, the Company entered into an office lease agreement commencing October 1, 2016. This lease expires December 31, 2018. A concession of the first five months' rent was provided. After that time, the monthly rent will be $8,121 for months 6 through 17, and $8,375 for months 18 through 27. Total rent to be paid over the course of the lease is being expensed on a straight-line basis over the period of the entire lease, creating a deferred rent liability of $19,230 as of December 31, 2017. Due to the Company's financial difficulties, the landlord agreed to let the Company begin ratably applying their security deposit against their monthly rent payments due effective October 2017, providing for reduced rent payments of $5,347 per month through the remainder of the lease. The Company's security deposit has been reduced to $33,500 as of December 31, 2017. Rent expense was $83,105 and $54,179 for the years ended December 31, 2017 and 2016, respectively. Future minimum lease payments under this agreement total $64,166 for 2018. See Note 11.

Other Agreements

On November 11, 2016, the Company entered into a six-month agreement with a firm to act as its corporate communications counsel. The monthly fee for these services was $6,500. Additionally, the Company issued 125,000 shares of common stock per this agreement for a total expense of $162,500.

On January 20, 2017, the Company entered into an agreement with a firm to provide their artificial intelligence conversational voice platform for integration into the Company's product. Per the agreement, the Company issued 50,000 shares of common stock and was scheduled to make monthly payments towards a $127,500 integration fee. As of December 31, 2017, the Company had expensed $46,000, with $35,000 remaining in accounts payable. On January 3, 2018, the Company sold the virtual reality business and this payable, as well as any future obligations under the agreement, was relieved as part of this agreement. See Note 11.

On March 13, 2017, the Company entered into an agreement with a firm to provide corporate development and strategic advisory services. Per the terms of the agreement, the Company paid $15,000 upon execution of the contract with an additional fee of $5,000 due thirty days from execution. Additionally, upon a financing of the Company through a party introduced by the firm, the Company will pay a cash fee of 7% of proceeds and will also issue a warrant to purchase the Company's common shares equal to 7% of the number of shares issued by the Company in a financing.

On November 7, 2016, the Company entered into an agreement with a firm to provide general advisory and business development advisory services for a fee of $75,000. The Company remitted $75,000, but the contract was ultimately cancelled and the services were postponed. The amount was recorded as a deposit on contract. Later, on March 27, 2017, the Company entered into an agreement with the same firm to provide these services on an expanded scale for a fee of $150,000. Per the agreement, the firm applied our previously remitted funds and we paid the remaining $75,000 balance. In addition to the cash compensation, the firm was also compensated via a one-time equity retainer of 25,000 shares of common stock.

On April 4, 2017, the Company entered into an agreement with a firm to provide management and general business consulting services. The term of the agreement is 24 months, and the firm will be compensated via the issuance of 1,000,000 shares of common stock. The shares will be expensed ratably over the term of the agreement. The value of the shares issued was estimated to be $210,000. Professional fees expense for the year ended December 31, 2017 includes $78,750 related to this agreement. The remaining $131,250 is reflected in the accompanying balance sheet as of December 31, 2017 as Prepaid expenses and other current assets.

9. Shareholders' Deficit and Series A Preferred Stock

Common Stock

There is currently only one class of common stock. Each share common stock is entitled to one vote. The authorized number of shares of common stock of the Company at December 31, 2017 was 500,000,000 shares with a par value per share of $0.001. Authorized shares that have been issued and fully paid amounted to 47,269,804 as of December 31, 2017.

Preferred Stock

The Company is authorized to issue 10,000,000 shares of preferred stock with a par value of $0.01 per share, with rights, preferences and limitations as may be decided from time-to-time by the Board of Directors.

Series C

In 2014, the Board of Directors approved the issuance of Series C Preferred Stock ("Series C"). 900 Shares of Series C Preferred Stock were issued in exchange for 900 Shares of previously issued Series A Preferred Stock ("Prior Series A"). Each share of Series C shall be convertible at the option of the holder at any time, into 10,000 shares of common stock. Each holder of Series C shall be entitled to one vote for each share of Series C held. Holders cannot convert their Series C to the extent that after such conversion, they and their affiliates would beneficially own in excess of 9.99% of the Company's common stock, which limitation is waivable upon 61 days' notice to the Company. In addition, certain holders subsequently agreed to reduce their beneficial ownership limitation to 2.49%. During the year ended December 31, 2016, holders of 275.46 shares of Series C converted them into 2,754,600 shares of our common stock. During the year ended December 31, 2017, holders of 113 shares of Series C converted them into 1,130,000 shares of our common stock. At December 31, 2017, there are 501.54 shares of Series C outstanding.

Series A-1

Effective August 24, 2016, the Board of Directors approved the issuance of Series A-1 Preferred Stock ("Series A-1"). The Company entered into agreements with certain note holders under which the note holders agreed to convert an aggregate of $229,170 in principal and accrued interest into a total of 20,371 shares of Series A-1 Preferred Stock. Each share of Series A-1 shall be convertible at the option of the holder at any time, into 100 shares of common stock. The Series A-1 ranks senior to the common stock and junior to the Series C. Holders of Series A-1 are entitled to receive dividends and vote together with holders of the common stock on an as-converted basis. Holders cannot convert their Series A-1 to the extent that after such conversion, they and their affiliates would beneficially own in excess of 2.49% of the Company's common stock, which limitation is waivable upon 61 days' notice to the Company. During the year ended December 31, 2017, holders of 5447.39 shares of Series A-1 converted them into 544,739 shares of common stock. At December 31, 2017, there are 14,923 shares of Series A-1 outstanding.

Series A

Effective September 13, 2016, the Company closed on the SPA and the Board of Directors approved the issuance of a newly designated Series A Convertible Preferred Stock ("New Series A"). Pursuant to the SPA, the Company issued and sold approximately 133,334 shares of New Series A to certain investors for gross proceeds of $1,500,004 and 2,586,207 five-year warrants exercisable at $0.58 per share. The New Series A are convertible into 6,666,684 shares of common stock. Holders cannot convert their New Series A to the extent that after such conversion, they and their affiliates would beneficially own in excess of 2.49% of the Company's common stock, which limitation is waivable upon 61 days' notice to the Company.

The New Series A ranks senior to all other classes and series of the Company's capital stock. Holders of New Series A are entitled to receive dividends and vote together with holders of the common stock on an as-converted basis. At December 31, 2017, there are 133,334 shares of New Series A outstanding.

New Series A contains certain provisions that are outside the Company's control and which the Company believes cause the New Series A to be classified as mezzanine equity.

See Note 11 with respect to preferred stock.

Warrants

The balance of warrants outstanding for purchase of the Company's common stock as of December 31, 2017 and 2016 is as follows:

	Common Shares Issuable Upon Exercise of Warrants	Exercise Price of Warrants	Date Issued	Expiration Date
Balance of warrants at December 31, 2015	—			
Issued per Merger Agreement (1)	2,800,000	$ .58	9/9/2016	9/9/2021
Issued per Securities Purchase Agreement (2)	2,586,207	$ .58	9/9/2016	9/9/2021
Balance of warrants at December 31, 2016	5,386,207			
Issued per offering (3)	2,500,003	$ .35	3/3/2017	9/3/2022
Issued per offering (4)	210,526	$ .35	8/21/2017	2/21/2023
Balance of warrants at December 31, 2017	8,096,736			

(1) On September 13, 2016, per the terms of the Merger Agreement (see Note 1), the Company issued five-year warrants at $.58 to purchase 2,800,000 shares of common stock to the original Timefire investors. The original fair value at the date of merger was $1,194,480, which was recorded as a derivative liability with the offset to additional paid-in capital. The fair value was measured again at December 31, 2016 and 2017 and totaled $2,283,204 and $67,452, respectively. The difference in value year over year was recorded as a change in the fair value of derivative.

(2) On September 13, 2016, per the terms of the SPA, the Company issued five-year warrants at $.58 to purchase 2,586,207 shares of common stock (see above). The original fair value at the date of the merger was $1,103,276, which was recorded as a derivative liability with the offset to additional paid-in capital. The fair value was measured again at December 31, 2016 and 2017 and totaled $2,108,871 and $62,302, respectively. The difference in value year over year was recorded as a change in the fair value of derivative.

(3) On March 3, 2017, per the terms of an offering (see Note 4), the Company issued warrants at $.35 to purchase 2,500,003 shares of common stock. The warrants may not be exercised for six months after their effective date of March 3, 2017. The warrants have an expiration date of five years after the initial six months have passed. The original fair value of these warrants on the date of issuance was $377,525. As of December 31, 2017, the fair value was $63,750, recorded as a derivative liability. The difference in value is recorded as a change in the fair value of derivative.

(4) On August 21, 2017, per the terms of an offering (see Note 4), the Company issued warrants at $.35 to purchase 210,526 shares of common stock. The warrants may not be exercised for six months after their effective date of August 21, 2017. The warrants have an expiration date of five years after the initial six months have passed. The original fair value of these warrants on the date of issuance was $7,516. As of December 31, 2017, the fair value was $5,490, recorded as a derivative liability. The difference in value is recorded as a change in the fair value of derivative.

2016 Equity Incentive Plan

Effective September 13, 2016, the Company adopted the 2016 Equity Incentive Plan (the "2016 Plan") to provide an incentive to our employees, consultants, officers and directors who are responsible for or contribute to our long-range success. A total of 3,300,000 shares of our common stock have been reserved for the implementation of the 2016 Plan, either through the issuance of incentive stock options, non-qualified stock options, stock appreciation rights ("SARs"), restricted awards, or restricted stock units ("RSUs"). Whenever practical, the 2016 Plan is to be administered by a committee of not less than two members of the Board of Directors appointed by the full Board, and the 2016 Plan has a term of ten years, unless sooner terminated by the Board. As of December 31, 2017, 1,145,000 shares of common stock are available for issuance under the 2016 Plan.

Effective September 13, 2016, pursuant to his employment agreement, the Company entered into a Restricted Stock Unit Agreement with its CEO which granted the CEO 500,000 RSUs pursuant to the 2016 Plan. The RSUs were to vest in three approximately equal increments with the first tranche being fully vested on the grant date and the remaining tranches vesting on the first-year and second-year anniversaries of the grant date. The fair value of the award was calculated based on the price of the common stock on the grant date and was to be expensed over the vesting period. Effective January 31, 2017, this employment agreement was terminated and the RSUs became fully vested. The Company recorded $128,693 and $97,306 in expense in connection with this grant during the years ended December 31, 2017 and 2016, respectively.

On January 20, 2017, the Company granted options to purchase 1,655,000 shares of its common stock at $.50 to employees including a total of 800,000 options to its Chief Executive Officer and Chief Financial Officer per the 2016 Plan. The shares will vest based on months of service as of the grant date. Employees that had worked for twelve months or more as of the grant date had one-third of their options vested as of grant date. All other employees received pro-rata vesting for the portion of a year that they had worked. The remaining options will equally vest on the 1st and 2nd anniversary of the grant date. The Company recorded $483,884 in expense related to this grant during the year ended December 31, 2017.

10. Fair Value Measurements

Our financial instruments consist of cash, accounts payable, accrued liabilities, and warrant liability. We do not believe that we are exposed to significant interest, currency, or credit risks arising from these financial instruments. The fair values of the warrants approximates their carrying values using Level 3 inputs. Gains and losses recognized on changes in fair value of the warrants are reported in other income (expense). Our warrant valuation was measured at fair value by applying the Black-Scholes option valuation model, which utilizes Level 3 inputs.

The assumptions used in the Black-Scholes option re-valuation for the September 2016 warrants at December 31, 2017 are as follows:

Dividend yield – 0%	Expected life – 3.75 years
Risk-free interest rate - 1.98%	Volatility - 208.605%.

The assumptions used for the March 2017 warrants at December 31, 2017 are as follows:

Dividend yield – 0%	Expected life – 4.25 years
Risk-free interest rate - 2.20%	Volatility - 203.860%.

The assumptions use for the August 2017 warrants at December 31, 2017 are as follows:

Dividend yield – 0%	Expected life – 4.75 years
Risk-free interest rate - 2.20%	Volatility - 200.800%.

The following summarizes the Company's financial liabilities that are measured at fair value on a recurring basis at December 31, 2017.

	Level 1	Level 2	Level 3	Total
Liabilities				
Derivative liabilities	$ —	$ —	$ 198,994	$ 198,994

11. Subsequent Events

Effective January 3, 2018, the Company entered into an Exchange Agreement (the “Exchange”) with investors in the Company’s previous private placements (the “Investors”) pursuant to which the Company issued 303,714 shares of the Company’s new Convertible Series E Preferred Stock (the “Series E”) in exchange for the cancellation of the following securities:

- 133,333.69 shares of Series A Convertible Preferred Stock (extinguishing such series);
- 14,923.30 shares of Series A-1 Convertible Preferred Stock (extinguishing such series);
- 501.54 shares of Series C Convertible Preferred Stock (extinguishing such series);
- $650,000 of Senior Convertible Notes issued March 3, 2017;
- $63,158 of Senior Convertible Notes issued August 21, 2017; and
- Warrants to purchase 4,963,401.90 shares of our common stock

Each share of Series E has a stated value of $1,000 and is convertible into shares of our common stock at a conversion price of $1.00 per share (as adjusted for stock splits, stock dividends, stock combinations, recapitalizations and similar events). The Series E does not have any price protection from future issuances of securities by the Company at price below the conversion price then in effect.

On January 3, 2018, the Company entered into a Membership Interest Purchase Agreement (the “Agreement”) by and between the Company and Mitchell Saltz (“Saltz”). Pursuant to the terms of the Agreement, Saltz acquired all the membership interests of the Company’s subsidiary, Timefire LLC, an Arizona limited liability company (“TLLC”).

In consideration for entering in the Agreement, the Company received: (i) $100,000 in cash and (ii) a secured promissory note in the principal amount of $120,000 bearing 6% annual interest that matures in nine months. Additionally, Saltz or TLLC assumed certain of the Company’s liabilities including a sublease agreement entered into by the Company, loans made by Saltz to the Company, a certain $100,000 senior convertible note of the Company dated March 3, 2017, a certain services agreement entered into by the Company, certain past compensation owed to the Company’s former executive officers, and certain credit card debts owed by the Company.

Effective January 3, 2018, the Company entered into an oral employment agreement (the “Read Agreement”) with the Company’s Chief Executive Officer (the “CEO”) Mr. Jonathan Read (“Read”). Under the terms of the Read Agreement the Company will pay Read an annual salary of $240,000 subject to his continued employment with the Company. Additionally, the Company paid Read compensation for his services as the Company’s CEO from October 20, 2017, to December 31, 2017, calculated as a pro-rata portion of an annual salary of $150,000. Additionally, on January 3, 2018 (the “Grant Date”) the Company’s board of directors (the “Board”) granted Read 15,000,000 stock options of which 5,000,000 vested on the Grant Date, 5,000,000 will vest one-year from the Grant Date, and 5,000,000 will vest two years from the Grant Date subject to continued employment with the Company.

On January 3, 2018, the Board amended the Company’s 2016 Equity Incentive Plan by increasing the authorized number of shares available under the plan by 30,000,000.

Effective January 3, 2018, the Company agreed to compensate Gary Smith for his service as a non-employee director by paying him $2,500 per calendar quarter effective as of July 10, 2017.

On January 3, 2018, the Company purchased $100,000 of ether, the cryptocurrency offered by the Ethereum network. This purchase is the Company’s first material cryptocurrency purchase and signifies the start of the Company’s entry into the cryptocurrency business.

On January 18, 2018, the Company entered into an agreement for corporate communications counsel. The agreement is for an initial period of six months with a monthly fee of $5,000. Should the Company raise $2 million or more, the monthly fee increases to $7,500 per month. The Company will issue 1,000,000 shares of common stock per this agreement. They have not yet been issued as of the date of this report.

On January 22, 2018, the Company granted board member Gary Smith 1,000,000 stock options under the 2016 Equity Incentive Plan, exercisable at $.03 per share, vesting quarterly over one year beginning in three months subject to continued service as a director on each applicable vesting date.

On March 6, 2018 (the “Effective Date”), the Company closed on a private placement offering (the “Offering”) with institutional investors (the “Investors”) pursuant to which the Company issued and sold Senior Secured Convertible Notes (the “2018 Notes”) to the Investors in the aggregate principal amount of $1,052,632 with an original issue

discount of 5%, and received gross proceeds of $1,000,000. The 2018 Notes mature on April 15, 2019 (the "Maturity Date") and bear interest at 8% per annum. The 2018 Notes are secured by a first lien on all of the assets of the Company.

On the Maturity Date, the Company must repay an amount equal to 120% of the outstanding principal and accrued interest. Beginning on the six-month anniversary of the Effective Date, the Investors may elect to convert the 2018 Notes into common stock of the Company at $0.03 per share, subject to adjustment (the "Conversion Price"). In addition, the 2018 Notes are redeemable by the Company up to 90 days following issuance at an amount equal to 110% of outstanding principal and accrued interest, and thereafter at an amount equal to 120% of outstanding principal and accrued interest, subject in either case to upward adjustment to the extent the closing price of the Company's common stock on the OTCQB exceeds the Conversion Price. As additional consideration, the Company issued the Investors a total of 35,087,720 five-year warrants (the "Warrants") to purchase the Company's common stock, which are exercisable on or after the six-month anniversary of the Effective Date at $0.06 per share. In addition, the Investors agreed to extend the due date of certain Notes described in Note 5 held by the Investors (which were past due), in the principal amount of approximately $770,000, to April 15, 2019.

Between January 5 and April 2, 2018, the Company issued 108,332,000 shares of common stock for the conversion of 108,332 shares of Series E Preferred.

On March 16, 2018, the Company entered into an Advisor Agreement (the "Agreement") with a third party (the "Advisor") and David Drake ("Drake"), a well-known consultant to the cryptocurrency industry. Under the terms of the Agreement, Drake was appointed to the Company's Advisory Board and Drake and the Advisor agreed to assist the Company in the implementation and execution of its cryptocurrency business model, including initiation of its mining business and recommending to the Company potential acquisitions and joint ventures in this sector. Drake is required to devote at least three business days per month to assisting the Company. The Company agreed to issue the Advisor 6,666,666 shares of common stock valued at $0.03 per share, which shares shall vest quarterly over a 12-month period subject to the Agreement not having been terminated as of each applicable vesting date. The Company also agreed to issue the Advisor 6,666,666 3-year warrants exercisable at $0.05 per share vesting quarterly over a one-year period with the same vesting contingency. The Company agreed to pay the Advisor a royalty from revenues received from its mining of cryptocurrency with the royalties decreasing over a five-year period. Finally, the Company agreed to reimburse the Advisor $5,000 a month for the services of an engineer to operate the Company's cryptocurrency mining business.

Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure.

We have had no disagreements on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures with any of our accountants for the year ended December 31, 2017 or any interim period. We have not had any other changes in nor have we had any disagreements, whether or not resolved, with our accountants on accounting and financial disclosures during our recent fiscal year or any later interim period.

Item 9A. Controls and Procedures.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's Board, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that:

- ☐ Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;

- ☐ Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

- ☐ Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Because of the inherent limitations of internal control, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

As of December 31, 2017, management assessed the effectiveness of our internal control over financial reporting based on the criteria for effective internal control over financial reporting established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and SEC guidance on conducting such assessments. Based on that evaluation, they concluded that, during the period covered by this report, such internal controls and procedures were not effective to detect the inappropriate application of US GAAP rules as more fully described below. This was due to deficiencies that existed in the design or operation of our internal controls over financial reporting that adversely affected our internal controls and that may be considered to be material weaknesses. The matters involving internal controls and procedures that our management considered to be material weaknesses under the standards of the Public Company Accounting Oversight Board were: (1) lack of a functioning audit committee due to a lack of a majority of independent members and a lack of a majority of outside directors on our Board, resulting in ineffective oversight in the establishment and monitoring of required internal controls and procedures; (2) inadequate segregation of duties consistent with control objectives; and (3) ineffective controls over period end financial disclosure and reporting processes. The aforementioned material weaknesses were identified by our Chief Executive Officer and Chief Financial Officer in connection with the review of our financial statements as of December 31, 2017.

Management believes that the material weaknesses set forth in items (2) and (3) above did not have an effect on our financial results. However, management believes that the lack of a functioning audit committee and the lack of a majority of outside directors on our Board results in ineffective oversight in the establishment and monitoring of required internal controls and procedures, which could result in a material misstatement in our financial statements in future periods.

Management's Remediation Initiatives

In an effort to remediate the identified material weaknesses and other deficiencies and enhance our internal controls, we have initiated, or plan to initiate, the following series of measures:

We will create a position to segregate duties consistent with control objectives and will increase our personnel resources and technical accounting expertise within the accounting function when funds are available to us. And, we plan to appoint one or more outside directors to our Board who shall be appointed to an audit committee resulting in a fully functioning audit committee who will undertake the oversight in the establishment and monitoring of required internal controls and procedures such as reviewing and approving estimates and assumptions made by management when funds are available to us.

Management believes that the appointment of one or more outside directors, who shall be appointed to a fully functioning audit committee, will remedy the lack of a functioning audit committee and a lack of a majority of outside directors on our Board.

We anticipate that these initiatives will be at least partially, if not fully, implemented by the end of 2018.

Changes in internal controls over financial reporting

There was no change in our internal controls over financial reporting that occurred during the period covered by this report, which has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required is incorporated by reference from the Company's Proxy Statement which will be filed within 120 days of the fiscal year ended December 31, 2017.

Item 11. Executive Compensation.

The information required is incorporated by reference from the Company's Proxy Statement which will be filed within 120 days of the fiscal year ended December 31, 2017.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required is incorporated by reference from the Company's Proxy Statement which will be filed within 120 days of the fiscal year ended December 31, 2017.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required is incorporated by reference from the Company's Proxy Statement which will be filed within 120 days of the fiscal year ended December 31, 2017.

Item 14. Principal Accounting Fees and Services.

The information required is incorporated by reference from the Company's Proxy Statement which will be filed within 120 days of the fiscal year ended December 31, 2017.

Item 15. Exhibits, Financial Statement Schedules

(a) Financial Statements and Schedules

See Index to Consolidated Financial Statements under Part II, Item 8 of this Annual Report on Form 10-K.

(b) Exhibits

EXHIBIT INDEX

Exhibit #	Exhibit Description	Incorporated by Reference			Filed or Furnished Herewith
		Form	Date	Number	
2.1	Agreement and Plan of Merger***	8-K	9/13/16	2.1	
2.2	Articles of Merger - Nevada	8-K	9/13/16	2.2	
2.3	Statement of Merger - Arizona	8-K	9/13/16	2.3	
3.1	Articles of Incorporation, as amended	S-1	2/8/17	3.1	
3.2	Bylaws, as amended	S-1	2/8/17	3.2	
4.1	Certificate of Designation of Series E Convertible Preferred Stock of TimefireVR Inc.	8-K	1/4/18	3.1	
4.2	Amendment No. 1 to the Certificate of Designations of Series E Convertible Preferred Stock of TimefireVR Inc.	8-K	1/4/18	3.2	
10.1	Form of Merger Warrant dated September 7, 2016	8-K	9/13/16	4.2	
10.2	From of Investor Warrant dated September 7, 2016	8-K	9/13/16	4.3	
10.3	Form of Senior Secured Promissory Note	8-K	1/4/18	4.1	
10.4	Form of Warrant dated March 6, 2018	8-K	3/7/18	10.3	
10.5	Form of Securities Purchase Agreement	8-K	3/7/18	10.1	
10.6	Form of Senior Secured Convertible Note	8-K	3/7/18	10.2	
10.7	Form of Exchange Agreement***	8-K	1/4/18	10.1	
10.8	Form of Membership Interest Purchase Agreement***	8-K	1/4/18	10.2	
10.9	Form of Securities Purchase Agreement***	8-K	12/22/17	10.1	
10.10	Form of Senior Secured Convertible Promissory Note	8-K	12/22/17	10.2	
10.11	Form of Note dated October 30, 2017 ***				Filed
10.12	Form of Security Agreement dated October 30, 2017***				Filed
10.13	Form of Guaranty Agreement dated October 30, 2017***				Filed
10.14	2016 Equity Incentive Plan, as amended				Filed
10.15	Form of Securities Purchase Agreement***	8-K	8/23/17	10.1	
10.16	Form of Senior Convertible Note	8-K	8/23/17	10.2	
10.17	Form of Warrant	8-K	8/23/17	10.3	
10.18	Form of Non-Qualified Stock Option Agreement	10-Q	8/21/17	10.1	
10.19	Jonathan Read Severance Agreement dated January 31, 2017*	10-K	4/7/17	10.14	
10.20	Form of Securities Purchase Agreement dated March 3, 2017***	8-K	3/7/17	10.1	
10.21	Form of Senior Convertible Note dated March 3, 2017***	8-K	3/7/17	10.2	
10.22	Form of Warrant dated March 3, 2017***	8-K	3/7/17	10.3	
10.23	Form of Convertible Promissory note dated July 15, 2016	8-K	7/27/16	10.1	
10.24	Form of Exchange Agreement dated August 24, 2016***	8-K	8/30/16	10.1	
10.25	Form of Convertible Promissory Note dated August 30, 2016	8-K	9/6/16	10.1	
10.26	Employment Agreement – John Wise*	8-K	9/13/16	10.2	
10.27	Employment Agreement – Jeffrey Rassas*	8-K	9/13/16	10.3	
10.28	Restricted Stock Unit Agreement – Jonathan Read	8-K	9/13/16	10.5	
10.29	Securities Purchase Agreement dated September 7, 2016***	8-K	9/13/16	10.6	
10.30	Registration Rights Agreement dated September 7, 2016***	8-K	9/13/16	10.7	
10.31	Form of Agreement and Mutual Release dated as of July 21, 2016	10-Q	11/8/16	10.11	
31.1	Certification of Principal Executive Officer (302)				Filed
31.2	Certification of Principal Financial Officer (302)				Filed
32.1	Certification of Principal Executive and Principal Financial Officer (906)				Furnished**
101.INS	XBRL Instance Document				Filed
101.SCH	XBRL Taxonomy Extension Schema Document				Filed
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				Filed
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				Filed
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				Filed
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				Filed

* Management contract or compensatory plan or arrangement.
** This exhibit is being furnished rather than filed and shall not be deemed incorporated by reference into any filing, in accordance with Item 601 of Regulation S-K.

*** Certain schedules, appendices and exhibits to this agreement have been omitted in accordance with Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule and/or exhibit will be furnished supplementally to the Securities and Exchange Commission staff upon request.

Copies of this Report (including the financial statements) and any of the exhibits referred to above will be furnished at no cost to our shareholders who make a written request to TimefireVR Inc., at the address on the cover page of this Report, Attention: Corporate Secretary.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

SIGNATURES

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

TIMEFIREVR INC.

Date: April 9, 2018

By: */s/ Jonathan Read*
Jonathan Read
Chief Executive Officer & Director

/s/ Jessica L. Smith
Jessica L. Smith
Chief Financial Officer & Principal Accounting and Financial Officer

In accordance with the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on April 9, 2018.

Signatures	Title	Date
/s/ Jonathan Read Jonathan Read	Director	April 9, 2018
/s/ Gary Smith Gary Smith	Director	April 9, 2018

EXHIBIT 10.11

Execution Copy

SENIOR SECURED CONVERTIBLE NOTE

NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE CONVERTIBLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL TO THE HOLDER (IF REQUESTED BY THE COMPANY), IN A FORM REASONABLY ACCEPTABLE TO THE COMPANY, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD OR ELIGIBLE TO BE SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES. ANY TRANSFEREE OF THIS NOTE SHOULD CAREFULLY REVIEW THE TERMS OF THIS NOTE, INCLUDING SECTIONS 3(c)(iii) AND 17(a) HEREOF. THE PRINCIPAL AMOUNT REPRESENTED BY THIS NOTE AND, ACCORDINGLY, THE SECURITIES ISSUABLE UPON CONVERSION HEREOF MAY BE LESS THAN THE AMOUNTS SET FORTH ON THE FACE HEREOF PURSUANT TO SECTION 3(c)(iii) OF THIS NOTE.

