PureSafe Water Systems, Inc.
Form 10-K
June 05, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended December 31, 2014

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

Commission File Number: 0-30544

PureSafe Water Systems, Inc.
(Name of registrant as specified in its charter)

Delaware	**86-0515678**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
35 East Mall, Plainview, New York	**11803**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code: **(516) 208-8250**

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

Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value $.001 per share.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No X

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.

Yes No X

Indicate by check mark if the registrant has (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate by check mark 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 the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K.

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 X

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No X

The aggregate market value of the voting and non-voting common equity of the registrant held by non-affiliates as of the last business day of the registrant's most recently completed second fiscal quarter was $1,685,473.

As of June 5, 2015, there were 2,548,778,041 shares of the common stock of the registrant issued and outstanding.

Table of Contents

Introductory Comment - Use of Terminology

Throughout this Annual Report on Form 10-K, the terms the Company, we, us and our refer to Puresafe W
Systems, Inc.

Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (the Securities Act) and Section 21E of the Securities Exchange Act of 1934 (the Exchange Act). To the extent that any statements made in this Form 10-K contain information that is not historical, these statements are essentially forward-looking. Forward-looking statements can be identified by the use of words such as anticipate, believe, continue, could, estimate expect, hope, intend, may, plan, potential, pr
would and variations of such words. Forward-looking statements are subject to risks and uncertainties that cannot be predicted or quantified and, consequently, actual results may differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include, without limitation:

.

our ability to raise capital to finance our research and development and operations, when needed and on terms advantageous to us;

.

our ability to manage marketability of our products;

.

general economic and business conditions;

.

the effect on our business of recent credit-tightening throughout the United States and the world, especially with respect to federal, state, local and foreign government procurement agencies, as well as quasi-public, charitable and private emergency response organizations;

.

the impact of developments and competition within the industries in which we intend to compete

.

adverse results of any legal proceedings;

.

the impact of current, pending or future legislation and regulation on water safety, including, but not limited to, changes in zoning and environmental laws and regulations within our target areas of operations;

.

our ability to maintain and enter into relationships with suppliers, vendors and contractors of acceptable quality of goods and services on terms advantageous to us;

.

the volatility of our operating results and financial condition;

.

our ability to attract and retain qualified senior management personnel; and

.

the other risks and uncertainties detailed in this Form 10-K and, from time to time, in our other filings with the Securities and Exchange Commission.

Readers of this Annual Report on Form 10-K should carefully consider such risks, uncertainties and other information, disclosures and discussions which contain cautionary statements identifying important factors that could cause our actual results to differ materially from those provided in forward-looking statements. Readers should not place undue reliance on forward-looking statements contained in this Form 10-K. We do not undertake any obligation to publicly update or revise any forward-looking statements we may make in this Form 10-K or elsewhere, whether as a result of new information, future events or otherwise.

PART I

Item 1.

Business.

Organizational Structure

Our company was incorporated in Delaware in 1987. Our business predecessor was incorporated in Arizona in 1985. In 1993, our business predecessor, then known as Auto Swap, U.S.A., Inc., merged with and into our company, although the business predecessor was treated as the surviving corporation for accounting purposes. Following the effectiveness of such merger, the surviving corporation changed its name to Water Chef, Inc. and began operating the businesses previously conducted by the business predecessor, the manufacture and marketing of water coolers and filters. The manufacture and marketing of water coolers and filters constituted a substantial part of our business from 1993 until the fourth quarter of 2001, at which time such operations were sold and we began concentrating on the further development, manufacturing and marketing of a patented line of water purification systems. In 2007, new management commenced development of our PureSafe First Response Water System line of mobile water decontamination and purification systems (the PureSafe FRWS). In 2008, we changed our name to PureSafe Water Systems, Inc.

With the initial sales of the Puresafe FRWS in 2011 and 2012, for accounting purposes we are no longer deemed to be a development state enterprise. We are, however, an early stage commercial enterprise. The accompanying financial statements have been prepared assuming our Company will continue as a going concern. The PureSafe FRWS is the product line by which we have generated our first significant sales since 2001.

General

We have developed a PureSafe First Response Water System (PureSafe FRWS) that is mobile, self-contained and purifies essentially any type of raw water source or decontaminates any contaminated water, including seawater, for emergency water supply production at a first response emergency site.

Recent Developments

Authorized Common Stock Increase and Reverse Stock Split

A Preliminary Information Statement was filed with the SEC on October 24, 2014, and the Definitive Information Statement on December 11, 2014, setting forth the approval by written consent of stockholders of the following amendments (the Amendments) to our Certificate of Incorporation: (1) a Reverse Stock Split of the Company s common stock at a ratio of not less than one-for-one hundred and not more than one-for-five hundred as determined by our Board of Directors (the Reverse Stock Split), subject to the Board s discretion to determine, without any further action by stockholders, not to proceed with a reverse stock split if it determines that a reverse stock split is no longer in the best interest of the Company and its stockholders, and (2) the authorization of an increase in the number of authorized shares of common stock from two billion (2,000,000,000) shares of common stock, par value $.001 per share, to ten billion (10,000,000,000) shares of common stock, par value $.00001 per share. The Amendment increasing our authorized common stock to 10,000,000,000 shares has become effective with the filing of the Certificate of Amendment with the Secretary of State of the State of Delaware.

Management Changes

Terry R. Lazar, former Chief Financial Officer of the Company and a director, resigned effective February 15, 2014 for personal reasons as Chief Financial Officer and from our Board of Directors, and on December 31, 2013, Gerard Stoehr s contract as Chief Operating Officer expired. Mr. Stoehr agreed to stay on with the Company as an independent consultant.

Effective March 7, 2014, Theresa Bischoff and Dr. Stephen E. Flynn resigned as a directors of the Company for personal reasons, and on April 2, 2014, our Board of Directors elected Stephen M. Hicks, to our Board of Directors, to fill a vacancy on the Board, and as President of the Company. Mr. Hicks is the Chief Executive Officer of Southridge LLC (Southridge), which has financed the Company in the past and continues to own debt and equity securities of the Company. Our Board also on the same date elected Gilbert Steedley as a director of the Company, to fill a vacancy on the Board of Directors, and elected Henry Sargent as Vice President and Secretary of the Company. Mr. Sargent is the Chief Operating Officer and General Counsel of Southridge.

In June 2014 we retained Tarpon Bay Partners LLC (Tarpon), a company that is part of the Southridge LLC group, for the period from the date of the consulting agreement through March 31, 2015, as the Company s strategic financial advisor to provide general management and consulting services and advisory services to the Company, including assistance in connection with the restructuring of our outstanding debt and equity securities. The Agreement requires Tarpon to provide general management and consulting services and advisory services to the Company, including assistance in connection with the restructuring of our outstanding debt and equity securities. Tarpon is a controlled company in the Southridge LLC group of companies. Stephen Hicks, President and a director of the Company, controls Southridge and is the manager of Tarpon. Pursuant to the terms of the consulting agreement, upon execution of the agreement, Tarpon received 17 shares of a newly authorized Series H Preferred Stock with a stated value of $425,000, and will receive additional shares of Series H Preferred Stock with a stated value of $75,000 monthly, continuing through the balance of the term of the consulting agreement. Tarpon received an initial issuance of 17 shares of Series H Preferred (convertible into 151,785,714 shares of common stock) on June 17, 2014, and monthly issuances on July 1, August 1, September 1 and October 1, 2014, of three shares each of Series H Preferred Stock (convertible into 53,571,429, 68,181,818, 187,500,000 and 150,000,000 shares of common stock, respectively). Tarpon has waived its rights under the consulting agreement to the November and December 2014, and the January and February 2015, issuances of Series H Preferred Stock.

On June 13, 2014, the Board of Directors of the Company (Mr. Hicks not participating) authorized the issuance to Mr. Hicks of all of the fifty-one (51) authorized shares of a new Series G Preferred Stock for a purchase price of $1 per share. As a result of the voting rights granted to the Series G Preferred Stock in the Certificate of Designations, Mr. Hicks, as the Series G stockholder, holds in the aggregate approximately 51% of the total voting power of all issued and outstanding voting capital of the Company. Pursuant to the terms of the Board resolution authorizing the issuance of the Series G Preferred Stock, and authorizing the issuance of the shares to Mr. Hicks, the Company has the right to redeem said Preferred Stock of the Company upon his resignation or the termination of his services as President of the Company. The Company believes that the issuance of the Series G Preferred Stock to Mr. Hicks will facilitate the Company s ability to manage its affairs.

On the corporate front, we are negotiating with creditors to lower the Company s significant debt load. We have reduced the Company s fixed costs through an ongoing vendor review, and are planning to bring in capital on an as needed basis.

Products

We have identified the need for providing potable drinking water during emergencies as a market segment that requires solutions we can provide. We believe that dramatic changes in weather patterns, global warming and failing water infrastructures, provide an additional opportunity for our company to exploit in the marketplace by providing rapidly deployable units to areas where populations require potable drinking water quickly. Populations that have little mobility because of infrastructure failures need drinking water immediately to sustain life. It is anticipated that our products would operate in areas where the populations are clustered so that potable drinking water in disinfected portable containers can be provided in an efficient manner.

We have developed a patent pending PureSafe First Response Water System that is self-contained and purifies most types of contaminated fresh or service water, including seawater that may be found at a first response emergency site. This system is uniquely mobile, by helicopter or transported by truck. The initial PureSafe FRWS prototype was developed using advanced Israeli water treatment technology. The original prototype was capable of producing 10,000 gallons of water per day, but could not desalinate sea water, and did not have a built in generator or water bagging capability. Adhering to the original treatment train and process, we have since built a 2nd prototype (FRWS unit). The FRWS unit can produce EPA compliant drinking from contaminated fresh or surface water at the rate of 30,000 gallons per day to provide drinking water to 45,000 people. The unit has a built in generator and water bagging capability at the rate of 30,000 ½ liter bags of water per day (16.9 ozs). This represents approximately 5,000 gallons of water. The unit also has a built-in Water Filling Station that can provide an additional 25,000 gallons of water that can be delivered in various formats. To prevent secondary contamination, the system has the capability of disinfecting contaminated containers by spraying the insides of the containers with ozonated water. The unit can be easily converted into a stationary unit to provide for daily needs of a population lacking safe drinking water. This system has received Gold Seal Certification from the Water Quality Association, which we believe is a significant accomplishment. In addition, the Nassau County Department of Health independently tested the PureSafe FRWS unit s water quality and the results exceeded all testing parameters.

The PureSafe FRWS utilizes our patent pending technology which is comprised of a water extraction boom that extracts water from the ocean, streams, ponds, pools of floodwater or a failed municipal distribution system. The extracted water is then treated by the application of advanced water treatment technologies which employ multiple stage filtration, multiple stage sanitation (including ozone, chlorine and ultraviolet purification techniques), reverse osmosis membranes, mineralization and final polishing to meet the standard drinking water requirements of the U.S. Environmental Protection Agency (the EPA). The system provides redundancy at the filtration and sanitation stations and the duel capability of on-site filling of containers, as well as an automatic water bag producing capability. The FRWS has obtained Water Quality Association (WQA) Gold Seal Certification. Water Quality Association is a not-for-profit, trade association and a world leader in standards development and product certification.

Marketing Plan

Our management understands that, to be successful, we will need to create an effective sales organization to promote our brand and product attributes through a variety of outlets and formats with clear branding messages. With this in mind, our marketing plan is based on the following key components:

- **Strategic Alliances** . In January 2013 we entered into a strategic and exclusive agreement with Global Equipment Marketing, Inc. (GEM). GEM will sell and market our products utilizing as a dba PureSafe Water System Sales.

- **Direct Marketing and Sales** The marketing and sales plan will initially focus on short term developed business opportunities where money is currently available. The sales effort will be by both direct sales, development of an international dealer distribution network, and through the assistance of sales consultants and representatives.

Referencing our goals, we are also redirecting the sales effort so that it will no longer predominantly rely on one sector of the economy. We will now aim to expand our product to the oil and gas sector, as well as many government and municipalities; agricultural, and industrial businesses. We are reviewing the entire approach to the product with an aim to deepen and diversify our distribution channels, lower our cost of production, improve the Company s profit margin on sales and maintain an inventory of units for immediate sale.

At present our demonstration unit is on the road in a much more organized and deliberate approach to achieve maximum exposure through the balance of this year. We will be updating our marketing materials and directing more resources to our sales and marketing efforts. The previously announced sale to the Mexican Tequila company is moving forward.

We are looking to employ a full time water technologist to assist our sales organization in analyzing prospective customer needs and researching new applications for product use.

Manufacturing

In September 2009, we formed PureSafe Manufacturing and Research Corporation, as a wholly owned subsidiary of PureSafe Water Systems, Inc. In January of 2013 we entered into an Engineering Package Agreement with ETG/Engineering Technologies, Group, Inc. The Company plans to have the ability to meet future market demands by having the capability to outsource production of our product

Components

The PureSafe FRWS system has been designed to utilize readily available off-the-shelf components and sub-systems. Sub-systems and components are available from multiple manufacturers. We do not believe that obtaining raw materials will be difficult, however some components require a twelve (12) week lead time for ordering.

Competition

We have identified the need for providing potable drinking water during emergencies as well as a permanent solution to populations that have little mobility because of infrastructure failures and need drinking water immediately to sustain life. It is anticipated that individual PureSafe FRWS units will be delivered by the owners to areas where the populations are clustered so that potable drinking water in disinfected portable containers can be provided in an efficient manner.

This is a far different market than that addressed by a large segment of the industry which has concentrated on the multi-billion dollar municipal water treatment sector, or the small end of the marketplace for inexpensive more personal water filtration needs.. The municipal solution requires significant investment for infrastructure development (*e.g*, building plants and laying miles of distribution pipes). Products for residential or remote developing world markets do not offer the performance or features to meet the needs of the first response market or the needs of the underdeveloped nations of the world. In summary, although we face competition from numerous competitors, we believe the combined capability of water decontamination and delivery system of our PureSafe FRWS is unique to the market.

We have identified the following types of mobile water purification systems, and the companies that manufacture them, where the products are competitive with the PureSafe First Responder Mobile Water Purification System.

There are four categories of existing water purification units:

1. The first are those which are essentially very large, not very mobile, almost fixed installation units used primarily for long term solutions with a significant amount of lead time. Manufacturers include: GE, Siemens, and Severn Trent, all of which manufacture large containerized systems.

2. The second group includes those products that are smaller, cheaper, lighter in weight, but still unable to respond quickly because of their limited purification capabilities (the unit needs to be prepared in advance for the type of contamination it will face.) Manufacturers are: Ecospheres Technology, Lenntech, Testa/Viwa and Lifekeeper. None of these systems would fall in to the first responder category.

3. The third group is the category made up of specialty units designed to be either much lower cost, use only green power (with the significant limitations caused by that), or meet a specialized and limited need. Manufacturers include Mobile MaxPure, Bi Pure Water and Rodi which, while they have a trailer mounted system, have no on board power source.

