squarmilner

Certified Public Accountants
and Financial Advisors

ConversionPoint Technologies, Inc.
Consolidated Financial Statements
December 31, 2017 and 2016

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
ConversionPoint Technologies, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of ConversionPoint Technologies, Inc. (the "Company") as of December 31, 2017 and 2016, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for the year ended December 31, 2017 and for the period from May 20, 2016 (inception) through December 31, 2016, and the related notes to the consolidated financial statements (collectively, the "financial statements"). In our opinion, the 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 their operations and their cash flows for the year ended December 31, 2017 and for the period from May 20, 2016 through December 31, 2016 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's 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 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 and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the 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 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 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 financial statements. We believe that our audits provide a reasonable basis for our opinion.

SQUAR MILNER LLP

Squar Milner LLP

We have served as the Company's auditor since 2017.

Newport Beach, California
July 26, 2018

CONVERSIONPOINT TECHNOLOGIES, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2017 and 2016

		2017		2016
ASSETS				
Current Assets				
Cash and cash equivalents	$	4,695,803	$	644,930
Accounts receivable, net		4,737,663		1,081,290
Inventory		251,435		–
Prepaid expenses and other current assets		369,044		10,000
Total current assets		10,053,945		1,736,220
Property and Equipment, net (Note 4)		84,863		19,838
Other assets (Note 5)		391,653		–
Due from related party		80,763		–
Intangible Assets, net (Note 6)		20,476,475		–
Goodwill (Note 3)		24,348,248		–
Total assets	$	55,435,947	$	1,756,058
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)				
Current Liabilities				
Accounts payable	$	2,651,796	$	1,230,017
Accrued expenses and other current liabilities (Note 7)		2,991,916		436,638
Deferred revenue		435,502		–
Notes payable (Note 8)		3,883,000		–
Bridge notes payable (Note 8)		2,902,060		–
Loan payable (Note 8)		144,213		–
Total current liabilities		13,008,487		1,666,655
Deferred tax liability		277,380		–
Convertible notes payable (Note 9)		3,816,850		1,290,000
Notes payable – related party (Note 15)		425,000		325,000
Convertible notes payable - related party (Note 9)		50,000		–
Total liabilities		17,577,717		3,281,655
Commitments and contingencies (Note 13)				
Stockholders' Equity (Deficit)				
Preferred stock, $0.0001 par value; 10,000,000 shares authorized; no shares issued or outstanding		–		–
Common stock, $0.0001 par value; 100,000,000 shares authorized; 12,619,472 and 7,367,500 issued and outstanding as of December 31, 2017 and 2016, respectively		1,263		737
Additional-paid-in-capital		38,985,904		(737)
Accumulated deficit		(1,128,937)		(1,525,597)
Total stockholders' equity (deficit)		37,858,230		(1,525,597)
Total liabilities and stockholders’ equity (deficit)	$	55,435,947	$	1,756,058

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

CONVERSIONPOINT TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Year Ended December 31, 2017 and for the Period from May 20, 2016 (Inception) Through December 31, 2016

	2017	For the Period from May 20, 2016 (Inception) through December 31, 2016
NET REVENUES	$ 49,920,621	$ 8,819,927
COST OF REVENUES	37,776,678	7,949,212
GROSS PROFIT	12,143,943	870,715
OPERATING EXPENSES:		
Sales and marketing	4,298,412	1,112,256
General and administrative	5,776,332	1,174,480
Amortization of intangibles	1,278,344	–
Total operating expenses	11,353,088	2,286,736
INCOME (LOSS) FROM OPERATIONS	790,855	(1,416,021)
INTEREST EXPENSE, NET	829,169	109,576
LOSS BEFORE PROVISION (BENEFIT) INCOME TAX	(38,314)	(1,525,597)
INCOME TAX BENEFIT	(434,974)	–
NET INCOME (LOSS)	$ 396,660	$ (1,525,597)
BASIC AND DILUTED NET INCOME (LOSS) PER SHARE	$ 0.04	$ (0.21)
WEIGHTED AVERAGE SHARES USED TO COMPUTE BASIC AND DILUTED NET INCOME (LOSS) PER SHARE	9,670,302	7,367,500

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

CONVERSIONPOINT TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
For the Year Ended December 31, 2017 and for the Period from May 20, 2016 (Inception) Through December 31, 2016

	Common Stock		Additional	Accumulated	Total Stockholders'
	Shares	Amount	Paid-In Capital	Deficit	Equity (Deficit)
BALANCE – May 20, 2016 (Inception)	–	$ –	$ –	$ –	$ –
Shares issued to founders at formation	7,367,500	737	(737)	–	–
Net loss	–	–	–	(1,525,597)	(1,525,597)
BALANCE – December 31, 2016	7,367,500	737	(737)	(1,525,597)	(1,525,597)
Issuance of common stock – acquisition of Push Holdings	3,157,500	316	17,999,684	–	18,000,000
Issuance of common stock – acquisition of SellPoints	1,877,504	188	17,291,630	–	17,291,818
Issuance of common stock – bridge notes payable	5,972	1	49,999	–	50,000
Issuance of common stock for cash, net of issuance costs of $197,787	210,996	21	1,745,828	–	1,745,849
Issuance of warrants – acquisition of intellectual property	–	–	1,899,500	–	1,899,500
Net income	–	–	–	396,660	396,660
BALANCE – December 31, 2017	12,619,472	$ 1,263	$ 38,985,904	$ (1,128,937)	$ 37,858,230

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

CONVERSIONPOINT TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2017 and for the Period from May 20, 2016 (Inception) Through December 31, 2016