TIMEFIREVR INC.
Senior Secured Convertible Note

Issuance Date: October [ ], 2017 Original Principal Amount: U.S.

FOR VALUE RECEIVED, TimeFireVR Inc., a Nevada corporation (the "**Company**"), hereby promises to pay to the order of _____ or its registered assigns ("**Holder**") the amount set forth above as the Original Principal Amount (as reduced pursuant to the terms hereof pursuant to redemption, conversion or otherwise, the "**Principal**") when due, whether upon the Maturity Date, or upon acceleration, redemption or otherwise (in each case in accordance with the terms hereof) and to pay interest ("**Interest**") on any outstanding Principal at the applicable Interest Rate (as defined below) from the date set forth above as the Issuance Date (the "**Issuance Date**" or the "**Subscription Date**") until the same becomes due and payable, whether upon the Maturity Date or upon acceleration, conversion, redemption or otherwise (in each case in accordance with the terms hereof). This Senior Secured Convertible Note (including all Senior Secured Convertible Notes issued in exchange, transfer or replacement hereof, this "**Note**") is one of an issue of Senior Secured Convertible Notes issued in exchange for loans made as of the Issuance Date, by and among the Company and the investors (the "**Buyers**") referred to therein, as amended from time to time (collectively, the "**Notes**", and such other Senior Convertible Notes, the "**Other Notes**"). Certain capitalized terms used herein are defined in Section 31.

1. PAYMENTS OF PRINCIPAL. On the Maturity Date, the Company shall pay to the Holder an amount in cash representing 120% of all outstanding Principal, accrued and unpaid Interest and accrued and unpaid Late Charges (as defined in Section 23(c)) on such Principal and Interest. Other than as specifically permitted by this Note, the Company may not prepay any portion of the outstanding Principal, accrued and unpaid Interest or accrued and unpaid Late Charges on Principal and Interest, if any. Provided, however, that if the Company engages in a transaction in which it sells or licenses all or substantially all of its assets, whether through an asset sale, merger, consolidation or otherwise, all unpaid Principal and due under this Note with accrued interest and any premiums shall be accelerated and become immediately due and payable by the Company.

2. INTEREST; INTEREST RATE.

(a) Interest on this Note shall commence accruing on the Issuance Date at the Interest Rate, shall be computed on the basis of a 360-day year and twelve 30-day months, shall compound monthly, and shall be payable in cash on the Maturity Date or any applicable Redemption Date.

(b) Prior to the payment of Interest on the Maturity Date or any applicable Redemption Date, Interest on this Note shall accrue at the Interest Rate and be payable by way of inclusion of the Interest in the Conversion Amount on each Conversion Date in accordance with Section 3(b)(i) or upon any redemption in accordance with Section 11 or any required payment upon any Bankruptcy Event of Default. From and after the occurrence and during the continuance of any Event of Default, the Interest Rate shall automatically be increased to eighteen percent (18.0%) per annum. In the event that such Event of Default is subsequently cured (and no other Event of Default then exists (including, without limitation, for the Company's failure to pay such Interest at the Default Rate on the applicable Interest Date), the adjustment referred to in the preceding sentence shall cease to be effective as of the calendar day immediately following the date of such cure; provided that the Interest as calculated and unpaid at such increased rate during the continuance of such Event of Default shall continue to apply to the extent relating to the days after the occurrence of such Event of Default through and including the date of such cure of such Event of Default.

3. CONVERSION OF NOTES. At any time beginning six months after the Issuance Date, this Note shall be convertible into validly issued, fully paid and non-assessable shares of Common Stock (as defined below), on the terms and conditions set forth in this Section 3.

(a) Conversion Right. Subject to the provisions of Section 3(d), at any time or times on or after the Issuance Date, the Holder shall be entitled to convert any portion of the outstanding and unpaid Conversion Amount (as defined below) into validly issued, fully paid and non-assessable shares of Common Stock in accordance with Section 3(c), at the Conversion Rate (as defined below). The

Company shall not issue any fraction of a share of Common Stock upon any conversion. If the issuance would result in the issuance of a fraction of a share of Common Stock, the Company shall round such fraction of a share of Common Stock up to the nearest whole share. The Company shall pay any and all transfer, stamp, issuance and similar taxes, costs and expenses (including, without limitation, fees and expenses of the Transfer Agent (as defined below)) that may be payable with respect to the issuance and delivery of Common Stock upon conversion of any Conversion Amount.

(b) Conversion Rate. The number of shares of Common Stock issuable upon conversion of any Conversion Amount pursuant to Section 3(a) shall be determined by dividing (x) such Conversion Amount by (y) the Conversion Price (the "**Conversion Rate**").

(i) "**Conversion Amount**" means the sum of (x) portion of the Principal to be converted, redeemed or otherwise with respect to which this determination is being made and (y) all accrued and unpaid Interest with respect to such portion of the Principal amount and accrued and unpaid Late Charges with respect to such portion of such Principal and such Interest, if any.

(ii) "**Conversion Price**" means, as of any Conversion Date or other date of determination, $0.03, subject to adjustment as provided herein.

(c) Mechanics of Conversion.

(i) Optional Conversion. To convert any Conversion Amount into shares of Common Stock on any date (a "**Conversion Date**"), the Holder shall deliver (whether via facsimile, electronic mail or otherwise), for receipt on or prior to 11:59 p.m., New York time, on such date, a copy of an executed notice of conversion in the form attached hereto as Exhibit I (the "**Conversion Notice**") to the Company. If required by Section 3(c)(iii), within three (3) Trading Days following a conversion of this Note as aforesaid, the Holder shall surrender this Note to a nationally recognized overnight delivery service for delivery to the Company (or an indemnification undertaking with respect to this Note in the case of its loss, theft or destruction as contemplated by Section 17(b)). On or before the first (1st) Trading Day following the date of receipt of a Conversion Notice, the Company shall transmit by facsimile or electronic mail an acknowledgment of confirmation and representation as to whether such shares of Common Stock may then be resold pursuant to Rule 144 or an effective and available registration statement, in the form attached hereto as Exhibit II, of receipt of such Conversion Notice to the Holder and the Transfer Agent which confirmation shall constitute an instruction to the Transfer Agent to process such Conversion Notice in accordance with the terms herein. On or before the third (3rd) Trading Day following the date on which the Company has received a Conversion Notice (or such earlier date as required pursuant to the 1934 Act or other applicable law, rule or regulation for the settlement of a trade initiated on the applicable Conversion Date of such shares of Common Stock issuable pursuant to such Conversion Notice) (the "**Share Delivery Deadline**"), the Company shall (1) provided that the Transfer Agent is participating in the DTC Fast Automated Securities Transfer Program, credit such aggregate number of shares of Common Stock to which the Holder shall be entitled pursuant to such conversion to the Holder's or its designee's balance account with DTC through its Deposit/Withdrawal at Custodian system or (2) if the Transfer Agent is not participating in the DTC Fast Automated Securities Transfer Program, upon the request of the Holder, issue and deliver (via reputable overnight courier) to the address as specified in the Conversion Notice, a certificate, registered in the name of the Holder or its designee, for the number of shares of Common Stock to which the Holder shall be entitled pursuant to such conversion. If this Note is physically surrendered for conversion pursuant to Section 3(c)(iii) and the outstanding Principal of this Note is greater than the Principal portion of the Conversion Amount being converted, then the Company shall as soon as practicable and in no event later than three (3) Business Days after receipt of this Note and at its own expense, issue and deliver to the Holder (or its designee) a new Note (in accordance with Section 17(d)) representing the outstanding Principal not converted. The Person or Persons entitled to receive the shares of Common Stock issuable upon a conversion of this Note shall be treated for all purposes as the record holder or holders of such shares of Common Stock on the Conversion Date. Notwithstanding anything to the contrary contained in this Note, after the effective date of a registration statement registering the resale of the shares of Common Stock issuable upon a conversion of this Note and prior to the Holder's receipt of a notice that such registration statement is not available with respect thereto, the Company shall cause the Transfer Agent to deliver unlegended shares of Common Stock to the Holder (or its designee) in connection with any sale of shares of Common Stock issuable upon a conversion of this Note with respect to which the Holder has entered into a contract for sale, and delivered a copy of the prospectus included as part of the particular registration statement to the extent applicable, and for which the Holder has not yet settled.

(ii) Company's Failure to Timely Convert. If the Company shall fail, for any reason or for no reason, on or prior to the applicable Share Delivery Deadline, if the Transfer Agent is not participating in the DTC Fast Automated Securities Transfer Program, to issue and deliver to the Holder (or its designee) a certificate for the number of shares of Common Stock to which the Holder is entitled and register such shares of Common Stock on the Company's share register or, if the Transfer Agent is participating in the DTC Fast Automated Securities Transfer Program, to credit the balance account of the Holder or the Holder's designee with DTC for such number of shares of Common Stock to which the Holder is entitled upon the Holder's conversion of this Note (as the case may be) (a "**Conversion Failure**"), then, in addition to all other remedies available to the Holder, (1) the Company shall pay in cash to the Holder on each day after such Share Delivery Deadline that the issuance of such shares of Common Stock is not timely effected an amount equal to 2% of the product of (A) the sum of the number of shares of Common Stock not issued to the Holder on or prior to the Share Delivery Deadline and to which the Holder is entitled, multiplied by (B) any trading price of the Common Stock selected by the Holder in writing as in effect at any time during the period beginning on the applicable Conversion Date and ending on the applicable Share Delivery Deadline and (2) the Holder, upon written notice to the Company, may void its Conversion Notice with respect to, and retain or have returned (as the case may be) any portion of this Note that has not been converted pursuant to such Conversion Notice, provided that the voiding of a Conversion Notice shall not affect the Company's obligations to make any payments which have accrued prior to the date of such notice pursuant to this Section 3(c)(ii) or otherwise. In addition to the foregoing, if on or prior to the Share Delivery Deadline, if the Transfer Agent is not participating in the DTC Fast Automated Securities Transfer Program, the Company shall fail to issue and deliver to the Holder (or its designee) a certificate and

register such shares of Common Stock on the Company's share register or, if the Transfer Agent is participating in the DTC Fast Automated Securities Transfer Program, the Transfer Agent shall fail to credit the balance account of the Holder or the Holder's designee with DTC for the number of shares of Common Stock to which the Holder is entitled upon the Holder's conversion hereunder or pursuant to the Company's obligation pursuant to clause (II) below, and if on or after such Share Delivery Deadline the Holder purchases (in an open market transaction or otherwise) shares of Common Stock corresponding to all or any portion of the number of shares of Common Stock issuable upon such conversion that the Holder is entitled to receive from the Company and has not received from the Company in connection with such Conversion Failure or Notice Failure, as applicable (a "**Buy-In**"), then, in addition to all other remedies available to the Holder, the Company shall, within three (3) Business Days after receipt of the Holder's request and in the Holder's discretion, either: (I) pay cash to the Holder in an amount equal to the Holder's total purchase price (including brokerage commissions and other out-of-pocket expenses, if any) for the shares of Common Stock so purchased (including, without limitation, by any other Person in respect, or on behalf, of the Holder) (the "**Buy-In Price**"), at which point the Company's obligation to so issue and deliver such certificate (and to issue such shares of Common Stock) or credit the balance account of such Holder or such Holder's designee, as applicable, with DTC for the number of shares of Common Stock to which the Holder is entitled upon the Holder's conversion hereunder (as the case may be) (and to issue such shares of Common Stock) shall terminate, or (II) promptly honor its obligation to so issue and deliver to the Holder a certificate or certificates representing such shares of Common Stock or credit the balance account of such Holder or such Holder's designee, as applicable, with DTC for the number of shares of Common Stock to which the Holder is entitled upon the Holder's conversion hereunder (as the case may be) and pay cash to the Holder in an amount equal to the excess (if any) of the Buy-In Price over the product of (x) such number of shares of Common Stock multiplied by (y) the lowest Closing Sale Price of the Common Stock on any Trading Day during the period commencing on the date of the applicable Conversion Notice and ending on the date of such issuance and payment under this clause (II) (the "**Buy-In Payment Amount**"). Nothing shall limit the Holder's right to pursue any other remedies available to it hereunder, at law or in equity, including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver certificates representing shares of Common Stock (or to electronically deliver such shares of Common Stock) upon the conversion of this Note as required pursuant to the terms hereof.

(iii) Registration; Book-Entry. The Company shall maintain a register (the "**Register**") for the recordation of the names and addresses of the holders of each Note and the principal amount of the Notes held by such holders (the "**Registered Notes**"). The entries in the Register shall be conclusive and binding for all purposes absent manifest error. The Company and the holders of the Notes shall treat each Person whose name is recorded in the Register as the owner of a Note for all purposes (including, without limitation, the right to receive payments of Principal and Interest hereunder) notwithstanding notice to the contrary. A Registered Note may be assigned, transferred or sold in whole or in part only by registration of such assignment or sale on the Register. Upon its receipt of a written request to assign, transfer or sell all or part of any Registered Note by the holder thereof, the Company shall record the information contained therein in the Register and issue one or more new Registered Notes in the same aggregate principal amount as the principal amount of the surrendered Registered Note to the designated assignee or transferee pursuant to Section 17, provided that if the Company does not so record an assignment, transfer or sale (as the case may be) of all or part of any Registered Note within two (2) Business Days of such a request, then the Register shall be automatically deemed updated to reflect such assignment, transfer or sale (as the case may be). Notwithstanding anything to the contrary set forth in this Section 3, following conversion of any portion of this Note in accordance with the terms hereof, the Holder shall not be required to physically surrender this Note to the Company unless (A) the full Conversion Amount represented by this Note is being converted (in which event this Note shall be delivered to the Company following conversion thereof as contemplated by Section 3(c)(i)) or (B) the Holder has provided the Company with prior written notice (which notice may be included in a Conversion Notice) requesting reissuance of this Note upon physical surrender of this Note. The Holder and the Company shall maintain records showing the Principal, Interest and Late Charges converted and/or paid (as the case may be) and the dates of such conversions, and/or payments (as the case may be) or shall use such other method, reasonably satisfactory to the Holder and the Company, so as not to require physical surrender of this Note upon conversion. If the Company does not update the Register to record such Principal, Interest and Late Charges converted and/or paid (as the case may be) and the dates of such conversions, and/or payments (as the case may be) within two (2) Business Days of such occurrence, then the Register shall be automatically deemed updated to reflect such occurrence.

(iv) Pro Rata Conversion; Disputes. In the event that the Company receives a Conversion Notice from more than one holder of Notes for the same Conversion Date and the Company can convert some, but not all, of such portions of the Notes submitted for conversion, the Company, subject to Section 3(d), shall convert from each holder of Notes electing to have Notes converted on such date a pro rata amount of such holder's portion of its Notes submitted for conversion based on the principal amount of Notes submitted for conversion on such date by such holder relative to the aggregate principal amount of all Notes submitted for conversion on such date. In the event of a dispute as to the number of shares of Common Stock issuable to the Holder in connection with a conversion of this Note, the Company shall issue to the Holder the number of shares of Common Stock not in dispute and resolve such dispute in accordance with Section 22.

(d) Limitations on Conversions. The Company shall not effect the conversion of any portion of this Note, and the Holder shall not have the right to convert any portion of this Note pursuant to the terms and conditions of this Note and any such conversion shall be null and void and treated as if never made, to the extent that after giving effect to such conversion, the Holder together with the other Attribution Parties collectively would beneficially own in excess of 4.99% (the "**Maximum Percentage**") of the shares of Common Stock outstanding immediately after giving effect to such conversion. For purposes of the foregoing sentence, the aggregate number of shares of Common Stock beneficially owned by the Holder and the other Attribution Parties shall include the number of shares of Common Stock held by the Holder and all other Attribution Parties plus the number of shares of Common Stock issuable upon conversion of this Note with respect to which the determination of such sentence is being made, but shall exclude shares of Common Stock which would be issuable upon (A) conversion of the remaining, nonconverted portion of this Note beneficially owned by the Holder or any of the other Attribution Parties and (B) exercise or conversion of the unexercised or nonconverted portion of any other

securities of the Company (including, without limitation, any convertible notes or convertible preferred stock or warrants) beneficially owned by the Holder or any other Attribution Party subject to a limitation on conversion or exercise analogous to the limitation contained in this Section 3(d). For purposes of this Section 3(d), beneficial ownership shall be calculated in accordance with Section 13(d) of the 1934 Act. For purposes of determining the number of outstanding shares of Common Stock the Holder may acquire upon the conversion of this Note without exceeding the Maximum Percentage, the Holder may rely on the number of outstanding shares of Common Stock as reflected in (x) the Company's most recent Annual Report on Form 10-K, Quarterly Report on Form 10-Q, Current Report on Form 8-K or other public filing with the SEC, as the case may be, (y) a more recent public announcement by the Company or (z) any other written notice by the Company or the Transfer Agent, if any, setting forth the number of shares of Common Stock outstanding (the "**Reported Outstanding Share Number**"). If the Company receives a Conversion Notice from the Holder at a time when the actual number of outstanding shares of Common Stock is less than the Reported Outstanding Share Number, the Company shall notify the Holder in writing of the number of shares of Common Stock then outstanding and, to the extent that such Conversion Notice would otherwise cause the Holder's beneficial ownership, as determined pursuant to this Section 3(d), to exceed the Maximum Percentage, the Holder must notify the Company of a reduced number of shares of Common Stock to be purchased pursuant to such Conversion Notice. For any reason at any time, upon the written or oral request of the Holder, the Company shall within one (1) Business Day confirm orally and in writing or by electronic mail to the Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Note, by the Holder and any other Attribution Party since the date as of which the Reported Outstanding Share Number was reported. In the event that the issuance of shares of Common Stock to the Holder upon conversion of this Note results in the Holder and the other Attribution Parties being deemed to beneficially own, in the aggregate, more than the Maximum Percentage of the number of outstanding shares of Common Stock (as determined under Section 13(d) of the 1934 Act), the number of shares so issued by which the Holder's and the other Attribution Parties' aggregate beneficial ownership exceeds the Maximum Percentage (the "**Excess Shares**") shall be deemed null and void and shall be cancelled ab initio, and the Holder shall not have the power to vote or to transfer the Excess Shares. Upon delivery of a written notice to the Company, the Holder may from time to time increase (with such increase not effective until the sixty-first (61^{st}) day after delivery of such notice) or decrease the Maximum Percentage to any other percentage not in excess of 9.99% as specified in such notice; provided that (i) any such increase in the Maximum Percentage will not be effective until the sixty-first (61^{st}) day after such notice is delivered to the Company and (ii) any such increase or decrease will apply only to the Holder and the other Attribution Parties and not to any other holder of Notes that is not an Attribution Party of the Holder. For purposes of clarity, the shares of Common Stock issuable pursuant to the terms of this Note in excess of the Maximum Percentage shall not be deemed to be beneficially owned by the Holder for any purpose including for purposes of Section 13(d) or Rule 16a-1(a)(1) of the 1934 Act. No prior inability to convert this Note pursuant to this paragraph shall have any effect on the applicability of the provisions of this paragraph with respect to any subsequent determination of convertibility. The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 3(d) to the extent necessary to correct this paragraph (or any portion of this paragraph) which may be defective or inconsistent with the intended beneficial ownership limitation contained in this Section 3(d) or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitation contained in this paragraph may not be waived and shall apply to a successor holder of this Note.

(e) Right of Alternate Conversion.

(i) General. At any time at any time after the occurrence of an Event of Default and during any Event of Default Redemption Right Period (as defined below)(regardless of whether such Event of Default has been cured on or prior to the Event of Default Right Expiration Date (as defined below) or if the Holder has delivered an Event of Default Redemption Notice to the Company), the Holder may, at the Holder's option, convert (each, an "**Alternate Conversion**", and the date of such Alternate Conversion, each, an "**Alternate Conversion Date**") all, or any part of, the Conversion Amount (such portion of the Conversion Amount subject to such Alternate Conversion, the "**Alternate Conversion Amount**") into shares of Common Stock at the Alternate Conversion Price in accordance with Section 3(e)(ii) below

(ii) Mechanics of Alternate Conversion. On any Alternate Conversion Date, the Holder may voluntarily convert any Alternate Conversion Amount pursuant to Section 3(c) (with "Alternate Conversion Price" replacing "Conversion Price" for all purposes hereunder with respect to such Alternate Conversion and, with "130% of the Conversion Amount" replacing "Conversion Amount" in clause (x) of the definition of Conversion Rate above with respect to such Alternate Conversion) by designating in the Conversion Notice delivered pursuant to this Section 3(e) of this Note that the Holder is electing to use the Alternate Conversion Price for such conversion. Notwithstanding anything to the contrary in this Section 3(e), but subject to Section 3(d), until the Company delivers shares of Common Stock representing the applicable Alternate Conversion Amount to the Holder, such Alternate Conversion Amount may be converted by the Holder into shares of Common Stock pursuant to Section 3(c) without regard to this Section 3(e).

4. RIGHTS UPON EVENT OF DEFAULT.

(a) Event of Default. Each of the following events shall constitute an "**Event of Default**" and each of the events in clauses (vii), (viii) and (ix) shall constitute a "**Bankruptcy Event of Default**":

(i) the suspension (or threatened suspension) from trading or the failure (or threatened failure) of the Common Stock to be trading or listed (as applicable) on an Eligible Market for a period of five (5) consecutive Trading Days;

(ii) the Company's (A) failure to cure a Conversion Failure by delivery of the required number of shares of Common Stock within five (5) Trading Days after the applicable Conversion Date or (B) notice, written or oral, to any holder of the Notes, including, without limitation, by way of public announcement or through any of its agents, at any time, of its intention not to comply, as required, with a request for conversion of any Notes into shares of Common Stock that is requested in accordance with the

provisions of the Notes, other than pursuant to Section 3(d);

(iii) except to the extent the Company is in compliance with Section 10(b) below, at any time following the tenth (10^{th}) consecutive day that the Holder's Authorized Share Allocation (as defined in Section 10(a) below) is less than the number of shares of Common Stock that the Holder would be entitled to receive upon a conversion of the full Conversion Amount of this Note (without regard to any limitations on conversion set forth in Section 3(d) or otherwise);

(iv) the Company's or any Subsidiary's failure to pay to the Holder any amount of Principal, Interest, Late Charges or other amounts when and as due under this Note (including, without limitation, the Company's or any Subsidiary's failure to pay any redemption payments or amounts hereunder) or the Security Documents or any other agreement, document, certificate or other instrument delivered in connection with the transactions contemplated hereby and thereby, except, in the case of a failure to pay Interest and Late Charges when and as due, in which case only if such failure remains uncured for a period of at least two (2) Trading Days;

(v) the Company fails to remove any restrictive legend on any certificate or any shares of Common Stock issued to the Holder upon conversion of this Note as and when required by this Note, unless otherwise then prohibited by applicable federal securities laws, and any such failure remains uncured for at least five (5) days;

(vi) the occurrence of any default under, redemption of or acceleration prior to maturity of at least an aggregate of $50,000 of Indebtedness (as defined in the Securities Purchase Agreement dated as of August 18, 2017 between the Company and various Buyers) of the Company or any of its Subsidiaries, other than with respect to any Other Notes;

(vii) bankruptcy, insolvency, reorganization or liquidation proceedings or other proceedings for the relief of debtors shall be instituted by or against the Company or any Subsidiary and, if instituted against the Company or any Subsidiary by a third party, shall not be dismissed within thirty (30) days of their initiation;

(viii) the commencement by the Company or any Subsidiary of a voluntary case or proceeding under any applicable federal, state or foreign bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by it to the entry of a decree, order, judgment or other similar document in respect of the Company or any Subsidiary in an involuntary case or proceeding under any applicable federal, state or foreign bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable federal, state or foreign law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or any Subsidiary or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the execution of a composition of debts, or the occurrence of any other similar federal, state or foreign proceeding, or the admission by it in writing of its inability to pay its debts generally as they become due, the taking of corporate action by the Company or any Subsidiary in furtherance of any such action or the taking of any action by any Person to commence a Uniform Commercial Code foreclosure sale or any other similar action under federal, state or foreign law;

(ix) the entry by a court of (i) a decree, order, judgment or other similar document in respect of the Company or any Subsidiary of a voluntary or involuntary case or proceeding under any applicable federal, state or foreign bankruptcy, insolvency, reorganization or other similar law or (ii) a decree, order, judgment or other similar document adjudging the Company or any Subsidiary as bankrupt or insolvent, or approving as properly filed a petition seeking liquidation, reorganization, arrangement, adjustment or composition of or in respect of the Company or any Subsidiary under any applicable federal, state or foreign law or (iii) a decree, order, judgment or other similar document appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or any Subsidiary or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree, order, judgment or other similar document or any such other decree, order, judgment or other similar document unstayed and in effect for a period of thirty (30) consecutive days;

(x) a final judgment or judgments for the payment of money aggregating in excess of $50,000 are rendered against the Company and/or any of its Subsidiaries and which judgments are not, within thirty (30) days after the entry thereof, bonded, discharged, settled or stayed pending appeal, or are not discharged within thirty (30) days after the expiration of such stay; provided, however, any judgment which is covered by insurance or an indemnity from a credit worthy party shall not be included in calculating the $50,000 amount set forth above so long as the Company provides the Holder a written statement from such insurer or indemnity provider (which written statement shall be reasonably satisfactory to the Holder) to the effect that such judgment is covered by insurance or an indemnity and the Company or such Subsidiary (as the case may be) will receive the proceeds of such insurance or indemnity within thirty (30) days of the issuance of such judgment;

(xi) the Company and/or any Subsidiary, individually or in the aggregate, either (i) fails to pay, when due, or within any applicable grace period, any payment with respect to any Indebtedness in excess of $50,000 due to any third party (other than, with respect to unsecured Indebtedness only, payments contested by the Company and/or such Subsidiary (as the case may be) in good faith by proper proceedings and with respect to which adequate reserves have been set aside for the payment thereof in accordance with GAAP) or is otherwise in breach or violation of any agreement for monies owed or owing in an amount in excess of $50,000, which breach or violation permits the other party thereto to declare a default or otherwise accelerate amounts due thereunder, or (ii) suffer to exist any other circumstance or event that would, with or without the passage of time or the giving of notice, result in a default or event of default under any agreement binding the Company or any Subsidiary, which default or event of default would or is likely to have a material adverse effect on the business, assets, operations (including results thereof), liabilities, properties, condition

(including financial condition) or prospects of the Company or any of its Subsidiaries, individually or in the aggregate;

(xii) other than as specifically set forth in another clause of this Section 4(a), the Company or any Subsidiary breaches any representation or warranty in any material respect (other than representations or warranties subject to material adverse effect or materiality limitations, which may not be breached in any respect) or any covenant or other term or condition of any Transaction Document, except, in the case of a breach of a covenant or other term or condition that is curable, only if such breach remains uncured for a period of five (5) consecutive Trading Days;

(xiii) a false or inaccurate certification (including a false or inaccurate deemed certification) by the Company as to whether any Event of Default has occurred;

(xiv) any breach or failure in any respect by the Company or any Subsidiary to comply with any provision of Section 13 of this Note;

(xv) any Material Adverse Effect (as defined in the Securities Purchase Agreement dated as of August 18, 2017 between the Company and various Buyers) occurs;

(xvi) any provision of any Transaction Document shall at any time for any reason (other than pursuant to the express terms thereof) cease to be valid and binding on or enforceable against the parties thereto, or the validity or enforceability thereof shall be contested by any party thereto, or a proceeding shall be commenced by the Company or any Subsidiary or any governmental authority having jurisdiction over any of them, seeking to establish the invalidity or unenforceability thereof, or the Company or any Subsidiary shall deny in writing that it has any liability or obligation purported to be created under any Transaction Document;

(xvii) any Event of Default (as defined in the Other Notes) occurs with respect to any Other Notes;

(xviii) any material provision of any Transaction Document (including, without limitation, the Security Documents) shall at any time for any reason (other than pursuant to the express terms thereof) cease to be valid and binding on or enforceable against the parties thereto in any material respect, or the validity or enforceability thereof shall be contested by any party thereto, or a proceeding shall be commenced by the Company or any Subsidiary or any governmental authority having jurisdiction over any of them, seeking to establish the invalidity or unenforceability thereof, or the Company or any Subsidiary shall deny in writing that it has any liability or obligation purported to be created under the Security Documents;

(xix) any Security Document shall for any reason fail or cease to create a separate valid and perfected and, except to the extent permitted by the terms hereof or thereof, first priority Lien (as defined in the Securities Purchase Agreement dated as of August 18, 2017 between the Company and various Buyers) on the Collateral (as defined in the Security Documents) in favor of the Collateral Agent (as defined in the Security Documents) or any material provision of any Security Document shall at any time for any reason cease to be valid and binding on or enforceable against the Company or the validity or enforceability thereof shall be contested by any party thereto, or a proceeding shall be commenced by the Company or any governmental authority having jurisdiction over the Company, seeking to establish the invalidity or unenforceability thereof; or

(xx) any material damage to, or loss, theft or destruction of, any Collateral (as defined in the Security Documents), whether or not insured, or any strike, lockout, labor dispute, embargo, condemnation, act of God or public enemy, or other casualty which causes, for more than fifteen (15) consecutive days, the cessation or substantial curtailment of revenue producing activities at any facility of the Company or any Subsidiary, if any such event or circumstance could have a Material Adverse Effect (as defined in the Securities Purchase Agreement dated as of August 18, 2017 between the Company and various Buyers).