4. The fourth group includes those companies which have similar claims and design characteristics as PureSafe System. These manufacturers include: Global Water Group which manufactures different size systems with options which include the trailer, generator, treatment, and salinity options; Nirosoft, which manufactures systems capable of processing different sources; LifeStream, which has a soft side trailer; and Aquapura Tempest, which has different types of units depending on the source.

In general, the markets in which we intend to operate are highly competitive with respect to performance, quality and price. We anticipate that we will directly compete with those competitors which we identified above, as well as with other local, regional and water treatment service and equipment providers. In the future, we also may face further competition from new market entrants and possible alliances between existing competitors. Most of our competitors have financial, marketing and other resources than we have. As a result, competitors may be able to respond more quickly to new or emerging trends and changes in technology, benefit from greater purchasing economies, offer more aggressive pricing to customers or devote greater resources to the promotion of their products than we are capable of accomplishing. In addition, our potential competitors in many cases already have customers to which they have sold water purification systems and these systems have an operating track record, in contrast to our FRWS which is a relatively new production the market. There can be no assurance that we will be able to successfully compete in this market.

Markets Served

We have reviewed a study conducted by Frost & Sullivan examining the Mobile Water Treatment Market to aide us in identifying our target markets and our plan to penetrate those markets.

Definition of Mobile Water Treatment Systems (Frost & Sullivan Study)

.

Mobile Water Treatment Systems are trailer/skid mounted systems that offer quick, reliable and cost effective service to meet water crises. They provide various water treatment technologies such as reverse osmosis, filtration, demineralization, ion exchange, softening and deoxgenation.

.

Mobile Water Treatment Systems are innovative and immediate solutions to water crises in case of plant downtime, an industrial crisis, facility maintenance and emergency drinking water shortages. These systems can treat both surface and ground water requirements.

End Users/Target Market Segments

Mobile water treatment systems service end users and the market can be broken down into several treatment segments.

Municipal Treatment

Demand is driven by area water shortages where local governments or municipalities lease equipment for short or long term durations. Demand is increased by natural emergencies such as drought, floods earthquakes, etc.

Target Organizations:

.

Federal/State and Local Offices of Emergency Management

.

Federal/State Department of Homeland Security

.

Department of Public Works

.

Department of Public Safety

.

Public Water Authority

.

Federal, State and Local Correctional Institutions/Facilities

Quasi-Municipal Treatment

Key market driver is similar to municipal treatment but the affected population is unique to the organization s specific function

or purpose. They can be publically or privately operated and funded.

Target Organizations:

.

Public (State) Universities

.

Private Universities

.

Private Hospitals

.

Nursing Homes/Assisted Living Facilities

.

Hotels and Resorts

.

Analytical Laboratories

.

Outpatient Treatment Centers

Industrial Treatment

Key market driver is cost related to plant downtime in case of unavailability of purified and processed water for process support or as an ingredient in the end product.

Target Industries:

.

Power Generation

.

Oil and Gas Exploration

.

Petrochemicals and Refineries

.

Chemical Processing

.

Metals and Mining

.

Electronics

.

Food and Beverage Processing

.

Pharmaceuticals

The International Market

The International Market encompasses the identified target markets as well as the need for drinking water for everyday use.

World Water Facts

.

884 million people lack access to safe drinking water.

.

3.575 million people die each year from water-related diseases.

.

Every 20 seconds a child dies from a water related disease.

.

In the developing world 24,000 children under the age of five die every day from preventable causes like diarrhea contracted from unclean water.

.

In just one day 200 million hours of women s time is consumed for the most basic of human needs-collecting water for domestic use.

.

Less than 1% of the world s fresh water is readily accessible for direct human use.

.

More than 80% of sewage in developing countries is discharged untreated, polluting rivers, lakes and coastal areas.

Sources; Water.org, UN reports, WHO

Intellectual Property

On October 6, 2014, the Company received from the U.S. Patent & Trademark Office a Notice of Allowance (for issuance as a patent) and Fee(s) Due with respect to our application (No. 12/100,137) for versatile water purification systems and methods, which application was filed April 9, 2008.

Despite our efforts to protect our intellectual property rights, unauthorized parties may attempt to copy aspects of our products or to obtain and use information that we regard as proprietary. In addition, the laws of some foreign countries do not necessarily protect intellectual rights to as great an extent as do the laws of the United States. Monitoring and identifying unauthorized use of broadly disseminated products is difficult.

There can be no assurance that our means of protecting our intellectual property rights will be adequate or that our competitors will not independently develop similar technology or duplicate our products or design around our patents or other intellectual property rights. Further, there also can be no assurance that any issued patent will provide us with any competitive advantages.

We are not aware that the PureSafe FRWS materially infringes upon the proprietary rights of third parties. There can be no assurance, however, that third parties will not claim such infringement by us. Any such claims, with or without merit, could be time consuming, result in costly litigation, cause product shipment delays or might require us to enter into royalty or licensing agreements. Such royalty or licensing agreements, if required, may not be available on terms acceptable to us.

Litigation may be necessary to protect our proprietary technology. Our competitors and potential competitors may resort to litigation as a means of competition. Such litigation may be time consuming, costly and expose us to new claims that we may not have anticipated. Although patent and intellectual property disputes have often been settled through licensing, cross-licensing or similar arrangements, costs associated with such arrangements may be substantial, if they may be obtained at all. Any litigation involving us, whether as plaintiff or defendant, regardless of the outcome, may result in substantial costs and expenses to us and cause a significant diversion of effort by our technical and management personnel. In addition, there can be no assurance that litigation, instituted either by or against us, will not be necessary to resolve issues that may arise from time to time in the future with other competitors. Any such litigation could have a material adverse effect upon our business, operating results and financial condition. In the event of an adverse result in any such litigation, we could be required to expend significant resources to develop non-infringing technology, obtain licenses to the technology which is the subject of the litigation on terms not advantageous to us, pay damages, and/or cease the use of any infringing technology. There can be no assurance that we would have available funds sufficient to satisfy any cash awards.

Seasonality

We do not expect that the sales of the PureSafe FRWS will have some level of fluctuation due to seasonality of water trauma events such as hurricanes, tornados, tsunamis, storms, flooding or other natural or man-made disasters. Preparedness requires a readiness to address disasters prior to their occurrence. We do not view seasonality as an issue with respect to international markets.

Research and Development

We expect that continued research and development will be conducted by ETG/Engineering Technologies Group, Inc. going forward after they complete their initial task under the agreement in place.

Our expenditures for research and development activities in fiscal 2014 were $3,474, and in fiscal 2013 were $55,874.

Insurance

The Company maintains a $2 million general business liability policy. We believe such insurance coverage to be adequate for our current requirements. No assurance can be given that adequate insurance coverage, at reasonable cost or otherwise, will be available in the future.

Employees

As of May 1, 2015, the Company employed a Chief Executive Officer and one full time administrative employee in our headquarters, and a full-time field technician. We offer a health coverage plan for our employees.

We have no collective bargaining agreement with any of our employees.

Item 1A

Risk Factors

We will need additional capital to finance existing obligations and to fund our operations and growth and we may not be able to obtain additional capital at all, or to obtain capital under terms acceptable to us.

We are seeking to raise additional capital. Due to our strategic alliance with GEM and ETG our financial requirements have been reduced. We anticipate that this amount of capital, if fully raised, will satisfy our financial obligations for approximately 24 months. In addition, unanticipated events could cause our revenues to be lower and our costs to be higher than expected, therefore creating the need for additional capital. Historically, cash generated from operations has not been sufficient to fund our capital requirements, and we have relied upon sales of securities, and loans from our officers to fund our operations. We cannot assure you that we will have sufficient funds available to meet our working capital requirements, or that we will be able to obtain capital to finance operations on favorable terms or at all. If we do not have, or are otherwise unable to secure necessary working capital, we may be unable to fund the continued manufacture of PureSafe units, and we may have to delay or abandon some or all of our development and expansion plans or otherwise forego market opportunities, any of which could harm our business.

We have significant debt liabilities, have not operated profitably, and may continue to incur losses in the future and/or never achieve or maintain profitability.

Our financial statements have been prepared assuming that we will continue as a going concern. At December 31, 2014, our stockholders deficiency was approximately $8.1 million, as compared to approximately $5.5 million at December 31, 2013. Negative working capital was approximately $8.2 million at December 31, 2014, as compared to approximately $5.6 million December 31, 2013.

We continue to suffer recurring losses from operations and have an accumulated deficit since inception (1987) through December 31, 2014 of approximately $52.3 million, and a loss from operations of approximately $2.0 million for the year ended December 31, 2014. These conditions raise substantial doubt about our ability to continue as a going concern.

At December 31, 2014, the Company had outstanding notes payable to institutional and other investors, consultants and vendors, plus accrued interest thereon, of approximately $3,400,000. Of this amount, debt to related parties totaled approximately $750,000. Payables to trade and other non-financial creditors were approximately $2,600,000 at December 31, 2014.

Our independent registered public accountants have stated in their report that there is substantial doubt about our ability to continue as a going concern.

We have limited cash resources and have a working capital deficit. Our independent registered public accountants have stated in their report that they have a substantial doubt about our ability to continue as a going concern. By being categorized in this manner, we may find it more difficult in the short term to either locate financing for future projects or to identify lenders willing to provide loans at attractive rates, which may require us to use our cash reserves in order to expand. Should this occur, and unforeseen events also require greater cash expenditures than expected, we could be forced to cease all or a part of our operations.

Technological change and competition may render our potential products obsolete.

The water purification industry continues to undergo rapid change, competition is intense and we expect it to continually increase. Competitors may succeed in developing technologies and products that are more effective or affordable than any that we are developing or that would render our technology and products obsolete or noncompetitive. Many of our competitors have substantially greater experience, financial and technical resources and production and development capabilities than we do. Accordingly, some of our competitors may succeed in obtaining regulatory approval for products more rapidly or effectively than we can for technologies and products that are more effective and/or affordable than any that we are developing.

Product liability exposure may expose us to significant liability.

We face an inherent business risk of exposure to product liability and other claims and lawsuits in the event that the development or use of our technology or prospective products is alleged to have resulted in adverse effects. We may not be able to avoid significant liability exposure. We maintain a $2,000,000 general and product liability policy which covers the manufacture and marketing of our products. Although we believe our insurance coverage to be adequate, we may not have sufficient insurance coverage, and we may not be able to obtain sufficient coverage at a reasonable cost. An inability to obtain product liability insurance at acceptable cost or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of our products. A product liability claim could hurt our financial performance. Even if we avoid liability exposure, significant costs could be incurred that could hurt our financial performance and condition.

Our inability to protect our intellectual property rights may force us to incur unanticipated costs.

Our success will depend, in part, on our ability to obtain and maintain protection in the United States and other countries for certain intellectual property incorporated into our water purification systems and our proprietary methodologies. Our patent applications for our products are currently pending, and there is no guarantee that such patents will be granted, and if they are not, we may be unable to obtain patents relating to our technology. Even if issued, patents may be challenged, narrowed, invalidated or circumvented, which could limit our ability to prevent competitors from marketing similar solutions that limit the effectiveness of our patent protection and force us to incur unanticipated costs. In addition, existing laws of some countries in which we may provide services or solutions may offer only limited protection of our intellectual property rights.

Our products may infringe the intellectual property rights of third parties, and third parties may infringe our proprietary rights, either of which may result in lawsuits, distraction of management and the impairment of our business.

As the number of patents, copyrights, trademarks and other intellectual property rights in our industry increases, products based on our technology may increasingly become the subject of infringement claims. Third parties could assert infringement claims against us in the future. Infringement claims with or without merit could be time consuming, result in costly litigation, cause product shipment delays or require us to enter into royalty or licensing agreements. Royalty or licensing agreements, if required, might not be available on terms acceptable to us, or at all. We may initiate claims or litigation against third parties for infringement of our proprietary rights or to establish the validity of our proprietary rights. Litigation to determine the validity of any claims, whether or not the litigation is resolved in our favor, could result in significant expense to us and divert the efforts of our technical and management personnel from productive tasks. If there is an adverse ruling against us in any litigation, we may be required to pay substantial damages, discontinue the use and sale of infringing products, expend significant resources to develop non-infringing technology or obtain licenses to infringing technology. Our failure to develop or license a substitute technology could prevent us from selling our products.

We will face substantial competition in marketing our PureSafe FRWS.

We will experience competition from a large number of more established firms in the market for water purification systems. Many of these companies are much larger and have substantially greater financial resources than us. In addition, our potential competitors in many cases already have customers to which they have sold water purification systems and these systems have an operating track record, in contrast to our FRWS which is a relatively new production the market.

Because certain existing stockholders own a large percentage of our voting stock, other stockholders voting power may be limited.

Our controlling stockholders and directors and their affiliates beneficially own or control in excess of 70% of the voting power of our outstanding stock. As a result, they have the ability to control all matters submitted to our stockholders for approval, including the election and removal of directors and the approval of any merger, consolidation or sale of all or substantially all of our assets. These stockholders may make decisions that are adverse to your interests. See our discussion under the caption Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters for more information about ownership of our outstanding shares.

We do not anticipate paying cash dividends in the foreseeable future, which could adversely affect the price of our Common Stock.

We, by reason of our anticipated financial status and our contemplated financial requirements, do not contemplate or anticipate paying any dividends upon our Common Stock in the foreseeable future. Any payment of cash dividends in the future will be dependent upon the amount of funds legally available, the earnings, financial conditions, capital requirements and other factors that the board of directors may believe are relevant. Further, dividends on our common stock are subordinated to dividends and liquidation rights of the holders of our outstanding Series of preferred stock.

Item 1B

Unresolved Staff Comments

Disclosure under Item 1B is not required of smaller reporting companies.

Item 2.

Properties.

The Company leases its offices at 35 East Mall, Plainview, NY, on a month-to-month basis, at a current monthly rental of $1,236.

Item 3.

Legal Proceedings.

Loss contingencies considered remote are generally not disclosed, unless they involve guarantees, in which case the guarantees would be disclosed. There can be no assurance that such matters will not materially and adversely affect the Company s business, financial position, and results of operations or cash flows. As of December 31, 2014, the Company has the following litigation outstanding.

The Company has remained a defendant in a lawsuit since September 12, 2012 in the Supreme Court of the State of New York, County of Nassau, filed by Fairchild Warehouse Associates, LLC (Fairchild), as plaintiff, for recovery of past rental payments for the Company s former office space at 25 Fairchild Avenue, Plainview, New York 11803. An inquest began on December 10, 2014 to determine the amount of money damages due on Fairchild s claim and on March 3, 2015 the court awarded judgment to the plaintiff against the Company in the sum of $887,929. Adding interests and costs to the awarded amount, judgment has been entered against the Company in the total sum of $892,042. Interest on the judgment will continue to accrue at the rate of 9% per annum until satisfied. As of December

31, 2014 the Company has accrued a liability of $804,220 related to the judgment and is included in accounts payable and accrued liabilities at December 31, 2014.