	2017	For the Period from May 20, 2016 (Inception) through December 31, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ 396,660	$ (1,525,597)
Adjustments to reconcile net income to net cash used in operating activities		
Depreciation of property and equipment	11,975	865
Amortization of intangible assets	1,278,344	–
Amortization of debt discount	7,060	–
Deferred taxes	(489,781)	–
Changes in operating assets and liabilities:		
Accounts receivable	(2,201,217)	(1,081,290)
Inventory	(110,653)	–
Prepaid expenses and other current assets	(84,999)	(10,000)
Other assets	(341,641)	–
Due from related party	(80,763)	–
Accounts payable	(151,673)	1,230,017
Accrued expenses and other current liabilities	977,377	436,638
Deferred revenue	(615,925)	–
Net cash used in operating activities	(1,405,236)	(949,367)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash acquired in acquisitions (Note 3)	588,674	–
Purchase of property and equipment	(59,255)	(20,703)
Acquisition of intangible assets	(49,195)	–
Issuance of notes receivable	(100,000)	–
Repayment of notes receivable	75,000	–
Net cash provided by (used in) investing activities	455,224	(20,703)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of bridge notes payable	550,000	–
Principal payments under loan payable	(5,427)	–
Proceeds from issuance of convertible notes payable	2,526,850	1,290,000
Proceeds from issuance of notes payable - related party	100,000	325,000
Proceeds from issuance of convertible notes payable - related party	50,000	–
Payment of issuance costs related to the issuance of common stock	(164,174)	–
Proceeds from issuance of stock	1,943,636	–
Net cash provided by financing activities	5,000,885	1,615,000
Net increase in cash	4,050,873	644,930
CASH – beginning of year	644,930	–
CASH – end of year	$ 4,695,803	$ 644,930

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

CONVERSIONPOINT TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2017 and for the Period from May 20, 2016 (Inception) Through December 31, 2016

	2017	For the Period from May 20, 2016 (Inception) through December 31, 2016
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	$ 224,552	$ 56,250
Income taxes	$ 250,800	$ –
SUPPLEMENTAL SCHEDULE OF NONCASH FINANCING AND INVESTING ACTIVITIES		
Common stock issued for the acquisition of Push Holdings (Note 3)	$ 18,000,000	$ –
Common stock issued for the acquisition of SellPoints (Note 3)	$ 17,291,818	$ –
Warrants issued for the acquisition of intellectual property (Note 11)	$ 1,899,500	$ –
Common stock issued for subscription receivable	$ 320,011	$ –
Common stock issued with Bridge notes payable (Note 8)	$ 50,000	$ –
Accrued issuance cost for issuance of common stock	$ 33,613	$ –

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

1. NATURE OF THE BUSINESS

ConversionPoint Technologies Inc., (the "Company") a Delaware corporation, was incorporated on November 2, 2016 and operates as a direct to consumer ecommerce, online marketing, and technology managed services company through its wholly owned subsidiaries Branded Response Inc. ("Branded Response"), a California corporation, Push Holdings, Inc. ("Push"), a Delaware corporation, and SellPoints, Inc. ("SellPoints"), a Delaware corporation. The Company's corporate headquarters are located in Newport Beach, California, Push is located in Minneapolis, Minnesota, and SellPoints is located in Emeryville, California.

The Company and its subsidiaries operate in three business segments – eCommerce Products, Managed Services, and Service as a Software ("SaaS") (Note 14). Branded Response is a technology-focused e-commerce product company specializing in the direct-to-consumer marketing of health, wellness and beauty products. Branded Response utilizes proprietary technologies to optimize sales funnels and customer acquisitions on recurring subscription based pricing models. The vast majority of the revenues derived from Branded Response are in eCommerce Product with a minor amount of Managed Services. Push is an e-commerce technology company that has developed proprietary technology solutions including, among other things, artificial intelligence powered media buying optimization, customer relationship management, payment processing, fulfillment and customer lifecycle management platforms. Push utilizes their technologies to sell a multitude of products directly to consumers with a focus on recurring subscription based models. Push also licenses its software technology and provides managed technology services to various other e-commerce companies. Push's revenue mix is roughly 55% Managed Services and 45% eCommerce Product revenue. SellPoints produces and syndicates rich content through its large network of online shopping sites, facilitating and measuring increased levels of shopper engagement with the brands and products of SellPoints's clients. Additionally, SellPoints also provides performance marketing and analytics, which enables clients to leverage engagement insights to create, augment, and track online marketing programs. SellPoints also offers advanced digital advertising solutions, specializing in audience targeting and retargeting. SellPoints builds and integrates technologies to provide solutions for advertisers to target advertisements to people who have previously engaged with the advertisers online. SellPoints revenues are split roughly 63% in Managed Services and 37% in SaaS.

Branded Response was originally incorporated on May 20, 2016 ("Inception"). On April 28, 2017 the Company completed a share exchange agreement with Branded Response whereby the owners exchanged their common stock for proportional common stock in the Company. The transfer of the assets and the assumptions of all obligations were recorded at historical basis of the assets and obligations as the entities were under common control. Pursuant to the Financial Accounting Standards Board Accounting Standards Codification ("ASC") 850-50-45-2, Business Combinations- Related Issues, the Company reported the results of operations of Branded Response as though the transfer had occurred at the beginning of the earliest period presented (May 20, 2016).

On April 28, 2017, the Company acquired all of the outstanding stock of Push in exchange for 3,157,500 shares of the Company's common stock, which represented 30% of the outstanding common stock post-acquisition (Note 3).

On December 1, 2017, the Company became the sole shareholder of SellPoints and assumed $6,427,640 of debt in exchange for 1,877,504 shares of common stock, including indemnity holdback shares (Note 3).

1. NATURE OF THE BUSINESS (continued)

The accompanying consolidated financial statements include the financial position of the Company and its wholly owned subsidiaries as of December 31, 2017 and 2016. The December 31, 2017 results of operations, changes in stockholders' equity (deficit), and cash flows, include those of the Company for the year ended December 31, 2017, those of Branded Response for the year ended December 31, 2017, those of Push from April 28, 2017 through December 31, 2017, and those of SellPoints from December 1, 2017 through December 31, 2017. The December 31, 2016 results of operations, changes in stockholders' equity, and cash flows, include those of the Company and Branded Response from Inception through December 31, 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on an accrual basis of accounting in accordance with United States Generally Accepted Accounting Principles ("U.S. GAAP"), as set forth in the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC").

Principles of Consolidation

The consolidated financial statements include the accounts of ConversionPoint Technologies, Inc. and its wholly owned subsidiaries, Branded Response, Push, and SellPoints. Material intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates under different assumptions or circumstances.

Significant estimates made by management include, among others, the valuation of accounts receivable, business combinations, valuation of goodwill and other intangible assets, allowance for sales returns and credit card chargebacks, realizability of deferred tax assets, and the recognition and disclosure of contingent liabilities.

Business Combinations

The Company accounts for acquisitions of entities that include inputs and processes and have the ability to create outputs as business combinations. The Company allocates the purchase price of the acquisition to the tangible assets, liabilities and identifiable intangible assets acquired based on their estimated fair values. The excess of the purchase price over those fair values is recorded as goodwill. Acquisition-related expenses and integration costs are expensed as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business Segments

The Company and its subsidiaries operate in three business segments – eCommerce Products, Managed Services, and SaaS. See Note 14 to the Consolidated Financial Statements for further information.