(b) Notice of an Event of Default; Redemption Right. Upon the occurrence of an Event of Default with respect to this Note or any Other Note, the Company shall within one (1) Business Day deliver written notice thereof via facsimile or electronic mail and overnight courier (with next day delivery specified) (an "**Event of Default Notice**") to the Holder. At any time after the earlier of the Holder's receipt of an Event of Default Notice and the Holder becoming aware of an Event of Default (such earlier date, the "**Event of Default Right Commencement Date**") and ending (such ending date, the "**Event of Default Right Expiration Date**", and each such period, an "**Event of Default Redemption Right Period**") on the twentieth (20^{th}) Trading Day after the later of (x) the date such Event of Default is cured and (y) the Holder's receipt of an Event of Default Notice that includes (I) a reasonable description of the applicable Event of Default, (II) a certification as to whether, in the opinion of the Company, such Event of Default is capable of being cured and, if applicable, a reasonable description of any existing plans of the Company to cure such Event of Default and (III) a certification as to the date the Event of Default occurred and, if cured on or prior to the date of such Event of Default Notice, the applicable Event of Default Right Expiration Date, the Holder may require the Company to redeem (regardless of whether such Event of Default has been cured on or prior to the Event of Default Right Expiration Date) all or any portion of this Note by delivering written notice thereof (the "**Event of Default Redemption Notice**") to the Company, which Event of Default Redemption Notice shall indicate the portion of this Note the Holder is electing to redeem. Each portion of this Note subject to redemption by the Company pursuant to this Section 4(b) shall be redeemed by the Company at a price equal to the greater of (i) the product of (A) the Conversion Amount to be redeemed multiplied by (B) the Redemption Premium and (ii) the product of (X) the Conversion Rate with respect to the Conversion Amount in effect at such time as the Holder delivers an Event of Default Redemption Notice multiplied by (Y) the product of (1) the Redemption Premium multiplied by (2) the greatest Closing Sale Price of the Common Stock on any Trading Day during the period commencing on the date immediately preceding such Event of Default and ending on the date the Company makes the entire payment required to be made under this Section 4(b) (the "**Event of Default Redemption Price**"). Redemptions required by this Section 4(b) shall be made in accordance with the provisions of Section 11. To the extent redemptions required by this Section 4(b) are deemed or determined by a court of competent jurisdiction to be prepayments of this Note by the Company, such redemptions shall be deemed to be voluntary prepayments.

Notwithstanding anything to the contrary in this Section 3(e), but subject to Section 3(d), until the Event of Default Redemption Price (together with any Late Charges thereon) is paid in full, the Conversion Amount submitted for redemption under this Section 4(b) (together with any Late Charges thereon) may be converted, in whole or in part, by the Holder into Common Stock pursuant to the terms of this Note. In the event of the Company's redemption of any portion of this Note under this Section 4(b), the Holder's damages would be uncertain and difficult to estimate because of the parties' inability to predict future interest rates and the uncertainty of the availability of a suitable substitute investment opportunity for the Holder. Accordingly, any redemption premium due under this Section 4(b) is intended by the parties to be, and shall be deemed, a reasonable estimate of the Holder's actual loss of its investment opportunity and not as a penalty. Any redemption upon an Event of Default shall not constitute an election of remedies by the Holder, and all other rights and remedies of the Holder shall be preserved.

(c) Mandatory Redemption upon Bankruptcy Event of Default. Notwithstanding anything to the contrary herein, and notwithstanding any conversion that is then required or in process, upon any Bankruptcy Event of Default, whether occurring prior to or following the Maturity Date, the Company shall immediately pay to the Holder an amount in cash representing (i) all outstanding Principal, accrued and unpaid Interest and accrued and unpaid Late Charges on such Principal and Interest, multiplied by (ii) the Redemption Premium, in addition to any and all other amounts due hereunder, without the requirement for any notice or demand or other action by the Holder or any other person or entity, provided that the Holder may, in its sole discretion, waive such right to receive payment upon a Bankruptcy Event of Default, in whole or in part, and any such waiver shall not affect any other rights of the Holder hereunder, including any other rights in respect of such Bankruptcy Event of Default, any right to conversion, and any right to payment of the Event of Default Redemption Price or any other Redemption Price, as applicable.

5. RIGHTS UPON FUNDAMENTAL TRANSACTION.

(a) Assumption. The Company shall not enter into or be party to a Fundamental Transaction unless (i) the Successor Entity assumes in writing all of the obligations of the Company under this Note and the other Transaction Documents in accordance with the provisions of this Section 4(c)(a) pursuant to written agreements in form and substance satisfactory to the Holder and approved by the Holder prior to such Fundamental Transaction, including agreements to deliver to each holder of Notes in exchange for such Notes a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to the Notes, including, without limitation, having a principal amount and interest rate equal to the principal amounts then outstanding and the interest rates of the Notes held by such holder, having similar conversion rights as the Notes and having similar ranking and security to the Notes, and satisfactory to the Holder and (ii) the Successor Entity (including its Parent Entity) is a publicly traded corporation whose common stock is quoted on or listed for trading on an Eligible Market. Upon the occurrence of any Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Note and the other Transaction Documents referring to the "Company" shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Note and the other Transaction Documents with the same effect as if such Successor Entity had been named as the Company herein. Upon consummation of a Fundamental Transaction, the Successor Entity shall deliver to the Holder confirmation that there shall be issued upon conversion or redemption of this Note at any time after the consummation of such Fundamental Transaction, in lieu of the shares of Common Stock (or other securities, cash, assets or other property (except such items still issuable under Sections 6 and 14, which shall continue to be receivable thereafter) issuable upon the conversion or redemption of the Notes prior to such Fundamental Transaction, such shares of the publicly traded common stock (or their equivalent) of the Successor Entity (including its Parent Entity) which the Holder would have been entitled to receive upon the happening of such Fundamental Transaction had this Note been converted immediately prior to such Fundamental Transaction (without regard to any limitations on the conversion of this Note), as adjusted in accordance with the provisions of this Note. Notwithstanding the foregoing, the Holder may elect, at its sole option, by delivery of written notice to the Company to waive this Section 5(a) to permit the Fundamental Transaction without the assumption of this Note. The provisions of this Section 4(c) shall apply similarly and equally to successive Fundamental Transactions and shall be applied without regard to any limitations on the conversion of this Note.

(b) Notice of a Change of Control; Redemption Right. No sooner than twenty (20) Trading Days nor later than ten (10) Trading Days prior to the consummation of a Change of Control (the "**Change of Control Date**"), but not prior to the public announcement of such Change of Control, the Company shall deliver written notice thereof via facsimile or electronic mail and overnight courier to the Holder (a "**Change of Control Notice**"). At any time during the period beginning after the Holder's receipt of a Change of Control Notice or the Holder becoming aware of a Change of Control if a Change of Control Notice is not delivered to the Holder in accordance with the immediately preceding sentence (as applicable) and ending on the later of twenty (20) Trading Days after (A) consummation of such Change of Control or (B) the date of receipt of such Change of Control Notice, the Holder may require the Company to redeem all or any portion of this Note by delivering written notice thereof ("**Change of Control Redemption Notice**") to the Company, which Change of Control Redemption Notice shall indicate the Conversion Amount the Holder is electing to redeem. The portion of this Note subject to redemption pursuant to this Section 4(c) shall be redeemed by the Company in cash at a price equal to the greatest of (i) the product of (w) the Change of Control Redemption Premium multiplied by (y) the Conversion Amount being redeemed, (ii) the product of (x) the Change of Control Redemption Premium multiplied by (y) the product of (A) the Conversion Amount being redeemed multiplied by (B) the quotient determined by dividing (I) the greatest Closing Sale Price of the shares of Common Stock during the period beginning on the date immediately preceding the earlier to occur of (1) the consummation of the applicable Change of Control and (2) the public announcement of such Change of Control and ending on the date the Holder delivers the Change of Control Redemption Notice by (II) the Conversion Price then in effect and (iii) the product of (y) the Change of Control Redemption Premium multiplied by (z) the product of (A) the Conversion Amount being redeemed multiplied by (B) the quotient of (I) the aggregate cash consideration and the aggregate cash value of any non-cash consideration per share of Common Stock to be paid to the holders of the shares of Common Stock upon consummation of such Change of Control (any such non-cash consideration constituting publicly-traded securities shall be valued at the highest of the Closing Sale Price of such securities as of the Trading Day immediately prior to the consummation of such Change of Control, the Closing Sale Price of such securities on the Trading Day immediately following the public

announcement of such proposed Change of Control and the Closing Sale Price of such securities on the Trading Day immediately prior to the public announcement of such proposed Change of Control) divided by (II) the Conversion Price then in effect (the "**Change of Control Redemption Price**"). Redemptions required by this Section 4(c) shall be made in accordance with the provisions of Section 11 and shall have priority to payments to stockholders in connection with such Change of Control. To the extent redemptions required by this Section 4(c)(b) are deemed or determined by a court of competent jurisdiction to be prepayments of this Note by the Company, such redemptions shall be deemed to be voluntary prepayments. Notwithstanding anything to the contrary in this Section 4(c), but subject to Section 3(d), until the Change of Control Redemption Price (together with any Late Charges thereon) is paid in full, the Conversion Amount submitted for redemption under this Section 4(c)(b) (together with any Late Charges thereon) may be converted, in whole or in part, by the Holder into Common Stock pursuant to Section 3. In the event of the Company's redemption of any portion of this Note under this Section 4(c)(b), the Holder's damages would be uncertain and difficult to estimate because of the parties' inability to predict future interest rates and the uncertainty of the availability of a suitable substitute investment opportunity for the Holder. Accordingly, any redemption premium due under this Section 4(c)(b) is intended by the parties to be, and shall be deemed, a reasonable estimate of the Holder's actual loss of its investment opportunity and not as a penalty.

6. RIGHTS UPON ISSUANCE OF PURCHASE RIGHTS AND OTHER CORPORATE EVENTS.

(a) Purchase Rights. In addition to any adjustments pursuant to Section 7 below, if at any time the Company grants, issues or sells any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property pro rata to all or substantially all of the record holders of any class of Common Stock (the "**Purchase Rights**"), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of shares of Common Stock acquirable upon complete conversion of this Note (without taking into account any limitations or restrictions on the convertibility of this Note and assuming for such purpose that the Note was converted at the Alternate Conversion Price as of the applicable record date) immediately prior to the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights (provided, however, that to the extent that the Holder's right to participate in any such Purchase Right would result in the Holder and the other Attribution Parties exceeding the Maximum Percentage, then the Holder shall not be entitled to participate in such Purchase Right to the extent of the Maximum Percentage (and shall not be entitled to beneficial ownership of such shares of Common Stock as a result of such Purchase Right (and beneficial ownership) to the extent of any such excess) and such Purchase Right to such extent shall be held in abeyance (and, if such Purchase Right has an expiration date, maturity date or other similar provision, such term shall be extended by such number of days held in abeyance, if applicable) for the benefit of the Holder until such time or times, if ever, as its right thereto would not result in the Holder and the other Attribution Parties exceeding the Maximum Percentage, at which time or times the Holder shall be granted such right (and any Purchase Right granted, issued or sold on such initial Purchase Right or on any subsequent Purchase Right held similarly in abeyance (and, if such Purchase Right has an expiration date, maturity date or other similar provision, such term shall be extended by such number of days held in abeyance, if applicable)) to the same extent as if there had been no such limitation).

(b) Other Corporate Events. In addition to and not in substitution for any other rights hereunder, prior to the consummation of any Fundamental Transaction pursuant to which holders of shares of Common Stock are entitled to receive securities or other assets with respect to or in exchange for shares of Common Stock (a "**Corporate Event**"), the Company shall make appropriate provision to ensure that the Holder will thereafter have the right to receive upon a conversion of this Note, at the Holder's option (i) in addition to the shares of Common Stock receivable upon such conversion, such securities or other assets to which the Holder would have been entitled with respect to such shares of Common Stock had such shares of Common Stock been held by the Holder upon the consummation of such Corporate Event (without taking into account any limitations or restrictions on the convertibility of this Note) or (ii) in lieu of the shares of Common Stock otherwise receivable upon such conversion, such securities or other assets received by the holders of shares of Common Stock in connection with the consummation of such Corporate Event in such amounts as the Holder would have been entitled to receive had this Note initially been issued with conversion rights for the form of such consideration (as opposed to shares of Common Stock) at a conversion rate for such consideration commensurate with the Conversion Rate. Provision made pursuant to the preceding sentence shall be in a form and substance satisfactory to the Holder. The provisions of this Section 6 shall apply similarly and equally to successive Corporate Events and shall be applied without regard to any limitations on the conversion or redemption of this Note.

7. RIGHTS UPON ISSUANCE OF OTHER SECURITIES.

(a) Adjustment of Conversion Price upon Issuance of Common Stock. If and whenever on or after the Subscription Date the Company issues or sells, or in accordance with this Section 7(a) is deemed to have issued or sold, any shares of Common Stock (including the issuance or sale of shares of Common Stock owned or held by or for the account of the Company, but excluding any Excluded Securities issued or sold or deemed to have been issued or sold) for a consideration per share (the "**New Issuance Price**") less than a price equal to the Conversion Price in effect immediately prior to such issuance or sale or deemed issuance or sale (such Conversion Price then in effect is referred to herein as the "**Applicable Price**") (the foregoing a "**Dilutive Issuance**"), then, immediately after such Dilutive Issuance, the Conversion Price then in effect shall be reduced to an amount equal to the New Issuance Price. For all purposes of the foregoing (including, without limitation, determining the adjusted Conversion Price and the New Issuance Price under this Section 7(a)), the following shall be applicable:

(i) Issuance of Options. If the Company in any manner grants or sells any Options and the lowest price per share for which one share of Common Stock is at any time issuable upon the exercise of any such Option or upon conversion, exercise or exchange of any Convertible Securities issuable upon exercise of any such Option or otherwise pursuant to the terms thereof is less than the Applicable Price, then such share of Common Stock shall be deemed to be outstanding and to have been issued and sold by the Company at the time of the granting or sale of such Option for such price per share. For purposes of this Section 7(a)(i), the "lowest price per share for which one share of Common Stock is at any time issuable upon the exercise of any such Option or upon

conversion, exercise or exchange of any Convertible Securities issuable upon exercise of any such Option or otherwise pursuant to the terms thereof" shall be equal to (1) the lower of (x) the sum of the lowest amounts of consideration (if any) received or receivable by the Company with respect to any one share of Common Stock upon the granting or sale of such Option, upon exercise of such Option and upon conversion, exercise or exchange of any Convertible Security issuable upon exercise of such Option or otherwise pursuant to the terms thereof and (y) the lowest exercise price set forth in such Option for which one share of Common Stock is issuable (or may become issuable assuming all possible market conditions) upon the exercise of any such Options or upon conversion, exercise or exchange of any Convertible Securities issuable upon exercise of any such Option or otherwise pursuant to the terms thereof, minus (2) the sum of all amounts paid or payable to the holder of such Option (or any other Person) upon the granting or sale of such Option, upon exercise of such Option and upon conversion, exercise or exchange of any Convertible Security issuable upon exercise of such Option or otherwise pursuant to the terms thereof plus the value of any other consideration received or receivable by, or benefit conferred on, the holder of such Option (or any other Person). Except as contemplated below, no further adjustment of the Conversion Price shall be made upon the actual issuance of such share of Common Stock or of such Convertible Securities upon the exercise of such Options or otherwise pursuant to the terms thereof or upon the actual issuance of such shares of Common Stock upon conversion, exercise or exchange of such Convertible Securities.

(ii) Issuance of Convertible Securities. If the Company in any manner issues or sells any Convertible Securities and the lowest price per share for which one share of Common Stock is at any time issuable upon the conversion, exercise or exchange thereof or otherwise pursuant to the terms thereof is less than the Applicable Price, then such share of Common Stock shall be deemed to be outstanding and to have been issued and sold by the Company at the time of the issuance or sale of such Convertible Securities for such price per share. For the purposes of this Section 7(a)(ii), the "lowest price per share for which one share of Common Stock is at any time issuable upon the conversion, exercise or exchange thereof or otherwise pursuant to the terms thereof" shall be equal to (1) the lower of (x) the sum of the lowest amounts of consideration (if any) received or receivable by the Company with respect to one share of Common Stock upon the issuance or sale of the Convertible Security and upon conversion, exercise or exchange of such Convertible Security or otherwise pursuant to the terms thereof and (y) the lowest conversion price set forth in such Convertible Security for which one share of Common Stock is issuable (or may become issuable assuming all possible market conditions) upon conversion, exercise or exchange thereof or otherwise pursuant to the terms thereof minus (2) the sum of all amounts paid or payable to the holder of such Convertible Security (or any other Person) upon the issuance or sale of such Convertible Security plus the value of any other consideration received or receivable by, or benefit conferred on, the holder of such Convertible Security (or any other Person). Except as contemplated below, no further adjustment of the Conversion Price shall be made upon the actual issuance of such shares of Common Stock upon conversion, exercise or exchange of such Convertible Securities or otherwise pursuant to the terms thereof, and if any such issuance or sale of such Convertible Securities is made upon exercise of any Options for which adjustment of the Conversion Price has been or is to be made pursuant to other provisions of this Section 7(a), except as contemplated below, no further adjustment of the Conversion Price shall be made by reason of such issuance or sale.

(iii) Change in Option Price or Rate of Conversion. If the purchase or exercise price provided for in any Options, the additional consideration, if any, payable upon the issue, conversion, exercise or exchange of any Convertible Securities, or the rate at which any Convertible Securities are convertible into or exercisable or exchangeable for shares of Common Stock increases or decreases at any time (other than proportional changes in conversion or exercise prices, as applicable, in connection with an event referred to in Section 7(b) below), the Conversion Price in effect at the time of such increase or decrease shall be adjusted to the Conversion Price which would have been in effect at such time had such Options or Convertible Securities provided for such increased or decreased purchase price, additional consideration or increased or decreased conversion rate (as the case may be) at the time initially granted, issued or sold. For purposes of this Section 7(a)(iii), if the terms of any Option or Convertible Security that was outstanding as of the Subscription Date are increased or decreased in the manner described in the immediately preceding sentence, then such Option or Convertible Security and the shares of Common Stock deemed issuable upon exercise, conversion or exchange thereof shall be deemed to have been issued as of the date of such increase or decrease. No adjustment pursuant to this Section 7(a) shall be made if such adjustment would result in an increase of the Conversion Price then in effect.

(iv) Calculation of Consideration Received. If any Option and/or Convertible Security and/or Adjustment Right is issued in connection with the issuance or sale or deemed issuance or sale of any other securities of the Company (as determined by the Holder, the "**Primary Security**", and such Option and/or Convertible Security and/or Adjustment Right, the "**Secondary Securities**"), together comprising one integrated transaction (or one or more transactions if such issuances or sales or deemed issuances or sales of securities of the Company either (A) have at least one investor or purchaser in common, (B) are consummated in reasonable proximity to each other and/or (C) are consummated under the same plan of financing), the aggregate consideration per share of Common Stock with respect to such Primary Security shall be deemed to be equal to the difference of (x) the lowest price per share for which one share of Common Stock was issued (or was deemed to be issued pursuant to Section 7(a)(i) or 7(a)(ii) above, as applicable) in such integrated transaction solely with respect to such Primary Security, minus (y) with respect to such Secondary Securities, the sum of (I) the Black Scholes Consideration Value of each such Option, if any, (II) the fair market value (as determined by the Holder in good faith) or the Black Scholes Consideration Value, as applicable, of such Adjustment Right, if any, and (III) the fair market value (as determined by the Holder) of such Convertible Security, if any, in each case, as determined on a per share basis in accordance with this Section 7(a)(iv). If any shares of Common Stock, Options or Convertible Securities are issued or sold or deemed to have been issued or sold for cash, the consideration received therefor (for the purpose of determining the consideration paid for such Common Stock, Option or Convertible Security, but not for the purpose of the calculation of the Black Scholes Consideration Value) will be deemed to be the net amount of consideration received by the Company therefor. If any shares of Common Stock, Options or Convertible Securities are issued or sold for a consideration other than cash, the amount of such consideration received by the Company (for the purpose of determining the consideration paid for such Common Stock, Option or Convertible Security, but not for the purpose of the calculation of the Black Scholes Consideration Value) will be the fair value of

such consideration, except where such consideration consists of publicly traded securities, in which case the amount of consideration received by the Company for such securities will be the arithmetic average of the VWAPs of such security for each of the five (5) Trading Days immediately preceding the date of receipt. If any shares of Common Stock, Options or Convertible Securities are issued to the owners of the non-surviving entity in connection with any merger in which the Company is the surviving entity, the amount of consideration therefor (for the purpose of determining the consideration paid for such Common Stock, Option or Convertible Security, but not for the purpose of the calculation of the Black Scholes Consideration Value) will be deemed to be the fair value of such portion of the net assets and business of the non-surviving entity as is attributable to such shares of Common Stock, Options or Convertible Securities (as the case may be). The fair value of any consideration other than cash or publicly traded securities will be determined jointly by the Company and the Holder. If such parties are unable to reach agreement within ten (10) days after the occurrence of an event requiring valuation (the "**Valuation Event**"), the fair value of such consideration will be determined within five (5) Trading Days after the tenth (10^{th}) day following such Valuation Event by an independent, reputable appraiser jointly selected by the Company and the Holder. The determination of such appraiser shall be final and binding upon all parties absent manifest error and the fees and expenses of such appraiser shall be borne by the Company.

(v) Record Date. If the Company takes a record of the holders of shares of Common Stock for the purpose of entitling them (A) to receive a dividend or other distribution payable in shares of Common Stock, Options or in Convertible Securities or (B) to subscribe for or purchase shares of Common Stock, Options or Convertible Securities, then such record date will be deemed to be the date of the issuance or sale of the shares of Common Stock deemed to have been issued or sold upon the declaration of such dividend or the making of such other distribution or the date of the granting of such right of subscription or purchase (as the case may be).

(b) Adjustment of Conversion Price upon Subdivision or Combination of Common Stock. Without limiting any provision of Section 4(c) or Section 7(a), if the Company at any time on or after the Subscription Date subdivides (by any stock split, stock dividend, stock combination, recapitalization or other similar transaction) one or more classes of its outstanding shares of Common Stock into a greater number of shares, the Conversion Price in effect immediately prior to such subdivision will be proportionately reduced. Without limiting any provision of Section 4(c) or Section 7(a), if the Company at any time on or after the Subscription Date combines (by any stock split, stock dividend, stock combination, recapitalization or other similar transaction) one or more classes of its outstanding shares of Common Stock into a smaller number of shares, the Conversion Price in effect immediately prior to such combination will be proportionately increased. Any adjustment pursuant to this Section 7(b) shall become effective immediately after the effective date of such subdivision or combination. If any event requiring an adjustment under this Section 7(b) occurs during the period that a Conversion Price is calculated hereunder, then the calculation of such Conversion Price shall be adjusted appropriately to reflect such event.

(c) Holder's Right of Adjusted Conversion Price. In addition to and not in limitation of the other provisions of this Section 7, if the Company in any manner issues or sells or enters into any agreement to issue or sell, any Common Stock, Options or Convertible Securities (any such securities, "**Variable Price Securities**"), after the Subscription Date that are issuable pursuant to such agreement or convertible into or exchangeable or exercisable for shares of Common Stock at a price which varies or may vary with the market price of the shares of Common Stock, including by way of one or more reset(s) to a fixed price, but exclusive of such formulations reflecting customary anti-dilution provisions (such as share splits, share combinations, share dividends and similar transactions) (each of the formulations for such variable price being herein referred to as, the "**Variable Price**"), the Company shall provide written notice thereof via facsimile and overnight courier to the Holder on the date of such agreement and the issuance of such Convertible Securities or Options. From and after the date the Company enters into such agreement or issues any such Variable Price Securities, the Holder shall have the right, but not the obligation, in its sole discretion to substitute the Variable Price for the Conversion Price upon conversion of this Note by designating in the Conversion Notice delivered upon any conversion of this Note that solely for purposes of such conversion the Holder is relying on the Variable Price rather than the Conversion Price then in effect. The Holder's election to rely on a Variable Price for a particular conversion of this Note shall not obligate the Holder to rely on a Variable Price for any future conversion of this Note.

(d) Stock Combination Event Adjustments. If at any time and from time to time on or after the Subscription Date there occurs any stock split, stock dividend, stock combination recapitalization or other similar transaction involving the Common Stock (each, a "**Stock Combination Event**", and such date thereof, the "**Stock Combination Event Date**") and the Event Market Price is less than the Conversion Price then in effect (after giving effect to the adjustment in Section 7(b) above), then on the sixteenth (16^{th}) Trading Day immediately following such Stock Combination Event Date, the Conversion Price then in effect on such sixteenth (16^{th}) Trading Day (after giving effect to the adjustment in Section 7(b) above) shall be reduced (but in no event increased) to the Event Market Price. For the avoidance of doubt, if the adjustment in the immediately preceding sentence would otherwise result in an increase in the Conversion Price hereunder, no adjustment shall be made.

(e) Other Events. In the event that the Company (or any Subsidiary) shall take any action to which the provisions hereof are not strictly applicable, or, if applicable, would not operate to protect the Holder from dilution or if any event occurs of the type contemplated by the provisions of this Section 7 but not expressly provided for by such provisions (including, without limitation, the granting of stock appreciation rights, phantom stock rights or other rights with equity features), then the Company's board of directors shall in good faith determine and implement an appropriate adjustment in the Conversion Price so as to protect the rights of the Holder, provided that no such adjustment pursuant to this Section 7(e) will increase the Conversion Price as otherwise determined pursuant to this Section 7, provided further that if the Holder does not accept such adjustments as appropriately protecting its interests hereunder against such dilution, then the Company's board of directors and the Holder shall agree, in good faith, upon an independent investment bank of nationally recognized standing to make such appropriate adjustments, whose determination shall be final and binding absent manifest error and whose fees and expenses shall be borne by the Company.

(f) Calculations. All calculations under this Section 7 shall be made by rounding to the nearest cent or the nearest 1/100th of a share, as applicable. The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Company, and the disposition of any such shares shall be considered an issue or sale of Common Stock.

(g) Voluntary Adjustment by Company . The Company may at any time during the term of this Note, with the prior written consent of the Required Holders, reduce the then current Conversion Price of each of the Notes to any amount and for any period of time deemed appropriate by the board of directors of the Company.