The Company is in default under a May 30, 2012, Securities Purchase Agreement entered into with TCA Global Credit Master Fund, LP (TCA), providing for the issuance of $275,000 principal amount of senior secured redeemable and convertible debentures due November 30, 2012. On October 4, 2013, at the request of the lender due to default, the Company converted $303,499 of convertible notes and accrued interest into a new convertible note in the amount of $531,431. The increase in principal was due to amounts charged by the lender for penalties, interest, legal and other fees. The newly issued note bears interest at rates of 18% per annum and is due on demand. The lender may convert all or any portion of the outstanding principal, accrued and unpaid interest, and any other sums due and payable under the Note into shares of the Company s common stock at a conversion price equal to 85% of the lowest daily volume weighted average price of the Company s common stock during the five trading days immediately prior to such applicable conversion date, in each case subject to the lender not being able to beneficially own more than 4.99% of our outstanding common stock upon any conversion. The conversion price is subject to anti-dilution protection and down round provisions in the event that the Company issues additional equity securities at a price less than the conversion price. On March 10, 2014, TCA accelerated the outstanding principal balance, interest, calculated at the default rate of 18%, and all sums due under the original note and any amendments. In August 2014 a default final judgment was entered against the Company concluding that TCA is entitled to damages in the amount of $610,349, to foreclose upon the security interests, and to recover attorneys fees and costs incurred by TCA. In addition prejudgment interest shall be assessed at a rate of 18% per annum and post judgment interest shall be assessed at a rate of 4.75% per annum. As of December 31, 2014 the Company has accrued a liability of $651,800 related to the TCA claim and is included in convertible notes payable.

On November 27, 2013, the Company entered into a settlement agreement with Tarpon Bay Partners LLC (Tarpon), a related party. The manager of Tarpon is Stephen Hicks, the President of the Company. Tarpon previously purchased outstanding liabilities of the Company from TCA in the amount of $506,431 and Designs and Project Development Corporation (a former landlord) in the amount of $56,429. Per the terms of the settlement the Company was to issue Tarpon shares of common stock in one or more tranches as necessary, and subject to adjustment and ownership limitations, and a convertible promissory note in the principal amount of $75,000. The Company failed to issue shares to Tarpon and in the first quarter of 2014 TCA rescinded its liabilities purchase agreement with Tarpon. As of December 31, 2014 the Company has accrued a liability of $60,684 related to the Designs and Project Development Corporation claim and is included in notes payable and the $506,431 related to TCA has been included in convertible promissory notes.

On January 31, 2014, in conjunction with the settlement agreement outlined above, the Company issued Tarpon a convertible promissory note in the principal amount of $75,000. The convertible note matures one year from the date of issuance with interest at 10% per annum. The convertible promissory note has no registration rights and shall be convertible into the common stock of the Company at any time at a conversion price equal to 75% of the low closing bid price for the twenty days prior to conversion. The conversion price is subject to anti-dilution protection and down round provisions in the event that the Company issues additional equity securities at a price less than the conversion price. The Company may prepay the note at 150% of the entire outstanding principal amount of the note plus any accrued but unpaid interest.

An eviction notice was issued on October 8 by the landlord for 160 Dupont Street, Five Towns Realty Associates, Inc (Five Towns Realty). There is currently an outstanding balance of $54,739 that is subject to a lawsuit and is included in accounts payable and accrued liabilities at December 31, 2014. The Company is currently in negotiations with Five

Towns Realty to reach a settlement.

An action was commenced on March 22, 2012, in the Supreme Court of the New York for the County of Nassau, by Lazar, Sanders Thaler & Associates, LLP, a dissolved accounting firm of which Terry R. Lazar, the Company s former CFO was a member. Among the parties named as defendants were Mr. Lazar and the Company. The claim was made that the Company owned fees to the plaintiff and/or that such fees were paid to Terry Lazar who never forwarded them to the plaintiff. Mr. Lazar undertook the defense of the action on his behalf and on behalf of the Company.

The matter proceeded to inquest and the court awarded judgment to the plaintiff against the Company in the sum of $25,000. Adding interests and costs to the awarded amount, judgment has been entered against the Company in the total sum of $36,613. An appeal has been taken from the judgment. The appeal has been perfected by the filing of the record and brief in the Supreme Court of the state of New York. As of December 31, 2014 the Company has accrued a liability of $36,613 related to the judgment and is included in accounts payable and accrued liabilities at December 31, 2014.

On October 23, 2014, the Company received a notice, filed with the Office of the District Administrative Judge, 10th Judicial District, Nassau County, New York, of the Company s right to arbitrate a fee dispute with Steve Legum over $12,194 of legal fees in connection with Mr. Legum s representation of the Company in the Levin Consulting Group matter. The Company did not file the Request for Fee Arbitration within the required 30 days of receipt of the notice, thereby forfeiting its right elect to resolve the dispute by arbitration. As of December 31, 2014 the Company has accrued a liability of $12,194 related to the dispute and is included in accounts payable and accrued liabilities at December 31, 2014.

Item 4.

Mine Safety Disclosures.

Not applicable.

PART II

Item 5.

Market for Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market

Our common stock is traded over-the-counter and has been available for quotation on the OTC Markets Group OTCQB platform under the trading symbol PSWS . The following table sets forth the range of high and low bid prices for our common stock for the periods indicated as derived from the Google Finance website. The information reflects inter-dealer prices, without retail mark-ups, mark-downs or commissions and may not necessarily represent actual transactions.

Quarter Ended	High Bid Price	Low Bid Price
March 31, 2012		
June 30, 2012	0.063	0.035
September 30, 2012	0.035	0.013
December 31, 2012	0.02	0.003
March 31, 2013	0.019	0.008
June 30, 2013	0.021	0.017
September 30, 2013	0.017	0.007
December 31, 2013	0.008	0.003
March 31, 2014	0.005	0.002
June 30, 2014	0.004	0.001
September 30, 2014	0.004	0.001
December 31, 2014	0.001	0.001
March 31, 2015	0.001	0.001

Holders

As of April 8, 2015, we had approximately 476 stockholders of record.

No dividends have been declared or paid on our common stock, and we do not anticipate that any dividends will be declared or paid in the foreseeable future. Dividends on our common stock are subordinated to dividends and liquidation rights of the holders of our outstanding Series A, Series D, Series H, Series I and Series J preferred stock and the rights of the holders of our outstanding Series F convertible preferred stock.

Securities Authorized for Issuance under Equity Compensation Plans

The following table shows information as of December 31, 2014 with respect to each equity compensation plan and individual compensation arrangements under which our equity securities are authorized for issuance to employees or non-employees.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (A)	Weighted-average exercise price of outstanding options, warrants and rights (B)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (A)) (C)
Equity compensation plans approved by security holders			30,000,000
Equity compensation plans not approved by security holders	88,393,317	$ 0.0106	-
Total	88,393,317	$ 0.0106	-

In November 2008, our stockholders approved the Company s 2008 Equity Incentive Plan (the 2008 Plan), pursuant to which 30,000,000 shares are reserved for issuance to officers, directors, key employees and consultants and advisors. The purposes of the 2008 Plan are (a) to enable us to attract and retain highly qualified personnel who will contribute to our success, and (b) to provide incentives to participants in the 2008 Plan that are linked directly to increases in stockholder value which will therefore inure to the benefit of all of our stockholders. The 2008 Plan provides for its administrator (i.e., our board of directors, or a committee of the board in which each member will be an independent director) to have full authority, in its discretion, to: select the persons, to whom awards will be granted, grant awards, determine the number of shares to be covered by each award, determine the type, nature, amount, pricing, timing and other terms of each award, and interpret, construe and implement the provisions of the 2008 Plan, including the authority to adopt rules and regulations. Under the 2008 Plan, we are authorized to award: stock options, stock bonuses, restricted stock, stock appreciation rights, commonly referred to as SARs, performance grants and other types of awards.

Sales of Unregistered Securities

During the year ended December 31, 2014, multiple lenders requested to convert total aggregated $80,300 principal plus accrued interest of $24,937 into the Company s common stock. The Company issued a total 282,923,584 shares of common stock in connection with such conversions.

The following table sets forth the unreported sales of unregistered securities for the fiscal year ended December 31, 2014:

Date	Title and Amount (1)	Purchaser	Principal Underwriter	Total Offering Price/ Underwriting Discounts
October 20, 2014	68,000,000 shares of common stock.	MACALLAN P	NA	$0.0000882 per share/NA
October 21, 2014	$50,000 principal amount convertible promissory note due May 1, 2015, without interest and a premium to be paid on redemption of $20,000. Upon maturity, at the election of the holder, the note is convertible into the Company s common stock at a 50% discount of the lowest closing bid price during the 10 trading days prior to conversion.		NA	$50,000/NA
October 22, 2014	- $14,000 principal amount 10% convertible promissory note due September 30, 2015 and convertible into the Company s common stock at a conversion price of $0.0004 per share. In addition, 7,000,000 warrants were issued with an exercise price of $0.00048 per share. The warrants are fully vested and have a life of 5 years from date of issuance.		NA	$14,000/NA
November 10, 2014	$20,000 principal amount 10% convertible promissory note issued to Southridge II, a related party, due October 31, 2015, and convertible into common stock at a 50% discount of the lowest closing bid price during the 30 trading days prior to conversion.	Southridge II	NA	$20,000/NA
November 13, 2014	72,000,000 shares of common stock	MACALLAN P	NA	$0.0000556 per share/NA
November 13, 2014	On November 13, 2014 the Company issued a $ 12,500 principal amount 10% convertible promissory note due October 31, 2015, convertible into the Company s common stock at a 50% discount of the lowest closing bid price during the 30 trading days prior to conversion.	Southridge II	NA	$12,500/ NA

November 17, 2014	$ 4,156 principal amount 10% convertible due October 31, 2015 and convertible into the Company s common stock at a 50% discount of the lowest closing bid price during the 30 trading days prior to conversion.	Tarpon	NA	$4,156/NA
November 17, 2014	$ 25,000 principal amount 10% convertible promissory note due December 31, 2015 convertible into the Company s common stock at a conversion price of $0.0002 per share. In addition, 25,000,000 warrants were issued with an exercise price of $0.00024 per share. The warrants are fully vested and have a life of 5 years from date of issuance.	Private investor	NA	$25,000/NA
November 24, 2014	110,555,556 shares of common stock.	Black Arch	NA	$0.00015 per share/NA
December 23, 2014	$ 15,000 principal amount promissory note due March 31, 2015 with the stated interest rate at 8%.	Southridge II	NA	$15,000/NA

(1)

The issuances to executives, employees, lenders, consultants and investors are viewed by the Company as exempt from registration under the Securities Act of 1933, as amended (Securities Act), alternatively, as transactions either not involving any public offering, or as exempt under the provisions of Regulation D promulgated by the SEC under the Securities Act.

Item 6.

Selected Financial Data.

Disclosure under Item 6 is not required of smaller reporting companies.

Item 7.

Management s Discussion and Analysis of Financial Condition and Results of Operations.

Overview and Recent Developments

We have developed a patent pending PureSafe First Response Water System (PureSafe FRWS) that is self-contained and purifies essentially any type of raw water source or decontaminate any contaminated water without prior knowledge of the contaminants, including seawater that may be found at a first response emergency site. This system is uniquely mobile, by helicopter or transported by truck. The initial PureSafe FRWS prototype was developed using advanced Israeli water treatment technology. The original prototype was capable of producing 10,000 gallons of water per day, but could not desalinate sea water, and did not have a built in generator or water bagging capability. Adhering to the original treatment train and process, we have since built a 2nd prototype (FRWS unit). The FRWS unit can produce EPA compliant drinking water at the rate of 30,000 gallons per day, to provide drinking water to 45,000 people. This system has received Gold Seal Certification from the Water Quality Association in September 2010, was re-certified in April 2011 and January 2013, a significant accomplishment. In addition, the Nassau County Department of Health independently tested the PureSafe unit s water quality and the results exceeded all testing parameters. The FRWS-30K unit was designed to meet the output, ease of operation, mobility and water quality requirements as described in the Operational Requirements Document issued by the U.S Department of Homeland Security (2009) for emergency water supplies.

Under our Exclusive Sales and Marketing Agreement with GEM present and future distributors and representatives will be integrated with GEM s existing worldwide distributor network. GEM has appointed a Product Manager for our technology.

We have sold three FRWS units, one being sold to an end user in the oil and gas exploration business in Texas (delivered in Dec 2011), the second sold to the Department of Military and Veterans Affairs for the State of Alaska (delivered in the first quarter of 2012) and the third sold to the State of Vera Cruz, Mexico in the fourth quarter of 2012. All of the sold units were manufactured in our production facility.

Over the past several years we have demonstrated our FRWS system at several emergency preparedness conferences in New York and California, and numerous times at our offices in New York.

Definitive Information Statement filed with SEC for Capital Increase and Reverse Stock Split

A Preliminary Information Statement was filed with the SEC on October 24, 2014, and the Definitive Information Statement on December 11, 2014, setting forth the approval by written consent of stockholders of the following amendments (the Amendments) to our Certificate of Incorporation: (1) a Reverse Stock Split of the Company s common stock at a ratio of not less than one-for-one hundred and not more than one-for-five hundred as determined by our Board of Directors (the Reverse Stock Split), subject to the Board s discretion to determine, without any further action by stockholders, not to proceed with a reverse stock split if it determines that a reverse stock split is no longer in the best interest of the Company and its stockholders, and (2) the authorization of an increase in the number of authorized shares of common stock from two billion (2,000,000,000) shares of common stock, par value $.001 per share, to ten billion (10,000,000,000) shares of common stock, par value $.00001 per share. The Amendment increasing our authorized common stock to 10,000,000,000 shares has become effective with the filing of the Certificate of Amendment with the Secretary of State of the State of Delaware.

Plan of Operations

Our plans for the next twelve months include:

In June 2014 we retained Tarpon Bay Partners LLC, a company that is part of the Southridge LLC group, as the Company s strategic financial advisor to provide general management and consulting services and advisory services to the Company, including assistance in connection with the restructuring of our outstanding debt and equity securities.

Our marketing plan is based on the following key components:

Strategic Alliances We entered into an Engineering Package Agreement in January 2013 with ETG/Engineering Technologies Group, Inc. ETG will re-engineer and value engineer the system so that production can be outsourced. This should allow for the Company to meet future demands for the product. We also entered into a second agreement, with Global Equipment Marketing, Inc. (GEM). GEM will sell and market our products utilizing as a dba PureSafe Water System Sales.

17

Direct Marketing and Sales The marketing and sales plan will initially focus on short term developed business opportunities

Where money is currently available. The sales effort will be by both direct sales, development of an international dealer distribution network, and through the assistance of sales consultants and representatives.

Referencing our goals, we are also redirecting the sales effort so that it will no longer predominantly rely on one sector of the economy. We will now aim to expand our product to the oil and gas sector, as well as many government and municipalities; and agricultural and industrial businesses. We are reviewing the entire approach to the product with an aim to deepen and diversify our distribution channels, lower our cost of production, improve the Company s profit margin on sales and maintain an inventory of units for immediate sale.