Loss per Share

Basic loss per share is calculated by dividing net loss attributable to common equity holders of the Company by the weighted average number of shares of common stock outstanding during the year.

Diluted loss per share is calculated by dividing net loss attributable to common equity holders of the Company by the weighted average number of shares of common stock outstanding during the year, plus the effect of dilutive potential common stock outstanding during the year. This method requires that diluted loss per share be calculated (using the treasury stock method for options and warrants and the if-converted method for convertible instruments) as if all dilutive potential common stock had been exercised at the latest of the beginning of the year or on the date of issuance, as the case may be, and that the funds obtained thereby (plus an amount equivalent to the unamortized portion of related stock-based compensation costs) be used to purchase common stock of the Company at the average fair value of the common stock during the year. During the period where a net loss is incurred, dilutive potential shares are excluded from the computation of dilutive net loss per share, as the inclusion is anti-dilutive.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. All cash equivalents are carried at cost, which approximates fair value. At December 31, 2017 and 2016, cash and cash equivalents consisted of cash and money market funds. At times, such amounts may be in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limit.

Accounts Receivable, Net

Accounts receivable consists primarily of in-transit credit card settlements from customer sales processed through merchant accounts and revenue earned from customers based on contractual agreements. Merchant accounts frequently require a portion of settlements to be held back for potential future chargebacks and refunds. Holdbacks generally amount to 10% of total settlements and are generally released within six months or when the risk of chargebacks is remote. The Company estimates the impact of future chargebacks and sales returns based on historical experience and provides an allowance against accounts receivable. Additionally, the Company performs ongoing evaluations of its customers' financial condition. The Company provides credit to some of its customers in the normal course of business and maintains allowances for potential credit losses. As of December 31, 2017 and 2016, the allowance for chargebacks and returns totaled $564,651 and $65,000, respectively. As of December 31, 2017 and 2016, the total for the allowance for bad debt totaled $105,841 and $0, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

Inventory consists of finished goods and is valued at the lower of cost (first-in, first-out) or net realizable value.

Property and Equipment

Property and equipment are stated at historical cost, less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which are seven years for furniture and fixtures, three years for software and three to five years for computer and related equipment. Leasehold improvements are amortized over the lesser of the related lease term or their estimated useful life. Expenditures for major renewals and betterments are capitalized, while minor replacements, maintenance and repairs, which do not extend the asset lives, are charged to operations as incurred. Upon sale or disposition, the cost and related accumulated depreciation and amortization are removed from the accounts, and any gain or loss is included in the Company's results from operations.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets, primarily consisting of property and equipment and software technology, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted cash flows attributable to such assets including any cash flows upon their eventual disposition to their carrying value. If the carrying value of the assets exceeds the forecasted undiscounted cash flows, then the assets are written down to their fair value. As of December 31, 2017 and 2016, there have been no such impairments.

Goodwill and Intangible Assets

Goodwill is recorded as the difference between the aggregate consideration paid for in a business combination and the fair value of the acquired net tangible and intangible assets acquired. The Company evaluates goodwill for impairment on an annual basis in the fourth quarter or more frequently if indicators of impairment exist that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. Based on that qualitative assessment, if it is more likely than not that the fair value of a reporting unit is less than its carrying value, the Company conducts a quantitative goodwill impairment test, which involves comparing the estimated fair value of the reporting unit with its carrying value, including goodwill. The Company estimates the fair value of a reporting unit using a combination of the income and market approach. If the carrying value of the reporting unit exceeds its estimated fair value, an impairment loss is recorded for the difference. During the fourth quarter of the fiscal year ended December 31, 2017, the Company performed its qualitative assessment and determined that no impairment indicators were present.

The Company's intangible assets consist of software technology, customer lists, and brand names which are amortized using the straight-line method over five years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Software Development Costs

Capitalization of software development costs begins during the application development stage. Costs incurred in the application development phase, including upgrades and enhancements, if it is probable that such expenditures will result in additional functionality, are capitalized and will be amortized over their estimated useful life. Software development costs incurred subsequent to the establishment of technological feasibility are capitalized on the accompanying balance sheets on a periodic basis, usually quarterly. The useful life of the software development costs was determined to be five years from the date of capitalization. Amortization expense for the year ended December 31, 2017 and for the period from May 20, 2016 through December 31, 2016 amounted to $1,278,344 and $0, respectively.

Revenue Recognition

The majority of the Company's revenue is generated from the sale of health, wellness and beauty products sold online through trial and subscription billing models. The Company recognizes revenue in accordance with ASC Topic 605, Revenue Recognition. In all cases, revenue is recognized when the price is fixed or determinable, persuasive evidence of an arrangement exists, delivery has occurred, and collectability is reasonably assured. These criteria are generally met upon delivery of products to the customer and successful processing of the customers' credit card. Revenues are presented net of credits and known and estimated refunds and credit card chargebacks.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on temporary differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax laws is recognized in the consolidated statement of operations in the period that includes the enactment date.

The Company's tax positions are subject to income tax audits. The Company recognizes the tax benefit of an uncertain tax position only if it is more likely than not that the position is sustainable upon examination by the taxing authority, solely based on its technical merits. The tax benefit recognized is measured as the largest amount of benefit which is greater than 50 percent likely to be realized upon settlement with the taxing authority. The Company recognizes interest accrued and penalties related to unrecognized tax benefits in the income tax provision.

Valuation allowances are established when necessary to reduce deferred tax assets to the amounts that are more likely than not expected to be realized based on the weighting of positive and negative evidence. Future realization of deferred tax assets ultimately depends on the existence of sufficient taxable income of the appropriate character (for example, ordinary income or capital gain) within the carryback or carryforward periods available under the applicable tax law. The Company regularly reviews the deferred tax assets for recoverability based on historical taxable income, projected future taxable income, the expected timing of the reversals of existing temporary differences and tax planning strategies. The Company's judgments regarding future profitability may change due to many factors, including future market conditions and the ability to successfully execute its business plans and/or tax planning strategies. Should there be a change in the ability to recover deferred tax assets, the tax provision would increase or decrease in the period in which the assessment is changed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentrations of Risk

The Company's financial instruments are potentially subject to concentrations of credit risk. The Company places its cash with high quality credit institutions. From time to time, the Company maintains cash balances at certain institutions in excess of the FDIC limit. Management believes that the risk of loss is not significant and has not experienced any losses in such accounts.