8. REDEMPTION AT THE COMPANY'S ELECTION.

(a) Company Optional Redemption. At any time after the Issuance Date, the Company shall have the right to redeem all, but not less than all, of the Conversion Amount then remaining under this Note (the "**Company Optional Redemption Amount**") on the Company Optional Redemption Date (each as defined below) (a "**Company Optional Redemption**") in cash at a price (the "**Company Optional Redemption Price**") equal to (x) with respect to any Company Optional Redemption Date occurring on or prior to the 90th calendar day after the initial Issuance Date, 110% or (y) with respect to any Company Optional Redemption Date occurring on or after the 90th calendar day after the initial Issuance Date, 120%, in each case, of the greater of (i) the Conversion Amount being redeemed as of the Company Optional Redemption Date and (ii) the product of (1) the Conversion Rate with respect to the Conversion Amount being redeemed as of the Company Optional Redemption Date multiplied by (2) the greatest Closing Sale Price of the Common Stock on any Trading Day during the period commencing on the date immediately preceding such Company Optional Redemption Notice Date and ending on the Trading Day immediately prior to the date the Company makes the entire payment required to be made under this Section 8(a). The Company may exercise its right to require redemption under this Section 8(a) by delivering a written notice thereof by facsimile or electronic mail and overnight courier to all, but not less than all, of the holders of Notes (the "**Company Optional Redemption Notice**" and the date all of the holders of Notes received such notice is referred to as the "**Company Optional Redemption Notice Date**"). The Company may deliver only one Company Optional Redemption Notice hereunder and such Company Optional Redemption Notice shall be irrevocable. The Company Optional Redemption Notice shall (x) state the date on which the Company Optional Redemption shall occur (the "**Company Optional Redemption Date**") which date shall not be less than ten (10) calendar days and nor more than twenty calendar days following the Company Optional Redemption Notice Date and (y) state the aggregate Conversion Amount of the Notes which is being redeemed in such Company Optional Redemption from the Holder and all of the other holders of the Notes pursuant to this Section 8(a) (and analogous provisions under the Other Notes) on the Company Optional Redemption Date. All Conversion Amounts converted by the Holder after the Company Optional Redemption Notice Date and prior to the Company Optional Redemption Date shall reduce the Company Optional Redemption Amount of this Note required to be redeemed on the Company Optional Redemption Date. Redemptions made pursuant to this Section 8(a) shall be made in accordance with Section 11. In the event of the Company's redemption of this Note under this Section 8(a), the Holder's damages would be uncertain and difficult to estimate because of the parties' inability to predict future interest rates and the uncertainty of the availability of a suitable substitute investment opportunity for the Holder. Accordingly, any redemption premium due under this Section 8(a) is intended by the parties to be, and shall be deemed, a reasonable estimate of the Holder's actual loss of its investment opportunity and not as a penalty. Notwithstanding the foregoing, the Company shall have no right to effect a Company Optional Redemption if any Event of Default has occurred and continuing, but any Event of Default shall have no effect upon the Holder's right to convert this Note in its discretion.

(b) Pro Rata Redemption Requirement. If the Company elects to cause a Company Optional Redemption of this Note pursuant to Section 8(a), then it must simultaneously take the same action with respect to all of the Other Notes.

9. NONCIRCUMVENTION. The Company hereby covenants and agrees that the Company will not, by amendment of its Articles of Incorporation (as defined in the Securities Purchase Agreement dated as of August 18, 2017 between the Company and various Buyers), Bylaws (as defined in such Securities Purchase Agreement) or through any reorganization, transfer of assets, consolidation, merger, scheme of arrangement, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Note, and will at all times in good faith carry out all of the provisions of this Note and take all action as may be required to protect the rights of the Holder of this Note. Without limiting the generality of the foregoing or any other provision of this Note or the other Transaction Documents, the Company (a) shall not increase the par value of any shares of Common Stock receivable upon conversion of this Note above the Conversion Price then in effect, and (b) shall take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock upon the conversion of this Note. Notwithstanding anything herein to the contrary, if after the sixty (60) calendar day anniversary of the Issuance Date, the Holder is not permitted to convert this Note in full for any reason (other than pursuant to restrictions set forth in Section 3(d) hereof), the Company shall use its best efforts to promptly remedy such failure, including, without limitation, obtaining such consents or approvals as necessary to permit such conversion into shares of Common Stock.

10. RESERVATION OF AUTHORIZED SHARES.

(a) Reservation. So long as any Notes remain outstanding, the Company shall at all times reserve at least the greater of (i) 19.9% of the Common Stock of the Company outstanding as of the initial Issuance Date and (ii) 500% of the maximum number of Conversion Shares issuable upon conversion of the Notes (assuming for purposes hereof that (x) the Notes are convertible at Alternate Conversion Price assuming an Alternate Conversion Date as of such date of determination, (y) interest on the Notes shall accrue through the six month anniversary of the Closing Date and will be converted in shares of Common Stock at a conversion price equal to the Alternate Conversion Price assuming an Alternate Conversion Date as of such date of determination and (z) any such conversion shall not take into account any limitations on the conversion of the Notes set forth in the Notes), (the "**Required Reserve Amount**"). The Required Reserve Amount (including, without limitation, each increase in the number of shares so reserved) shall be allocated pro rata among the holders of the Notes based on the original principal amount of the Notes held by each holder on the Closing Date or increase

in the number of reserved shares, as the case may be (the "**Authorized Share Allocation**"). In the event that a holder shall sell or otherwise transfer any of such holder's Notes, each transferee shall be allocated a pro rata portion of such holder's Authorized Share Allocation. Any shares of Common Stock reserved and allocated to any Person which ceases to hold any Notes shall be allocated to the remaining holders of Notes, pro rata based on the principal amount of the Notes then held by such holders.

(b) Insufficient Authorized Shares. If, notwithstanding Section 9(a), and not in limitation thereof, at any time while any of the Notes remain outstanding the Company does not have a sufficient number of authorized and unreserved shares of Common Stock to satisfy its obligation to reserve for issuance upon conversion of the Notes at least a number of shares of Common Stock equal to the Required Reserve Amount (an "**Authorized Share Failure**"), then the Company shall immediately take all action necessary to increase the Company's authorized shares of Common Stock to an amount sufficient to allow the Company to reserve the Required Reserve Amount for the Notes then outstanding. Without limiting the generality of the foregoing sentence, as soon as practicable after the date of the occurrence of an Authorized Share Failure, but in no event later than sixty (60) days after the occurrence of such Authorized Share Failure, the Company shall hold a meeting of its stockholders for the approval of an increase in the number of authorized shares of Common Stock. In connection with such meeting, the Company shall provide each stockholder with a proxy statement and shall use its best efforts to solicit its stockholders' approval of such increase in authorized shares of Common Stock and to cause its board of directors to recommend to the stockholders that they approve such proposal. In the event that the Company is prohibited from issuing shares of Common Stock pursuant to the terms of this Note due to the failure by the Company to have sufficient shares of Common Stock available out of the authorized but unissued shares of Common Stock (such unavailable number of shares of Common Stock, the "**Authorized Failure Shares**"), in lieu of delivering such Authorized Failure Shares to the Holder, the Company shall pay cash in exchange for the redemption of such portion of the Conversion Amount convertible into such Authorized Failure Shares at a price equal to the sum of (i) the product of (x) such number of Authorized Failure Shares and (y) the greatest Closing Sale Price of the Common Stock on any Trading Day during the period commencing on the date the Holder delivers the applicable Conversion Notice with respect to such Authorized Failure Shares to the Company and ending on the date of such issuance and payment under this Section 10(a); and (ii) to the extent the Holder purchases (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by the Holder of Authorized Failure Shares, any brokerage commissions and other out-of-pocket expenses, if any, of the Holder incurred in connection therewith.

11. REDEMPTIONS.

(a) Mechanics. The Company shall deliver the applicable Event of Default Redemption Price to the Holder in cash within five (5) Business Days after the Company's receipt of the Holder's Event of Default Redemption Notice. If the Holder has submitted a Change of Control Redemption Notice in accordance with Section 5(b), the Company shall deliver the applicable Change of Control Redemption Price to the Holder in cash concurrently with the consummation of such Change of Control if such notice is received prior to the consummation of such Change of Control and within five (5) Business Days after the Company's receipt of such notice otherwise. The Company shall deliver the applicable Company Optional Redemption Price to the Holder in cash on the applicable Company Optional Redemption Date. Notwithstanding anything herein to the contrary, in connection with any redemption hereunder at a time the Holder is entitled to receive a cash payment under any of the other Transaction Documents, at the option of the Holder delivered in writing to the Company, the applicable Redemption Price hereunder shall be increased by the amount of such cash payment owed to the Holder under such other Transaction Document and, upon payment in full or conversion in accordance herewith, shall satisfy the Company's payment obligation under such other Transaction Document. In the event of a redemption of less than all of the Conversion Amount of this Note, the Company shall promptly cause to be issued and delivered to the Holder a new Note (in accordance with Section 17(d)) representing the outstanding Principal which has not been redeemed. In the event that the Company does not pay the applicable Redemption Price to the Holder within the time period required, at any time thereafter and until the Company pays such unpaid Redemption Price in full, the Holder shall have the option, in lieu of redemption, to require the Company to promptly return to the Holder all or any portion of this Note representing the Conversion Amount that was submitted for redemption and for which the applicable Redemption Price (together with any Late Charges thereon) has not been paid. Upon the Company's receipt of such notice, (x) the applicable Redemption Notice shall be null and void with respect to such Conversion Amount, (y) the Company shall immediately return this Note, or issue a new Note (in accordance with Section 17(d)), to the Holder, and in each case the principal amount of this Note or such new Note (as the case may be) shall be increased by an amount equal to the difference between (1) the applicable Redemption Price (as the case may be, and as adjusted pursuant to this Section 11, if applicable) minus (2) the Principal portion of the Conversion Amount submitted for redemption and (z) the Conversion Price of this Note or such new Notes (as the case may be) shall be automatically adjusted with respect to each conversion effected thereafter by the Holder to the lowest of (A) the Conversion Price as in effect on the date on which the applicable Redemption Notice is voided, (B) 75% of the lowest Closing Bid Price of the Common Stock during the period beginning on and including the date on which the applicable Redemption Notice is delivered to the Company and ending on and including the date on which the applicable Redemption Notice is voided and (C) 75% of the quotient of (I) the sum of the five (5) lowest VWAPs of the Common Stock during the twenty (20) consecutive Trading Day period ending and including the Trading Day immediately preceding the applicable Conversion Date divided by (II) five (5) (it being understood and agreed that all such determinations shall be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during such period). The Holder's delivery of a notice voiding a Redemption Notice and exercise of its rights following such notice shall not affect the Company's obligations to make any payments of Late Charges which have accrued prior to the date of such notice with respect to the Conversion Amount subject to such notice.

(b) Redemption by Other Holders. Upon the Company's receipt of notice from any of the holders of the Other Notes for redemption or repayment as a result of an event or occurrence substantially similar to the events or occurrences described in Section 4(b) or Section 5(b) (each, an "**Other Redemption Notice**"), the Company shall immediately, but no later than one (1) Business Day of its receipt thereof, forward to the Holder by facsimile or electronic mail a copy of such notice. If the Company receives a Redemption Notice and one or more Other Redemption Notices, during the seven (7) Business Day period beginning on and including the date which

is three (3) Business Days prior to the Company's receipt of the Holder's applicable Redemption Notice and ending on and including the date which is three (3) Business Days after the Company's receipt of the Holder's applicable Redemption Notice and the Company is unable to redeem all principal, interest and other amounts designated in such Redemption Notice and such Other Redemption Notices received during such seven (7) Business Day period, then the Company shall redeem a pro rata amount from each holder of the Notes (including the Holder) based on the principal amount of the Notes submitted for redemption pursuant to such Redemption Notice and such Other Redemption Notices received by the Company during such seven (7) Business Day period.

12. VOTING RIGHTS. The Holder shall have no voting rights as the holder of this Note, except as required by law (including, without limitation, Chapter 78 of the Nevada Revised Statute) and as expressly provided in this Note.

13. COVENANTS. Until all of the Notes have been converted, redeemed or otherwise satisfied in accordance with their terms:

(a) Rank. All payments due under this Note (a) shall rank *pari passu* with all Other Notes and (b) shall be senior to all other Indebtedness of the Company and its Subsidiaries.

(b) Incurrence of Indebtedness. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, incur or guarantee, assume or suffer to exist any Indebtedness (other than (i) the Indebtedness evidenced by this Note and the Other Notes and (ii) other Permitted Indebtedness).

(c) Existence of Liens. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, allow or suffer to exist any mortgage, lien, pledge, charge, security interest or other encumbrance upon or in any property or assets (including accounts and contract rights) owned by the Company or any of its Subsidiaries (collectively, "**Liens**") other than Permitted Liens.

(d) Restricted Payments. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, redeem, defease, repurchase, repay or make any payments in respect of, by the payment of cash or cash equivalents (in whole or in part, whether by way of open market purchases, tender offers, private transactions or otherwise), all or any portion of any Indebtedness (other than the Notes) whether by way of payment in respect of principal of (or premium, if any) or interest on, such Indebtedness if at the time such payment is due or is otherwise made or, after giving effect to such payment, (i) an event constituting an Event of Default has occurred and is continuing or (ii) an event that with the passage of time and without being cured would constitute an Event of Default has occurred and is continuing.

(e) Restriction on Redemption and Cash Dividends. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, redeem, repurchase or declare or pay any cash dividend or distribution on any of its capital stock.

(f) Restriction on Transfer of Assets. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, sell, lease, license, assign, transfer, spin-off, split-off, close, convey or otherwise dispose of any Collateral (as defined in the Security Documents) or any other assets or rights of the Company or any Subsidiary owned or hereafter acquired whether in a single transaction or a series of related transactions, other than (i) sales, leases, licenses, assignments, transfers, conveyances and other dispositions of such assets or rights by the Company and its Subsidiaries in the ordinary course of business consistent with its past practice and (ii) sales of inventory and product in the ordinary course of business.

(g) Maturity of Indebtedness. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, permit any Indebtedness of the Company or any of its Subsidiaries to mature or accelerate prior to the Maturity Date.

(h) Change in Nature of Business. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, engage in any material line of business substantially different from those lines of business conducted by or publicly contemplated to be conducted by the Company and each of its Subsidiaries on the Subscription Date or any business substantially related or incidental thereto. The Company shall not, and the Company shall cause each of its Subsidiaries to not, directly or indirectly, modify its or their corporate structure or purpose.

(i) Preservation of Existence, Etc. The Company shall maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, its existence, rights and privileges, and become or remain, and cause each of its Subsidiaries to become or remain, duly qualified and in good standing in each jurisdiction in which the character of the properties owned or leased by it or in which the transaction of its business makes such qualification necessary.

(j) Maintenance of Properties, Etc. The Company shall maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, all of its properties which are necessary or useful in the proper conduct of its business in good working order and condition, ordinary wear and tear excepted, and comply, and cause each of its Subsidiaries to comply, at all times with the provisions of all leases to which it is a party as lessee or under which it occupies property, so as to prevent any loss or forfeiture thereof or thereunder.

(k) Maintenance of Intellectual Property. The Company will, and will cause each of its Subsidiaries to, take all action necessary or advisable to maintain all of the Intellectual Property Rights (as defined in the Securities Purchase Agreement dated as of August 18, 2017 between the Company and various Buyers) of the Company and/or any of its Subsidiaries that are necessary or material to the conduct of its business in full force and effect.

(l) Maintenance of Insurance. The Company shall maintain, and cause each of its Subsidiaries to maintain, insurance with responsible and reputable insurance companies or associations (including, without limitation, comprehensive general liability, hazard,

rent and business interruption insurance) with respect to its properties (including all real properties leased or owned by it) and business, in such amounts and covering such risks as is required by any governmental authority having jurisdiction with respect thereto or as is carried generally in accordance with sound business practice by companies in similar businesses similarly situated.

(m) Transactions with Affiliates. The Company shall not, nor shall it permit any of its Subsidiaries to, enter into, renew, extend or be a party to, any transaction or series of related transactions (including, without limitation, the purchase, sale, lease, transfer or exchange of property or assets of any kind or the rendering of services of any kind) with any affiliate, except in the ordinary course of business in a manner and to an extent consistent with past practice and necessary or desirable for the prudent operation of its business, for fair consideration and on terms no less favorable to it or its Subsidiaries than would be obtainable in a comparable arm's length transaction with a Person that is not an affiliate thereof.

(n) Restricted Issuances. So long as no Notes remain outstanding, the Company shall not, directly or indirectly, without the prior written consent of the Holder, (i) issue any Notes if the aggregate principal amount of outstanding Notes exceeds $70,000 or (ii) issue any other securities that would cause a breach or default under the Notes.

(o) Independent Investigation. At the request of the Holder either (x) at any time when an Event of Default has occurred and is continuing, (y) upon the occurrence of an event that with the passage of time or giving of notice would constitute an Event of Default or (z) at any time the Holder reasonably believes an Event of Default may have occurred or be continuing, the Company shall hire an independent, reputable investment bank selected by the Company and approved by the Holder to investigate as to whether any breach of this Note has occurred (the "**Independent Investigator**"). If the Independent Investigator determines that such breach of this Note has occurred, the Independent Investigator shall notify the Company of such breach and the Company shall deliver written notice to each holder of a Note of such breach. In connection with such investigation, the Independent Investigator may, during normal business hours, inspect all contracts, books, records, personnel, offices and other facilities and properties of the Company and its Subsidiaries and, to the extent available to the Company after the Company uses reasonable efforts to obtain them, the records of its legal advisors and accountants (including the accountants' work papers) and any books of account, records, reports and other papers not contractually required of the Company to be confidential or secret, or subject to attorney-client or other evidentiary privilege, and the Independent Investigator may make such copies and inspections thereof as the Independent Investigator may reasonably request. The Company shall furnish the Independent Investigator with such financial and operating data and other information with respect to the business and properties of the Company as the Independent Investigator may reasonably request. The Company shall permit the Independent Investigator to discuss the affairs, finances and accounts of the Company with, and to make proposals and furnish advice with respect thereto to, the Company's officers, directors, key employees and independent public accountants or any of them (and by this provision the Company authorizes said accountants to discuss with such Independent Investigator the finances and affairs of the Company and any Subsidiaries), all at such reasonable times, upon reasonable notice, and as often as may be reasonably requested.

(p) New Subsidiaries. Simultaneously with the acquisition or formation of each New Subsidiary, the Company shall cause such New Subsidiary to execute, and deliver to each holder of Notes, all Security Documents as requested by the Collateral Agent or the Holder, as applicable. The Company shall also deliver to the Collateral Agent an opinion of counsel to such New Subsidiary that is reasonably satisfactory to the Collateral Agent and the Holder covering such legal matters with respect to such New Subsidiary becoming a guarantor of the Company's obligations, executing and delivering the Security Document and any other matters that the Collateral Agent or the Holder may reasonably request. The Company shall deliver, or cause the applicable Subsidiary to deliver to the Collateral Agent, each of the physical stock certificates of such New Subsidiary, along with undated stock powers for each such certificates, executed in blank (or, if any such shares of capital stock are uncertificated, confirmation and evidence reasonably satisfactory to the Collateral Agent and the Holder that the security interest in such uncertificated securities has been transferred to and perfected by the Collateral Agent, in accordance with Sections 8-313, 8-321 and 9-115 of the Uniform Commercial Code or any other similar or local or foreign law that may be applicable).

(q) Change in Collateral; Collateral Records. The Company shall (i) give the Collateral Agent not less than thirty (30) days' prior written notice of any change in the location of any Collateral (as defined in the Security Documents), other than to locations set forth in the Perfection Certificate (as defined in the Securities Purchase Agreement dated as of August 18, 2017 between the Company and various Buyers) hereto and with respect to which the Collateral Agent has filed financing statements and otherwise fully perfected its Liens thereon, (ii) advise the Collateral Agent promptly, in sufficient detail, of any material adverse change relating to the type, quantity or quality of the Collateral or the Lien granted thereon and (iii) execute and deliver, and cause each of its Subsidiaries to execute and deliver, to the Collateral Agent for the benefit of the Holder and holders of the Other Notes from time to time, solely for the Collateral Agent's convenience in maintaining a record of Collateral, such written statements and schedules as the Collateral Agent or any Holder may reasonably require, designating, identifying or describing the Collateral.

14. DISTRIBUTION OF ASSETS. In addition to any adjustments pursuant to Section 7, if the Company shall declare or make any dividend or other distributions of its assets (or rights to acquire its assets) to any or all holders of shares of Common Stock, by way of return of capital or otherwise (including without limitation, any distribution of cash, stock or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) (the "**Distributions**"), then the Holder will be entitled to such Distributions as if the Holder had held the number of shares of Common Stock acquirable upon complete conversion of this Note (without taking into account any limitations or restrictions on the convertibility of this Note and assuming for such purpose that the Note was converted at the Alternate Conversion Price as of the applicable record date) immediately prior to the date on which a record is taken for such Distribution or, if no such record is taken, the date as of which the record holders of Common Stock are to be determined for such Distributions (provided, however, that to the extent that the Holder's right to participate in any such Distribution would result in the Holder and the other Attribution Parties exceeding the Maximum Percentage, then the Holder shall not be entitled to participate in such Distribution to the extent of the Maximum Percentage (and shall not be entitled to beneficial ownership of such shares of Common Stock as a result of such Distribution (and beneficial ownership) to the extent of any such excess) and the portion of such Distribution shall be held in abeyance for the

benefit of the Holder until such time or times, if ever, as its right thereto would not result in the Holder and the other Attribution Parties exceeding the Maximum Percentage, at which time or times the Holder shall be granted such Distribution (and any Distributions declared or made on such initial Distribution or on any subsequent Distribution held similarly in abeyance) to the same extent as if there had been no such limitation).

15. AMENDING THE TERMS OF THIS NOTE. The prior written consent of the Holder shall be required for any change, waiver or amendment to this Note. Any change, waiver or amendment so approved shall be binding upon all existing and future holders of this Note and any Other Notes; provided, however, that no such change, waiver or, as applied to any of the Notes held by any particular holder of Notes, shall, without the written consent of that particular holder, (i) reduce the amount of Principal, reduce the amount of accrued and unpaid Interest, or extend the Maturity Date, of the Notes, (ii) disproportionally and adversely affect any rights under the Notes of any holder of Notes; or (iii) modify any of the provisions of, or impair the right of any holder of Notes under this 15.

16. TRANSFER. This Note and any shares of Common Stock issued upon conversion of this Note may be offered, sold, assigned or transferred by the Holder without the consent of the Company.

17. REISSUANCE OF THIS NOTE.

(a) Transfer. If this Note is to be transferred, the Holder shall surrender this Note to the Company, whereupon the Company will forthwith issue and deliver upon the order of the Holder a new Note (in accordance with Section 17(d)), registered as the Holder may request, representing the outstanding Principal being transferred by the Holder and, if less than the entire outstanding Principal is being transferred, a new Note (in accordance with Section 17(d)) to the Holder representing the outstanding Principal not being transferred. The Holder and any assignee, by acceptance of this Note, acknowledge and agree that, by reason of the provisions of Section 3(c)(iii) following conversion or redemption of any portion of this Note, the outstanding Principal represented by this Note may be less than the Principal stated on the face of this Note.

(b) Lost, Stolen or Mutilated Note. Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Note (as to which a written certification and the indemnification contemplated below shall suffice as such evidence), and, in the case of loss, theft or destruction, of any indemnification undertaking by the Holder to the Company in customary and reasonable form and, in the case of mutilation, upon surrender and cancellation of this Note, the Company shall execute and deliver to the Holder a new Note (in accordance with Section 17(d)) representing the outstanding Principal.

(c) Note Exchangeable for Different Denominations. This Note is exchangeable, upon the surrender hereof by the Holder at the principal office of the Company, for a new Note or Notes (in accordance with Section 17(d) and in principal amounts of at least $1,000) representing in the aggregate the outstanding Principal of this Note, and each such new Note will represent such portion of such outstanding Principal as is designated by the Holder at the time of such surrender.

(d) Issuance of New Notes. Whenever the Company is required to issue a new Note pursuant to the terms of this Note, such new Note (i) shall be of like tenor with this Note, (ii) shall represent, as indicated on the face of such new Note, the Principal remaining outstanding (or in the case of a new Note being issued pursuant to Section 17(a) or Section 17(c), the Principal designated by the Holder which, when added to the principal represented by the other new Notes issued in connection with such issuance, does not exceed the Principal remaining outstanding under this Note immediately prior to such issuance of new Notes), (iii) shall have an issuance date, as indicated on the face of such new Note, which is the same as the Issuance Date of this Note, (iv) shall have the same rights and conditions as this Note, and (v) shall represent accrued and unpaid Interest and Late Charges on the Principal and Interest of this Note, from the Issuance Date.

18. REMEDIES, CHARACTERIZATIONS, OTHER OBLIGATIONS, BREACHES AND INJUNCTIVE RELIEF . The remedies provided in this Note shall be cumulative and in addition to all other remedies available under this Note and any of the other Transaction Documents at law or in equity (including a decree of specific performance and/or other injunctive relief), and nothing herein shall limit the Holder's right to pursue actual and consequential damages for any failure by the Company to comply with the terms of this Note. The Company covenants to the Holder that there shall be no characterization concerning this instrument other than as expressly provided herein. Amounts set forth or provided for herein with respect to payments, conversion and the like (and the computation thereof) shall be the amounts to be received by the Holder and shall not, except as expressly provided herein, be subject to any other obligation of the Company (or the performance thereof). The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holder and that the remedy at law for any such breach may be inadequate. The Company therefore agrees that, in the event of any such breach or threatened breach, the Holder shall be entitled, in addition to all other available remedies, to specific performance and/or temporary, preliminary and permanent injunctive or other equitable relief from any court of competent jurisdiction in any such case without the necessity of proving actual damages and without posting a bond or other security. The Company shall provide all information and documentation to the Holder that is requested by the Holder to enable the Holder to confirm the Company's compliance with the terms and conditions of this Note (including, without limitation, compliance with Section 7).

19. PAYMENT OF COLLECTION, ENFORCEMENT AND OTHER COSTS. If (a) this Note is placed in the hands of an attorney for collection or enforcement or is collected or enforced through any legal proceeding or the Holder otherwise takes action to collect amounts due under this Note or to enforce the provisions of this Note or (b) there occurs any bankruptcy, reorganization, receivership of the Company or other proceedings affecting Company creditors' rights and involving a claim under this Note, then the Company shall pay the costs incurred by the Holder for such collection, enforcement or action or in connection with such bankruptcy, reorganization, receivership or other proceeding, including, without limitation, attorneys' fees and disbursements. The Company expressly acknowledges and agrees that no amounts due under this Note shall be affected, or limited, by the fact that the purchase price paid for this Note was less than the original Principal amount hereof.

20. CONSTRUCTION; HEADINGS. This Note shall be deemed to be jointly drafted by the Company and the initial Holder and shall not be construed against any such Person as the drafter hereof. The headings of this Note are for convenience of reference and shall not form part of, or affect the interpretation of, this Note. Unless the context clearly indicates otherwise, each pronoun herein shall be deemed to include the masculine, feminine, neuter, singular and plural forms thereof. The terms "including," "includes," "include" and words of like import shall be construed broadly as if followed by the words "without limitation." The terms "herein," "hereunder," "hereof" and words of like import refer to this entire Note instead of just the provision in which they are found. Unless expressly indicated otherwise, all section references are to sections of this Note. Terms used in this Note and not otherwise defined herein, but defined in the other Transaction Documents, shall have the meanings ascribed to such terms on the Closing Date in such other Transaction Documents unless otherwise consented to in writing by the Holder.

21. FAILURE OR INDULGENCE NOT WAIVER. No failure or delay on the part of the Holder in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege. No waiver shall be effective unless it is in writing and signed by an authorized representative of the waiving party. Notwithstanding the foregoing, nothing contained in this Section 21 shall permit any waiver of any provision of Section 3(d).

22. DISPUTE RESOLUTION.

(a) Submission to Dispute Resolution.

(i) In the case of a dispute relating to a Closing Bid Price, a Closing Sale Price, a Conversion Price, an Alternate Conversion Price, a Black-Scholes Consideration Value, a VWAP or a fair market value or the arithmetic calculation of a Conversion Rate, or the applicable Redemption Price (as the case may be) (including, without limitation, a dispute relating to the determination of any of the foregoing), the Company or the Holder (as the case may be) shall submit the dispute to the other party via facsimile or electronic mail (A) if by the Company, within two (2) Business Days after the occurrence of the circumstances giving rise to such dispute or (B) if by the Holder at any time after the Holder learned of the circumstances giving rise to such dispute. If the Holder and the Company are unable to promptly resolve such dispute relating to such Closing Bid Price, such Closing Sale Price, such Conversion Price, such Alternate Conversion Price, such Black-Scholes Consideration Value, such VWAP or such fair market value, or the arithmetic calculation of such Conversion Rate or such applicable Redemption Price (as the case may be), at any time after the second (2^{nd}) Business Day following such initial notice by the Company or the Holder (as the case may be) of such dispute to the Company or the Holder (as the case may be), then the Holder may, at its sole option, select an independent, reputable investment bank to resolve such dispute.