At present our demonstration unit is on the road in a much more organized and deliberate approach to achieve maximum exposure through the balance of this year. We will be updating our marketing materials and directing more resources to our sales and marketing efforts.

No assurance can be given that any of the above items will be completed during the next twelve months or at any time in the future. Further, completion of all of such items does not guaranty that we will generate any revenue or become profitable at any time in the future.

Results of Operations for the years ended December 31, 2014 and 2013

Revenues. We recognized $0 revenues for the years ended December 31, 2014 and 2013, respectively.

Cost of goods sold for the years ended December 31, 2014 was $0 as compared with $56,344 for the year ended December 31, 2013. During the year ended December 31, 2013 inventory in the amount of $56,344 was abandoned.

Operating expenses for the year ended December 31, 2014 were $1,901,469 compared to $2,558,393 for the year ended December 31, 2013, a $656,924 or 26% decrease.

The following is an analysis of certain operating expense fluctuations between the years ended December 31, 2014 and 2013.

Compensation and related benefits expenses, including directors fees for the year ended December 31, 2014 was $327,979 compared to $1,161,739 for the year ended December 31, 2013, a $833,760 or 72% decrease.

Directors fees decreased $139,200 from $139,200 for the year ended December 31, 2013 to $0 for the year ended December 31, 2014. The Company paid no compensation to its directors during the year ended December 31, 2014.

Salaries expenses, excluding Stock-based compensation, decreased from $640,711 for the year ended December 31, 2013 to $307,750 for the year ended December 31, 2014. The decrease was a result of the following approximate decreases; officer s salaries decreased $274,000 and office and administrative salaries decreased $59,000.

Stock Based Compensation, excluding directors fees, consulting fees and marketing expense, decreased $336,690 from $339,500 for the year ended December 31, 2013 to $2,810 for the year ended December 31, 2014. We issued 51 shares of series G preferred stock to our Company President during the year ended December 31, 2014 and recorded $2,810 stock-based compensation for such issuance. During the year ended December 31, 2013 we issued 27,000,000 shares of common stock to our employees and contractors and recorded $171,300 stock-based compensation for such issuance. In addition, on February 11, 2013, the Compensation Committee granted our Chief Executive Officer and Chief Financial Officer a total of 25,000,000 warrants to purchase 25,000,000 shares of common stock at an exercise price of $0.0033 per share. We recorded $152,000 of stock-based compensation during the year ended December 31, 2013 in connection with such grant. In addition, during the year ended December 31, 2013 the Company granted employees and contractors a total of 900,000 warrants to purchase 900,000 shares of common stock at an exercise price of $0.0033 per share. We recorded $16,200 of stock-based compensation during the year ended December 31, 2013 in connection with such grant.

Research and development expenses for the year ended December 31, 2014 were $3,474 compared to expenses during the year ended December 31, 2013 of $55,874, a $52,400 or 94% decrease. In the past two years, due to cash restrictions, we have curtailed the expenses on research and development and have focused our resources on production. However, we understand the vital importance of research and development for our overall success. We are committed to continue to conduct research and development activities to ensure PureSafe FRWS has the most advanced technology within the water filtration equipment industry.

Professional, legal and consulting fees expenses for the year ended December 31, 2014 were $1,032,335, compared to $394,209 for the year ended December 31, 2013, a $638,126 or 162% increase. The main reason for the $638,126 increase is that, during the year ended December 31, 2014, we recorded $669,935 of stock-based consulting fees represented by 29 shares of our series H preferred stock being issued to Tarpon, a related party, for services we received. During the year ended December 31, 2013 we recorded $257,000 of stock-based consulting fees represented by 74,509,222 shares of our common stock being issued to two consultants and an investment banker for services we received. In addition legal and professional fees increased approximately $225,000 during the year ended December 31, 2014 as compared to the year ended December 31, 2013 due to increased fees incurred related to the Company s public reporting requirements, litigation and patent related costs.

Marketing expenses decreased $22,134 from $25,835 for the year ended December 31, 2013 to $3,701 for the year ended December 31, 2014. In the past two years, due to cash restrictions, we have curtailed the expenses on marketing.

Occupancy related expenses decreased $113,803 from $476,022 for the year ended December 31, 2013 to $362,219 for year ended December 31, 2014. The fluctuation in occupancy related expenses in 2014 compared to the same period in 2013 is as a result of the following:

Effective as of July 1, 2008, the Company entered into a seven-year lease for 5,300 square feet of space at 25 Fairchild Avenue in Plainview, New York. The facility is to serve as the Company s executive offices, sales office, showroom and an assembly area.

In March 2012 management exercised a Good Guy Clause in its lease and abandoned the space at 25 Fairchild Avenue.

On September 12, 2012, as a result of the Company s action, Fairchild Warehouse Associates, LLC (Fairchild), as plaintiff, filed suit for recovery of past rental payments for the Company s former office space at 25 Fairchild Avenue, Plainview, N.Y. 11803. An inquest began on December 10, 2014 to determine the amount of money damages due on Fairchild s claim and on March 3, 2015 the court awarded judgment to the plaintiff against the Company in the sum of $887,929. Adding interests and costs to the awarded amount, judgment has been entered against the Company in the total sum of $892,042.

During the year ended December 31, 2014 the Company recorded rent, rent related expenses and penalties of $328,290 as a result of the judgment which is included in occupancy expense in the accompanying consolidated statements of operations.

During the year ended December 31, 2013 the Company recorded rent, rent related expenses and penalties of $341,849 relating to the lawsuit which is included in occupancy expense in the accompanying consolidated statements of operations.

The fluctuation was also impacted due to the Company being evicted from its Dupont Street facilities during October 2013 and moving to a location with a lower monthly rental amount. In addition the company realized small decreases in many different areas, such as reductions in cleaning services and repairs and maintenance.

(Gain) loss on sale/abandonment of fixed assets - During the year ended December 31, 2014 the Company sold property and equipment in settlement of liabilities and recorded a gain of $(6,195). During the year ended December 31, 2013 we incurred a loss of $21,720 on the abandonment of fixed assets. In the 3rd quarter of 2013, after the Company moved to a new location, the Company decided to write-off all fixed assets that were associated with prior locations. During 2013 we sold our Ford truck and certain equipment and realized a $9,486 gain after writing-off the balance of the asset.

Other administrative and general expenses decreased $232,234 from $349,927 for the year ended December 31, 2013 to $117,693 for the year ended December 31, 2014, a 66% decrease. A main factor in the decrease in other administrative and general expenses was the Company incurred litigation related settlement charges of $161,613 during 2013 which we did not incur any for the year ended December 31, 2014. In addition, the Company realized a combination of reductions of other expenses that were not included in the above discussion.

Other Income (Expenses)-net

We incurred $(2,086,458) in net non-operating expenses for the year ended December 31, 2014, compared to $(622,309) for the year ended December 31, 2013, a $1,464,149 or 235% increase.

The following is a detailed analysis for such increase:

We recorded interest income on subscriptions receivable of $15,131 during the year ended December 31, 2013.

We received a one-time refund from an insurance company as a result of a policy premium audit. We recorded $23,538 non-recurring non-operating income in connection with such refund during the year ended December 31, 2013.

Interest expense incurred during the year ended December 31, 2014 and 2013 was $1,121,492 and $1,053,978, respectively, a $67,514 or 6% increase.

The following factors primarily impacted interest expense for the year ended December 31, 2014: i) During the year ended December 31, 2014, we incurred approximately $40,000 in interest expense as the result of failing to issue conversion shares in a timely manner that was dictated by the terms of outstanding notes; ii) During the year ended December 31, 2014, we incurred approximately $265,000 in interest expense as the result of the fair value, on the date of issuance, of the conversion features and warrants issued with certain debt in excess of the face value of the debt.

The following factors primarily impacted interest expense for the year ended December 31, 2013: i) During the year ended December 31, 2013, we incurred approximately $125,000 in interest expense as the result of failing to issue conversion shares in a timely manner that was dictated by the terms of outstanding notes; ii) During the year ended December 31, 2013, we incurred approximately $228,000 in penalty interest expense as the result of defaulting on our loan with TCA; and iii) During the year ended December 31, 2013, we incurred approximately $245,000 in interest expense as the result of the fair value, on the date of issuance, of the conversion features and warrants issued with certain debt in excess of the face value of the debt.

In addition, the change in interest expense for any period is always affected by the issuances of new debt, repayments of debt and conversions of debt.

The accretion of debt discount during the years ended December 31, 2014 and 2013 was $521,378 and $223,825, respectively, a $297,553 or 133% increase. The main reason for the increase in the accretion of debt discount is due to the amortization of the debt discount of our loans that we entered during the fourth quarter of 2013 and the year 2014.

On October 24, 2014, the Company entered into an agreement in-order to satisfy outstanding liabilities of the Company due to our former Chief Financial Officer (CFO) and former Director, Terry R. Lazar (Lazar), dating back to 2009. Mr. Lazar acted as CFO for the Company until February 15, 2014, and the Company has accrued approximately $510,000 in deferred compensation on behalf of Lazar, including accrued interest and warrants for his services on the Company s Board (Deferred Comp). In addition, Lazar has loaned approximately $225,000 to the Company in the form of loans(s) (Loan). Mr. Lazar and the Company have agreed to satisfy and terminate all Deferred Comp and Loan obligations of the Company due to Lazar by having the Company issue to Lazar a new series of preferred stock. Per the terms of the agreement the Company shall issue 200 shares of preferred stock with a stated value equal to $200,000 in full satisfaction of the aforementioned liabilities. The Company recorded a gain on restructuring of debt of approximately $710,000 during the year ended December 31, 2014 related to the settlement. (See Financial Statement - Note 12)

Changes in fair value of warrants and embedded conversion options for year ended December 31, 2014 and 2013 were $(1,677,600) and $393,000, respectively.

Liquidity and Capital Resources

As of December 31, 2014, we maintained a cash balance of $4,967 as compared to $2,199 as of December 31, 2013.

Net cash used in operating activities during the year ended December 31, 2014 was $616,388, compared to $1,037,031 used during the year ended December 31, 2013, a $420,643 or 41% decrease. In the past two years, due to cash restrictions, we have curtailed expenses on salaries, marketing, and research and development. Currently the Company generates no revenues and relies on debt financings in-order to sustain operating activities. The Company expects cash from operations to remain negative until we start to generate adequate revenues.

Net cash provided by investing activities for the year ended December 31, 2014 and 2013 was $0 and $14,742, respectively. During the year ended December 31, 2013 we paid $7,458 for capitalized patent costs and received proceeds from the sale of property and equipment of $22,200.

During the year ended December 31, 2014 and 2013, respectively, we received $0 and $570,800 through sales of our common stock.

During the year ended December 31, 2013 we received $102,937 from eight investors who exercised their warrants to purchase shares of our common stock.

Funds received from officers and directors loans and convertible loans during the years ended December 31, 2014 and 2013 were $11,300 and $9,051, respectively; cash received from issuing convertible promissory notes was $429,156 and $376,500, respectively; and cash received from issuing promissory notes was $211,800 and $12,500, respectively. During the years ended December 31, 2014 and 2013 cash used to repay convertible notes payable was $0 and $32,500, respectively; cash used to repay officers and directors notes was $11,300 and $48,500, respectively; and cash used to repay notes payable was $21,800 and $29,871, respectively.

From the above activities, net cash provided by financing activities during the years ended December 31, 2014 and 2013 was $619,156 and $960,917 respectively.

Aggregating operating, investing and financing activities from above, net cash provided (used) for the years ended December 31, 2014 and 2013 was $2,768 and $(61,372), respectively.

Going Concern

At December 31, 2014, we had a working capital deficit of approximately $8.2 million. We continue to suffer recurring losses from operations and have an accumulated deficit since inception of approximately $52.3 million. These conditions raise substantial doubt about our ability to continue as a going concern.

The Company s continuation as a going concern is dependent upon its ability to bring the Company s products to market and generate revenues, control costs, and obtain additional financing, as required and on reasonable terms. The Company s plans with respect to these matters include restructuring its existing debt and raising additional financing through issuance of preferred stock, common stock and/or debt. On April 2, 2014, The Company announced that Stephen Hicks and Gilbert Steedley were appointed to the Board of Directors and that Stephen Hicks was appointed President of the Company. Henry Sargent was appointed Vice President and Secretary.

The Company s goal is to generate the sales of the Company's flagship mobile water purification product and to ultimately diversify its product line through ingenuity and/or acquisition. In order to accomplish these goals we are redirecting the sales effort so that the Company will no longer predominantly focus on the government sector, a target with historically long lead times. In addition the Company is reviewing the entire approach to the product with an aim to 1) deepen and diversify our distribution channels, 2) lower our cost of production, 3) improve the Company's profit margin on and 4) maintain an inventory of units for immediate sale.

The Company requires immediate capital to remain viable. The Company can give no assurance that such financing will be available on terms advantageous to the Company, or at all. Should the Company not be successful in obtaining the necessary financing to fund its operations, the Company would need to curtail certain or all of its operational activities. The accompanying unaudited condensed consolidated financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

Subsequent to December 31, 2014, the Company has issued approximately $254,000 of convertible notes payable. From January 1, 2015 until June 5, 2015, the Company issued 558,685,711 shares of common stock for the settlement of $24,600 loan principal plus $4,584 accrued interest, and fees. As of June 5, 2015 the Company has cash of approximately $1,000 available for use.

Effects of Recent Accounting Policies

The FASB and the SEC have issued certain accounting standards updates and regulations that will become effective in subsequent periods; however, management of the Company does not believe that any of those updates would have significantly affected the Company s financial accounting measures or disclosures had they been in effect during 2014 or 2013, and does not believe that any of those pronouncements will have a significant impact on the Company s consolidated financial statements at the time they become effective.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. Preparation of the statements in accordance with these principles requires that we make estimates, using available data and our judgment, for such things as valuing assets, accruing liabilities and estimating expenses. The following is a list of what we believe are the most critical estimations that we make when preparing our consolidated financial statements.

Stock-Based Compensation

We report stock-based compensation under ASC 718. ASC 718 requires all share-based payments to employees, including grants of employee stock options, to be recognized in the consolidated financial statements based on their fair values.

We account for equity instruments issued to non-employees as compensation in accordance with the provisions of ASC 718 and 505, which require that each such equity instrument is recorded at its fair value on the measurement date, which is typically the date the services are performed.

The Black-Scholes option valuation model is used to estimate the fair value of the options or their equivalent granted. The model includes subjective input assumptions that can materially affect the fair value estimates.

The model was developed for use in estimating the fair value of traded options or warrants that have no vesting restrictions and that are fully transferable. The expected volatility is estimated based on the most recent historical period of time equal to the weighted average life of the options granted.

We have issued equity instruments in the past to raise capital and as a means of compensation to employees and for the settlement of debt.