Approximately 10.1% of the net revenues generated in 2017 was generated from one customer. No customer exceeded 10% of total net revenues in 2016.

No vendor exceeded 10% of total purchases during 2017. Approximately 46.5% of the cost of revenues were purchased from 3 vendors in 2016.

Fair Value Measurements

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, and notes payable. The estimated fair value of these instruments approximates their carrying amounts due to either market rates or the short maturity of these instruments. At December 31, 2017 and 2016, the Company had no recurring or nonrecurring fair value measurements for assets and liabilities.

Shipping and Handling Costs

The Company records shipping and handling costs charged to customers as revenues and the related expense as cost of revenues in the accompanying statements of operations. Shipping and handling costs for the year ended December 31, 2017 and for the period from May 20, 2016 through December 31, 2016 amounted to $842,376 and $63,356 respectively.

Research and Development Costs

Research and development costs are expensed as incurred and consist primarily of salaries and related expenses, consulting services and other direct expenses.

Advertising Costs

All advertising costs are expensed as incurred and included in sales and marketing expenses. Advertising costs for the year ended December 31, 2017 and for the period from May 20, 2016 through December 31, 2016 amounted to $47,520 and $0, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Recent Accounting Pronouncements

New Accounting Pronouncements Adopted

Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2014-15, *Presentation of Financial Statements – Going Concern (Subtopic 205-40), Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. The amendments in this ASU intends to incorporate into US GAAP a requirement that management perform a going concern evaluation similar to the auditor's evaluation required by standards issued by the Public Accounting Oversight Board ("PCAOB") and the American Institute of Certified Public Accountants ("AICPA"). This ASU requires management of all entities to evaluate whether there are conditions and events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the financial statements are issued. Management will have to make certain disclosures if it concludes that substantial doubt exists or when its plans alleviate substantial doubt about the entity's ability to continue as a going concern. For calendar entities, the guidance is effective for annual periods beginning in 2016. Early adoption is permitted. The Company adopted this ASU in the annual period beginning January 1, 2016. The adoption of the ASU did not have any material impact on the Company's financial statements. The Company determined there were no known conditions or events that raise substantial doubt about the Company's ability to continue as a going concern.

FASB issued ASU No. 2015-11, *Simplifying the Measurement of Inventory (Topic 330)* in July 2015. The amendments in this ASU requires an entity to measure inventory within the scope of this ASU at the lower of cost and net realizable value rather than lower of cost or market as defined under the previous guidance. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The ASU will be effective for financial statements issued for fiscal years beginning after December 15, 2016. The adoption of the ASU did not have any material impact on the Company's financial statements.

New Accounting Pronouncements Not Yet Adopted

FASB issued ASU No. 2014-09, an accounting standard which will supersede existing revenue recognition guidance under current U.S. GAAP. The new standard is 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.

In doing so, among other things, companies will generally need to use more judgment and make more estimates than under the current guidance. The accounting standard will be effective for the Company in the year beginning January 1, 2019 following the release of ASU 2015-14 in August 2015, which extended the original effective date by one year. The standard may be adopted using a full retrospective or a modified retrospective (cumulative effect) method. Early adoption is permitted. The Company is currently evaluating this standard and has not yet selected a transition method or determined the effect of the standard on the consolidated financial statements and related disclosures.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Recent Accounting Pronouncements (continued)

New Accounting Pronouncements Not Yet Adopted (continued)

In February 2016, the FASB issued ASU 2016-02, *Leases*. This update requires that all leases be recognized by lessees on the balance sheet through a right-of-use asset and corresponding lease liability. This standard is required to be adopted for annual periods beginning after December 15, 2018. The Company has not yet determined the impact the adoption of this guidance will have on its financial position, results of operations or disclosures.

3. BUSINESS COMBINATIONS

Push

On April 28, 2017, the Company acquired 100% of the outstanding stock of Push in exchange for 3,157,500 shares of the Company's common stock, which represented 30% of the outstanding common stock post-acquisition. The fair value assigned to the shares of common stock was $18,000,000.

The acquisition of Push was accounted for as a business combination in accordance with Accounting Standards Codification Topic 805, *Business Combinations* ("ASC 805"), with the results of Push Holdings Inc.'s operations included in the Company's consolidated financial statements from April 28, 2017. Goodwill has been measured as the excess of the total consideration over the amounts assigned to identifiable assets acquired and liabilities assumed.

The following table summarizes the allocation of the purchase price based on the estimated fair value of the purchase consideration, the assets acquired and liabilities assumed at the date of acquisition:

Purchase consideration at fair value:	
ConversionPoint common stock	$ 18,000,000
Estimated fair value of the assets acquired and liabilities assumed:	
Cash and cash equivalents	$ 391,186
Accounts receivable	7,412
Inventories	140,782
Prepaid expenses	39,276
Goodwill	13,270,366
Software technology	7,856,437
Accounts payable and accrued expenses	(698,341)
Deferred tax liability	(3,007,118)
Net assets acquired	$ 18,000,000

3. BUSINESS COMBINATIONS (continued)

Push (continued)

Fair valuation methods used for the identifiable net assets acquired in the acquisition make use of quoted prices in active markets, discounted cash flows and risk adjusted weighted cost of capital. The methods used in determining fair value of the intangible assets included consideration of the three traditional approaches to value: market, income, and cost. Accordingly, after due consideration of other appropriate and generally accepted valuation methodologies, the value of intangible assets acquired from Push has been developed primarily on the basis of the income approach.

On the acquisition date, goodwill of $13,270,366 and other intangible assets of $7,856,437 were recorded. The business combination has been accounted for as a tax-free reorganization under Section 368(a) under the Internal Revenue Code; therefore, acquired goodwill and intangibles of $21,126,803 are not tax-deductible. In accordance with Topic 350, *Intangibles—Goodwill and Other*, the Company completed its annual impairment test and determined that the goodwill was not impaired at December 31, 2017.

The Company incurred $87,914 in accounting and legal fees related to the acquisition of Push. The amount attributable to the Company has been included in general and administrative expenses in the accompanying consolidated statement of operations for the year ended December 31, 2017.

In the consolidated statements of operations, revenues and expenses include the operations of Push since April 28, 2017, which is the acquisition date.

In November 2017, and as part of a separate transaction, the Company issued 500,000 warrants with a fair value of $1,899,500 to acquire the full rights to the intellectual property of Push (Note 11).