(ii) The Holder and the Company shall each deliver to such investment bank (A) a copy of the initial dispute submission so delivered in accordance with the first sentence of this Section 22 and (B) written documentation supporting its position with respect to such dispute, in each case, no later than 5:00 p.m. (New York time) by the fifth (5^{th}) Business Day immediately following the date on which the Holder selected such investment bank (the "**Dispute Submission Deadline**") (the documents referred to in the immediately preceding clauses (A) and (B) are collectively referred to herein as the "**Required Dispute Documentation**") (it being understood and agreed that if either the Holder or the Company fails to so deliver all of the Required Dispute Documentation by the Dispute Submission Deadline, then the party who fails to so submit all of the Required Dispute Documentation shall no longer be entitled to (and hereby waives its right to) deliver or submit any written documentation or other support to such investment bank with respect to such dispute and such investment bank shall resolve such dispute based solely on the Required Dispute Documentation that was delivered to such investment bank prior to the Dispute Submission Deadline). Unless otherwise agreed to in writing by both the Company and the Holder or otherwise requested by such investment bank, neither the Company nor the Holder shall be entitled to deliver or submit any written documentation or other support to such investment bank in connection with such dispute (other than the Required Dispute Documentation).

(iii) The Company and the Holder shall cause such investment bank to determine the resolution of such dispute and notify the Company and the Holder of such resolution no later than ten (10) Business Days immediately following the Dispute Submission Deadline. The fees and expenses of such investment bank shall be borne solely by the Company, and such investment bank's resolution of such dispute shall be final and binding upon all parties absent manifest error.

(b) Miscellaneous. The Company expressly acknowledges and agrees that (i) this Section 22 constitutes an agreement to arbitrate between the Company and the Holder (and constitutes an arbitration agreement) under § 7501, et seq. of the New York Civil Practice Law and Rules ("**CPLR**") and that the Holder is authorized to apply for an order to compel arbitration pursuant to CPLR § 7503(a) in order to compel compliance with this Section 22, (ii) a dispute relating to a Conversion Price includes, without limitation, disputes as to (A) whether an issuance or sale or deemed issuance or sale of Common Stock occurred under Section 7(a), (B) the consideration per share at which an issuance or deemed issuance of Common Stock occurred, (C) whether any issuance or sale or deemed issuance or sale of Common Stock was an issuance or sale or deemed issuance or sale of Excluded Securities, (D) whether an agreement, instrument, security or the like constitutes and Option or Convertible Security and (E) whether a Dilutive Issuance occurred, (iii) the terms of this Note and each other applicable Transaction Document shall serve as the basis for the selected investment bank's resolution of the applicable dispute, such investment bank shall be entitled (and is hereby expressly authorized) to make all findings, determinations and the like that such investment bank determines are required to be made by such investment bank in connection with its resolution of such dispute and in resolving such dispute such investment bank shall apply such findings, determinations and the like to the terms of this Note and any other applicable Transaction Documents, (iv) the Holder (and only the Holder), in its sole discretion, shall have the right to submit any dispute described in this Section 22 to any state or federal court sitting in The City of New York, Borough of Manhattan in lieu of utilizing the procedures set forth in this Section 22 and (v) nothing in this Section 22 shall limit the Holder from obtaining any injunctive relief or other equitable remedies (including, without limitation, with respect to any matters described in this Section 22).

23. NOTICES; CURRENCY; PAYMENTS.

(a) Notices. Whenever notice is required to be given under this Note, unless otherwise provided herein, such notice shall be given in writing with an e-mail copy to the last address provided by the Holder or its agents in writing to the Company. The Company shall provide the Holder with prompt written notice of all actions taken pursuant to this Note, including in reasonable detail a description of such action and the reason therefore. Without limiting the generality of the foregoing, the Company will give written notice to the Holder (i) immediately upon any adjustment of the Conversion Price, setting forth in reasonable detail, and certifying, the calculation of such adjustment and (ii) at least fifteen (15) days prior to the date on which the Company closes its books or takes a record (A) with respect to any dividend or distribution upon the Common Stock, (B) with respect to any grant, issuances, or sales of any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property to holders of shares of Common Stock or (C) for determining rights to vote with respect to any Fundamental Transaction, dissolution or liquidation, provided in each case that such information shall be made known to the public prior to or in conjunction with such notice being provided to the Holder.

(b) Currency. All dollar amounts referred to in this Note are in United States Dollars ("**U.S. Dollars**"), and all amounts owing under this Note shall be paid in U.S. Dollars. All amounts denominated in other currencies (if any) shall be converted into the U.S. Dollar equivalent amount in accordance with the Exchange Rate on the date of calculation. "**Exchange Rate**" means, in relation to any amount of currency to be converted into U.S. Dollars pursuant to this Note, the U.S. Dollar exchange rate as published in the Wall Street Journal on the relevant date of calculation (it being understood and agreed that where an amount is calculated with reference to, or over, a period of time, the date of calculation shall be the final date of such period of time).

(c) Payments. Whenever any payment of cash is to be made by the Company to any Person pursuant to this Note, unless otherwise expressly set forth herein, such payment shall be made in lawful money of the United States of America by a certified check drawn on the account of the Company and sent via overnight courier service to such Person at such address as previously provided to the Company in writing, provided that the Holder may elect to receive a payment of cash via wire transfer of immediately available funds by providing the Company with prior written notice setting out such request and the Holder's wire transfer instructions. Whenever any amount expressed to be due by the terms of this Note is due on any day which is not a Business Day, the same shall instead be due on the next succeeding day which is a Business Day. Any amount of Principal or other amounts due under the Transaction Documents which is not paid when due shall result in a late charge being incurred and payable by the Company in an amount equal to interest on such amount at the rate of eighteen percent (18%) per annum from the date such amount was due until the same is paid in full ("**Late Charge**").

24. CANCELLATION. After all Principal, accrued Interest, Late Charges and other amounts at any time owed on this Note have been paid in full, this Note shall automatically be deemed canceled, shall be surrendered to the Company for cancellation and shall not be reissued.

25. WAIVER OF NOTICE. To the extent permitted by law, the Company hereby irrevocably waives demand, notice, presentment, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note.

26. GOVERNING LAW. This Note shall be construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Note shall be governed by, the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York. Except as otherwise required by Section 22 above, the Company hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in The City of New York, Borough of Manhattan, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. Nothing contained herein (i) shall be deemed or operate to preclude the Holder from bringing suit or taking other legal action against the Company in any other jurisdiction to collect on the Company's obligations to the Holder, to realize on any collateral or any other security for such obligations, or to enforce a judgment or other court ruling in favor of the Holder or (ii) shall limit, or shall be deemed or construed to limit, any provision of Section 22. **THE COMPANY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS NOTE OR ANY TRANSACTION CONTEMPLATED HEREBY.**

27. JUDGMENT CURRENCY.

(a) If for the purpose of obtaining or enforcing judgment against the Company in any court in any jurisdiction it becomes necessary to convert into any other currency (such other currency being hereinafter in this Section 27 referred to as the "**Judgment Currency**") an amount due in U.S. dollars under this Note, the conversion shall be made at the Exchange Rate prevailing on the Trading Day immediately preceding:

(i) the date actual payment of the amount due, in the case of any proceeding in the courts of New York or in the courts of any other jurisdiction that will give effect to such conversion being made on such date: or

(ii) the date on which the foreign court determines, in the case of any proceeding in the courts of any other jurisdiction (the date as of which such conversion is made pursuant to this Section 27(a)(ii) being hereinafter referred to as the "**Judgment Conversion Date**").

(b) If in the case of any proceeding in the court of any jurisdiction referred to in Section 27(a)(ii) above, there is a change in the Exchange Rate prevailing between the Judgment Conversion Date and the date of actual payment of the amount due, the applicable party shall pay such adjusted amount as may be necessary to ensure that the amount paid in the Judgment Currency, when converted at the Exchange Rate prevailing on the date of payment, will produce the amount of US dollars which could have been purchased with the amount of Judgment Currency stipulated in the judgment or judicial order at the Exchange Rate prevailing on the Judgment Conversion Date.

(c) Any amount due from the Company under this provision shall be due as a separate debt and shall not be affected by judgment being obtained for any other amounts due under or in respect of this Note.

28. SEVERABILITY. If any provision of this Note is prohibited by law or otherwise determined to be invalid or unenforceable by a court of competent jurisdiction, the provision that would otherwise be prohibited, invalid or unenforceable shall be deemed amended to apply to the broadest extent that it would be valid and enforceable, and the invalidity or unenforceability of such provision shall not affect the validity of the remaining provisions of this Note so long as this Note as so modified continues to express, without material change, the original intentions of the parties as to the subject matter hereof and the prohibited nature, invalidity or unenforceability of the provision(s) in question does not substantially impair the respective expectations or reciprocal obligations of the parties or the practical realization of the benefits that would otherwise be conferred upon the parties. The parties will endeavor in good faith negotiations to replace the prohibited, invalid or unenforceable provision(s) with a valid provision(s), the effect of which comes as close as possible to that of the prohibited, invalid or unenforceable provision(s).

29. MAXIMUM PAYMENTS. Nothing contained herein shall be deemed to establish or require the payment of a rate of interest or other charges in excess of the maximum permitted by applicable law. In the event that the rate of interest required to be paid or other charges hereunder exceed the maximum permitted by such law, any payments in excess of such maximum shall be credited against amounts owed by the Company to the Holder and thus refunded to the Company.

30. SECURITY. The payment of this Note is secured by a first priority lien on certain collateral of the Company (the "**Collateral**"), as specified in that certain Security Agreement by and the Company, Holder and [_____], executed of even date herewith and attached hereto as Exhibit "III" (the "**Security Agreement**"). The terms and conditions of the first priority lien on the Collateral are set forth in the Security Agreement and a guaranty of payment by Timefire LLC, a wholly-owned subsidiary of the Company (the "**Guaranty**" and collectively with the Security Agreement, the "**Security Documents**"). Notwithstanding the existence of security interests in the Collateral for the payment of this Note, the Company shall at all times remain liable to the Holder for the full and punctual payment of all principal, interest and other amounts that are owed under this Note. The parties hereby acknowledge and agree that _____, shall serve as "Collateral Agent" as that terms is defined in the Security Agreement and shall possess all the rights and obligations of the Collateral Agent with respect to same.

31. CERTAIN DEFINITIONS. For purposes of this Note, the following terms shall have the following meanings:

(a) "**1933 Act**" means the Securities Act of 1933, as amended, and the rules and regulations thereunder.

(b) "**1934 Act**" means the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

(c) "**Adjustment Right**" means any right granted with respect to any securities issued in connection with, or with respect to, any issuance or sale (or deemed issuance or sale in accordance with Section 7) of shares of Common Stock (other than rights of the type described in Section 6(a) hereof) that could result in a decrease in the net consideration received by the Company in connection with, or with respect to, such securities (including, without limitation, any cash settlement rights, cash adjustment or other similar rights).

(d) "**Affiliate**" means, with respect to any Person, any other Person that directly or indirectly controls, is controlled by, or is under common control with, such Person, it being understood for purposes of this definition that "control" of a Person means the power directly or indirectly either to vote 10% or more of the stock having ordinary voting power for the election of directors of such Person or direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

(e) "**Alternate Conversion Price**" means, with respect to any Alternate Conversion that price which shall be the lowest of (i) the applicable Conversion Price as in effect on the applicable Conversion Date of the applicable Alternate Conversion, (ii) 70% of the lowest Closing Sale Price of the Common Stock during the twenty (20) consecutive Trading Day period ending and including the date of delivery or deemed delivery of the applicable Conversion Notice (such period, the "**Alternate Conversion Measuring Period**"). All such determinations to be appropriately adjusted for any stock dividend, stock split, stock combination, reclassification or similar transaction that proportionately decreases or increases the Common Stock during such Alternate Conversion Measuring Period.

(f) "**Approved Stock Plan**" means any employee benefit plan which has been approved by the board of directors of the Company prior to or subsequent to the Subscription Date pursuant to which shares of Common Stock and standard options to purchase Common Stock may be issued to any employee, officer or director for services provided to the Company in their capacity as such.

(g) "**Attribution Parties**" means, collectively, the following Persons and entities: (i) any investment vehicle, including, any funds, feeder funds or managed accounts, currently, or from time to time after the Issuance Date, directly or indirectly managed or advised by the Holder's investment manager or any of its Affiliates or principals, (ii) any direct or indirect Affiliates of the Holder or any of the foregoing, (iii) any Person acting or who could be deemed to be acting as a Group together with the Holder or any of the foregoing and (iv) any other Persons whose beneficial ownership of the Company's Common Stock would or could be aggregated with the Holder's and the other Attribution Parties for purposes of Section 13(d) of the 1934 Act. For clarity, the purpose of the foregoing is to subject collectively the Holder and all other Attribution Parties to the Maximum Percentage.

(h) "**Black Scholes Consideration Value**" means the value of the applicable Option, Convertible Security or Adjustment Right (as the case may be) as of the date of issuance thereof calculated using the Black Scholes Option Pricing Model obtained from the "OV" function on Bloomberg utilizing (i) an underlying price per share equal to the Closing Sale Price of the Common Stock on the Trading Day immediately preceding the public announcement of the execution of definitive documents with respect to the issuance of such Option, Convertible Security or Adjustment Right (as the case may be), (ii) a risk-free interest rate corresponding to the U.S. Treasury rate for a period equal to the remaining term of such Option, Convertible Security or Adjustment Right (as the case may be) as of the date of issuance of such Option, Convertible Security or Adjustment Right (as the case may be), (iii) a zero cost of borrow and (iv) an expected volatility equal to the greater of 100% and the 100 day volatility obtained from the "HVT" function on Bloomberg (determined utilizing a 365 day annualization factor) as of the Trading Day immediately following the date of issuance of such Option, Convertible Security or Adjustment Right (as the case may be).

(i) "**Bloomberg**" means Bloomberg, L.P.

(j) "**Business Day**" means any day other than Saturday, Sunday or other day on which commercial banks in The City of New York are authorized or required by law to remain closed.

(k) "**Change of Control**" means any Fundamental Transaction other than (i) any merger of the Company or any of its, direct or indirect, wholly-owned Subsidiaries with or into any of the foregoing Persons, (ii) any reorganization, recapitalization or reclassification of the shares of Common Stock in which holders of the Company's voting power immediately prior to such reorganization, recapitalization or reclassification continue after such reorganization, recapitalization or reclassification to hold publicly traded securities and, directly or indirectly, are, in all material respects, the holders of the voting power of the surviving entity (or entities with the authority or voting power to elect the members of the board of directors (or their equivalent if other than a corporation) of such entity or entities) after such reorganization, recapitalization or reclassification, or (iii) pursuant to a migratory merger effected solely for the purpose of changing the jurisdiction of incorporation of the Company or any of its Subsidiaries.

(l) "**Change of Control Redemption Premium**" means 130%.

(m) "**Closing Bid Price**" and "**Closing Sale Price**" means, for any security as of any date, the last closing bid price and last closing trade price, respectively, for such security on the Principal Market, as reported by Bloomberg, or, if the Principal Market begins to operate on an extended hours basis and does not designate the closing bid price or the closing trade price (as the case may be) then the last bid price or last trade price, respectively, of such security prior to 4:00:00 p.m., New York time, as reported by Bloomberg, or, if the Principal Market is not the principal securities exchange or trading market for such security, the last closing bid price or last trade price, respectively, of such security on the principal securities exchange or trading market where such security is listed or traded as reported by Bloomberg, or if the foregoing do not apply, the last closing bid price or last trade price, respectively, of such security in the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg, or, if no closing bid price or last trade price, respectively, is reported for such security by Bloomberg, the average of the bid prices, or the ask prices, respectively, of any market makers for such security as reported in the "pink sheets" by OTC Markets Group Inc. (formerly Pink Sheets LLC). If the Closing Bid Price or the Closing Sale Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Closing Bid Price or the Closing Sale Price (as the case may be) of such security on such date shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved in accordance with the procedures in Section 22. All such determinations shall be appropriately adjusted for any stock splits, stock dividends, stock combinations, recapitalizations or other similar transactions during such period.

(n) "**Closing Date**" shall mean the date the Company initially issued Notes.

(o) "**Common Stock**" means (i) the Company's shares of common stock, $0.001 par value per share, and (ii) any capital stock into which such common stock shall have been changed or any share capital resulting from a reclassification of such common stock.

(p) "**Convertible Securities**" means any stock or other security (other than Options) that is at any time and under any circumstances, directly or indirectly, convertible into, exercisable or exchangeable for, or which otherwise entitles the holder thereof to acquire, any shares of Common Stock.

(q) "**Current Subsidiary**" means any Person in which the Company on the Subscription Date, directly or indirectly, (i) owns any of the outstanding capital stock or holds any equity or similar interest of such Person or (ii) controls or operates all or any part of the business, operations or administration of such Person, and all of the foregoing, collectively, "**Current Subsidiaries**".

(r) "**Eligible Market**" means The New York Stock Exchange, the NYSE American, the Nasdaq Capital Market, the Nasdaq Global Select Market, the Nasdaq Global Market or the Principal Market.

(s) "**Event Market Price**" means, with respect to any Stock Combination Event Date, the quotient determined by dividing (x) the sum of the VWAP of the Common Stock for each of the five (5) Trading Days with the lowest VWAP of the Common Stock during the fifteen (15) consecutive Trading Day period ending and including the Trading Day immediately preceding the sixteenth (16th) Trading Day after such Stock Combination Event Date, divided by (y) five (5).

(t) "**Excluded Securities**" means (i) shares of Common Stock or standard options to purchase Common Stock issued to directors, officers or employees of the Company for services rendered to the Company in their capacity as such pursuant to an Approved Stock Plan (as defined above), provided that (A) all such issuances (taking into account the shares of Common Stock issuable upon exercise of such options) after the Subscription Date pursuant to this clause (i) do not, in the aggregate, exceed more than 5% of the Common Stock issued and outstanding immediately prior to the Subscription Date and (B) the exercise price of any such options is not

lowered, none of such options are amended to increase the number of shares issuable thereunder and none of the terms or conditions of any such options are otherwise materially changed in any manner that adversely affects any of the Buyers; (ii) shares of Common Stock issued upon the conversion or exercise of Convertible Securities (other than standard options to purchase Common Stock issued pursuant to an Approved Stock Plan that are covered by clause (i) above) issued prior to the Subscription Date, provided that the conversion price of any such Convertible Securities (other than standard options to purchase Common Stock issued pursuant to an Approved Stock Plan that are covered by clause (i) above) is not lowered, none of such Convertible Securities (other than standard options to purchase Common Stock issued pursuant to an Approved Stock Plan that are covered by clause (i) above) are amended to increase the number of shares issuable thereunder and none of the terms or conditions of any such Convertible Securities (other than standard options to purchase Common Stock issued pursuant to an Approved Stock Plan that are covered by clause (i) above) are otherwise materially changed in any manner that adversely affects any of the Buyers; and (iii) the shares of Common Stock issuable upon conversion of the Notes or otherwise pursuant to the terms of the Notes; provided, that the terms of the Notes are not amended, modified or changed on or after the Subscription Date (other than antidilution adjustments pursuant to the terms thereof in effect as of the Subscription Date).

(u) "**Fundamental Transaction**" means (A) that the Company shall, directly or indirectly, including through subsidiaries, Affiliates or otherwise, in one or more related transactions, (i) consolidate or merge with or into (whether or not the Company is the surviving corporation) another Subject Entity, or (ii) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company or any of its "significant subsidiaries" (as defined in Rule 1-02 of Regulation S-X) to one or more Subject Entities, or (iii) make, or allow one or more Subject Entities to make, or allow the Company to be subject to or have its Common Stock be subject to or party to one or more Subject Entities making, a purchase, tender or exchange offer that is accepted by the holders of at least either (x) 50% of the outstanding shares of Common Stock, (y) 50% of the outstanding shares of Common Stock calculated as if any shares of Common Stock held by all Subject Entities making or party to, or Affiliated with any Subject Entities making or party to, such purchase, tender or exchange offer were not outstanding; or (z) such number of shares of Common Stock such that all Subject Entities making or party to, or Affiliated with any Subject Entity making or party to, such purchase, tender or exchange offer, become collectively the beneficial owners (as defined in Rule 13d-3 under the 1934 Act) of at least 50% of the outstanding shares of Common Stock, or (iv) consummate a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with one or more Subject Entities whereby all such Subject Entities, individually or in the aggregate, acquire, either (x) at least 50% of the outstanding shares of Common Stock, (y) at least 50% of the outstanding shares of Common Stock calculated as if any shares of Common Stock held by all the Subject Entities making or party to, or Affiliated with any Subject Entity making or party to, such stock purchase agreement or other business combination were not outstanding; or (z) such number of shares of Common Stock such that the Subject Entities become collectively the beneficial owners (as defined in Rule 13d-3 under the 1934 Act) of at least 50% of the outstanding shares of Common Stock, or (v) reorganize, recapitalize or reclassify its Common Stock, (B) that the Company shall, directly or indirectly, including through subsidiaries, Affiliates or otherwise, in one or more related transactions, allow any Subject Entity individually or the Subject Entities in the aggregate to be or become the "beneficial owner" (as defined in Rule 13d-3 under the 1934 Act), directly or indirectly, whether through acquisition, purchase, assignment, conveyance, tender, tender offer, exchange, reduction in outstanding shares of Common Stock, merger, consolidation, business combination, reorganization, recapitalization, spin-off, scheme of arrangement, reorganization, recapitalization or reclassification or otherwise in any manner whatsoever, of either (x) at least 50% of the aggregate ordinary voting power represented by issued and outstanding Common Stock, (y) at least 50% of the aggregate ordinary voting power represented by issued and outstanding Common Stock not held by all such Subject Entities as of the date of this Note calculated as if any shares of Common Stock held by all such Subject Entities were not outstanding, or (z) a percentage of the aggregate ordinary voting power represented by issued and outstanding shares of Common Stock or other equity securities of the Company sufficient to allow such Subject Entities to effect a statutory short form merger or other transaction requiring other shareholders of the Company to surrender their shares of Common Stock without approval of the shareholders of the Company or (C) directly or indirectly, including through subsidiaries, Affiliates or otherwise, in one or more related transactions, the issuance of or the entering into any other instrument or transaction structured in a manner to circumvent, or that circumvents, the intent of this definition in which case this definition shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this definition to the extent necessary to correct this definition or any portion of this definition which may be defective or inconsistent with the intended treatment of such instrument or transaction.

(v) "**GAAP**" means United States generally accepted accounting principles, consistently applied.

(w) "**Group**" means a "group" as that term is used in Section 13(d) of the 1934 Act and as defined in Rule 13d-5 thereunder.

(x) "**Holder Pro Rata Amount**" means fifty percent (50%).

(y) "**Indebtedness**" shall have the meaning ascribed to such term in the Securities Purchase Agreement dated as of August 18, 2017 between the Company and various Buyers.

(z) "**Interest Date**" means, with respect to any given calendar month, the first Trading Day of such calendar month.

(aa) "**Interest Rate**" means eight percent (8%) per annum, as may be adjusted from time to time in accordance with Section 2.

(bb) "**Maturity Date**" shall mean November [ ], 2017; provided, however, the Maturity Date may be extended at the option of the Holder (i) in the event that, and for so long as, an Event of Default shall have occurred and be continuing or any event shall have occurred and be continuing that with the passage of time and the failure to cure would result in an Event of Default or (ii) through the date that is twenty (20) Business Days after the consummation of a Fundamental Transaction in the event that a Fundamental Transaction is publicly announced or a Change of Control Notice is delivered prior to the Maturity Date, provided further that if a Holder elects to convert some or all of this Note pursuant to Section 3 hereof, and the Conversion Amount would be limited pursuant to Section 3(d) hereunder, the Maturity Date shall automatically be extended until such time as such provision shall not limit the conversion of this Note.

(cc) "**New Subsidiary**" means, as of any date of determination, any Person in which the Company after the Subscription Date, directly or indirectly, (i) owns or acquires any of the outstanding capital stock or holds any equity or similar interest of such Person or (ii) controls or operates all or any part of the business, operations or administration of such Person, and all of the foregoing, collectively, "**New Subsidiaries**".

(dd) "**Options**" means any rights, warrants or options to subscribe for or purchase shares of Common Stock or Convertible Securities.

(ee) "**Parent Entity**" of a Person means an entity that, directly or indirectly, controls the applicable Person and whose common stock or equivalent equity security is quoted or listed on an Eligible Market, or, if there is more than one such Person or Parent Entity, the Person or Parent Entity with the largest public market capitalization as of the date of consummation of the Fundamental Transaction.

(ff) "**Permitted Indebtedness**" means (i) Indebtedness evidenced by this Note and the Other Notes, (ii) Indebtedness set forth on Schedule 3(s) to the Securities Purchase Agreement dated as of August 18, 2017 between the Company and various Buyers, as in effect as of the Subscription Date of such Securities Purchase Agreement and (iii) Indebtedness secured by Permitted Liens or unsecured but as described in clauses (iv) and (v) of the definition of Permitted Liens.

(gg) "**Permitted Liens**" means (i) any Lien for taxes not yet due or delinquent or being contested in good faith by appropriate proceedings for which adequate reserves have been established in accordance with GAAP, (ii) any statutory Lien arising in the ordinary course of business by operation of law with respect to a liability that is not yet due or delinquent, (iii) any Lien created by operation of law, such as materialmen's liens, mechanics' liens and other similar liens, arising in the ordinary course of business with respect to a liability that is not yet due or delinquent or that are being contested in good faith by appropriate proceedings, (iv) Liens (A) upon or in any equipment acquired or held by the Company or any of its Subsidiaries to secure the purchase price of such equipment or Indebtedness incurred solely for the purpose of financing the acquisition or lease of such equipment, or (B) existing on such equipment at the time of its acquisition, provided that the Lien is confined solely to the property so acquired and improvements thereon, and the proceeds of such equipment, in either case, with respect to Indebtedness in an aggregate amount not to exceed $50,000, (v) Liens incurred in connection with the extension, renewal or refinancing of the Indebtedness secured by Liens of the type described in clause (iv) above, provided that any extension, renewal or replacement Lien shall be limited to the property encumbered by the existing Lien and the principal amount of the Indebtedness being extended, renewed or refinanced does not increase, (vi) Liens in favor of customs and revenue authorities arising as a matter of law to secure payments of custom duties in connection with the importation of goods, and (vii) Liens arising from judgments, decrees or attachments in circumstances not constituting an Event of Default under Section 4(a)(x).

(hh) "**Person**" means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, any other entity or a government or any department or agency thereof.

(ii) "**Principal Market**" means the OTCQB.

(jj) "**Redemption Notices**" means, collectively, the Event of Default Redemption Notices, the Company Optional Redemption Notices and the Change of Control Redemption Notices, and each of the foregoing, individually, a "**Redemption Notice**."

(kk) "**Redemption Premium**" means 130%.

(ll) "**Redemption Prices**" means, collectively, Event of Default Redemption Prices, the Change of Control Redemption Prices, and the Company Optional Redemption Prices, and each of the foregoing, individually, a "**Redemption Price**."

(mm) "**SEC**" means the United States Securities and Exchange Commission or the successor thereto.

(nn) [Intentionally Omitted]

(oo) "**Subscription Date**" means October 27, 2017.

(pp) "**Subsidiaries**" means, as of any date of determination, collectively, all Current Subsidiaries and all New Subsidiaries, and each of the foregoing, individually, a "**Subsidiary**."

(qq) **"Subject Entity**" means any Person, Persons or Group or any Affiliate or associate of any such Person, Persons or Group.