Derivative Liabilities

In connection with the issuance of certain convertible promissory notes, the terms of the convertible notes included an embedded conversion feature; which provided for the settlement of certain convertible promissory notes into shares of common stock at a rate which was determined to be variable with no floor. The Company determined that the conversion feature was an embedded derivative instrument pursuant to ASC 815 Derivatives and Hedging

The accounting treatment of derivative financial instruments requires that the Company record the conversion option and related warrants, if applicable, at their fair values as of the inception date of the agreements and at fair value as of each subsequent balance sheet date. As a result of entering into certain convertible promissory notes, the Company is required to classify all other non-employee warrants as derivative liabilities and record them at their fair values at each balance sheet date because the Company could not determine it has enough authorized shares to settle the contracts. Any change in fair value was recorded as a change in the fair value of derivative liabilities for each reporting period at each balance sheet date. The Company reassesses the classification at each balance sheet date. If the classification changes as a result of events during the period, the contract is reclassified as of the date of the event that caused the reclassification.

The fair value of conversion options that are convertible at a variable conversion price are required to be valued using a Binomial Lattice Model. The Company determined the fair value of the conversion option using either the Black-Scholes Valuation Model or the Binomial Lattice Model to be materially the same.

The Black-Scholes Valuation Model is used to estimate the fair value of the warrants and conversion option. The model includes subjective input assumptions that can materially affect the fair value estimates. The model was developed for use in estimating the fair value of traded options or warrants. The expected volatility is estimated based on the most recent historical period of time equal to the weighted average life of the instrument granted.

Income taxes

We account for income taxes under guidance provided by ASC 740 Income Taxes which prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. Differences between tax positions taken or expected to be taken in a tax return and the benefit recognized and measured pursuant to the interpretation are referred to as unrecognized benefits. A liability is recognized (or amount of net operating loss carry forward or amount of tax refundable is reduced) for an unrecognized tax benefit because it represents an enterprise s potential future obligation to the taxing authority for a tax position that was not recognized as a result of applying the provisions of ASC 740.

In accordance with ASC 740, interest costs related to unrecognized tax benefits are required to be calculated (if applicable) and would be classified as Interest expense, net in the consolidated statements of operations. Penalties would be recognized as a component of General and administrative expenses.

Our uncertain tax positions are related to tax years that remain subject to examination by relevant tax authorities. We file income tax returns in the United States (federal) and in various state and local jurisdictions. We are no longer subject to federal, state and local income tax examinations by tax authorities for years prior to 2011.

Item 7A

Quantitative and Qualitative Disclosures About Market Risk

Disclosure under Item 7A is not required of smaller reporting companies.

Item 8.

Financial Statements and Supplementary Data.

We set forth below a list of our audited financial statements included in this Annual Report on Form 10-K and their location.

Scrudato & Co., PA

CERTIFIED PUBLIC ACCOUNTING FIRM

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

Puresafe Water Systems, Inc.

We have audited the accompanying balance sheet of Puresafe Water Systems, Inc. as of December 31, 2014 and the related consolidated statements of operations, changes in stockholders deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Puresafe Water Systems, Inc. at December 31, 2014, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that Puresafe Water Systems, Inc. will continue as a going concern. As more fully described in Note 3, the Company had an accumulated deficit at December 31, 2014, a net loss and net cash used in operating activities for the fiscal year then ended. These conditions raise substantial doubt about the ability of the Company to continue as a going concern. Management s plans in regards to these matters are also described in Note 3. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

/s/ Scrudato & Co., PA

Scrudato & Co., PA

Califon, New Jersey

June 5, 2015

7 Valley View Drive Califon, New Jersey 07830 (908)534-0008

Registered Public Company Accounting Oversight Board Firm

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders

of PureSafe Water Systems, Inc. and Subsidiary

We have audited the accompanying consolidated balance sheet of PureSafe Water Systems, Inc. and Subsidiary (the Company) as of December 31, 2013 and the related consolidated statements of operations, stockholders' deficiency and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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. An audit also includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of PureSafe Water Systems, Inc. and Subsidiary as of December 31, 2013 and the consolidated results of their operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the consolidated financial statements, the Company has had recurring losses, and has a working capital and stockholders' deficiency as of December 31, 2013. These conditions 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 3. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Marcum LLP

Marcum LLP

New York, New York

October 23, 2014, except for Note 15(a), as to which the date is June 5, 2015

PureSafe Water Systems, Inc. and Subsidiary
Consolidated Balance Sheets

		December 31, 2014		December 31, 2013
Assets				
Current Assets				
Cash	$	4,967	$	2,199
Inventories		141,636		141,636
Prepaid expenses and other current assets		38,281		35,437
Total Current Assets		184,884		179,272
Property and equipment, net of accumulated depreciation of $44,449 and $179,290, respectively		-		-
Patents and trademarks, net of accumulated amortization of $54,023 and $47,919, respectively		53,318		59,422
Other assets		23,390		33,500
Total Assets	$	261,592	$	272,194
Liabilities and Stockholders' Deficiency				
Current Liabilities:				
Accounts payable and accrued expenses	$	1,474,363	$	1,209,319
Accrued compensation		951,982		1,267,382
Accrued consulting and director fees		144,000		144,000
Notes payable to officer and director (including accrued interest of $170,710 and $193,703, respectively)		560,760		827,254
Convertible promissory notes (including accrued interest of $327,807 and $154,528 and net of debt discount of $200,459 and $210,781, respectively)		1,772,571		1,238,838
Promissory notes payable (including accrued interest of $273,086 and $240,807 respectively)		842,531		593,153
Fair value of detachable warrants and conversion option		2,354,600		299,000
Accrued dividends payable		190,328		190,328

Preferred stock to be issued	40,000	-
Common stock to be issued	5,000	38,423
Total Current Liabilities	8,336,135	5,807,697
Total Liabilities	8,336,135	5,807,697
Commitments and Contingencies	-	-
Stockholders' Deficiency:		
Preferred stock par value $0.00001 par value; 10,000,000 shares authorized; 184,224 and 184,144 shares issued and outstanding (liquidation preference $3,858,801 and $3,025,450, as of December 31, 2014 and December 31, 2013, respectively)	2	2
Common stock par value $0.00001: 10,000,000,000 shares authorized; 1,743,981,286 shares issued and 1,743,976,886 shares outstanding at December 31, 2014; 934,171,800 shares issued and 934,167,400 shares outstanding at December 31, 2013	17,439	9,342
Additional paid in capital	44,170,214	42,729,424
Treasury stock, at cost, 4,400 shares of common stock	(5,768)	(5,768)
Accumulated deficit	(52,256,430)	(48,268,503)
Total Stockholders' Deficiency	(8,074,543)	(5,535,503)
Total Liabilities and Stockholders' Deficiency	$ 261,592	$ 272,194

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

PureSafe Water Systems, Inc. and Subsidiary
Consolidated Statements of Operations

	For the Years Ended December 31, 2014	December 31, 2013
Sales	$ -	$ -
Cost of Sales	-	56,344
Gross Profit (Loss)	-	(56,344)
Operating expenses:		
Compensation and related benefits, including stock-based compensation of $2,810 and $478,700 for the years ended December 31, 2014 and 2013, respectively	327,979	1,161,739
Insurance and medical benefits	60,263	82,553
Research and development	3,474	55,874
Professional, legal and consulting fees, including stock-based compensation of $669,935 and $257,000 for the years ended December 31, 2014 and 2013, respectively	1,032,335	394,209
Marketing	3,701	25,835
Occupancy	362,219	476,022
(Gain) loss on sale/abandonment of fixed assets	(6,195)	12,234
Other administrative and general	117,693	349,927
Total operating expenses	1,901,469	2,558,393
Loss from operations	(1,901,469)	(2,614,737)
Other income (expense):		
Interest income	-	15,131
Other income	2,568	23,538
Interest expense, including interest to related parties of $61,809 and $55,571 for the years ended December 31, 2014 and 2013, respectively	(1,121,492)	(1,053,978)

Gain on restructuring of debt		710,066		-
Change in fair value of derivative liabilities		(1,677,600)		393,000
Total Other Income (Expense)		(2,086,458)		(622,309)
Net Loss		(3,987,927)		(3,237,046)
Dividend on preferred stock		(118,300)		(108,300)
Net Loss Attributable to Common Stockholders	$	(4,106,227)	$	(3,345,346)
Net Loss Attributable to Common Stockholders				
Per Share basic and diluted	$	(0.00)	$	(0.00)
Weighted average number of shares outstanding		1,322,317,495		922,685,840

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

PureSafe Water Systems, Inc. and Subsidiary
Consolidated Statement of Stockholders Deficiency
For the Years Ended December 31, 2014 and 2013

	Preferred Stock		Common Stock						
	Shares	**Amount**	**Shares**	**Amount**	**Additional Paid-In Capital**	**Treasury Stock at Cost**	**Subscription Receivable**	**Accumulated Deficit**	**Total Stockholders' Deficiency**
Balance, December 31, 2012	184,195	$ 2	561,343,935	$ 5,614	$ 40,979,526	$ (5,768)	$ (431,025)	$ (45,031,457)	$ (4,483,108)
Sale of common stock for cash	-	-	106,066,743	1,061	569,739	-	-	-	570,800
Common stock issued for warrant exercise	-	-	11,609,661	116	64,398	-	-	-	64,514
Common stock issued for settlement of notes payable	-	-	23,021,012	230	125,233	-	-	-	125,463
Common stock issued for settlement of convertible debt	-	-	121,376,671	1,214	489,657	-	-	-	490,871
Common stock issued for service	-	-	74,509,222	745	256,255	-	-	-	257,000
Common stock issued for employee compensation	-	-	27,200,000	272	171,028	-	-	-	171,300
Common stock issued for penalty shares	-	-	9,044,556	90	41,844	-	-	-	41,934
Return of series B preferred stock for no consideration	(51)	-	-	-	-	-	-	-	-
Reclassification of derivative	-	-	-	-	175,000	-	-	-	175,000

liability									
Warrants granted for services	-	-	-	-	302,900	-	-	-	302,900
Accrued interest	-	-	-	-	-	-	(15,131)	-	(15,131)
Write-off subscription receivable and accrued interest	-	-	-	-	(446,156)	-	446,156	-	-
Net loss	-	-	-	-		-	-	(3,237,046)	(3,237,046)
Balance, December 31, 2013	184,144	$ 2	934,171,800	$ 9,342	$ 42,729,424	$ (5,768)	$ -	$ (48,268,503)	$ (5,535,503)
Common stock issued for cashless warrant exercise	-	-	526,315	5	(5)	-	-	-	-
Common stock issued for settlement of liabilities	-	-	36,748,182	367	38,056	-	-	-	38,423
Common stock issued for settlement of notes payable	-	-	11,363,636	114	12,386	-	-	-	12,500
Common stock issued for settlement of convertible debt	-	-	733,243,029	7,332	253,932	-	-	-	261,264
Common stock issued for penalty shares	-	-	27,928,324	279	65,376	-	-	-	65,655
Reclassification of derivative liability	-	-	-	-	398,300	-	-	-	398,300
Preferred stock issued for services	80	-	-	-	672,745	-		-	672,745
Net loss	-	-	-	-		-	-	(3,987,927)	(3,987,927)
Balance, December 31, 2014	**184,224**	**$ 2**	**1,743,981,286**	**$ 17,439**	**$ 44,170,214**	**$ (5,768)**	**$ -**	**$ (52,256,430)**	**$ (8,074,543)**

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

PureSafe Water Systems, Inc. and Subsidiary
Consolidated Statements of Cash Flows

	For the Years Ended December 31, 2014	December 31, 2013
Cash Flows From Operating Activities:		
Net loss	$ (3,987,927)	$ (3,237,046)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation	-	14,580
Amortization of patents and trademarks	6,104	6,104
Net (gain) loss on sale/abandonment of fixed assets	(6,195)	12,234
Loss on abandonment of inventory	-	51,471
Interest expense - amortization of deferred financing	10,110	25,066
Interest expense - penalty interest	17,898	353,322
Interest expense - stock based compensation, derivative liabilities	-	4,500
Professional fees - note conversions	3,623	-
Stock based compensation	672,745	731,200
Deferred rent	-	(7,050)
Interest receivable	-	(15,131)
Gain on restructuring of debt	(710,066)	-
Accretion of debt discount	521,378	223,825
Interest expense - derivative liabilities	265,244	245,200
Change in fair value of warrants and embedded conversion option	1,677,600	(393,000)
Changes in assets and liabilities:		
Prepaid expenses and other current assets	36,756	19,041
Inventories	-	129,611
Customer deposits	-	(149,588)
Other assets	-	465
Accounts payable, accrued expenses, accrued interest, accrued dividends, accrued compensation, accrued consulting and director fees, and other current liabilities	876,342	948,165
Net Cash Used in Operating Activities	(616,388)	(1,037,031)
Cash Flows From Investing Activities:		
Patent costs	-	(7,458)
Proceeds from sale of property and equipment	-	22,200

Net Cash Provided by Investing Activities		-		14,742
Cash Flows From Financing Activities:				
Cash proceeds from sale of common stock		-		570,800
Cash proceeds from exercise of warrants		-		64,514
Cash proceeds from the exercise of warrants, common stock to be issued		-		38,423
Cash proceeds from convertible promissory notes		429,156		376,500
Repayment of convertible notes payable		-		(32,500)
Cash proceeds from promissory notes, officers and directors		11,300		9,051
Repayment of officers and directors loans		(11,300)		(48,500)
Cash proceeds from notes payable		211,800		12,500
Repayment of notes payable		(21,800)		(29,871)
Net Cash Provided by Financing Activities		619,156		960,917
Net increase (decrease) in cash		2,768		(61,372)
Cash at beginning of year		2,199		63,571
Cash at end of the year	$	4,967	$	2,199
Supplemental disclosures of cash flow information:				
Cash paid during the year for interest	$	1,048	$	29,717
Non-Cash Investing and Financing Activities:				
Common stock issued for the settlement of liabilities	$	86,179	$	616,334
Common stock issued for settlement of convertible debt	$	257,642	$	-
Common stock issued for settlement of note	$	12,500	$	-
Conversion of convertible debt, common stock to be issued	$	5,000	$	-
Reclassification of derivative liabilities to equity	$	398,300	$	175,000
Conversion of accrued liabilities to convertible notes	$	150,000	$	-
Debt discount recorded on convertible debt and warrants accounted for as derivative liabilities	$	511,056	$	354,000
Loan financing costs	$	-	$	22,000
Write-off subscription receivable and accrued interest	$	-	$	446,156
Note issued for insurance premium	$	39,600	$	-
Property and equipment sold for settlement of liabilities	$	6,195	$	-
Conversion of notes payable to convertible notes payable	$	-	$	-

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

PureSafe Water Systems Inc. and Subsidiary

Notes to Consolidated Financial Statements

NOTE 1: DESCRIPTION OF BUSINESS

PureSafe Water Systems, Inc. (the "Company") is a Delaware corporation engaged in the design, development, manufacturing and sales of the PureSafe First Response Water System (the FRWS), both within and outside of the United States. The Company's corporate headquarters are located in Plainview, New York.