SellPoints

On December 1, 2017, the Company acquired 100% of the outstanding stock of SellPoints in exchange for 1,877,504 shares of the Company's common stock and the assumption of all SellPoints debt.

The acquisition of SellPoints was accounted for as a business combination in accordance with ASC 805, with the results of SellPoints operations included in the Company's consolidated financial statements from December 1, 2017. Goodwill has been measured as the excess of the total consideration over the amounts assigned to identifiable assets acquired and liabilities assumed. At closing the Company delivered 296,094 of the 1,877,504 shares of common stock to the Escrow Agent to setup an indemnity account to satisfy certain indemnification claims that may arise.

3. BUSINESS COMBINATIONS (continued)

SellPoints (continued)

The following table summarizes the allocation of the purchase price based on the estimated fair value of the purchase consideration, the assets acquired and liabilities assumed at the date of acquisition:

Purchase consideration at fair value:	
ConversionPoint common stock	$ 17,291,818
Estimated fair value of the assets acquired and liabilities assumed:	
Cash and cash equivalents	$ 197,488
Accounts receivable	1,447,744
Prepaid expenses	234,769
Restricted cash	25,012
Property and equipment	17,745
Customer list	1,724,796
Goodwill	11,077,882
Software technology	8,781,982
Brand name	1,442,909
Deferred tax asset	2,239,957
Accounts payable	(875,111)
Accrued expenses and other current liabilities	(1,544,288)
Deferred revenue	(1,051,427)
Notes payable	(3,883,000)
Loan payable	(149,640)
Bridge notes payable	(2,395,000)
Net assets acquired	$ 17,291,818

Fair valuation methods used for the identifiable net assets acquired in the acquisition make use of quoted prices in active markets, discounted cash flows and risk adjusted weighted cost of capital. The methods used in determining fair value of the intangible assets included consideration of the three traditional approaches to value: market, income, and cost. Accordingly, after due consideration of other appropriate and generally accepted valuation methodologies, the value of intangible assets acquired from SellPoints has been developed primarily on the basis of the income and market approach.

On the acquisition date, goodwill of $11,077,882 and other intangible assets of $8,781,982 were recorded. The business combination has been accounted for as a tax-free reorganization under Section 368(a) under the Internal Revenue Code; therefore, acquired goodwill and intangibles of $19,859,864 are not tax-deductible. In accordance with Topic 350, *Intangibles—Goodwill and Other*, the Company completed its annual impairment test and determined that the goodwill was not impaired at December 31, 2017.

The Company did not incur any additional accounting and legal fees related to the acquisition of SellPoints as all the due diligence and legal work was performed internally. The amount attributable to the Company has been included in general and administrative expenses in the accompanying consolidated statement of operations for the year ended December 31, 2017.

3. BUSINESS COMBINATIONS (continued)

SellPoints (continued)

In the consolidated statements of operations, revenues and expenses include the operations of SellPoints since December 1, 2017, which is the acquisition date.

The following unaudited pro forma information presents the consolidated results of operations for the years ended December 31, 2017 and the period from May 20, 2016 through December 31, 2016, as if the acquisitions of Push and Sellpoints had occurred on May 20, 2016.

	2017 (unaudited)	Period from May 20, 2016 through December 31, 2016 (unaudited)
Revenue	$ 60,947,804	$ 19,050,873
Net loss	$ (3,385,067)	$ (3,223,342)
Acquisition-related pro forma net (loss) per share attributable to common stockholders:		
Basic	$ (0.35)	$ (0.44)
Diluted	$ (0.35)	$ (0.44)

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31:

	2017	2016
Computer and related equipment	$ 94,674	$ 20,703
Furniture and fixtures	3,029	–
	97,703	20,703
Less: accumulated depreciation	(12,840)	(865)
	$ 84,863	$ 19,838

Depreciation expense for the year ended December 31, 2017 and for the period from May 20, 2016 through December 31, 2016 amounted to $11,975 and $865, respectively.

5. OTHER ASSETS

Other assets consist of the following as of December 31:

	2017	2016
Subscription receivable	$ 320,011	$ –
Restricted cash	25,012	–
Note receivable	25,000	–
Federal income tax receivable	21,630	–
	$ 391,653	$ –

In July 2017, the Company entered into a note agreement with an individual in which the Company lent $100,000 to be payable to the Company no later than July 31, 2018. As of December 31, 2017, the outstanding note receivable totaled $25,000. The note does not bear interest. In February 2018, the individual paid off the remainder balance of $25,000 due to the Company.

In December 2017, the Company issued 34,746 shares to investors in advance of receipt of cash. The full amount of the subscription receivable was collected in January 2018, and it is not refundable.

6. INTANGIBLE ASSETS, NET

Intangible assets consist of the following as of December 31:

	2017	2016
Software technology	$ 18,587,114	$ –
Customer list	1,724,796	–
Brand name	1,442,909	–
	21,754,819	–
Less: accumulated amortization	(1,278,344)	–
	$ 20,476,475	$ –

Amortization expense related to software technology and customer list for the year ended December 31, 2017 and for the period from May 20, 2016 through December 31, 2016 amounted to $1,278,344 and $0, respectively.

6. INTANGIBLE ASSETS, NET (continued)

The estimated future amortization expense of intangible costs as of December 31, 2017 in the next five fiscal years is as follows:

2018	$ 4,350,970
2019	4,350,970
2020	4,350,970
2021	4,350,970
2022	3,072,595
	$ 20,476,475

7. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

As of December 31, accrued expenses and other current liabilities consisted of the following:

	2017	2016
Credit cards payable	$ 798,013	$ 96,867
Accrued interest	756,556	56,050
Accrued payroll	694,877	–
Other accrued expenses	742,470	283,721
	$ 2,991,916	$ 436,638

8. NOTES PAYABLE

Notes Payable

In connection with the acquisition of SellPoints described in Note 3, the Company assumed a loan and security agreement (the “2016 Agreement”) with accredited investors. As of December 31, 2017, the outstanding borrowings totaled $3,883,000. Outstanding borrowings under the term note bear interest at 12.25% per annum and require monthly interest only payments. In December 2017, the Company amended the agreement to repay the outstanding principal as follows: $25,000 in February 2018, $25,000 in March 2018, $50,000 in April 2018, and all remaining principal plus any accrued but unpaid interest in May 2018. In June 2018, the Company extended the note for another two years under the same terms and agreed to make monthly principal payments of $152,417. As part of the extension of the note, the Company amended the convertible notes payable to an unrelated party totaling $1,790,000 and $1,290,000 as of December 31, 2017 and 2016, respectively (Note 9) to be unsecured promissory notes guaranteed by the Company. Upon the execution of this agreement, the Company issued the convertible notes payable holder a five year warrant to purchase 50,000 shares of common stock of the Company having an exercise price of $9.21 per share.