(rr) "**Successor Entity**" means the Person (or, if so elected by the Holder, the Parent Entity) formed by, resulting from or surviving any Fundamental Transaction or the Person (or, if so elected by the Holder, the Parent Entity) with which such Fundamental Transaction shall have been entered into.

(ss) "**Trading Day**" means, as applicable, (x) with respect to all price or trading volume determinations relating to the Common Stock, any day on which the Common Stock is traded on the Principal Market, or, if the Principal Market is not the principal trading market for the Common Stock, then on the principal securities exchange or securities market on which the Common Stock is then traded, provided that "Trading Day" shall not include any day on which the Common Stock is scheduled to trade on such exchange or market for less than 4.5 hours or any day that the Common Stock is suspended from trading during the final hour of trading on such exchange or market (or if such exchange or market does not designate in advance the closing time of trading on such exchange or market, then during the hour ending at 4:00:00 p.m., New York time) unless such day is otherwise designated as a Trading Day in writing by the Holder or (y) with respect to all determinations other than price determinations relating to the Common Stock, any day on which The New York Stock Exchange (or any successor thereto) is open for trading of securities.

(tt) "**VWAP**" means, for any security as of any date, the dollar volume-weighted average price for such security on the Principal Market (or, if the Principal Market is not the principal trading market for such security, then on the principal securities exchange or securities market on which such security is then traded) during the period beginning at 9:30:01 a.m., New York time, and ending at 4:00:00 p.m., New York time, as reported by Bloomberg through its "HP" function (set to weighted average) or, if the foregoing does not apply, the dollar volume-weighted average price of such security in the over-the-counter market on the electronic bulletin board for such security during the period beginning at 9:30:01 a.m., New York time, and ending at 4:00:00 p.m., New York time, as reported by Bloomberg, or, if no dollar volume-weighted average price is reported for such security by Bloomberg for such hours, the average of the highest closing bid price and the lowest closing ask price of any of the market makers for such security as reported in the "pink sheets" by OTC Markets Group Inc. (formerly Pink Sheets LLC). If the VWAP cannot be calculated for such security on such date on any of the foregoing bases, the VWAP of such security on such date shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved in accordance with the procedures in Section 22. All such determinations shall be appropriately adjusted for any stock dividend, stock split, stock combination, recapitalization or other similar transaction during such period.

(uu) [Intentionally Omitted]

32. DISCLOSURE. Upon receipt or delivery by the Company of any notice in accordance with the terms of this Note, unless the Company has in good faith determined that the matters relating to such notice do not constitute material, non-public information relating to the Company or any of its Subsidiaries, the Company shall within one (1) Business Day after any such receipt or delivery publicly disclose such material, non-public information on a Current Report on Form 8-K or otherwise. In the event that the Company believes that a notice contains material, non-public information relating to the Company or any of its Subsidiaries, the Company so shall indicate to the Holder contemporaneously with delivery of such notice, and in the absence of any such indication, the Holder shall be allowed to presume that all matters relating to such notice do not constitute material, non-public information relating to the Company or any of its Subsidiaries. If the Company or any of its Subsidiaries provides material non-public information to the Holder that is not simultaneously filed in a Current Report on Form 8-K and the Holder has not agreed to receive such material non-public information, the Company hereby covenants and agrees that the Holder shall not have any duty of confidentiality to the Company, any of its Subsidiaries or any of their respective officers, directors, employees, affiliates or agents with respect to, or a duty to any of the foregoing not to trade on the basis of, such material non-public information.

[*signature page follows*]

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed as of the Issuance Date set out above.

TIMEFIREVR INC.

By:_____
Name: _____
Title: Chief Executive Officer

EXHIBIT I

TIMEFIREVR INC
CONVERSION NOTICE

Reference is made to the Senior Convertible Note (the "**Note**") issued to the undersigned by TimeFireVR Inc., a Nevada corporation (the "**Company**"). In accordance with and pursuant to the Note, the undersigned hereby elects to convert the Conversion Amount (as defined in the Note) of the Note indicated below into shares of Common Stock, $0.001 par value per share (the "**Common Stock**"), of the Company, as of the date specified below. Capitalized terms not defined herein shall have the meaning as set forth in the Note.

Date of Conversion: _____

Aggregate Principal to be converted: _____

Aggregate accrued and unpaid Interest and accrued and unpaid Late Charges with respect to such portion of the Aggregate Principal and such Aggregate Interest to be converted: _____

AGGREGATE CONVERSION AMOUNT
TO BE CONVERTED: _____

Please confirm the following information:

Conversion Price: _____

Number of shares of Common Stock to be issued: _____

[_] If this Conversion Notice is being delivered with respect to an Alternate Conversion, check here if Holder is electing to use the following Alternate Conversion Price:_____

Please issue the Common Stock into which the Note is being converted to Holder, or for its benefit, as follows:

[_] Check here if requesting delivery as a certificate to the following name and to the following address:

Issue to: _____

_____

_____

[_] Check here if requesting delivery by Deposit/Withdrawal at Custodian as follows:

DTC Participant: _____

DTC Number: _____

Account Number: _____

Date: _____ __, _____

_____
Name of Registered Holder

By: _____
Name:
Title:

Tax ID:_____

Facsimile:_____

E-mail Address:

Exhibit II

ACKNOWLEDGMENT

The Company hereby (a) acknowledges this Conversion Notice, (b) certifies that the above indicated number of shares of Common Stock [are][are not] eligible to be resold by the Holder either (i) pursuant to Rule 144 (subject to the Holder's execution and delivery to the Company of a customary 144 representation letter) or (ii) an effective and available registration statement and (c) hereby directs _____ to issue the above indicated number of shares of Common Stock in accordance with the Transfer Agent Instructions dated _____, 20__ from the Company and acknowledged and agreed to by _____.

TIMEFIREVR INC.

By:_____
Name:
Title:

EXHIBIT 10.12

Execution Copy

SECURITY AGREEMENT

THIS SECURITY AGREEMENT, dated as of October [ ] , 2017 (as amended, supplemented or otherwise modified from time to time in accordance with the provisions hereof, this "Agreement"), made by and among TimeFireVR Inc. a Nevada corporation (the "Grantor"), in favor of _____ and _____. Each of _____shall be a "Secured Party, and collectively the "Secured Parties".

WHEREAS, on the date hereof, each Secured Party has agreed to make a loan to the Grantor in the principal amount of Thirty-Five Thousand Dollars ($35,000) (each, a "Loan," and collectively, the "Loans"), evidenced by those certain Senior Secured Convertible Notes of even date herewith (as amended, supplemented or otherwise modified from time to time, each a "Note" and collectively the "Notes") made by the Grantor and payable to the order of each Secured Party thereunder;

WHEREAS, Grantor intends to use a portion of the Loans to pay or otherwise dispose of Grantor's obligations as they become due in the ordinary course of business;

WHEREAS, this Agreement is given by the Grantor in favor of the Secured Parties to secure the payment and performance of all of the Secured Obligations evidenced by the Notes; and

WHEREAS, it is a condition to the obligations of the Secured Parties to make the Loans under the Notes that the Grantor execute and deliver this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants, terms and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Definitions.

For purposes of this Agreement, the following terms shall have the following meanings:

"Collateral" has the meaning set forth in Section 2.

"Collateral Agent" has the meaning set forth in Section 7.

"Event of Default" has the meaning set forth in the Notes.

"First Priority" means, with respect to any lien and security interest purported to be created in any Collateral pursuant to this Agreement, such lien and security interest is the most senior lien to which such Collateral is subject (subject only to liens permitted under the Notes).

"Proceeds" means "proceeds" as such term is defined in Section 9-102 of the UCC and, in any event, shall include, without limitation, all dividends or other income from the Collateral, collections thereon or distributions with respect thereto.

"Secured Obligations" has the meaning set forth in Section 3.

"UCC" means the Uniform Commercial Code as in effect from time to time in the State of Delaware or, when the laws of any other state govern the method or manner of the perfection or enforcement of any security interest in any of the Collateral, the Uniform Commercial Code as in effect from time to time in such state.

2. Grant of Security Interest. The Grantor hereby pledges and grants to the Secured Parties, and hereby creates a continuing First Priority lien and security interest in favor of the Secured Parties in and to all of its right, title and interest in and to the following, wherever located, whether now existing or hereafter from time to time arising or acquired (collectively, the "Collateral"):

(a) all fixtures and personal property of every kind and nature including all software, trade secrets, computer hardware, accounts (including health-care-insurance receivables), goods (including inventory and equipment), documents (including, if applicable, electronic documents), instruments, promissory notes, chattel paper (whether tangible or electronic), letters of credit, letter-of-credit rights (whether or not the letter of credit is evidenced by a writing), securities and all other investment property, general intangibles (including all payment intangibles), money, deposit accounts, and any other contract rights or rights to the payment of money; and

(b) all Proceeds and products of each of the foregoing, all books and records relating to the foregoing, all supporting obligations related thereto, and all accessions to, substitutions and replacements for, and rents, profits and products of, each of the foregoing, and any and all Proceeds of any insurance, indemnity, warranty or guaranty payable to the Grantor from time to time with respect to any of the foregoing.

3. Secured Obligations. The Collateral secures the due and prompt payment and performance of:

(a) the obligations of the Grantor from time to time arising under each Note, this Agreement or otherwise with respect to the due and prompt payment of: (i) the principal of and premium, if any, and interest on a Loan (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), when and

as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise; and (ii) all other monetary obligations, including fees, costs, attorneys' fees and disbursements, reimbursement obligations, contract causes of action, expenses and indemnities, whether primary, secondary, direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), of the Grantor under or in respect of a Note and this Agreement; and

(b) all other covenants, duties, debts, obligations and liabilities of any kind of the Grantor under or in respect to a Note, this Agreement or any other document made, delivered or given in connection with any of the foregoing, in each case whether evidenced by a note or other writing, whether allowed in any bankruptcy, insolvency, receivership or other similar proceeding, whether arising from an extension of credit, issuance of a letter of credit, acceptance, loan, guaranty, indemnification or otherwise, and whether primary, secondary, direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, fixed or otherwise (all such obligations, covenants, duties, debts, liabilities, sums and expenses set forth in this Section 3 being herein collectively called the "Secured Obligations").

4. Perfection of Security Interest and Further Assurances.

(a) The Grantor hereby irrevocably authorizes a Secured Party at any time and from time to time to file in any relevant jurisdiction any financing statements and amendments thereto that contain the information required by Article 9 of the UCC of each applicable jurisdiction for the filing of any financing statement or amendment relating to the Collateral, including any financing or continuation statements or other documents for the purpose of perfecting, confirming, continuing, enforcing or protecting the security interest granted by the Grantor hereunder, without the signature of the Grantor where permitted by law, including the filing of a financing statement describing the Collateral as all assets now owned or hereafter acquired by the Grantor, or words of similar effect. The Grantor agrees to provide all information required by a Secured Parties pursuant to this Section 4(a) promptly to such Secured Party upon request.

(b) The Grantor agrees that at any time and from time to time, at the expense of the Grantor, the Grantor will promptly execute and deliver all further instruments and documents, obtain such agreements from third parties, and take all further action, that may be necessary or desirable, or that a Secured Party may reasonably request, in order to create and/or maintain the validity, perfection or priority of and protect any security interest granted or purported to be granted hereby or to enable a Secured Party to exercise and enforce its rights and remedies hereunder or under any other agreement with respect to any Collateral.

5. Representations and Warranties. The Grantor represents and warrants as follows:

(a) At the time the Collateral becomes subject to the liens and/or security interests created by this Agreement, the Grantor will be the sole, direct, legal and beneficial owner thereof, free and clear of any lien, security interest, encumbrance, claim, option or right of others except for the security interests created by this Agreement and other liens permitted by the Notes.

(b) The pledge of the Collateral pursuant to this Agreement creates a valid and perfected First Priority security interest in the Collateral, securing the payment and performance when due of the Secured Obligations.

(c) It has full power, authority and legal right to borrow the Loans and pledge the Collateral pursuant to this Agreement.

(d) Each of this Agreement and the Notes has been duly authorized, executed and delivered by the Grantor and constitutes a legal, valid and binding obligation of the Grantor enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and subject to equitable principles (regardless of whether enforcement is sought in equity or at law).

(e) No authorization, approval, or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the borrowing of the Loans and the pledge by the Grantor of the Collateral pursuant to this Agreement or for the execution and delivery of the Notes and this Agreement by the Grantor or the performance by the Grantor of its obligations thereunder.

(f) The execution and delivery of the Notes and this Agreement by the Grantor and the performance by the Grantor of its obligations thereunder, will not violate any provision of any applicable law or regulation or any order, judgment, writ, award or decree of any court, arbitrator or governmental authority, domestic or foreign, applicable to the Grantor or any of its property, or the organizational or governing documents of the Grantor or any agreement or instrument to which the Grantor is party or by which it or its property is bound.

6. Covenants. The Grantor covenants as follows:

(a) The Grantor shall not, without providing at least thirty (30) days' prior written notice to each Secured Party, change its legal name, identity, type of organization, jurisdiction of organization, corporate structure, location of its chief executive office or its principal place of business or its organizational identification number. The Grantor will, prior to any change described in the preceding sentence, take all actions reasonably requested by a Secured Party to maintain the perfection and priority of the Secured Parties' security interest in the Collateral.

(b) The Grantor shall, at its own cost and expense, defend title to the Collateral and the First Priority lien and security interest of each Secured Party therein against the claim of any person claiming against or through the Grantor (except the other Secured Party) and shall maintain and preserve such perfected First Priority security interest for so long as this Agreement shall remain in effect.

(c) The Grantor shall not sell, offer to sell, dispose of, convey, assign or otherwise transfer, grant any option with respect to, restrict, or grant, create, permit or suffer to exist any mortgage, pledge, lien, security interest, option, right of first offer, encumbrance or other restriction or limitation of any nature whatsoever on, any of the Collateral or any interest therein.

(d) The Grantor shall keep the Collateral in good order and repair and will not use the same in violation of law or any policy of insurance thereon. The Grantor will permit the Secured Parties, or their designees, to inspect the Collateral at any reasonable time, wherever located.

(e) The Grantor shall pay promptly when due all taxes, assessments, governmental charges, and levies upon the Collateral or incurred in connection with the use or operation of the Collateral or incurred in connection with this Agreement.

7. Collateral Agent. Grantor, _____ hereby acknowledge and agree that _____ shall act as the "Collateral Agent" hereunder, and the parties hereby irrevocably appoint and authorize _____ to acquire, hold or enforce any and all liens on the Collateral granted pursuant to this Agreement, and to sell or otherwise dispose of the Collateral in accordance with Section 10 hereof in order to secure any of the Secured Obligations, together with such powers and discretion as are reasonably incidental thereto. The Collateral Agent shall be accountable only for amounts or Collateral that it actually receives as a result of the exercise of such powers, and neither the Collateral Agent nor its general partner, employees or agents shall be responsible for any act or failure to act hereunder, except for its own willful misconduct, gross negligence or bad faith.

8. Collateral Agent Appointed Attorney-in-Fact. The Grantor hereby appoints the Collateral Agent the Grantor's attorney-in-fact, with full authority in the place and stead of the Grantor and in the name of the Grantor or otherwise, from time to time in the Collateral Agents reasonable discretion to take any action and to execute any instrument which the Collateral Agent may deem necessary or advisable to accomplish its purposes under this Agreement. This appointment, being coupled with an interest, shall be irrevocable. The Grantor hereby ratifies all that said Collateral Agent shall lawfully do or cause to be done by virtue hereof.

9. Reasonable Care. The Collateral Agent shall have no duty with respect to the care and preservation of the Collateral beyond the exercise of reasonable care. The Collateral Agent shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which the Collateral Agent accords its own property, it being understood that the Collateral Agent shall not have any responsibility for: (a) ascertaining or taking action with respect to any claims, the nature or sufficiency of any payment or performance by any party under or pursuant to any agreement relating to the Collateral or other matters relative to any Collateral, whether or not the Collateral Agent has or is deemed to have knowledge of such matters; or (b) taking any necessary steps to preserve rights against any parties with respect to any Collateral. Nothing set forth in this Agreement, nor the exercise by the Collateral Agent of any of the rights and remedies hereunder, shall relieve the Grantor from the performance of any obligation on the Grantor's part to be performed or observed in respect of any of the Collateral.

10. Remedies Upon Default.

(a) Upon the occurrence of any Event of Default under a Note, after the applicable cure period, if any, a Secured Party may instruct the Collateral Agent to proceed to protect, exercise and enforce, on behalf of such Secured Party, its rights and remedies under the Note against Grantor, and such other rights and remedies as are provided by law or equity including, without limitation, the right to take possession of, hold, collect, sell, lease, deliver, grant options to purchase or otherwise retain, liquidate or dispose of all or any portion of the Collateral. So long as the sale of the Collateral is made in a commercially reasonable manner, the Collateral Agent may sell such Collateral on such terms and to such purchaser(s) as the Collateral Agent, in its absolute discretion may choose, provided it does not favor one Secured Party at the expense of the other Secured Party. Without precluding any other methods of sale, the sale of the Collateral or any portion thereof shall have been made in a commercially reasonable manner if conducted in conformity with reasonable commercial practices of creditors disposing of similar property.

(b) If any Event of Default shall have occurred and be continuing, any cash held by the Collateral Agent as Collateral and all cash Proceeds received by the Collateral Agent in respect of any sale of, collection from, or other realization upon all or any part of the Collateral as stated in Section 10(a) shall be applied in whole or in part by the Collateral Agent to the payment of expenses incurred by the Collateral Agent in connection with the foregoing or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the Collateral Agent hereunder, including reasonable attorneys' fees, and the balance of such proceeds shall be applied or set off against all or any part of the Secured Obligations in such order as the Secured Parties shall jointly elect. Any surplus of such cash or cash Proceeds held by the Collateral Agent and remaining after payment in full of all the Secured Obligations shall be paid over to the Grantor or to whomsoever may be lawfully entitled to receive such surplus. The Grantor shall remain liable for any deficiency if such cash and the cash Proceeds of any sale or other realization of the Collateral are insufficient to pay the Secured Obligations and the fees and other charges of any attorneys employed by the Collateral Agent to collect such deficiency.

(c) If a Secured Party shall determine to exercise its rights to sell all or any of the Collateral pursuant to this Section 10, the Grantor agrees that, upon request of such Secured Party, the Grantor will, at its own expense, do or cause to be done all such acts and things as may be necessary to make such sale of the Collateral or any part thereof valid and binding and in compliance with applicable law.

11. No Waiver and Cumulative Remedies. The Secured Parties shall not by any act (except by a written instrument pursuant to Section 14), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Event of Default. All rights and remedies herein provided are cumulative and are not exclusive of any rights or remedies provided by law.

12. Secured Parties May Perform. If the Grantor fails to perform any obligation contained in this Agreement, either Secured Party may itself

perform, or cause performance of, such obligation, and the expenses of such Secured Party incurred in connection therewith shall be payable by the Grantor; provided that neither Secured Party shall be required to perform or discharge any obligation of the Grantor.

13. Amendments. None of the terms or provisions of this Agreement may be amended, modified, supplemented, terminated or waived, and no consent to any departure by the Grantor therefrom shall be effective unless the same shall be in writing and signed by each Secured Party and the Grantor, and then such amendment, modification, supplement, waiver or consent shall be effective only in the specific instance and for the specific purpose for which made or given.

14. Notice. All notices, offers, acceptance and any other acts under this Agreement (except payment) shall be in writing, and shall be sufficiently given if delivered to the addressees in person, by Federal Express or similar overnight next business day delivery, or by email delivery followed by overnight next business day delivery, as follows:

(a) If to Grantor: TimefireVR Inc.

With a Copy To:

(b) If to _____:

(c) If to _____:

With a Copy To:

or to such other address as any of them, by notice to the other may designate from time to time. Time shall be counted from the date of transmission.

15. Continuing Security Interest; Further Actions. This Agreement shall create a continuing First Priority lien and security interest in the Collateral and shall: (a) subject to Section 16, remain in full force and effect until payment and performance in full of the Secured Obligations; (b) be binding upon the Grantor, its successors and assigns, and (c) inure to the benefit of the Secured Parties and their successors, transferees and assigns; provided that the Grantor may not assign or otherwise transfer any of its rights or obligations under this Agreement without the prior written consent of the Secured Parties.

16. Termination; Release. On the date on which all Secured Obligations have been paid and performed in full, the Secured Parties will, at the request and sole expense of the Grantor, (a) duly assign, transfer and deliver to or at the direction of the Grantor (without recourse and without any representation or warranty) such of the Collateral as may then remain in the possession of such Secured Party, together with any monies at the time held by such Secured Party hereunder, and (b) execute and deliver to the Grantor a proper instrument or instruments acknowledging the satisfaction and termination of this Agreement.

17. Indemnification. The Grantor hereby agree to indemnify, reimburse and hold harmless _____ (including in its position as Collateral Agent) and their directors, officers, employees, attorneys and agents, jointly and severally, from and against any and all claims, liabilities, losses and expenses that may be imposed upon, incurred by, or asserted against any of them, arising out of or related directly or indirectly to this Agreement or the Collateral, except such as are occasioned by the indemnified parties own gross negligence or willful misconduct.

18. Governing Law. This Agreement shall be governed by and construed according to the laws of the State of New York, without giving effect to its choice of law principles. The parties agree that all actions and proceedings arising out of or relating directly or indirectly to this Agreement shall be litigated solely and exclusively in the state or federal courts located in New York County, New York, and that such courts are convenient forums. Each party hereby submits to the personal jurisdiction of such courts for purposes of any such actions or proceedings.

19. Severability. If any term, provision, or condition, or any part thereof, of this Agreement or any of the Notes shall for any reason be found or held invalid or unenforceable by any court or governmental agency of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of such term, provision, or condition nor any other term, provision, or condition, and this Agreement and the Notes shall survive and be construed as if such invalid or unenforceable term, provision, or condition had not been contained therein.

20. **Waiver of Jury Trial. Grantor and the Secured Parties hereby jointly and severally waive any and all right to trial by jury in any action or proceeding relating to this Agreement and the Notes, the obligations hereunder or thereunder, any Collateral securing the Secured Obligations, or any transaction arising therefrom or connected thereto. Grantor and the Secured Parties each represent to the other parties that this waiver is knowingly, willingly, and voluntarily given.**

21. Interpretation. The section headings contained in this Agreement are solely for the purpose of reference and shall not in any way affect the meaning or interpretation of this Agreement. The word “including” shall be deemed to mean “including without limitation.”

22. Entire Agreement. This Agreement embodies the entire agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no representations, promises, warranties, covenants, or undertakings, other than those expressly set forth or referred to herein.

23. Counterparts. This Agreement and any amendments, waivers, consents or supplements hereto may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all taken together shall constitute a single

contract. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or in electronic (i.e., “pdf” or “tif”) format shall be effective as delivery of a manually executed counterpart of this Agreement.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

TimeFireVR Inc., as Grantor

By_____
Name:
Title:

_____, as Secured Party

By_____
Name:
Title:

_____, as Secured Party

By_____
Name:
Title:

_____**,**as Collateral Agent

By_____
Name:
Title:
Solely with respect to Sections 7, 8, 9, 10, 14 and 17

GUARANTY

This GUARANTY (this "Guaranty"), dated as of October ___, 2017, is made by Timefire LLC, an Arizona limited liability company ("Guarantor"), in favor and for the benefit of _____ ("_____," and together with _____, the "Beneficiaries").

Reference is made to: (i) that certain Senior Secured Convertible Note, dated as of even date herewith, by and between TimeFire VR Inc., a Nevada corporation ("Obligor"), and _____; and (ii) that certain Senior Secured Convertible Note, dated as of even date herewith, by and between Obligor and _____. In consideration of the substantial direct and indirect benefits derived by Guarantor from the transactions under the underlying agreement, including payment of past due salaries and rent, and in order to induce the Beneficiaries to enter into same, Guarantor, the subsidiary of Obligor, hereby agrees as follows:

1. Guaranty. Guarantor absolutely, unconditionally and irrevocably guarantees to the Beneficiaries the full and punctual payment and performance of all present and future obligations, liabilities, covenants and agreements required to be observed and performed or paid or reimbursed by Obligor under or relating to the underlying agreements, plus all costs, expenses and fees (including the reasonable fees and expenses of the Beneficiaries respective counsel) in any way relating to the enforcement or protection of the Beneficiaries rights hereunder (collectively, the "Obligations").

2. Guaranty Absolute and Unconditional. Guarantor agrees that its Obligations under this Guaranty are irrevocable, continuing, absolute and unconditional and shall not be discharged or impaired or otherwise affected by, and Guarantor hereby irrevocably waives any defenses to enforcement it may have (now or in the future) by reason of:

(a) Any illegality, invalidity or unenforceability of any Obligation or the underlying agreements or any related agreements or instruments, or any law, regulation, decree or order of any jurisdiction or any other event affecting any term of the Obligations.

(b) Any change in the time, place or manner of payment or performance of, or in any other term of the Obligations, or any rescission, waiver, release, assignment, amendment or other modification of the underlying agreements.

(c) Any taking, exchange, substitution, release, impairment, amendment, waiver, modification or non-perfection of any collateral or any other guaranty for the Obligations, or any manner of sale, disposition or application of proceeds of any collateral or other assets to all or part of the Obligations.

(d) Any default, failure or delay, willful or otherwise, in the performance of the Obligations.

(e) Any change, restructuring or termination of the corporate structure, ownership or existence of Guarantor or Obligor or any insolvency, bankruptcy, reorganization or other similar proceeding affecting Obligor or its assets or any resulting restructuring, release or discharge of any Obligations.

(f) Any failure of the Beneficiaries to disclose to Guarantor any information relating to the business, condition (financial or otherwise), operations, performance, properties or prospects of Obligor now or hereafter known to the Beneficiaries, Guarantor hereby waiving any duty of Beneficiaries to disclose such information.

(g) The failure of any other guarantor or third party to execute or deliver this Guaranty or any other guaranty or agreement, or the release or reduction of liability of Guarantor or any other guarantor or surety with respect to the Obligations.

(h) The failure of the Beneficiaries to assert any claim or demand or to exercise or enforce any right or remedy under the provisions of any underlying agreements or otherwise.

(i) The existence of any claim, set-off, counterclaim, recoupment or other rights that Guarantor or Obligor may have against the Beneficiaries (other than a defense of payment or performance).

(j) Any other circumstance (including, without limitation, any statute of limitations), act, omission or manner of administering the underlying agreements or any existence of or reliance on any representation by the Beneficiaries that might vary the risk of Guarantor or otherwise operate as a defense available to, or a legal or equitable discharge of, Guarantor.

3. Certain Waivers; Acknowledgments. Guarantor further acknowledges and agrees as follows:

(a) Guarantor hereby unconditionally and irrevocably waives any right to revoke this Guaranty and acknowledges that this Guaranty is continuing in nature and applies to all presently existing and future Obligations, until the complete, irrevocable and indefeasible payment and satisfaction in full of the Obligations.

(b) Guarantor hereby unconditionally and irrevocably waives promptness, diligence, notice of acceptance, presentment, demand for performance, notice of non-performance, default, acceleration, protest or dishonor and any other notice with respect to any of the Obligations and this Guaranty and any requirement that the Beneficiaries protect, secure, perfect or insure any lien or any property subject thereto.

(c) Guarantor agrees that its guaranty hereunder shall continue to be effective or be reinstated, as the case may be, if at any time all or part of any payment of any Obligation is voided, rescinded or recovered or must otherwise be returned by the Beneficiaries upon the insolvency, bankruptcy or reorganization of Obligor.

4. Subrogation. Guarantor waives and shall not exercise any rights that it may acquire by way of subrogation, contribution, reimbursement or indemnification for payments made under this Guaranty until all Obligations shall have been indefeasibly paid and discharged in full.

5. Representations and Warranties. To induce the Beneficiaries to enter into the underlying agreements, Guarantor represents and warrants that: (a) Guarantor is a duly organized and validly existing limited liability company in good standing under the laws of the jurisdiction of its organization; (b) this Guaranty constitutes Guarantor's valid and legally binding agreement in accordance with its terms; (c) the execution, delivery and performance of this Guaranty will not violate any order, judgment or decree to which Guarantor or any of its assets may be subject; and (d) Guarantor is currently solvent and will not be rendered insolvent by providing this Guaranty.