NOTE 2: BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Basis of Presentation

The Company s consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Principles of Consolidation

The Company applies the guidance of Topic 810 Consolidation of the FASB Accounting Standards Codification to determine whether and how to consolidate another entity. Pursuant to ASC Paragraph 810-10-15-10 all majority-owned subsidiaries all entities in which a parent has a controlling financial interest shall be consolidated except (1) when control does not rest with the parent company; (2) if the parent is a broker-dealer within the scope of Topic 940 and control is likely to be temporary; (3) consolidation by an investment company within the scope of Topic 946 of a non-investment-company investee. Pursuant to ASC Paragraph 810-10-15-8 the usual condition for a controlling financial interest is ownership of a majority voting interest, and, therefore, as a general rule ownership by one reporting entity, directly or indirectly, of more than 50 percent of the outstanding voting shares of another entity is a condition pointing toward consolidation. The power to control may also exist with a lesser percentage of ownership, for example, by contract, lease, agreement with other stockholders, or by court decree. The Company consolidates all less-than-majority-owned subsidiaries, if any, in which the parent s power to control exists.

The Company's consolidated subsidiaries and/or entities are as follows:

Name of consolidated subsidiary or entity	State or other jurisdiction of incorporation or organization	Date of incorporation or formation (date of acquisition, if applicable)	Attributable interest
PureSafe Manufacturing and Research Corporation	Delaware	September 29, 2009	100%

The consolidated financial statements include all accounts of the Company and consolidated subsidiaries and/or entities as of December 31, 2014 and 2013 and for the years then ended.

All significant inter-company balances and transactions have been eliminated.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

Management bases its estimates on historical experience and on various assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. The most significant estimates, among other things, are used in accounting for allowances for deferred income taxes, expected realizable values for long-lived assets (primarily intangible assets and property and equipment), contingencies, as well as the recording and presentation of its common stock and other securities. Estimates and assumptions are periodically reviewed and the effects of any material revisions are reflected in the consolidated financial statements in the period that they are determined to be necessary. Actual results could differ from those estimates and assumptions.

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. As of December 31, 2014 and 2013 the Company did not have any cash equivalents.

Inventories

Inventory consisting primarily of finished goods and raw materials is stated at the lower of cost or market utilizing the first-in, first-out method. The Company continually analyzes its slow-moving, excess and obsolete inventories. Based on historical and projected sales volumes and anticipated selling prices, the Company establishes reserves. If the Company does not meet its sales expectations, these reserves are increased. Products that are determined to be obsolete are written down to net realizable value.

Patents and Trademarks

Certain patents and trademarks amortize ratably over nine to fourteen years. Patent costs for which there is uncertainty as to the future economic benefits are expensed. The Company assesses the carrying value of its patents for impairment each year. Based on its assessments, the Company did not incur any impairment charges for the years ended December 31, 2014 and 2013.

Property and Equipment

Property and equipment consists primarily of equipment and furniture and fixtures and is stated at cost. Depreciation and amortization are provided using the straight line method over the estimated useful lives (generally three to seven years) of the related assets. Leasehold improvements, once placed in service, are amortized over the shorter of the useful life or the remainder of the lease term. Expenditures for maintenance and repairs, which do not extent the economic useful life of the related assets, are charged to operations are incurred. Gains or losses on disposal of property and equipment are reflected in the statement of operations in the period of disposal.

Revenue Recognition

The Company generally recognizes revenues under Staff Accounting Bulletin No. 104 when the following criteria are met, persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the seller's price to the buyer is fixed or determinable, and collectibility is reasonably assured. In addition the Company may enter into agreements that include multiple elements (i.e., products and services/training). Revenue under multiple element arrangements is recognized in accordance with FASB ASC 605-25 Multiple-Element Arrangements (ASC 605). When vendor specific objective evidence or third party evidence of selling price for deliverables in an arrangement cannot be determined, the Company develops a best estimate of the selling price to separate deliverables and allocates arrangement consideration using the relative selling price method. Additionally, this guidance eliminates the residual method of allocation. If an arrangement includes undelivered elements that are not essential to the functionality of the delivered elements, we defer the fair value of the undelivered elements with the residual revenue allocated to the delivered elements. Fair value is determined based upon the price charged when the element is sold separately. If there is not sufficient evidence of the fair value of the undelivered elements, no revenue is allocated to the delivered elements and the total consideration received is deferred until delivery of those elements for which objective and reliable evidence of the fair value is not available. For the years ended December 31, 2014 and 2013, the Company did not have any multiple deliverable elements.

Deferred Financing Costs

Cost incurred in conjunction with the debt financing has been capitalized and will be amortized to interest expense using the straight line method, which approximates the interest rate method over the term of the debt and is included as a component of other assets. Amortization of deferred financing cost was $10,110 and $25,066 for the years ended December 31, 2014 and 2013, respectively.

Derivative Liabilities

In connection with the issuance of certain convertible promissory notes, the terms of the convertible notes included an embedded conversion feature; which provided for the settlement of certain convertible promissory notes into shares of common stock at a rate which was determined to be variable with no floor. The Company determined that the conversion feature was an embedded derivative instrument pursuant to ASC 815 Derivatives and Hedging

The accounting treatment of derivative financial instruments requires that the Company record the conversion option and related warrants, if applicable, at their fair values as of the inception date of the agreements and at fair value as of each subsequent balance sheet date. As a result of entering into certain convertible promissory notes, the Company is required to classify all other non-employee warrants as derivative liabilities and record them at their fair values at each balance sheet date because the Company could not determine it has enough authorized shares to settle the contracts. Any change in fair value was recorded as a change in the fair value of derivative liabilities for each reporting period at each balance sheet date. The Company reassesses the classification at each balance sheet date. If the classification changes as a result of events during the period, the contract is reclassified as of the date of the event that caused the reclassification.

The fair value of conversion options that are convertible at a variable conversion price are required to be valued using a Binomial Lattice Model. The Company determined the fair value of the conversion option using either the Black-Scholes Valuation Model or the Binomial Lattice Model to be materially the same.

The Black-Scholes Valuation Model is used to estimate the fair value of the warrants and conversion option. The model includes subjective input assumptions that can materially affect the fair value estimates. The model was developed for use in estimating the fair value of traded options or warrants. The expected volatility is estimated based on the most recent historical period of time equal to the weighted average life of the instrument granted.

The principal assumptions used in applying the Black-Scholes model were as follows:

	For the Years Ended December 31,	
	2014	**2013**
Assumptions:		
Risk-free interest rate	0.02-1.78%	0.10-1.75%

Expected life	.01 - 5 years	3 - 5 years
Expected volatility	165%-176%	125%-175%
Dividends	0.0%	0.0%

Stock-Based Compensation

The Company reports stock-based compensation under Accounting Standard Codification (ASC) 718 Compensation Stock Compensation . ASC 718 requires all share-based payments to employees, including grants of employee stock options, to be recognized in the consolidated financial statements based on their fair values.

The Company accounts for equity instruments issued to non-employees as compensation in accordance with the provisions of ASC 718, which require that each such equity instrument is recorded at its fair value on the measurement date, which is typically the date the services are performed.

For the years ended December 31, 2014 and 2013 the Company recorded stock based compensation of $672,745 and $731,200, respectively.

The Black-Scholes option valuation model is used to estimate the fair values of options. The model includes subjective input assumptions that can materially affect the fair value estimates. The model was developed for use in estimating the fair value of traded options or warrants. The expected volatility is estimated based on the most recent historical period of time equal to the weighted average life of the subject options or warrants. During the year ended December 31, 2014 the Company has not granted any options or warrants.

The principal assumptions used in applying the Black-Scholes model during the year ended December 31, 2013 were as follows:

Assumptions:	**December 31, 2013**
Risk-free interest rate	0.3-1.6%
Expected life	3 - 5 years
Expected volatility	125%-175%
Dividends	0.0%

Fair Value of Financial Instruments

The Company s financial instruments consist principally of cash, accounts payable and accrued expenses and debt payable. The Company determines the estimated fair value of such financial instruments presented in these financial statements using available market information and appropriate methodologies. These financial instruments are stated at their respective historical carrying amounts, which approximate fair value due to their short term nature.

Advertising and Marketing

Advertising and marketing costs are expensed as incurred and are included in selling, general and administrative expenses. The Company incurred a charge of $3,701 and $25,835 for the years ended December 31, 2014 and 2013, respectively.

Income Taxes

Income taxes are accounted for under ASC 740, "Income Taxes," which is an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and net operating loss and tax credit carryovers. Valuation allowances are established when necessary to reduce deferred tax assets to amounts more likely than not to be realized.

Impairment of Long-Lived Assets

The Company assesses the recoverability of its long lived assets, including property and equipment when there are indications that the assets might be impaired. When evaluating assets for potential impairment, the Company first compares the carrying amount of the asset to the asset s estimated future cash flows (undiscounted and without interest charges). If the estimated future cash flows used in this analysis are less than the carrying amount of the asset, an impairment loss calculation is prepared. The impairment loss calculation compares the carrying amount of the asset to the asset s estimated future cash flows (discounted and with interest charges). If the carrying amount exceeds the asset s estimated futures cash flows (discounted and with interest charges), the loss is allocated to the long-lived assets of the group on a pro rata basis using the relative carrying amounts of those assets. Based on its assessments, the Company did not incur any impairment charges for the years ended December 31, 2014 and 2013.

Research and Development

Research and development costs consist of expenditures incurred during the course of planned research and investigation aimed at the discovery of new knowledge, which will be useful in developing new products or processes. The Company expenses all research and development costs as incurred. The Company incurred a charge of $3,474 and $55,874 for the years ended December 31, 2014 and 2013, respectively.

Subsequent Events

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would require adjustment or disclosure in the consolidated financial statements.

NOTE 3: GOING CONCERN

The accompanying condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has incurred a net loss of approximately $4.0 million and $3.2 million for the years ended December 31, 2014 and 2013, respectively. The Company has a working capital deficit of approximately $8.2 million and $4.6 million as of December 31, 2014 and 2013, respectively. The Company continues to incur recurring losses from operations and has an accumulated deficit since inception of approximately $52.3 million. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

The Company s continuation as a going concern is dependent upon its ability to bring the Company s products to market and generate revenues, control costs, and obtain additional financing, as required and on reasonable terms. The Company s plans with respect to these matters include restructuring its existing debt and raising additional financing through issuance of preferred stock, common stock and/or debt. On April 2, 2014, The Company announced that Stephen Hicks and Gilbert Steedley were appointed to the Board of Directors and that Stephen Hicks was appointed President of the Company. Henry Sargent was appointed Vice President and Secretary.

The Company s goal is to generate the sales of the Company's flagship mobile water purification product and to ultimately diversify its product line through ingenuity and/or acquisition. In order to accomplish these goals we are redirecting the sales effort so that the Company will no longer predominantly focus on the government sector, a target with historically long lead times. In addition the Company is reviewing the entire approach to the product with an aim to 1) deepen and diversify our distribution channels, 2) lower our cost of production, 3) improve the Company's profit margin on and 4) maintain an inventory of units for immediate sale.

The Company requires immediate capital to remain viable. The Company can give no assurance that such financing will be available on terms advantageous to the Company, or at all. Should the Company not be successful in obtaining the necessary financing to fund its operations, the Company would need to curtail certain or all of its operational activities. The accompanying unaudited condensed consolidated financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

Subsequent to December 31, 2014, the Company has issued approximately $254,000 of convertible notes payable. From January 1, 2015 until June 5, 2015, the Company issued 558,685,711 shares of common stock for the settlement of $24,600 loan principal plus $4,584 accrued interest, and fees. As of June 5, 2015 the Company has cash of approximately $1,000 available for use.

NOTE 4: RECENT ACCOUNTING PRONOUNCEMENTS

The U.S. Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity (ASU 2014-08) in April 2014. This new standard raises the threshold for disposals to qualify as discontinued operations, allows companies to have significant continuing involvement and continuing cash flows and provides for new and additional disclosures of discontinued operations and individually material disposal transactions. The Company anticipates adopting the new standard when it becomes effective in the first quarter of 2015. The Company does not expect the adoption of ASU 2014-08 to have a material effect on its consolidated financial statements.

The FASB has issued ASU No. 2014-12, Compensation Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period. This ASU requires that a performance target that affects vesting, and that could be achieved after the requisite service period, be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant date fair value of the award. This update further clarifies that compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered.. The amendments in this ASU are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Earlier adoption is permitted. The Company is currently evaluating the effect of the ASU on its financial position, results of operations and cash flows.

The FASB has issued ASU No. 2014-09, Revenue from Contracts with Customers. This ASU supersedes the revenue recognition requirements in Accounting Standards Codification 605 - Revenue Recognition and most industry-specific guidance throughout the Codification. The standard requires that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This ASU is effective on January 1, 2017 and should be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the ASU recognized at the date of initial application. The Company is currently evaluating the effect of the ASU on its financial position, results of operations and cash flows.

In August 2014, the FASB issued a new accounting standard which requires management to evaluate whether there is substantial doubt about an entity s ability to continue as a going concern for each annual and interim reporting period. If substantial doubt exists, additional disclosure is required. This new standard will be effective for the Company for annual and interim periods beginning after December 15, 2016. Early adoption is permitted. The Company expects to adopt this new standard for the fiscal year ending December 31, 2016 and the Company will continue to assess the impact on its consolidated financial statements.

In April 2015, the Financial Accounting Standards Board issued Accounting Standards Update 2015-03, *Interest Imputation of Interest.* To simplify presentation of debt issuance costs, the amendments in this Update would require that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of debt liability, consistent with debt discounts or premiums. The recognition and measurement guidance for debt issuance costs would not be affected by the amendments in this Update. This Accounting Standards Update is the final version of Proposed Accounting Standards Update 2014-250 Interest Imputation of Interest (Subtopic 835-30), which has been deleted. The amendments in this Update are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The Company is currently evaluating the effects of ASU 2015-03 on its consolidated financial statements.

The FASB and the SEC have issued certain accounting standards updates and regulations that will become effective in subsequent periods; however, management of the Company does not believe that any of those updates would have significantly affected the Company s financial accounting measures or disclosures had they been in effect during 2014 or 2013, and does not believe that any of those pronouncements will have a significant impact on the Company s consolidated financial statements at the time they become effective.

NOTE 5: RELATED PARTIES

Related parties of the Company consist of the following individuals/entities:

Related Parties	**Relationship**
Southridge LLC (Southridge)	An entity of which the President and member of the board of directors of the Company is the Chief Executive Officer.
Southridge Partners II LP (Southridge II)	An entity of which the President and member of the board of directors of the Company is the Manager of the general partner of Southridge II. Southridge II is a controlled company in the

	Southridge LLC group of companies.
Tarpon Bay Partners, LLC (Tarpon)	An entity of which the President and member of the board of directors of the Company is the Manager. Tarpon is a controlled company in the Southridge LLC group of companies.
ASC Recap LLC (ASC Recap)	An entity of which the President and member of the board of directors of the Company is the Manager. ASC Recap is a controlled company in the Southridge LLC group of companies.