8. NOTES PAYABLE (continued)

Bridge Notes Payable

SellPoints

In connection with the SellPoints acquisition described in Note 3, the Company assumed unsecured subordinated promissory note payable agreements with accredited investors, which are governed under a single Note Purchase Agreement (the "NPA"). As of December 31, 2017, the outstanding borrowings totaled $2,395,000. All notes payable under the NPA accrues interest at a rate equal to 10% per annum through February 2018 and 14% for the following 12 months thereafter. All outstanding borrowings under the NPA, along with any accrued but unpaid interest, were to become due in February 2019. In December 2017 as part of the acquisition of SellPoints, the Company amended the NPA (the "Amended NPA") to change the maturity date to the earlier of August 31, 2018 or the closing of a financing of at least $10,000,000 by CPT, and to modify the interest rate to 10% per annum beginning in December 2017 through maturity. Additionally, an amount equal to 100% of the principal and interest under the NPA was issued to the debt holders in the Company's common stock.

ConversionPoint

In November 2017, the Company entered into a loan agreement with accredited investors in the form of a promissory note (the "Note"). In November 2017, the Company borrowed $550,000 under the Note and issued 5,429 shares of common stock. As of December 31, 2017, the outstanding borrowings totaled $550,000. Outstanding borrowings under the promissory note bear interest at 13.5% per annum. Principal and all accrued interest on the Note will be due and payable at the earlier of 9 months from the date of the Note and the closing of a minimum of $15 million in financing. In connection with the Note, the accredited investors are obtaining 5,429 shares of common stock. The Company stock was recorded as a discount to the Bridge notes with a corresponding increase to equity. The amount allocated to the stock was $50,000 on a relative fair value basis. During the year ended December 31, 2017, the Company recorded accretion of the discount totaling $7,060 and the balance of the unamortized discount was $42,940 as of December 31, 2017. In June 2018, the Company paid off $500,000 plus the accrued interest of the Note.

Loan Payable

In July 2017, the Company's wholly owned subsidiary, SellPoints, entered into a revenue royalty agreement (the "RR Agreement") with a financial institution. Advances under the RR Agreement require the Company to repay the lender 1% - 2% of net revenue until the lender has received an amount equal to the amount borrowed under the RR Agreement plus interest of 10% per annum. As of December 1, 2017 (date of acquisition), the Company assumed a liability of $149,640 under the RR Agreement, of which $5,427 was repaid through December 31, 2017. Interest expense under the RR Agreement was determined to be immaterial through December 31, 2017.

9. CONVERTIBLE NOTES PAYABLE

Convertible notes payable to unrelated parties as of December 31 consists of the following:

	2017	2016
Two unsecured convertible notes payable to an unrelated party bearing fixed interest at 15% per annum, maturing April 30, 2019. The notes require monthly interest only payments and are automatically converted to common stock upon a qualified public offering ("QPO") as defined in the agreement, at a price equal to 50% of the price paid per share by the investors in the QPO.	$ 1,250,000	$ 750,000
An unsecured convertible notes payable to an unrelated party bearing fixed interest at 15% per annum, maturing April 30, 2019 when all principal and accrued interest is due. The note is automatically converted to common stock upon a qualified public offering ("QPO") as defined in the agreement, at a price equal to 50% of the price paid per share by the investors in the QPO.	540,000	540,000
Twenty-three unsecured convertible notes payable to unrelated parties bearing fixed interest at 10% per annum, maturing April 30, 2019 when all outstanding principal accrued interest are due in full. The notes are automatically converted to common stock upon a QPO as defined in the agreement, at a price equal to 50% of the price paid per share by the investors in the QPO. The notes are also convertible, at the option of the holder at any time while any portion of the notes remain unpaid into the same securities sold by the Company in a subsequent equity financing using the same per share price being offered in the subsequent equity financing as the conversion rate.	2,026,850	–
Total convertible notes payable to unrelated parties	$ 3,816,850	$ 1,290,000

Convertible notes payable to related parties as of December 31 consists of the following:

	2017	2016
Unsecured convertible notes payable to a related party bearing fixed interest at 10% per annum, maturing April 30, 2019 when all outstanding principal accrued interest are due in full. The notes are automatically converted to common stock upon a QPO as defined in the agreement, at a price equal to 50% of the price paid per share by the investors in the QPO. The notes are also convertible, at the option of the holder at any time while any portion of the notes remain unpaid into the same securities sold by the Company in a subsequent equity financing using the same per share price being offered in the subsequent equity financing as the conversion rate.	$ 50,000	$ –
Total convertible notes payable to related parties	$ 50,000	$ –

10. INCOME TAXES

The (benefit) provision for income taxes consisted of the following for the year ended December 31, 2017 and for the period from May 20, 2016 (inception) through December 31, 2016:

	2017	2016
Deferred:		
Federal	$ (350,932)	$ –
State	(160,479)	–
	(511,411)	–
Current		
Federal	28,525	–
State	47,912	–
Total current	76,437	–
Total (benefit) provision for income taxes	$ (434,974)	$ –

Significant items making up deferred tax assets and liabilities as of December 31 are as follow as:

	2017	2016
Deferred tax assets:		
Allowances not currently deductible for tax purposes	$ 205,471	$ 27,846
Net operating loss carryforwards	3,814,813	622,362
Accrued and other	77,636	–
State Taxes	68,311	–
	4,166,231	650,208
Less valuation allowance	(71,970)	(650,208)
	4,094,261	–
Deferred tax liability:		
Intangibles	(4,371,642)	–
	(4,371,642)	–
Net deferred tax liability	$ (277,381)	$ –

ASC 740-10 requires that an entity's deferred tax assets be reduced by a valuation allowance to the extent its management determines that it is more likely than not that such deferred tax asset, or portion thereof, will not be realized. The Company evaluates the realizability of its deferred tax assets in each reporting period, to determine the need and appropriateness of a valuation allowance. In its determinations, Management considers items of evidence, both positive and negative, including those items outlined in ASC 740-10.