6. Notice. All notices, offers, acceptance and any other acts under this Agreement (except payment) shall be in writing, and shall be sufficiently given if delivered to the addressees in person, by Federal Express or similar overnight next business day delivery, or by email delivery followed by overnight next business day delivery, as follows:

(a) If to Grantor: TimefireVR Inc.

With a Copy To:

(b) If to _____.:

(c) If to _____.:

With a Copy To:

or to such other address as any of them, by notice to the other may designate from time to time. Time shall be counted from the date of transmission.

7. Assignment. This Guaranty shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, that Guarantor may not, without the prior written consent of the Beneficiaries, assign any of its rights, powers or obligations hereunder. Any attempted assignment in violation of this section shall be null and void.

8. Governing Law. This Agreement shall be governed by and construed according to the laws of the State of New York, without giving effect to its choice of law principles. The parties agree that all actions and proceedings arising out of or relating directly or indirectly to this Agreement shall be litigated solely and exclusively in the state or federal courts located in New York County, New York, and that such courts are convenient forums. Each party hereby submits to the personal jurisdiction of such courts for purposes of any such actions or proceedings.

9. **Waiver of Jury Trial. Each party hereby irrevocably waives any and all rights to trial by jury with respect to any legal proceeding arising out of or relating to this guaranty or any of the obligations hereunder.**

10. Cumulative Rights. Each right, remedy and power hereby granted to the Beneficiaries or allowed it by applicable law or other agreement shall be cumulative and not exclusive of any other, and may be exercised by the Beneficiaries at any time or from time to time.

11. Severability. If any provision of this Guaranty is to any extent determined by final decision of a court of competent jurisdiction to be unenforceable, the remainder of this Guaranty shall not be affected thereby, and each provision of this Guaranty shall be valid and enforceable to the fullest extent permitted by law.

12. Entire Agreement; Amendments; Headings; Effectiveness. This Guaranty constitutes the sole and entire agreement of Guarantor and the Beneficiaries with respect to the subject matter hereof and supersedes all previous agreements or understandings, oral or written, with respect to such subject matter. No amendment or waiver of any provision of this Guaranty shall be valid and binding unless it is in writing and signed, in the case of an amendment, by all the parties, or in the case of a waiver, by the party against which the waiver is to be effective. Section headings are for convenience of reference only and shall not define, modify, expand or limit any of the terms of this Guaranty. Delivery of this Guaranty by facsimile or in electronic (i.e., pdf or tif) format shall be effective as delivery of a manually executed original of this Guaranty.

[signature pages follow]

IN WITNESS WHEREOF, Guarantor has executed this Guaranty as of the day and year first above written.

GUARANTOR:

TIMEFIRE LLC, an Arizona limited liability company

BY: TIMEFIRE VR INC., Manager

_____
Jonathan Read
Chief Executive Officer

ENERGYTEK CORP.
2016 EQUITY INCENTIVE PLAN

1. Purpose; Eligibility.

1.1 General Purpose. The name of this plan is the EnergyTek Corp. 2016 Equity Incentive Plan (the "**Plan**"). The purposes of the Plan are to (a) enable EnergyTek Corp., a Nevada corporation (the "**Company**"), to attract and retain the types of Employees, Consultants, Officers and Directors who will contribute to the Company's long range success; (b) provide incentives that align the interests of Employees, Consultants and Directors with those of the shareholders of the Company; and (c) promote the success of the Company's business.

1.2 Eligible Award Recipients. The persons eligible to receive Awards are the Employees, Consultants, Officers and Directors of the Company and such other individuals designated by the Committee who are reasonably expected to become Employees, Consultants, Officers and Directors after the receipt of Awards.

1.3 Available Awards. Awards that may be granted under the Plan include: (a) Incentive Stock Options, (b) Non-Qualified Stock Options, (c) Stock Appreciation Rights ("SARs"), (d) Restricted Awards, and (e) Restricted Stock Units.

2. Definitions. In addition to words and phrases defined elsewhere in this Plan, the following capitalized words and phrases have the meanings below.

"Applicable Laws" means the requirements related to or implicated by the administration of the Plan under applicable state corporate law, United States federal and state securities laws, the Code, any stock exchange or quotation system on which the shares of Common Stock are listed or quoted, and the applicable laws of any foreign country or jurisdiction where Awards are granted under the Plan.

"**Award**" means any right granted under the Plan, including an Incentive Stock Option, a Non-Qualified Stock Option, a SAR, a Restricted Award or Restricted Stock Unit.

"**Award Agreement**" means a written agreement, contract, certificate or other instrument or document evidencing the terms and conditions of an individual Award granted under the Plan which may, in the discretion of the Company, be transmitted electronically to any Participant. Each Award Agreement shall be subject to the terms and conditions of the Plan.

"Awardholder" means any person to whom Non-Qualified Stock Options, Restricted Stock Units or SARs are granted pursuant to the Plan.

"**Beneficial Owner**" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the Exchange Act), such "person" shall be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms "Beneficially Owns" and "Beneficially Owned" have a corresponding meaning.

"**Board**" means the Board of Directors of the Company, as constituted at any time.

"Cashless Exercise" shall have the meaning in Section 6.4(b)(ii).

"**Cause**" means:

With respect to any Employee or Consultant: (a) If the Employee or Consultant is a party to an employment or service agreement with the Company and such agreement provides for a definition of Cause, the definition contained therein; or (b) If no such agreement exists, or if such agreement does not define Cause: (i) the commission of, or plea of guilty or no contest to, a felony or a crime involving moral turpitude or the commission of any other act involving willful malfeasance or material fiduciary breach with respect to the Company; (ii) conduct that results in or is reasonably likely to result in harm to the reputation or business of the Company ; (iii) gross negligence or willful misconduct with respect to the Company; or (iv) material violation of state or federal securities laws.

With respect to any Director, a determination by a majority of the disinterested Board members that the Director has engaged in any of the following: (a) malfeasance in office; (b) willful misconduct or gross negligence; (c) false or fraudulent misrepresentation inducing the Director's appointment; (d) wilful conversion of corporate funds; or (e) repeated failure to participate in Board meetings on a regular basis despite having received proper notice of the meetings in advance.

The Committee, in its absolute discretion, shall determine the effect of all matters and questions relating to whether a Participant has been discharged for Cause.

"Change in Control" means a change in the ownership of the Company, a change in the effective control of the Company, or a change in the ownership of a substantial portion of the assets of the Company. A Change in Control has occurred, as fully described in Treasury Regulations Section 1.409A-3(i)(5), as amended from, if one the following events have occurred:

(i) if any one person, or more than one person acting as a group (as defined in Treasury Regulations Section 1.409A-3(i)(5)(v)(B)) acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than 50 percent of the total fair market value or total voting power of the stock of such Company, provided however, incremental increases by a person or group that owns 50 percent of the total fair market value or total voting power of the stock do not result in a change in ownership; or

(ii) if, over a 12 month period, (1) a person or a group acquires ownership of stock of the Company possessing 30 percent or more of the total power of the stock of such Company or (2) a majority of the members of the Company's board of directors is replaced by the directors who are not appointed or recommended for election by a majority of the directors before the new directors' appointment. For the purpose of this definition, the delegation of the power by resolution or stock exchange rule to nominate directors to be elected at a meeting of shareholders shall be disregarded; or

(iii) if a person or group acquires (or has acquired during the 12 month period ending on the date of the most recent acquisition by such person or group) assets from the Company that have a total gross fair market value equal to or greater than 40 percent of the total gross fair market value of all of the assets for the Company immediately before such acquisition or acquisitions, provided however, no change in control results if the assets are transferred to any related entities controlled directly or indirectly by the shareholders of the transferring Company.

"**Code**" means the Internal Revenue Code of 1986, as it may be amended from time to time. Any reference to a section of the Code shall be deemed to include a reference to any regulations promulgated thereunder.

"**Committee**" means a committee of one or more members of the Board appointed by the Board to administer the Plan in accordance with Section 3.3 and Section 3.4.

"**Common Stock**" means the common stock, $.001 par value per share, of the Company, or such other securities of the Company as may be designated by the Committee from time to time in substitution thereof.

"**Company**" means EnergyTek Corp., a Nevada corporation, and its subsidiaries, and any successor thereto.

"**Consultant**" means any individual who is engaged by the Company to render consulting or advisory services.

"**Continuous Service**" means that the Participant's service with the Company, whether as an Employee, Consultant or Director, is not interrupted or terminated. The Participant's Continuous Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant renders service to the Company as an Employee, Consultant or Director or a change in the entity for which the Participant renders such service, provided that there is no interruption or termination of the Participant's Continuous Service; provided further that if any Award is subject to Section 409A of the Code, this sentence shall only be given effect to the extent consistent with Section 409A of the Code. For example, a change in status from an Employee of the Company to a Director will not constitute an interruption of Continuous Service. The Committee or its delegate, in its sole discretion, may determine whether Continuous Service shall be considered interrupted in the case of any leave of absence approved by that party, including sick leave, military leave or any other personal or family leave of absence.

"**Covered Employee**" has the same meaning as set forth in Section 162(m)(3) of the Code, as interpreted by Internal Revenue Service Notice 2007-49.

"**Director**" means a member of the Board.

"**Disability**" means that the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment; provided, however, for purposes of determining the term of an Incentive Stock Option pursuant to Section 6.10 hereof, the term Disability shall have the meaning ascribed to it under Section 22(e)(3) of the Code. The determination of whether an individual has a Disability shall be determined under procedures established by the Committee. Except in situations where the Committee is determining Disability for purposes of the term of an Incentive Stock Option pursuant to Section 6.10 hereof within the meaning of Section 22(e) (3) of the Code, the Committee may rely on any determination that a Participant is disabled for purposes of benefits under any long-term disability plan maintained by the Company in which a Participant participates.

"**Disqualifying Disposition**" has the meaning set forth in Section 14.12.

"**Effective Date**" shall mean the date as of which this Plan is adopted by the Board.

"**Employee**" means any person, including an Officer or Director, employed by the Company; provided that, for purposes of determining eligibility to receive Incentive Stock Options, an Employee shall mean an employee of the Company or a parent or subsidiary corporation within the meaning of Code Section 424. Mere service as a Director or payment of a Director's fee by the Company shall not be sufficient to constitute "employment" by the Company.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

"**Fair Market Value**" means, as of any date, the value of the Common Stock as determined below. If the principal market for the Common Stock is any national securities exchange, or the OTC Markets or a similar system, the Fair Market Value shall be the closing price of

a share of Common Stock (or if no sales were reported the closing price on the date immediately preceding such date) as quoted on such exchange or market on the day of determination, as reported in the Wall Street Journal or such other source as the Committee deems reliable. In the absence of an established market for the Common Stock, the Fair Market Value shall be determined in good faith by the Committee and such determination shall be conclusive and binding on all persons.

"**Free Standing Rights**" has the meaning set forth in Section 7.1(a).

"**Good Reason**" means a Separation From Service for good reason within the meaning of Treasury Regulation Section 1.409A-1(n)(2), as may be amended from time to time.

"**Grant Date**" means the date on which the Committee adopts a resolution, or takes other appropriate action, expressly granting an Award to a Participant that specifies the key terms and conditions of the Award or, if a later date is set forth in such resolution, then such date as is set forth in such resolution.

"**Incentive Stock Option**" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code.

"**Incumbent Directors**" means individuals who, on the Effective Date, constitute the Board, provided that any individual becoming a Director subsequent to the Effective Date whose election or nomination for election to the Board was approved by a vote of at least two-thirds of the Incumbent Directors then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for Director without objection to such nomination) shall be an Incumbent Director. No individual initially elected or nominated as a Director of the Company as a result of an actual or threatened election contest with respect to Directors or as a result of any other actual or threatened solicitation of proxies by or on behalf of any person other than the Board shall be an Incumbent Director.

"**Non-Employee Director**" means a Director who is a "non-employee director" within the meaning of Rule 16b-3.

"**Non-Qualified Stock Option**" means an Option that by its terms does not qualify or is not intended to qualify as an Incentive Stock Option.

"**Officer**" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

"**Option**" means an Incentive Stock Option or a Non-Qualified Stock Option granted pursuant to the Plan.

"Optionholder" means a person to whom an option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.

"**Option Exercise Price**" means the price at which a share of Common Stock may be purchased upon the exercise of an Option.

"**Outside Director**" means a Director who is an "outside director" within the meaning of Section 162(m) of the Code and Treasury Regulations Section 1.162-27(e)(3) or any successor to such statute and regulation.

"**Participant**" means an eligible person to whom an Award is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Award.

"**Permitted Transferee**" means: (a) a member of the Awardholder's immediate family (child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships), any person sharing the Awardholder's household (other than a tenant or employee), a trust in which these persons have more than 50% of the beneficial interest, a foundation in which these persons (or the Awardholder) control the management of assets, and any other entity in which these persons (or the Awardholder) own more than 50% of the voting interests; (b) third parties designated by the Committee in connection with a program established and approved by the Committee pursuant to which Participants may receive a cash payment or other consideration in consideration for the transfer of an Award; and (c) such other transferees as may be permitted by the Committee in its sole discretion.

"**Plan**" means this EnergyTek Corp. 2016 Equity Incentive Plan, as amended and/or amended and restated from time to time.

"**Related Rights**" has the meaning set forth in Section 7.1(a).

"**Restricted Award**" means any Award granted pursuant to Section 7.2(a).

"**Restricted Period**" has the meaning set forth in Section 7.2(a).

"**Rule 16b-3**" means Rule 16b-3 promulgated under the Exchange Act or any successor to Rule 16b-3, as in effect from time to time.

"SAR" means the right pursuant to an Award granted under Section 7.1 to receive, upon exercise, an amount payable in cash or shares equal to the number of shares subject to the SAR that is being exercised multiplied by the excess of (a) the Fair Market Value of a share of Common Stock on the date the Award is exercised, over (b) the exercise price specified in the SAR Award Agreement.

"**Securities Act**" means the Securities Act of 1933, as amended.

"Separation From Service" shall carry the meaning of that phrase as interpreted under Treasury Regulation Section 1.409A-1(h), as may be amended from time, for all purposes of this Plan.

"Without Cause" means an involuntary Separation From Service within the meaning of Treasury Regulation Section 1.409A-1(n), as may be amended from time to time.

"10 **Percent Shareholder**" means a person who owns (or is deemed to own pursuant to Section 424(d) of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company.

3. Administration.

3.1 Authority of Committee. The Plan shall be administered by the Committee or, in the Board's sole discretion, by the Board. Subject to the terms of the Plan, the Committee's charter and Applicable Laws, and in addition to other express powers and authorization conferred by the Plan, the Committee shall have the authority:

(a) to construe and interpret the Plan and apply its provisions;

(b) to promulgate, amend, and rescind rules and regulations relating to the administration of the Plan;

(c) to authorize any person to execute, on behalf of the Company, any instrument required to carry out the purposes of the Plan;

(d) to delegate its authority to one or more Officers of the Company with respect to Options to employees who are not officers or directors;

(e) to determine when Awards are to be granted under the Plan and the applicable Grant Date;

(f) from time to time to select, subject to the limitations set forth in this Plan, those Participants to whom Awards shall be granted;

(g) to determine the number of shares of Common Stock to be made subject to each Award;

(h) to determine whether each Option is to be an Incentive Stock Option or a Non-Qualified Stock Option;

(i) to prescribe the terms and conditions of each Award, including, without limitation, the exercise price and medium of payment and vesting provisions, and to specify the provisions of the Award Agreement relating to such grant;

(j) to amend any outstanding Awards, including for the purpose of modifying the time or manner of vesting, or the term of any outstanding Award; provided, however, that if any such amendment impairs a Participant's rights or increases a Participant's obligations under his or her Award or creates or increases a Participant's federal income tax liability with respect to an Award, such amendment shall also be subject to the Participant's consent;

(k) to determine the duration and purpose of leaves of absences which may be granted to a Participant without constituting termination of their employment for purposes of the Plan, which periods shall be no shorter than the periods generally applicable to Employees under the Company's employment policies;

(l) to make decisions with respect to outstanding Awards that may become necessary upon a change in corporate control or an event that triggers anti-dilution adjustments;

(m) to interpret, administer, reconcile any inconsistency in, correct any defect in and/or supply any omission in the Plan and any instrument or agreement relating to, or Award granted under, the Plan; and

(n) to exercise discretion to make any and all other determinations which it determines to be necessary or advisable for the administration of the Plan.

The Committee also may modify the purchase price or the exercise price of any outstanding Award, provided that if the modification effects a repricing, shareholder approval shall be required before the repricing is effective.

3.2 Committee Decisions Final. All decisions made by the Committee pursuant to the provisions of the Plan shall be final and binding on the Company and the Participants, unless such decisions are determined by a court having jurisdiction to be arbitrary and capricious.

3.3 Delegation. Subject to the Rules of the Nasdaq Stock Market, the Committee, or if no Committee has been appointed, the Board, may delegate administration of the Plan to a committee or committees of one or more members of the Board, and the term

"**Committee**" shall apply to any person or persons to whom such authority has been delegated. The Committee shall have the power to delegate to a subcommittee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board or the Committee shall thereafter be to the committee or subcommittee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may abolish the Committee at any time and revest in the Board the administration of the Plan. The members of the Committee shall be appointed by and serve at the pleasure of the Board. From time to time, the Board may increase or decrease the size of the Committee, add additional members to, remove members (with or without cause) from, appoint new members in substitution therefor, and fill vacancies, however caused, in the Committee. The Committee shall act pursuant to a vote of the majority of its members or, in the case of a Committee comprised of only two members, the unanimous consent of its members, whether present or not, or by the written consent of the majority of its members and minutes shall be kept of all of its meetings and copies thereof shall be provided to the Board. Subject to the limitations prescribed by the Plan and the Board, the Committee may establish and follow such rules and regulations for the conduct of its business as it may determine to be advisable.

3.4 Committee Composition. Except as otherwise determined by the Board, the Committee shall consist solely of two or more Non-Employee Directors who are also Outside Directors. The Board shall have discretion to determine whether or not it intends to comply with the exemption requirements of Rule 16b-3 and/or Section 162(m) of the Code. However, if the Board intends to satisfy such exemption requirements, with respect to Awards to any Covered Employee and with respect to any insider subject to Section 16 of the Exchange Act, the Committee shall be a compensation committee of the Board that at all times consists solely of two or more Non-Employee Directors who are also Outside Directors. Nothing herein shall create an inference that an Award is not validly granted under the Plan in the event Awards are granted under the Plan by a compensation committee of the Board that does not at all times consist solely of two or more Non-Employee Directors who are also Outside Directors.

3.5 Indemnification. In addition to such other rights of indemnification as they may have as Directors or members of the Committee, and to the extent allowed by Applicable Laws, the Committee members and other Directors shall be indemnified by the Company against the reasonable expenses, including attorneys' fees, actually incurred in connection with pre-suit disputes arising from claims or allegations made by or on behalf of an Award recipient and any action, suit or proceeding or in connection with any appeal therein, to which the Company and/or Directors may be a party by reason of any action taken or failure to act under or in connection with the Plan or any Award granted under the Plan, and against all amounts paid by such parties in settlement thereof (provided, however, that the settlement has been approved by the Company, which approval shall not be unreasonably withheld) or paid by the Committee in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such parties did not act in good faith and in a manner which such person reasonably believed to be in the best interests of the Company, or in the case of a criminal proceeding, had no reason to believe that the conduct complained of was unlawful; provided, however, that within 60 days after institution of any such action, suit or proceeding, such persons shall, in writing, offer the Company the opportunity at its own expense to handle and defend such action, suit or proceeding.

4. Shares Subject to the Plan.

4.1 Subject to adjustment in accordance with Section 11, a total of 33,300,000 shares of Common Stock less any outstanding awards shall be available for the grant of Awards under the Plan. During the term of the Awards, the Company shall keep available at all times the number of shares of Common Stock required to satisfy such Awards.

4.2 Shares of Common Stock available for distribution under the Plan may consist, in whole or in part, of authorized and unissued shares, treasury shares or shares reacquired by the Company in any manner.

4.3 Subject to adjustment in accordance with Section 11, no Participant shall be granted, during any one year period, Options to purchase Common Stock and SARs with respect to more than 5,000,000 shares of Common Stock in the aggregate or any other Awards with respect to more than 5,000,000 shares of Common Stock in the aggregate. If an Award is to be settled in cash, the number of shares of Common Stock on which the Award is based shall count toward the individual share limit set forth in this Section 4.

4.4 Any shares of Common Stock subject to an Award that is canceled, forfeited or expires prior to exercise or realization, either in full or in part, shall again become available for issuance under the Plan. Notwithstanding anything to the contrary contained herein: shares subject to an Award under the Plan shall not again be made available for issuance or delivery under the Plan if such shares are (a) shares tendered in payment of an Option, (b) shares delivered or withheld by the Company to satisfy any tax withholding obligation, or (c) shares covered by a stock-settled SAR or other Awards that were not issued upon the settlement of the Award.

5. Eligibility.

5.1 Eligibility for Specific Awards. Incentive Stock Options may be granted only to Employees. Awards other than Incentive Stock Options may be granted to Employees, Consultants, Officers and Directors and those individuals whom the Committee determines are reasonably expected to become Employees, Consultants, Officers and Directors following the Grant Date.

5.2 10 Percent Shareholders. A 10 Percent Shareholder shall not be granted an Incentive Stock Option unless the Option Exercise Price is at least 110% of the Fair Market Value of the Common Stock at the Grant Date and the Option is not exercisable after the expiration of five years from the Grant Date.

6. Option Provisions. Each Option granted under the Plan shall be evidenced by an Award Agreement. Each Option so granted shall be subject to the conditions set forth in this Section 6, and to such other conditions not inconsistent with the Plan as may be reflected in the

applicable Award Agreement. All Options shall be separately designated Incentive Stock Options or Non-Qualified Stock Options at the time of grant, and, if certificates are issued, a separate certificate or certificates will be issued for shares of Common Stock purchased on exercise of each type of Option. Notwithstanding the foregoing, the Company shall have no liability to any Participant or any other person if an Option designated as an Incentive Stock Option fails to qualify as such at any time or if an Option is determined to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code and the terms of such Option do not satisfy the requirements of Section 409A of the Code. The provisions of separate Options need not be identical, but each Option shall include (through incorporation of provisions hereof by reference in the Option or otherwise) the substance of each of the following provisions:

6.1 Term. Subject to the provisions of Section 5.2 regarding 10 Percent Shareholders, no Incentive Stock Option shall be exercisable after the expiration of 10 years from the Grant Date. The term of a Non-Qualified Stock Option granted under the Plan shall be determined by the Committee; provided, however, no Non-Qualified Stock Option shall be exercisable after the expiration of 10 years from the Grant Date.

6.2 Exercise Price of An Incentive Stock Option. Subject to the provisions of Section 5.2 regarding 10 Percent Shareholders, the Option Exercise Price of each Incentive Stock Option shall be not less than 100% of the Fair Market Value of the Common Stock subject to the Option on the Grant Date. Notwithstanding the foregoing, an Incentive Stock Option may be granted with an Option Exercise Price lower than that set forth in the preceding sentence if such Option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 424(a) of the Code.

6.3 Exercise Price of a Non-Qualified Stock Option. The Option Exercise Price of each Non-Qualified Stock Option shall be not less than 100% of the Fair Market Value of the Common Stock subject to the Option on the Grant Date. Notwithstanding the foregoing, a Non-Qualified Stock Option may be granted with an Option Exercise Price lower than that set forth in the preceding sentence if such Option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 409A of the Code.

6.4 Consideration. The Option Exercise Price of Common Stock acquired pursuant to an Option shall be paid, to the extent permitted by applicable statutes and regulations, either (a) by wire transfer or by certified or bank check at the time the Option is exercised or (b) in the discretion of the Committee, upon such terms as the Committee shall approve, the Option Exercise Price may be paid: (i) by delivery to the Company of other Common Stock, duly endorsed for transfer to the Company, with a Fair Market Value on the date of delivery equal to the Option Exercise Price (or portion thereof) due for the number of shares being acquired; (ii) a "cashless" exercise program established with a broker; (iii) by reduction in the number of shares of Common Stock otherwise deliverable upon exercise of such Option with a Fair Market Value equal to the aggregate Option Exercise Price at the time of exercise (a "Cashless Exercise"); (iv) any combination of the foregoing methods; or (v) in any other form of legal consideration that may be acceptable to the Committee. Unless otherwise specifically provided in the Option, the exercise price of Common Stock acquired pursuant to an Option that is paid by delivery (or through a Cashless Exercise) to the Company of other Common Stock acquired, directly or indirectly from the Company, shall be paid only by shares of the Common Stock of the Company that have been held for more than six months (or such longer or shorter period of time required to avoid a charge to earnings for financial accounting purposes). Notwithstanding the foregoing, during any period for which the Common Stock is publicly traded an exercise by a Director or Officer that involves or may involve a direct or indirect extension of credit or arrangement of an extension of credit by the Company, directly or indirectly, in violation of Section 402(a) of the Sarbanes-Oxley Act of 2002 shall be prohibited with respect to any Award under this Plan.

6.5 Transferability of An Incentive Stock Option. An Incentive Stock Option shall not be transferable except by will or by the laws of descent and distribution and shall be exercisable during the lifetime of the Optionholder only by the Optionholder. Notwithstanding the foregoing, the Optionholder may, by delivering written notice to the Company, in a form satisfactory to the Company, designate a third party who, in the event of the death of the Optionholder, shall thereafter be entitled to exercise the Option.

6.6 Transferability of a Non-Qualified Stock Option. A Non-Qualified Stock Option may, in the sole discretion of the Committee, be transferable to a Permitted Transferee, upon written approval by the Committee to the extent provided in the Award Agreement. If the Non-Qualified Stock Option does not provide for transferability, then the Non-Qualified Stock Option shall not be transferable except by will or by the laws of descent and distribution and shall be exercisable during the lifetime of the Optionholder only by the Optionholder. Notwithstanding the foregoing, the Optionholder may, by delivering written notice to the Company, in a form satisfactory to the Company, designate a third party who, in the event of the death of the Optionholder, shall thereafter be entitled to exercise the Option.

6.7 Vesting of Options. The Committee (or an Officer if given authority to grant Options by resolution of the Board) at the time of granting an Award may provide for vesting terms based upon time of service to the Company and/or other criteria. Awards which do not vest shall be forfeited and the underlying Common Stock shall be available for future grant. The Committee may, but shall not be required to, provide for an acceleration of vesting and exercisability in the terms of any Award Agreement upon the occurrence of a specified event.

6.8 Termination of Continuous Service. Unless otherwise provided in an Award Agreement or in an employment agreement the terms of which have been approved by the Committee, in the event an Optionholder's Continuous Service terminates (other than upon the Optionholder's death or Disability), the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise such Option as of the date of termination) but only within such period of time ending on the earlier of (a) the date 12 months following the termination of the Optionholder's Continuous Service or (b) the expiration of the term of the Option as set forth in the Award Agreement; provided that, if the termination of Continuous Service is by the Company for Cause, all outstanding Options (whether or not vested) shall immediately terminate and cease to be exercisable. If, after termination, the Optionholder does not exercise his or her Option within the time specified in the Award Agreement, the Option shall terminate. Except as otherwise provided in an Award Agreement, (including Awards under Section 7), any mention of vesting in an Award Agreement shall be deemed to require that the Participant be providing services to the Company on an applicable vesting date, or the Award shall not vest as of that date or in the future.

6.9 Extension of Termination Date. An Optionholder's Award Agreement may also provide that if the exercise of the Option following the termination of the Optionholder's Continuous Service for any reason would be prohibited at any time because the issuance of shares of Common Stock would violate the registration requirements under the Securities Act or any other state or federal securities law or the rules of any securities exchange or interdealer quotation system, then the Option shall terminate on the earlier of (a) the expiration of the term of the Option in accordance with Section 6.1 or (b) the expiration of a period after termination of the Participant's Continuous Service that is 12 months after the end of the period during which the exercise of the Option would be in violation of such registration or other securities law requirements.