NOTE 6: INVENTORIES

Inventories consist of the following at December 31, 2014 and December 31, 2013:

	December 31, 2014	**December 31, 2013**
Finished Goods	$ 141,636	$ 141,636
Total	$ 141,636	$ 141,636

During the year ended December 31, 2013 inventory in the amount of $56,344 was abandoned as a result of moving to a new facility. Our abandonment charges related to inventory have been included in Cost of Goods Sold in our Statements of Operations.

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2014 and 2013:

		2014		2013
Leasehold improvement	$	–	$	74,945
Furniture and fixtures		–		31,987
Equipment		44,449		72,358
		44,449		179,290
Accumulated depreciation and amortization		(44,449)		(179,290)
Property and equipment, net	$	–	$	–

Depreciation and amortization expense was approximately $0 and $15,000 for the years ended December 31, 2014 and 2013, respectively.

During the year ended December 31, 2014 the Company sold property and equipment in settlement of liabilities and recorded a gain of $6,195.

On October 8, 2013 an eviction notice was issued by the landlord for the Company s facilities at 160 Dupont Street. The Company abandoned the space on October 11 2013. Accordingly the Company recorded a charge of $21,720 for the loss on abandonment of property.

During the year ended December 31, 2013 the Company sold property and equipment and recorded a gain of $9,486.

NOTE 8 PATENTS AND TRADEMARKS

Patents and trademarks as of December 31, 2014 and 2013 consist of the following:

	2014	2013
Patents	$ 104,621	$ 104,621
Trademarks	2,720	2,720
Total cost	107,341	107,341
Accumulated amortization	(54,023)	(47,919)
Patents and trademarks, net	$ 53,318	$ 59,422

Amortization expense for the years ended December 31, 2014 and 2013 was approximately $6,100.

The following table presents the Company's estimate for amortization expense for each of the five succeeding years and thereafter.

Year Ended December 31,	
2015	$ 6,100
2016	6,100
2017	6,100
2018	6,100
2019	6,100
2020 and thereafter	22,818
	$ 53,318

NOTE 9: NET LOSS PER SHARE OF COMMON STOCK

Basic loss per share was computed using the weighted average number of outstanding common shares. Diluted loss per share includes the effect of dilutive common stock equivalents from the assumed exercise of options, warrants, convertible preferred stock and convertible notes. Common stock equivalents were excluded in the computation of diluted loss per share since their inclusion would be anti-dilutive.

Total shares issuable upon the exercise of warrants and conversion of preferred stock and convertible promissory notes for the years ended December 31, 2014 and 2013 were as follows:

	December 31,	
	2014	**2013**
Warrants	209,756,376	176,574,286
Convertible promissory notes	17,182,666,484	492,877,340
Convertible preferred stock	612,584,721	1,545,760
Total	18,005,007,581	670,997,386

For the years ended December 31, 2014 and 2013, 139,535,868 and 101,547,890 warrants, respectively were included in loss per share as their exercise price was determined to be nominal.

Fair Value

ASC 820 Fair Value Measurements and Disclosures defines fair value, establishes a framework for measuring fair value and requires enhanced disclosures about fair value measurements. As defined in ASC 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Standard clarifies that the exchange price is the price in an orderly transaction between market participants to sell an asset or transfer a liability at the measurement date and emphasizes that fair value is a market-based measurement and not an entity-specific measurement.

ASC 820 establishes the following hierarchy used in fair value measurements and expands the required disclosures of assets and liabilities measured at fair value:

.

Level 1 Inputs use quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.

.

Level 2 Inputs use other inputs that are observable, either directly or indirectly. These inputs include quoted prices for similar assets and liabilities in active markets as well as other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

.

Level 3 Inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Company s assessment of the significance of particular inputs to these fair measurements requires judgment and considers factors specific to each asset or liability.

Liabilities measured at fair value on a recurring basis at December 31, 2014 and 2013 are as follows:

	Quoted Prices in Active Markets for Identical Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance
Embedded conversion feature	$	$	$ 206,500	$ 206,500
Warrant liability	$	$	$ 92,500	$ 92,500
Balance at December 31, 2013	$	$	$ 299,000	$ 299,000
Embedded conversion feature	$	$	$ 2,343,200	$ 2,343,200
Warrant liability	$	$	$ 11,400	$ 11,400
Balance at December 31, 2014	$	$	$ 2,354,600	$ 2,354,600

Financial assets are considered Level 3 when their fair values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable. The Company s Level 3 liabilities consist of derivative liabilities associated with convertible debt that contains an indeterminable conversion share price and the tainted warrants as the Company cannot determine if it will have sufficient authorized common stock to settle such arrangements.

The following table provides a summary of the changes in fair value, including net transfers in and/or out, of all financial assets measured at fair value on a recurring basis using significant unobservable inputs during the year ended December 31, 2014 and 2013.

	Warrants	Conversion Feature	Total
Balance at January 1, 2013	$ 39,300	$ 224,000	$ 263,300
Included in stock based compensation	4,500		4,500
Change in fair value of derivative liability	(297,100)	(95,900)	(393,000)
Included in liabilities (debt discount)	114,000	240,000	354,000
Included in liabilities (derivative expense)	209,800	35,400	245,200

Included in stockholder's equity	22,000	(197,000)	(175,000)
Transfers in and /or out of Level 3			
Balance at - December 31, 2013	$ 92,500	$ 206,500	$ 299,000
Included in stock based compensation			
Change in fair value of derivative liability	(118,400)	1,796,000	1,677,600
Included in liabilities (debt discount)	28,200	482,856	511,056
Included in liabilities (derivative expense)	10,900	254,344	265,244
Included in stockholder's equity	(1,800)	(396,500)	(398,300)
Transfers in and /or out of Level 3			
Balance at - December 31, 2014	$ 11,400	$ 2,343,200	$ 2,354,600

NOTE 10: NOTES PAYABLE

Notes payable and accrued interest at December 31, 2014 and 2013 consist of the following:

	December 31					
	2014			2013		
	$	75,000	(a)	$	75,000	(a)
		254,714	(b)		245,860	(b)
		171,260	(c)		175,841	(c)
		91,452	(d)		83,952	(d)
		–	(e)		12,500	(e)
		90,000	(f)		–	(f)
		105,479	(g)		–	(g)
		15,026	(h)		–	(h)
		39,600	(i)		–	(i)
Notes payable and accrued interest		842,531			593,153	
Less: Current maturities		(842,531)			(593,153)	
Notes payable and accrued interest, net of Current maturities	$	–		$	–	

(a)

In April 2001, the Company issued a $400,000 promissory note bearing interest at the rate of 2% per month. In consideration for the issuance of this note, 500,000 shares of common stock were issued to the note holder and a $74,000 debt discount was recorded and fully amortized in the year ended December 31, 2001. The principal balance and accrued interest was payable on September 1, 2001. The Company did not make such payment and was required to issue an additional 100,000 shares to the note holder as a penalty. The Company recorded additional interest expense of $12,300 related to the issuance of these penalty shares.

In October 2007, the Company entered into a settlement agreement with this note holder. Under the settlement agreement, the Company became obligated to make payments of $75,000 each on or before December 31, 2007 and June 30, 2008. The June 30, 2008 payment remains unpaid. In addition, the Company was obligated to issue 2,500,000 shares of common stock to the note holder as settlement for the remaining balance due under the promissory note of $477,934. In January 2008, the Company issued 1,250,000 of the 2,500,000 shares. As of December 31, 2014, the Company is not compliant with the repayment terms of the notes and is in technical default.

(b)

These are unsecured notes bearing interest at rates ranging from 10% to 15% per annum, and have no specific due date for repayment. The outstanding amount of $254,714 and $245,860 include principal of $83,222 and accrued and unpaid interest of $171,492 and $162,638 as of December 31, 2014 and 2013, respectively. No demands for repayment have been made by the note holders. As of December 31, 2014, the Company is not compliant with the repayment terms of the notes and is in technical default.

(c)

In September 2009, the Company entered into agreements with three of the Company s consultants and vendors to defer a total in the aggregate of $236,624 in compensation owed to them. In return, the Company issued to the three vendors each a promissory note for the deferment. The notes matured in January 2011 and interest will be accrued at 10% per annum compounded monthly. As of December 31, 2009 the Company reclassified $236,624 from current liabilities to long term liabilities.

In February 2010, one of the above three vendors, requested to convert the note payable of $90,000 principal plus $5,781 accrued interest into the Company s common stock. The request was approved by Board of Directors on February 19, 2010 and the conversion price was set at $0.055 which was the closing price published on OTCBB.com on the date of the approval of such request. On March 2, 2010, 1,741,464 shares were issued for such conversion.

During the year ended December 31, 2014 the Company made payments to one individual totaling $15,000 (See Note 14 Settlement Agreement Kochan).

As of December 31, 2014 and 2013, the Company is reflecting a liability of $171,260 and $175,841 which includes accrued interest of $79,636 and $69,217, respectively. As of December 31, 2014 the Company is not compliant with the repayment terms of the notes and is in technical default.

(d)

During September 2012, at the request of the lender, the Company converted $100,000 of convertible notes payable to $185,000 of notes payable. The newly issued notes payable bear interest at rates of 6% and have maturity dates in December 2012 through January 2013. The Company is required to repay the notes payable in 5 installments with the final payment of $65,000 in January 2013. As of December 31, 2012, the Company repaid $45,337 principal which consist $20,000 cash payment and $25,337 in issuing 8,774,761 shares of common stock.

During the year ended December 31, 2013, at the request of a lender the Company repaid $139,663 of debt and accrued interest for $14,200 in cash and the issuance of 23,021,012 shares of common stock for the settlement of $125,463 of the remaining balance.

In addition, during 2012, the Company raised $75,000 through issuing multiple promissory notes. These notes bear interest rate of 10% per annum and were due and payable between October 19 and October 26, 2012.

As of December 31, 2014 and 2013, the Company is reflecting a liability of $91,452 and $83,952 which includes accrued interest of $16,452 and $8,952, respectively. As of December 31, 2014 the Company is not compliant with the repayment terms of the notes and is in technical default.

(e)

On September 17, 2013, the Company issued a $12,500 promissory note bearing interest at the rate of 5% per annum. The note matures on December 31, 2014. On July 24, 2014 the note holder requested to convert total aggregated $12,500 principal, into the Company s common stock. The Company issued total aggregated 11,363,636 shares of common stock in connection with such conversion.

(f)

From January 15, 2014 through February 23, 2014 the Company issued Promissory Notes in the aggregate principal amount of $90,000 to seven lenders. The Notes bear no interest and mature one year from the date of issuance. A UCC financing statement was filed on the system operating at the Landfill as security for the Notes. As of September 30, 2014 the outstanding principal balance on the notes was $90,000. As of February 23, 2015, the Company is not compliant with the repayment terms of the notes and is in default. The Company intends to request that the maturity date of these notes be further extended, however, there can be no assurance that a further extension will be granted.

(g)

On April 25, 2014 the Company issued a promissory note for $ 100,000. The note matures on April 30, 2015 with the stated interest rate at 8%. As of December 31, 2014, outstanding principal and accrued interest on the note was $100,000 and $5,479, respectively.

(h)

On December 23, 2014 the Company issued a promissory note for $ 15,000 to Southridge II, a related party. The note matures on March 31, 2015 with the stated interest rate at 8%. As of December 31, 2014, outstanding principal and accrued interest on the note was $15,000 and $26, respectively. As of March 31, 2015, the Company is not compliant with the repayment terms of the notes and is in default. The Company intends to request that the maturity date of these notes be further extended, however, there can be no assurance that a further extension will be granted.

(i)

In December 2014, the Company entered into a finance agreement with IPFS Corporation (IPFS). Pursuant to the terms of the agreement, IPFS loaned the Company the principal amount of $39,600, which would accrue interest at 7.25% per annum, to partially fund the payment of the premium of the Company s Directors and Officers liability insurance. The agreement requires the Company to make nine monthly payments of $4,534, including interest starting on January 15, 2015.

As of December 31, 2014, the outstanding balance related to this finance agreement was $39,600.

(j)

In February, 2010, the Company acquired a vehicle for business use. Cost of the vehicle is approximately $30,000 and the Company financed the entire cost. The financing term is approximately $500 per month for sixty months based on an annual interest rate of 9%. During 2013 the loan was paid in full.

NOTE 11: CONVERTIBLE PROMISSORY NOTES PAYABLE

(a)

As of December 31, 2010, the Company has cumulative net liabilities of $428,475, net of $241,657 debt discount. The liability includes $645,000 unpaid convertible notes principal and $25,132 accrued interest for all the convertible notes the Company entered into prior to January 1, 2011. These notes mature in one year from the date issued and bear interest at 10% per annum and are convertible at the option of the holder in to shares of common stock. The conversion prices range from $0.044 to $0.07. As of January 1, 2011, the Company was not in compliance with the repayment terms of these notes.

On November 7, 2014, a note-holder entered into a Securities Transfer Agreement pursuant to which the note-holder sold $25,000 of principal plus accrued interest of the Original Notes and the rights associated with the purchase portion. The Company issued a Replacement Note to the purchaser along the same terms as the Purchased Note with the following amendments:

.

The replacement note shall be convertible into the Company s common stock, at any time at the option of the Purchaser, at an initial conversion price per share equal to fifty percent (the Discount) of the lowest closing bid price for the Company s common stock during the fifteen trading days immediately preceding a conversion date, as reported by Bloomberg (the Closing Bid Price) (Initial Conversion Price ; provided that if the closing bid price for the common stock on the Clearing Date is lower than the Closing Bid Price, then the Purchase Price shall be adjusted such that the Discount shall be taken from the closing bid price on the Clearing Date, and the Company shall issue additional shares to Purchaser to reflect such adjusted Purchase Price, and provided further, that if the Company s common stock becomes chilled by the Deposit Trust Corporation (DTC) at the time that any portion of the principal and interest of the Replacement Note is converted by Holder, than the Discount shall be adjusted to sixty percent for so long as the Common Stock is chilled. For purposes of this Agreement, the Clearing Date shall be on the date in which the conversion shares are deposited into the Purchaser s brokerage account and Purchaser s broker has confirmed with Purchaser the Purchaser may execute trades of the conversion shares.

.

The Replacement Note shall have a limitation on conversion equal to 9.99% of the Company s outstanding common stock.

.

The Company shall bear any and all miscellaneous expenses that may arise as a result of conversion and delivery of shares of common stock in respect of the Replacement Note.

In 2011, the Company raised $300,000 through debt financing from multiple lenders. The Company issued each lender a convertible promissory note in the principal amount of money lender loaned to the Company. The promissory note matures in one year and bears interest at 10% per annum and is convertible at the option of the holder in to shares of common stock. The conversion prices range from $0.067 to $0.157. In addition the Company granted 634,229 warrants to the note holders. The warrants have a life of 5 years and are fully vested on the date of the grant, the exercise price of the warrants ranges from $0.084 to $0.1884.