10. INCOME TAXES (continued)

Management analyzed the realizability of the deferred tax assets existing as of December 31, 2017 and determined that the Company is unable to conclude that it is more likely than not that the federal net deferred tax assets will be realized. Accordingly, a full valuation allowance of $71,970 has been placed on Company's federal net deferred tax assets as of December 31, 2017. The Company has state net deferred tax liability of $277,381 as of December 31, 2017. A full valuation allowance of $650,208 has been placed on Company's federal and state net deferred tax assets as of December 31, 2016.

On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act (the "Act"). The Act amends the Internal Revenue Code to reduce tax rates and modify policies, credits, and deductions for individuals and businesses. For businesses, the Act reduces the corporate federal tax rate from a maximum of 35% to a flat 21% rate. The rate reduction took effect on January 1, 2018.

At December 31, 2017, the Company had federal gross deferred tax assets (after netting against deferred tax liabilities) before valuation allowance totaling $342,713. Under generally accepted accounting principles, the Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled The Company's net deferred tax asset of $116,522 was determined at December 31, 2017 based on the Company's tiered then-current enacted federal tax rate of 34%. As a result of the reduction in the corporate income tax rate from 34% to 21% under the Act, the Company revalued its net deferred tax asset at December 31, 2017. This resulted in a reduction in the value of its net deferred tax asset of $44,553, which is recorded as an addition to income tax expense in the Company's consolidated statement of income for the year ended December 31, 2017.

The Act also amended Internal Revenue Code Section 172 which governs the utilization of net operating losses ("NOLs"). Prior rules generally allowed NOLs to be carried back two years and forward 20 years, after which time the NOL's expired. The amendment by the Act disallows any carryback of NOL's arising in a taxable year ending after December 31, 2017, but allows an indefinite carryforward of such losses, but such losses may only offset a maximum of 80 percent of a taxpayer's pre-NOL taxable income.

As of December 31, 2017, the Company has net operating loss carryforwards of $13,718,946 for federal and $9,066,047 for state income tax purposes. Certain of the Company's state and foreign loss carryforwards will start expiring in 2019 and will continue to expire through 2037 if not utilized. Federal NOLs exclude a portion of which will expire unutilized due to limitations under IRC section 382.

The Tax Reform Act of 1986 limits the use of net operating loss and tax credit carryforwards in certain situations where changes occur in stock ownership. The Company completed its acquisition of Push Holdings, Inc. on April 28, 2017 and SellPoints, Inc. on December 1, 2017, which resulted in a stock ownership change as defined by the Reform Act of 1986. These transactions resulted in limitations on the annual utilization of federal and state net operating loss carryforwards. As a result, the Company reevaluated its available deferred tax assets, and the net operating loss and tax credit carryforward amounts, presented in the deferred tax table above, have been adjusted for the limitation resulting from change in ownership in accordance with the provisions of the Reform Act of 1986. The Company has not completed a full Section 382 study and the numbers may change when the analysis is completed.

10. INCOME TAXES (continued)

The (benefit) provision for income taxes reconciles to the amount computed by applying the statutory federal tax rate to the loss before income taxes from operations for the year ended December 31, 2017 and for the period from May 20, 2016 (inception) through December 31, 2016 as follows:

	2017	2016
Income tax (benefit) provision at statutory federal tax rate of 34%	$ (10,626)	$ (518,703)
State taxes, net of federal benefit	(74,295)	–
Meals and Entertainment	19,514	2,665
Federal rate adjustment	44,553	–
Change in valuation allowance	(444,068)	516,038
Acquisition costs	29,891	–
Other	57	–
Total (benefit) provision for income taxes	$ (434,974)	$ –

The Company accounts for uncertain tax positions in accordance with ASC 740. ASC 740 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. It prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company analyzed its tax positions based on the ASC 740 guidance and believes that appropriate provisions for all tax matters have been provided for all open years and does not believe it has any uncertain income tax positions that could materially affect its financial statements at both the federal and state jurisdiction levels. The Company does not anticipate that there will be a material change in the liability for unrecognized tax benefits within the next 12 months. The Company has not recognized any interest or penalties during the year ended December 31, 2017.

The Company files U.S. federal and state tax returns. Tax years 2016 and 2017 remain open under statute as of December 31, 2017.

11. STOCK WARRANTS

The following table summarizes information with respect to outstanding warrants to purchase common stock of the Company, all of which were vested and exercisable, at December 31, 2017:

Exercise Price	Number Outstanding	Expiration Date
$9.21	500,000	December 31, 2022

In November 2017, in connection with the transfer of source code to the Company pursuant to an Intellectual Property Assignment, the Company issued warrants to purchase up to an aggregate of 500,000 shares of the Company's common stock. The warrants were issued to obtain the Intellectual Property instead of the exclusive license that was originally obtained as part of the Push acquisition. The warrants were issued to stockholders of the Company in a transaction that was separate from the acquisition of Push in April 2017. The warrants are exercisable at $9.21 per share and expire on December 31, 2022 and have a fair value of $1,899,500, which was recorded as an addition to software technology and amortized over 5 years.

The Company measures the fair value of the issued warrants based on the Black Scholes model using the following assumptions:

Risk-free interest rate	1.77%
Life warrant	5 years
Expected stock price volatility	45.00%
Expected dividend yield	$0.00

The risk-free interest rate is based on the yield Daily U.S. Treasury Yield Curve Rates with terms equal to the life of the warrants as of grant date. The expected stock price volatility is based on comparable companies' historical stock price volatility since the Company does not have sufficient historical volatility.

12. NET INCOME (LOSS) PER SHARE

The following table summarizes the reconciliation of the basic weighted average number of shares outstanding and the diluted weighted average number of shares outstanding as of December 31:

	2017	2016
Basic and diluted weighted average number of shares outstanding	9,670,302	7,367,500
The following items have been excluded from the diluted weighted average number of shares outstanding because they are anti-dilutive:		
Convertible debt	3,866,850	1,290,000
Warrants	500,000	–
	4,366,850	1,290,000

12. NET INCOME (LOSS) PER SHARE (continued)

For the period from May 20, 2016 through December 31, 2016, the Company was in a loss position and therefore diluted loss per share is equal to basic loss per share. For the year ended December 31, 2017, the Company was in a net income position and therefore evaluated the convertible debt using the "If-Converted" method and for the warrants outstanding using the "Treasury Stock" method. Based on the analysis performed, the effect of the convertible debt and warrants is anti-dilutive and therefore the diluted income per share is equal to the basic income per share.