6.10 Disability of Optionholder. Unless otherwise provided in an Award Agreement, in the event that an Optionholder's Continuous Service terminates as a result of the Optionholder's Disability, the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise such Option as of the date of termination), but only within such period of time ending on the earlier of (a) the date 12 months following such termination or (b) the expiration of the term of the Option as set forth in the Award Agreement. If, after termination, the Optionholder does not exercise his or her Option within the time specified herein or in the Award Agreement, the Option shall terminate.

6.11 Death of Optionholder. Unless otherwise provided in an Award Agreement, in the event an Optionholder's Continuous Service terminates as a result of the Optionholder's death, then the Option may be exercised (to the extent the Optionholder was entitled to exercise such Option as of the date of death) by the Optionholder's estate, by a person who acquired the right to exercise the Option by bequest or inheritance or by a person designated to exercise the Option upon the Optionholder's death, but only within the period ending on the earlier of (a) the date 12 months following the date of death or (b) the expiration of the term of such Option as set forth in the Award Agreement. If, after the Optionholder's death, the Option is not exercised within the time specified herein or in the Award Agreement, the Option shall terminate.

6.12 Incentive Stock Option $100,000 Limitation. To the extent that the aggregate Fair Market Value (determined at the time of grant) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any Optionholder during any calendar year (under all plans of the Company) exceeds $100,000, the Options or portions thereof which exceed such limit (according to the order in which they were granted) shall be treated as Non-Qualified Stock Options.

7. Provisions of Awards Other Than Options.

7.1 SARs.

(a) General.

Each SAR granted under the Plan shall be evidenced by an Award Agreement. Each SAR so granted shall be subject to the conditions set forth in this Section 7.1, and to such other conditions not inconsistent with the Plan as may be reflected in the applicable Award Agreement. SARs may be granted alone ("**Free Standing Rights**") or in tandem with an Option granted under the Plan ("**Related Rights**").

(b) Grant Requirements.

Any Related Right that relates to a Non-Qualified Stock Option may be granted at the same time the Option is granted or at any time thereafter but before the exercise or expiration of the Option. Any Related Right that relates to an Incentive Stock Option must be granted at the same time the Incentive Stock Option is granted.

(c) Term of SARs.

The term of a SAR granted under the Plan shall be determined by the Committee; provided, however, no SAR shall be exercisable later than the 10^{th} anniversary of the Grant Date.

(d) Vesting of SARs.

The Committee (or an Officer if given authority to grant SARs by resolution of the Board) at the time of granting an Award may provide for vesting terms based upon time of service to the Company and/or other criteria. Awards which do not vest shall be forfeited and the underlying Common Stock shall be available for future grant. The Committee may, but shall not be required to provide for an acceleration of vesting and exercisability in the terms of any Award Agreement upon the occurrence of a specified event.

(e) Exercise and Payment.

Upon exercise of a SAR, if a stock settled SAR the holder shall be entitled to receive from the Company an amount equal to the number of shares of Common Stock subject to the SAR that is being exercised multiplied by the excess of (i) the Fair Market Value of a share of Common Stock on the date the Award is exercised, over (ii) the exercise price specified in the SAR or related Option. Otherwise, if a cash settled SAR, the holder shall be paid cash using the same formula. Payment with respect to the exercise of a SAR shall be made on the date of exercise. Payment shall be made in the form of shares of Common Stock (with or without restrictions as to substantial risk of forfeiture and transferability, as determined by the Committee in its sole discretion), cash or a combination thereof, as determined by the Committee.

(f) Exercise Price.

The exercise price of a Free Standing Rights SAR shall be determined by the Committee, but shall not be less than 100% of the Fair Market Value of one share of Common Stock on the Grant Date of such SAR. A Related Right granted simultaneously with or subsequent to the grant of an Option and in conjunction therewith or in the alternative thereto shall have the same exercise price as the related Option, shall be transferable only upon the same terms and conditions as the related Option, and shall be exercisable only to the same extent as the related Option; provided, however, that a SAR, by its terms, shall be exercisable only when the Fair Market Value per share of Common Stock subject to the SAR and related Option exceeds the exercise price per share thereof and no SARs may be granted in tandem with an Option unless the Committee determines that the requirements of Section 6 are satisfied.

(g) Reduction in the Underlying Option Shares.

Upon any exercise of a Related Right, the number of shares of Common Stock for which any related Option shall be exercisable shall be reduced by the number of shares for which the SAR has been exercised. The number of shares of Common Stock for which a Related Right shall be exercisable shall be reduced upon any exercise of any related Option by the number of shares of Common Stock for which such Option has been exercised.

7.2 Restricted Awards.

(a) General.

A Restricted Award is an Award of actual shares of Common Stock (" **Restricted Stock**") or units of Common Stock ("**Restricted Stock Units**"), which may, but need not, provide that such Restricted Award may not be sold, assigned, transferred or otherwise disposed of, pledged or hypothecated as collateral for a loan or as security for the performance of any obligation or for any other purpose for such period (the "**Restricted Period**") as the Committee shall determine. Each Restricted Award granted under the Plan shall be evidenced by an Award Agreement. Each Restricted Award so granted shall be subject to the conditions set forth in this Section 7.2, and to such other conditions not inconsistent with the Plan as may be reflected in the applicable Award Agreement.

(b) Restricted Stock and Restricted Stock Units.

(i) Each Participant granted Restricted Stock shall execute and deliver to the Company an Award Agreement with respect to the Restricted Stock setting forth the restrictions and other terms and conditions applicable to such Restricted Stock. If the Committee determines that the Restricted Stock shall be held by the Company or in escrow rather than delivered to the Participant pending the release of the applicable restrictions, the Committee may require the Participant to additionally execute and deliver to the Company (A) an escrow agreement satisfactory to the Committee, if applicable and (B) the appropriate blank stock power with respect to the Restricted Stock covered by such agreement. If a Participant fails to execute an agreement evidencing an Award of Restricted Stock and, if applicable, an escrow agreement and stock power, the Award shall be null and void. Subject to the restrictions set forth in the Award, the Participant generally shall have the rights and privileges of a shareholder as to such Restricted Stock, including the right to vote such Restricted Stock and the right to receive dividends; provided that, any cash dividends and stock dividends with respect to the Restricted Stock shall be withheld by the Company for the Participant's account, and interest may be credited on the amount of the cash dividends withheld at a rate and subject to such terms as determined by the Committee. The cash dividends or stock dividends so withheld by the Committee and attributable to any particular share of Restricted Stock (and earnings thereon, if applicable) shall be distributed to the Participant in cash or, at the discretion of the Committee, in shares of Common Stock having a Fair Market Value equal to the amount of such dividends, if applicable, upon the release of restrictions on such share and, if such share is forfeited, the Participant shall have no right to such dividends.

(ii) The terms and conditions of a grant of Restricted Stock Units shall be reflected in an Award Agreement. No shares of Common Stock shall be issued at the time a Restricted Stock Unit is granted. A Participant shall have no voting rights with respect to any Restricted Stock Units granted hereunder. At the discretion of the Committee, each Restricted Stock Unit (representing one share of Common Stock) may be credited with cash and stock dividends paid by the Company in respect of one share of Common Stock ("**Dividend Equivalents**"). Dividend Equivalents shall be withheld by the Company for the Participant's account, and interest may be credited on the amount of cash Dividend Equivalents withheld at a rate and subject to such terms as determined by the Committee. Dividend Equivalents credited to a Participant's account and attributable to any particular Restricted Stock Unit (and earnings thereon, if applicable) shall be distributed in cash or, at the discretion of the Committee, in shares of Common Stock having a Fair Market Value equal to the amount of such Dividend Equivalents and earnings, if applicable, to the Participant upon settlement of such Restricted Stock Unit and, if such Restricted Stock Unit is forfeited, the Participant shall have no right to such Dividend Equivalents.

(c) Restrictions.

(i) Restricted Stock awarded to a Participant shall be subject to the following restrictions until the expiration of the Restricted Period, and to such other terms and conditions as may be set forth in the applicable Award Agreement: (A) if an escrow arrangement is used, the Participant shall not be entitled to delivery of the stock certificate; (B) the shares shall be subject to the restrictions on transferability set forth in the Award Agreement; (C) the shares shall be subject to forfeiture to the extent provided in the applicable Award Agreement; and (D) to the extent such shares are forfeited, the stock certificates shall be returned to the Company, and all rights of the Participant to such shares and as a shareholder with respect to such shares shall terminate without further obligation on the part of the Company.

(ii) Restricted Stock Units awarded to any Participant shall be subject to (A) forfeiture until the expiration of the Restricted Period to the extent provided in the applicable Award Agreement, and to the extent such Restricted Stock Units are forfeited, all

rights of the Participant to such Restricted Stock Units shall terminate without further obligation on the part of the Company and (B) such other terms and conditions as may be set forth in the applicable Award Agreement.

(iii) The Committee shall have the authority to remove any or all of the restrictions on the Restricted Stock and Restricted Stock Units whenever it may determine that, by reason of changes in Applicable Laws or other changes in circumstances arising after the date the Restricted Stock or Restricted Stock Units are granted, such action is appropriate.

(d) Vesting of Restricted Awards.

The Committee at the time of granting an Award may provide for vesting terms based upon time of service to the Company and/or other criteria. Awards which do not vest shall be forfeited and the underlying Common Stock shall be available for future grant. The Committee may, but shall not be required to provide for an acceleration of vesting and exercisability in the terms of any Award Agreement upon the occurrence of a specified event. No Restricted Award may be granted or settled for a fraction of a share of Common Stock.

(e) Delivery of Restricted Stock and Settlement of Restricted Stock Units.

Upon the expiration of the Restricted Period with respect to any shares of Restricted Stock, the restrictions set forth in Section 7.2(c) and the applicable Award Agreement shall be of no further force or effect with respect to such shares, except as set forth in the applicable Award Agreement. If an escrow arrangement is used, upon such expiration, the Company shall deliver to the Participant, or his or her beneficiary, without charge, the stock certificate evidencing the shares of Restricted Stock which have not then been forfeited and with respect to which the Restricted Period has expired (to the nearest full share) and any cash dividends or stock dividends credited to the Participant's account with respect to such Restricted Stock and the interest thereon, if any. Upon the expiration of the Restricted Period with respect to any outstanding Restricted Stock Units, the Company shall deliver to the Participant, or his or her beneficiary, without charge, one share of Common Stock for each such outstanding Restricted Stock Unit ("**Vested Unit**") and cash equal to any Dividend Equivalents credited with respect to each such Vested Unit in accordance with Section 7.2(b)(ii) hereof and the interest thereon or, at the discretion of the Committee, in shares of Common Stock having a Fair Market Value equal to such Dividend Equivalents and the interest thereon, if any.

(f) Stock Restrictions.

Each certificate representing Restricted Stock awarded under the Plan shall bear a legend in such form as the Company deems appropriate.

8. Securities Law Compliance. Each Award Agreement shall provide that no shares of Common Stock shall be purchased or sold thereunder unless and until (a) any then applicable requirements of state or federal laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel and (b) if required to do so by the Company, the Participant has executed and delivered to the Company a letter of investment intent in such form and containing such provisions as the Committee may require. The Company shall use reasonable efforts to seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to grant Awards and to issue and sell shares of Common Stock upon exercise of the Awards; provided, however, that this undertaking shall not require the Company to register under the Securities Act the Plan, any Award or any Common Stock issued or issuable pursuant to any such Award. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority which counsel for the Company deems necessary for the lawful issuance and sale of Common Stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell Common Stock upon exercise of such Awards unless and until such authority is obtained.

9. Use of Proceeds from Stock. Proceeds from the sale of Common Stock pursuant to Awards, or upon exercise thereof, shall constitute general funds of the Company.

10. Miscellaneous.

10.1 Acceleration of Exercisability and Vesting. The Committee shall have the power to accelerate the time at which an Award may first be exercised or the time during which an Award or any part thereof will vest in accordance with the Plan, notwithstanding the provisions in the Award stating the time at which it may first be exercised or the time during which it will vest.

10.2 Shareholder Rights. Except as provided in the Plan or an Award Agreement, no Participant shall be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Common Stock subject to such Award unless and until such Participant has satisfied all requirements for exercise of the Award pursuant to its terms and no adjustment shall be made for dividends (ordinary or extraordinary, whether in cash, securities or other property) or distributions of other rights for which the record date is prior to the date such Common Stock certificate is issued, except as provided in Section 11 hereof.

10.3 No Employment or Other Service Rights. Nothing in the Plan or any instrument executed or Award granted pursuant thereto shall confer upon any Participant any right to continue to serve the Company or a subsidiary in the capacity in effect at the time the Award was granted or shall affect the right of the Company or a subsidiary to terminate (a) the employment of an Employee with or without notice and with or without Cause or (b) the service of a Director pursuant to the By-laws of the Company or a subsidiary, and any applicable provisions of the corporate law of the state in which the Company or a subsidiary is incorporated, as the case may be.

10.4 Transfer; Approved Leave of Absence. For purposes of the Plan, no termination of employment by an Employee shall be deemed to result from either (a) a transfer to the employment of the Company [from a subsidiary or from the Company to a subsidiary, or from one subsidiary to another], or (b) an approved leave of absence for military service or sickness, or for any other purpose approved by the

Company, if the Employee's right to reemployment is guaranteed either by a statute or by contract or under the policy pursuant to which the leave of absence was granted or if the Committee otherwise so provides in writing, in either case, except to the extent inconsistent with Section 409A of the Code if the applicable Award is subject thereto.

10.5 Withholding Obligations. To the extent provided by the terms of an Award Agreement and subject to the discretion of the Committee, the Participant may satisfy any federal, state or local tax withholding obligation relating to the exercise or acquisition of Common Stock under an Award by any of the following means (in addition to the Company's right to withhold from any compensation paid to the Participant by the Company) or by a combination of such means: (a) tendering a cash payment; (b) authorizing the Company to withhold shares of Common Stock from the shares of Common Stock otherwise issuable to the Participant as a result of the exercise or acquisition of Common Stock under the Award, provided, however, that no shares of Common Stock are withheld with a value exceeding the minimum amount of tax required to be withheld by law; or (c) delivering to the Company previously owned and unencumbered shares of Common Stock of the Company.

11. Adjustments Upon Changes in Stock. In the event of changes in the outstanding Common Stock or in the capital structure of the Company by reason of any stock or extraordinary cash dividend, stock split, combination or reverse stock split, an extraordinary corporate transaction such as any recapitalization, reorganization, merger, consolidation, combination, exchange, or other relevant change in capitalization occurring after the Grant Date of any Award, Awards granted under the Plan and any Award Agreements, the exercise price of Options and SARs, the maximum number of shares of Common Stock subject to all Awards stated in Section 4 and the maximum number of shares of Common Stock with respect to which any one person may be granted Awards during any period stated in Section 4 and Section 7.2 will be equitably adjusted or substituted, as to the number, price or kind of a share of Common Stock or other consideration subject to such Awards to the extent necessary to preserve the economic intent of such Award. In the case of adjustments made pursuant to this Section 11, unless the Committee specifically determines that such adjustment is in the best interests of the Company, the Committee shall, in the case of Incentive Stock Options, ensure that any adjustments under this Section 11 will not constitute a modification, extension or renewal of the Incentive Stock Options within the meaning of Section 424(h)(3) of the Code and in the case of Non-Qualified Stock Options, ensure that any adjustments under this Section 11 will not constitute a modification of such Non-Qualified Stock Options within the meaning of Section 409A of the Code. Any adjustments made under this Section 11 shall be made in a manner which does not adversely affect the exemption provided pursuant to Rule 16b-3 under the Exchange Act. Further, with respect to Awards intended to qualify as "performance-based compensation" under Section 162(m) of the Code, any adjustments or substitutions will not cause the Company to be denied a tax deduction on account of Section 162(m) of the Code. The Company shall give each Participant notice of an adjustment hereunder and, upon notice, such adjustment shall be conclusive and binding for all purposes.

12. Effect of Change in Control.

12.1 Unless otherwise provided in an Award Agreement, notwithstanding any provision of the Plan to the contrary:

In the event of a Participant's termination of Continuous Service without Cause or for Good Reason during the 12-month period following a Change in Control, notwithstanding any provision of the Plan or any applicable Award Agreement to the contrary, all Options and SARs shall become immediately exercisable with respect to 100% of the shares subject to such Options or SARs, and/or the Restricted Period shall expire immediately with respect to 100% of the shares of Restricted Stock or Restricted Stock Units as of the date of the Participant's termination of Continuous Service.

To the extent practicable, any actions taken by the Committee under the immediately preceding clause shall occur in a manner and at a time which allows affected Participants the ability to participate in the Change in Control with respect to the shares of Common Stock subject to their Awards.

12.2 In addition, in the event of a Change in Control, the Committee may in its discretion and upon at least 10 days' advance notice to the affected persons, cancel any outstanding Awards and pay to the holders thereof, in cash or stock, or any combination thereof, the value of such Awards based upon the price per share of Common Stock received or to be received by other shareholders of the Company in the event. In the case of any Option or SAR with an exercise price (or SAR Exercise Price in the case of a SAR) that equals or exceeds the price paid for a share of Common Stock in connection with the Change in Control, the Committee may cancel the Option or SAR without the payment of consideration therefor.

12.3 The obligations of the Company under the Plan shall be binding upon any successor corporation or organization resulting from the merger, consolidation or other reorganization of the Company, or upon any successor corporation or organization succeeding to all or substantially all of the assets and business of the Company, taken as a whole.

13. Amendment of the Plan and Awards.

13.1 Amendment of Plan. The Board at any time, and from time to time, may amend or terminate the Plan. However, except as provided in Section 11 relating to adjustments upon changes in Common Stock and Section 13.3, no amendment shall be effective unless approved by the shareholders of the Company to the extent shareholder approval is necessary to satisfy any Applicable Laws. At the time of such amendment, the Board shall determine, upon advice from counsel, whether such amendment will be contingent on shareholder approval.

13.2 Shareholder Approval. The Board may, in its sole discretion, submit any other amendment to the Plan for shareholder approval, including, but not limited to, amendments to the Plan intended to satisfy the requirements of Section 162(m) of the Code and the regulations thereunder regarding the exclusion of performance-based compensation from the limit on corporate deductibility of compensation paid to certain executive officers.

13.3 Contemplated Amendments. It is expressly contemplated that the Board may amend the Plan in any respect the Board deems necessary or advisable to provide eligible Employees, Consultants and Directors with the maximum benefits provided or to be provided under the provisions of the Code and the regulations promulgated thereunder relating to Incentive Stock Options or to the nonqualified deferred compensation provisions of Section 409A of the Code and/or to bring the Plan and/or Awards granted under it into compliance therewith.

13.4 No Impairment of Rights. Rights under any Award granted before amendment of the Plan shall not be impaired by any amendment of the Plan unless (a) the Company requests the consent of the Participant and (b) the Participant consents in writing.

13.5 Amendment of Awards. The Committee at any time, and from time to time, may amend the terms of any one or more Awards; provided, however, that the Committee may not affect any amendment which would otherwise constitute an impairment of the rights under any Award unless (a) the Company requests the consent of the Participant and (b) the Participant consents in writing.

14. General Provisions.

14.1 Forfeiture Events. The Committee may specify in an Award Agreement that the Participant's rights, payments and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture or recoupment upon the occurrence of certain events, in addition to applicable vesting conditions of an Award. Such events may include, without limitation, breach of non-competition, non-solicitation, confidentiality, or other restrictive covenants that are contained in the Award Agreement or otherwise applicable to the Participant, a termination of the Participant's Continuous Service for Cause, or other conduct by the Participant that is detrimental to the business or reputation of the Company.

14.2 Clawback. Except as provided in a written agreement with the Participant, all Awards shall be subject to possible clawback as provided below. Any clawback as may be required to be made pursuant to any law, government regulation or stock exchange listing requirement (or any policy adopted by the Company pursuant to any such law, government regulation or stock exchange listing requirement) shall be automatic without further action by the Board or Committee and be incorporated in this Plan and all Award Agreements. The following clawback provisions shall be deemed to be incorporated in any Award Agreement, unless otherwise specified to the contrary.

(a) The Awardholder is dismissed as an employee for Cause;

(b) The Awardholder purchases or sells securities of the Company in violation of the Company's insider trading guidelines then in effect;

(c) The Awardholder breaches any duty of confidentiality including that required by the Company's insider trading guidelines then in effect;

(d) The Awardholder competes with the Company by soliciting customers located within or otherwise where the Company is doing business within any state, or where the Company expects to do business within three months following ceasing to perform the Services and, in this later event, the Awardholder has actual knowledge of such plans;

(e) The Awardholder is unavailable for consultation after termination of the Awardholder if such availability is a condition of any agreement between the Company and the Awardholder;

(f) The Awardholder recruits Company personnel for another entity or business; within 24 months following termination of employment;

(g) The Awardholder fails to assign any invention, technology, or related intellectual property rights to the Company if such assignment is a condition of any agreement between the Company and the Awardholder;

(h) The Awardholder acts in a disloyal manner to the Company; or

(i) A finding by the Board that the Awardholder has acted against the interests of the Company.

14.3 Other Compensation Arrangements. Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to shareholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases.

14.4 Sub-plans. The Committee may from time to time establish sub-plans under the Plan for purposes of satisfying blue sky, securities, tax or other laws of various jurisdictions in which the Company intends to grant Awards. Any sub-plans shall contain such limitations and other terms and conditions as the Committee determines are necessary or desirable. All sub-plans shall be deemed a part of the Plan, but each sub-plan shall apply only to the Participants in the jurisdiction for which the sub-plan was designed.

14.5 Deferral of Awards. The Committee may establish one or more programs under the Plan to permit selected Participants the opportunity to elect to defer receipt of consideration upon exercise of an Award, satisfaction of performance criteria, or other event that absent the election would entitle the Participant to payment or receipt of shares of Common Stock or other consideration under an Award. The Committee may establish the election procedures, the timing of such elections, the mechanisms for payments of, and accrual of interest or other earnings, if any, on amounts, shares or other consideration so deferred, and such other terms, conditions, rules and procedures that the

Committee deems advisable for the administration of any such deferral program.

14.6 Unfunded Plan. The Plan shall be unfunded. Neither the Company, the Board nor the Committee shall be required to establish any special or separate fund or to segregate any assets to assure the performance of its obligations under the Plan.

14.7 Recapitalizations. Each Award Agreement shall contain provisions required to reflect the provisions of Section 11.

14.8 Delivery. Upon exercise of a right granted under this Plan, the Company shall issue Common Stock or pay any amounts due within a reasonable period of time thereafter. Subject to any statutory or regulatory obligations the Company may otherwise have, for purposes of this Plan, 30 days shall be considered a reasonable period of time.

14.9 No Fractional Shares. No fractional shares of Common Stock shall be issued or delivered pursuant to the Plan. The Committee shall determine whether cash, additional Awards or other securities or property shall be issued or paid in lieu of fractional shares of Common Stock or whether any fractional shares should be rounded, forfeited or otherwise eliminated.

14.10 Other Provisions. The Award Agreements authorized under the Plan may contain such other provisions not inconsistent with this Plan, including, without limitation, restrictions upon the exercise of the Awards, as the Committee may deem advisable.

14.11 Section 409A. The Plan is intended to comply with Section 409A of the Code to the extent subject thereto, and, accordingly, to the maximum extent permitted, the Plan shall be interpreted and administered to be in compliance therewith. Any payments described in the Plan that are due within the "short-term deferral period" as defined in Section 409A of the Code shall not be treated as deferred compensation unless Applicable Laws require otherwise. Notwithstanding anything to the contrary in the Plan, to the extent required to avoid accelerated taxation and tax penalties under Section 409A of the Code, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to the Plan during the six month period immediately following the Participant's termination of Continuous Service shall instead be paid on the first payroll date after the six-month anniversary of the Participant's separation from service (or the Participant's death, if earlier). Notwithstanding the foregoing, neither the Company nor the Committee shall have any obligation to take any action to prevent the assessment of any excise tax or penalty on any Participant under Section 409A of the Code and neither the Company nor the Committee will have any liability to any Participant for such tax or penalty.

14.12 Disqualifying Dispositions. Any Participant who shall make a "disposition" (as defined in Section 424 of the Code) of all or any portion of shares of Common Stock acquired upon exercise of an Incentive Stock Option within two years from the Grant Date of such Incentive Stock Option or within one year after the issuance of the shares of Common Stock acquired upon exercise of such Incentive Stock Option (a "**Disqualifying Disposition**") shall be required to immediately advise the Company in writing as to the occurrence of the sale and the price realized upon the sale of such shares of Common Stock.

14.13 Section 16. If the Company has a class of Common Stock registered under Section 12(b) or (g) of the Exchange Act, it is the intent of the Company that the Plan satisfy, and be interpreted in a manner that satisfies, the applicable requirements of Rule 16b-3 as promulgated under Section 16 of the Exchange Act so that Participants will be entitled to the benefit of Rule 16b-3, or any other rule promulgated under Section 16 of the Exchange Act, and will not be subject to short-swing liability under Section 16 of the Exchange Act. Accordingly, if the operation of any provision of the Plan would conflict with the intent expressed in this Section 14.13, such provision to the extent possible shall be interpreted and/or deemed amended so as to avoid such conflict.

14.14 Section 162(m). To the extent the Committee issues any Award that is intended to be exempt from the deduction limitation of Section 162(m) of the Code, the Committee may, without shareholder or grantee approval, amend the Plan or the relevant Award Agreement retroactively or prospectively to the extent it determines necessary in order to comply with any subsequent clarification of Section 162(m) of the Code required to preserve the Company's federal income tax deduction for compensation paid pursuant to any such Award.

14.15 Beneficiary Designation. Each Participant under the Plan may from time to time name any beneficiary or beneficiaries by whom any right under the Plan is to be exercised in case of such Participant's death. Each designation will revoke all prior designations by the same Participant, shall be in a form reasonably prescribed by the Committee and shall be effective only when filed by the Participant in writing with the Company during the Participant's lifetime.

14.16 Expenses. The costs of administering the Plan shall be paid by the Company.

14.17 Severability. If any of the provisions of the Plan or any Award Agreement is held to be invalid, illegal or unenforceable, whether in whole or in part, such provision shall be deemed modified to the extent, but only to the extent, of such invalidity, illegality or unenforceability and the remaining provisions shall not be affected thereby.

14.18 Section Headings. The Section headings in the Plan are for purposes of convenience only and are not intended to define or limit the construction of the provisions hereof.

14.19 Non-Uniform Treatment. The Committee's determinations under the Plan need not be uniform and may be made by it selectively among persons who are eligible to receive, or actually receive, Awards. Without limiting the generality of the foregoing, the Committee shall be entitled to make non-uniform and selective determinations, amendments and adjustments, and to enter into non-uniform and selective Award Agreements.

15. Termination or Suspension of the Plan. The Plan shall terminate automatically on September 7, 2026. No Award shall be granted

pursuant to the Plan after such date, but Awards theretofore granted may extend beyond that date. The Board may suspend or terminate the Plan at any earlier date pursuant to Section 13.1 hereof. No Awards may be granted under the Plan while the Plan is suspended or after it is terminated.

16. Choice of Law. The law of the State of Nevada shall govern all questions concerning the construction, validity and interpretation of this Plan, without regard to such state's conflict of law rules.

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Jonathan Read, certify that:

1. I have reviewed this annual report on Form 10-K of TimefireVR Inc.;

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

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

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

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

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

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

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

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

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

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

Date: April 9, 2018

/s/ Jonathan Read

Jonathan Read
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Jessica Smith, certify that:

1. I have reviewed this annual report on Form 10-K of TimefireVR Inc.;

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

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

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

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

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

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

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

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

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

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

Date: April 9, 2018

/s/ Jessica Smith

Jessica Smith
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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

In connection with the annual report of TimefireVR Inc. (the "Company") on Form 10-K for the year ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof, I, Jonathan Read, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The annual 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 annual report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jonathan Read

Jonathan Read
Chief Executive Officer
(Principal Executive Officer)
Dated: April 9, 2018

In connection with the annual report of TimefireVR Inc. (the "Company") on Form 10-K for the year ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof, I, Jessica Smith, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The annual 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 annual report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jessica Smith

Jessica Smith
Chief Financial Officer
(Principal Financial Officer)
Dated: April 9, 2018