13. COMMITMENTS AND CONTINGENCIES

During the ordinary course of business, the Company may be subject to various claims. The Company is not currently involved in any claims that management believes will have a material adverse effect on the Company's financial position, results of operations or cash flow.

The Company leases office facilities under noncancelable operating lease agreements, which expire in varying years. The leases have renewal options providing for additional lease periods. The related rent expense for the leases is calculated on a straight-line basis with the difference recorded as deferred rent. Rent expense was $237,528 and $33,876 for the years ended December 31, 2017 and 2016, respectively. The table below includes future minimum lease payments for leases renewed and entered into in 2018.

Future minimum lease payments under the noncancelable operating lease agreements are as follows:

2018	$ 894,072
2019	1,173,158
2020	1,205,698
2021	995,342
2022	524,083
Thereafter	222,395
	$ 5,014,748

14. SEGMENT INFORMATION

The Company has determined that it operates in three operating and reportable segments: eCommerce Products, Managed Services, and SaaS. The Company determined its reportable segments based on operating and financial reports regularly reviewed by the Company's Chief Operating Decision Maker ("CODM"), which is the Company's Chief Executive Officer ("CEO").

The Company evaluates each segment's performance based on revenues and operating income. Selling, general and administrative expenses include sales and marketing, engineering, corporate accounting and finance, information systems, and human resource management at the corporate level. These activities are allocated to each operating segment based on revenues and/or actual usage.

14. SEGMENT INFORMATION (continued)

The following table presents the segment information for the year ended December 31, 2017 and for the period from May 20, 2016 (inception) through December 31, 2016:

2017	**eCommerce Products**	**Managed Services**	**SaaS**	**Totals**
Net revenues	$ 41,651,146	$ 7,950,890	$ 318,585	$ 49,920,621
Cost of revenues	32,958,100	4,766,526	52,052	37,776,678
Gross margins	8,693,046	3,184,364	266,533	12,143,943
Operating expenses	8,734,156	2,346,549	272,383	11,353,088
Income (loss) from operations	$ (41,110)	$ 837,815	$ (5,850)	$ 790,855
Total assets	$ 16,152,584	$ 29,365,345	$ 9,918,018	$ 55,435,947

2016	**eCommerce Products**	**Managed Services**	**SaaS**	**Totals**
Net revenues	$ 8,819,927	$ –	$ –	$ 8,819,927
Cost of revenues	7,949,212	–	–	7,949,212
Gross margins	870,715	–	–	870,715
Operating expenses	2,286,736	–	–	2,286,736
Income (loss) from operations	$ (1,416,021)	$ –	$ –	$ (1,416,021)
Total assets	$ 1,756,058	$ –	$ –	$ 1,756,058

15. RELATED PARTY TRANSACTIONS

From time to time the Company may enter into transactions with related parties. It is the Company's policy to pay market value, or actual cost, to any related party for the goods/services provided.

The Company has notes payable due to entities under common ownership as of December 31, 2017 and 2016 with a combined principal balance of $425,000 and $325,000, respectively. Such notes do not bear interest and are due in full on April 30, 2019.

The Company outsources its product fulfillment and distribution to a logistics company under the control of the Company's Non-Executive Chairman. Fees paid to the logistics company during the year ended December 31, 2017 and for the period from May 20, 2016 through December 31, 2016 totaled $2,534,250 and $1,184,873, respectively.

The Company outsources part of its customer service center to a related entity under the control of the Company's Non-Executive Chairman. Fees paid to the customer service center during the year ended December 31, 2017 and for the period from May 20, 2016 through December 31, 2016 totaled $880,483 and $411,283, respectively.

15. RELATED PARTY TRANSACTIONS (continued)

The Company outsources its chargeback investigation and recovery efforts to a related entity under the control of the Company's Non-Executive Chairman. Fees paid to the related entity for chargeback investigation and recovery services during the year ended December 31, 2017 and for the period from May 20, 2016 through December 31, 2016 totaled $1,607,107 and $398,053, respectively.

The Company paid rent and consulting fees to related entities under common ownership. Expenses paid to related entities totaled $1,135,854 and $567,126 during the year ended December 31, 2017 and for the period from May 20, 2016 through December 31, 2016, respectively.

The Company paid royalty fees to a related party controlled by an officer of the Company for Branded Response's electronic books. Royalty fees paid to the related party for the year ended December 31, 2017 and for the period from May 20, 2016 through December 31, 2016 totaled $80,953 and $0, respectively.

The Company leases the office space used by Push in Minneapolis Minnesota from a related party controlled by two officers of the Company under a month to month lease. Such lease requires monthly payments of $14,000.

16. SUBSEQUENT EVENTS

The Company evaluated events subsequent to December 31, 2017 for their potential impact on the financial statements and disclosures through the date these financial statements were available to be issued.

From January 2018 through July 2018, the Company completed a common equity financing round that raised $9,896,224 of gross proceeds by issuing 1,074,509 common shares at $9.21 per share.

During 2018, a number of the convertible note payable holders converted their notes plus any accrued interest to common stock. In 2018, eight convertible notes payable totaling $506,850 plus interest were converted to 58,711 common shares at $9.21 per share.

On March 20, 2018, the Company entered into an office lease agreement for its headquarters. The operating lease has a 5-year term commencing on July 1, 2018 and ending on June 30, 2023. The monthly future operating lease payments are reflected on Note 13. The monthly lease payments range from $37,296 and $44,479.

During 2018, the Company granted 1,658,500 options to purchase common stock at an exercise price of $9.21 per share. The options were granted to employees and financial advisors of the Company. The vesting period ranges from June 30, 2019 through June 30, 2021. The options have an expiration date of 10 years from the date they were issued.

16. SUBSEQUENT EVENTS (continued)

Issuance of warrants:

Issuance Date	Warrants Issued	Exercise Price	Vesting Date	Expiration Date	Recipient
1/9/2018	40,000	$5.00	Fully vested	1/9/2023	Financial Advisor
2/22/2018	2,900,000	$9.21	12/31/2019	12/31/2023	Executives
6/1/2018	22,000	$7.50	Fully vested	6/1/2023	Financial Advisor
6/11/2018	50,000	$9.21	Fully vested	6/11/2023	Lender
6/15/2018	116,667	$7.50	Fully vested	6/15/2023	Financial Advisor
7/1/2018	142,486	$9.21	Fully vested	7/1/2028	Lender