The Company accounted for the issuance of the convertible promissory note in accordance with ASC 815 Derivatives and Hedging . Accordingly, the warrants and the embedded conversion option of the convertible note are recorded as derivative liabilities at their fair market value and were marked to market through earnings at the end of each reporting period. The gross proceeds from the sale of these note $300,000 was recorded net of a discount of $57,638. The debt discount consisted of approximately $13,719 related to the fair value of the embedded conversion option and approximately $43,919 related to the fair value of the warrants. The debt discount was being charged to interest expense ratably over the term of the convertible note.

During the year ended December 31, 2011, multiple lenders requested to convert total aggregated $125,000 principal plus accrued interest of $14,097 into the Company s common stock. The Company issued total aggregated 2,539,747 shares of common stock in connection with such conversions.

On April 23, 2014, a note-holder entered into a Securities Transfer Agreement pursuant to which the note-holder sold $25,000 of principal plus accrued interest of the Original Notes and the rights associated with the purchase portion. The Company issued a Replacement Note to the purchaser along the same terms as the Purchased Note with the following amendments:

.

The replacement note shall be convertible into the Company s common stock, at any time at the option of the Purchaser, at an initial conversion price per share equal to fifty percent (the Discount) of the lowest closing bid price for the Company s common stock during the fifteen trading days immediately preceding a conversion date, as reported by Bloomberg (the Closing Bid Price) (Initial Conversion Price ; provided that if the closing bid price for the common stock on the Clearing Date is lower than the Closing Bid Price, then the Purchase Price shall be adjusted such that the Discount shall be taken from the closing bid price on the Clearing Date, and the Company shall issue additional shares to Purchaser to reflect such adjusted Purchase Price, and provided further, that if the Company s common stock becomes chilled by the Deposit Trust Corporation (DTC) at the time that any portion of the principal and interest of the Replacement Note is converted by Holder, than the Discount shall be adjusted to sixty percent for so long as the Common Stock is chilled. For purposes of this Agreement, the Clearing Date shall be on the date in which the conversion shares are deposited into the Purchaser s brokerage account and Purchaser s broker has confirmed with Purchaser the Purchaser may execute trades of the conversion shares.

.

The Replacement Note shall have a limitation on conversion equal to 9.99% of the Company s outstanding common stock.

.

The Company shall bear any and all miscellaneous expenses that may arise as a result of conversion and delivery of shares of common stock in respect of the Replacement Note.

On July 10, 2014, a note-holder entered into a Securities Transfer Agreement pursuant to which the note-holder sold $25,000 of principal plus accrued interest of the Original Notes and the rights associated with the purchase portion. The Company issued a Replacement Note to the purchaser along the same terms as the Purchased Note with the following amendments:

.

The replacement note shall be convertible into the Company s common stock, at any time at the option of the Purchaser, at an initial conversion price per share equal to fifty percent (the Discount) of the lowest closing bid price for the Company s common stock during the fifteen trading days immediately preceding a conversion date, as reported by Bloomberg (the Closing Bid Price) (Initial Conversion Price ; provided that if the closing bid price for the common stock on the Clearing Date is lower than the Closing Bid Price, then the Purchase Price shall be adjusted such that the Discount shall be taken from the closing bid price on the Clearing Date, and the Company shall issue additional shares to Purchaser to reflect such adjusted Purchase Price, and provided further, that if the Company s common stock becomes chilled by the Deposit Trust Corporation (DTC) at the time that any portion of the principal and interest of the Replacement Note is converted by Holder, than the Discount shall be adjusted to sixty percent for so long as the Common Stock is chilled. For purposes of this Agreement, the Clearing Date shall be on the date in which the conversion shares are deposited into the Purchaser s brokerage account and Purchaser s broker has confirmed with Purchaser the Purchaser may execute trades of the conversion shares.

.

The Replacement Note shall have a limitation on conversion equal to 9.99% of the Company s outstanding common stock.

.

The Company shall bear any and all miscellaneous expenses that may arise as a result of conversion and delivery of shares of common stock in respect of the Replacement Note.

In 2012, the Company raised $768,500 through debt financing from multiple lenders. The Company issued each lender a convertible promissory note in the principal amount of money lender loaned to the Company. The Company issued the lender for each loan a convertible promissory note bearing interest at rates of 8% to 12% per annum with maturity dates of September 15, 2012 to November 16, 2013. The loans and accrued interest are to be paid on the maturity dates. Each loan is evidenced by the promissory note the Company issued to the lender which contains conversion clauses that allow the lenders the option to convert the loan amount plus all accrued and unpaid interest due under the note into common stock. Each of the notes contains variable conversion prices representing discount rate between 5% and 50% of market price. In addition, the Company also issued total 1,933,333 warrants to the lenders to purchase additional shares of common stock at exercise of $0.072 to $0.05. These warrants have term of 5 years. In addition a note-holder received 4,375,000 shares of common stock in consideration for entering into the note.

The Company accounted for the issuance of the convertible promissory note in accordance with ASC 815 Derivatives and Hedging . Accordingly, the warrants and the embedded conversion option of the convertible note are recorded as derivative liabilities at their fair market value and were marked to market through earnings at the end of each reporting period. The gross proceeds from the sale of these notes were recorded net of a discount of $649,100. The debt discount was being charged to interest expense ratably over the term of the convertible note.

In addition, the Company incurred approximately $130,000 of financing cost related to these transactions which will be amortized over the term of the loans.

On October 4, 2013, at the request of the lender due to default, the Company converted $303,499 of convertible notes and accrued interest into a new convertible note in the amount of $531,431. The increase in principal was due to amounts charged by the lender for penalties, interest, legal and other fees. The newly issued note bears interest at rates of 18% per annum and is due on demand. The lender may convert all or any portion of the outstanding principal, accrued and unpaid interest, and any other sums due and payable under the Revolving Note into shares of the Company s common stock at a conversion price equal to 85% of the lowest daily volume weighted average price of the Company s common stock during the five trading days immediately prior to such applicable conversion date, in each case subject to the lender not being able to beneficially own more than 4.99% of our outstanding common stock upon any conversion. The conversion price is subject to anti-dilution protection in the event that the Company issues additional equity securities at a price less than the conversion price. On March 10, 2014, TCA accelerated the outstanding principal balance, interest, calculated at the default rate of 18%, and all sums due under the original note and any amendments. (See Note 14 Litigation)

During the year ended December 31, 2012, multiple lenders requested to convert total aggregated $664,576 principal plus accrued interest of $29,955 into the Company s common stock. The Company issued total aggregated 146,134,552 shares of common stock in connection with such conversions.

During the year ended December 31, 2013, multiple lenders requested to convert total aggregated $342,151 principal plus accrued interest of $57,519 into the Company s common stock. The Company issued total aggregated 84,053,707 shares of common stock in connection with such conversions.

During the year ended December 31, 2013, the Company repaid principal of $32,500.

During the year ended December 31, 2014, multiple lenders requested to convert total aggregated $80,300 principal plus accrued interest of $24,937 into the Company s common stock. The Company issued total aggregated 282,923,584 shares of common stock in connection with such conversions.

As of December 31, 2014 and 2013, the Company is reflecting liabilities of $1,082,093 and $1,055,272, respectively including accrued interest of $255,962 and $148,843, respectively. The Company is not in compliance with the repayment terms and is currently in default.

(b)

On January 8, 2013 for gross proceeds of $25,000 the Company issued a convertible promissory note bearing interest at the rate of 10% per annum with a maturity date of January 8, 2014. The loan and accrued interest are to be paid on the maturity date. The promissory note contains conversion clauses that allow the lender the option to convert the loan amount plus all accrued and unpaid interest due under the note into common stock at a conversion rate of $0.03 per share. In addition, the Company also issued 1,666,667 warrants to the lender to purchase additional shares of common stock at an exercise price of $0.0036 per share. These warrants are fully vested and have a term of 5 years.

The Company accounted for the issuance of the convertible promissory note and the warrants attached to the note in accordance with ASC 815 Derivatives and Hedging . Accordingly, the warrants and the embedded conversion option of the convertible notes are recorded as derivative liabilities at their fair market value and are marked to market through earnings at the end of each reporting period. The gross proceeds from the sale of the note are recorded net of a discount of $13,600. The debt discount relates to the beneficial conversion feature embedded in the conversion option and the fair value of the warrants attached to the notes. The debt discount is charged to interest expense ratably over the term of the convertible note.

During the year ended December 31, 2013, the note holder requested to convert total aggregated $25,000 principal plus accrued interest of $167, into the Company s common stock. The Company issued total aggregated 8,388,890 shares of common stock in connection with such conversion.

(c)

On May 16, 2013, the Company in conjunction with an existing note holder entered into a new loan agreement with a new lender for the sale and transfer of a $20,000 note plus $4,895 accrued interest this note matured and was in technical default with the repayment provisions of the terms of the agreement. The Company cancelled the original note and issued the new lender a convertible promissory note for $29,895 bearing interest rate of 10% per annum with a maturity date of January 1, 2014. The loan and accrued interest are to be paid on the maturity date. The promissory note contains conversion clauses that allow the lender the option to convert the loan amount plus all accrued and unpaid interest due under the note into common stock at a conversion rate of the lesser of a.) 60% of the low traded price of the Company s common stock for the twenty trading day period immediately preceding the date at the which Holder, by written notice gives notice to the Company of its election to convert or b.) $0.01 per share. The Company recorded $5,000 loan cost in connection with the increase of the principal included in deferred financing costs. The loan cost will be amortized over the life of the loan.

The Company accounted for the issuance of the convertible promissory note and the warrants attached to the note in accordance with ASC 815 Derivatives and Hedging . Accordingly, the warrants and the embedded conversion option of the

F-20

convertible notes are recorded as derivative liabilities at their fair market value and are marked to market through earnings at the end of each reporting period. The gross proceeds from the sale of the note are recorded net of a discount of $19,930. The debt discount relates to the beneficial conversion feature embedded in the conversion option. The debt discount is charged to interest expense ratably over the term of the convertible note.

During the year ended December 31, 2013 the Company was charged interest and penalties by the note holder totaling $33,515.

During the year ended December 31, 2013, the note holder requested to convert total aggregated $29,895 principal plus accrued interest and penalties of $15,435, into the Company s common stock. The Company issued total aggregated 10,000,000 shares of common stock in connection with such conversion.

As of December 31, 2014 and 2013, the Company is reflecting liabilities of $18,080 and the Company is not in compliance with the repayment terms and is currently in default.

(d)

On May 22, 2013, the Company entered into a loan agreement (credit facility) for the principal sum of $335,000 less any fees. The components of the credit facility are $300,000 proceeds of the loan plus $35,000 original issue discount. The maturity date is one year from the effective date of each draw made by the Company. The loan and accrued interest are to be paid on the maturity date. In addition after 90 days that the amount drawn is outstanding a one-time interest charge of 12% will be charged and added to the principal sum. The promissory note contains conversion clauses that allow the lender, at any time from 180 days after the Effective Date, the option to convert the amount payable plus all accrued and unpaid interest due under the agreement into common stock at a conversion price per share of the lesser of $0.018 or 60% of the lowest trade price in the 25 trading days preceding the conversion.

The Company received net cash proceeds of $65,000 upon entering the agreement on May 22, 2013 and recorded $6,500 loan cost in connection with this transaction. The loan costs have been included in deferred financing costs and will be amortized through the maturity date of the loan.

The Company accounted for the issuance of the convertible promissory note and the warrants attached to the note in accordance with ASC 815 Derivatives and Hedging . Accordingly, the warrants and the embedded conversion option of the convertible notes are recorded as derivative liabilities at their fair market value and are marked to market through earnings at the end of each reporting period. The gross proceeds from the sale of the note are recorded net of a discount of $41,000. The debt discount relates to the beneficial conversion feature embedded in the conversion option.

The debt discount is charged to interest expense ratably over the term of the convertible note. On August 20, 2013, the Company recorded a $8,580 one-time interest expense and added such amount to the principal of the May 22, 2013 draw when the Company failed to repay the loan within 90 days.

On August 22, 2013 the Company drew down from the credit facility $35,500 and received net cash proceeds of $30,000 after the associated legal fees. The Company recorded $5,500 loan cost in connection with this transaction and the loan cost will be amortized through the maturity date of the loan. The gross proceeds from the sale of the note are recorded net of a debt discount of $29,000. The debt discount relates to the beneficial conversion feature embedded in the conversion option. The debt discount is charged to interest expense ratably over the term of the convertible note.

On October 23, 2013, the Company drew down from the credit facility $55,000 and received net cash proceeds of $50,000 after the associated legal fees. The Company recorded $5,000 loan cost in connection with this transaction and the loan cost will be amortized through the maturity date of the loan. The gross proceeds from the sale of the note are recorded net of a debt discount of $55,000. The debt discount relates to fair value of the conversion option of the note. The debt discount is charged to interest expense ratably over the term of the convertible note. The fair value of the conversion option on the date of issuance in excess of the face amount of the note was recorded to interest expense on the date of issuance.

During the year ended December 31, 2014, the note holder requested to convert total aggregated $51,120 principal plus accrued interest of $0, into the Company s common stock. The Company issued total aggregated 76,000,000 shares of common stock in connection with such conversion.

As of December 31, 2014 and 2013, the Company is reflecting liabilities of $148,648 and $170,580, respectively including accrued interest of $29,188 and $0, respectively. The Company is not in compliance with the repayment terms and is currently in default.

On July 11, 2013, the Company in conjunction with an existing note holder entered into a new loan agreement with ASC Recap, a related party, for the sale and transfer of a $20,000 promissory note plus $5,095 accrued interest this note matured and was in technical default with the repayment provisions of the terms of the agreement. The Company cancelled the original promissory note and issued the new lender a convertible promissory note for $25,000 with a maturity date of September 30, 2013. The convertible promissory note contains conversion clauses that allow the lender the option to convert the loan amount plus all accrued and unpaid interest due under the note into common stock at a conversion rate of the lesser of (a.) $0.015 or (b) 50% of the lowest closing bid price for the Company s common stock during the twenty (20) trading day period immediately preceding the date at the which Holder, by written notice gives notice to the Company of its election to convert. The Company recorded $33,000 debt discount and the excess fair value of 8,000 was charged to interest expense upon the consummation of the arrangement.

During the year ended December 31, 2013, the note holder requested to convert total aggregated $25,470 principal plus accrued interest of $0, into the Company s common stock. The Company issued total aggregated 4,209,917 shares of common stock in connection with such conversion.

(e)

A convertible promissory note was issued on August 19, 2013 in the amount of $25,000 to a lender. The note matures on August 19, 2014 with interest at 10%. The note is convertible into the Company s common stock at a conversion price of $0.015 per shares. In addition, 8,333,333 Warrants were issued at a price of $.003 per share. The warrants are fully vested and have a life of five years from date of issuance.

The Company accounted for the issuance of the convertible promissory note and the warrants attached to the note in accordance with ASC 815 Derivatives and Hedging . Accordingly, the warrants and the embedded conversion option of the convertible notes are recorded as derivative liabilities at their fair market value and are marked to market through earnings at the end of each reporting period. The gross proceeds from the sale of the note are recorded net of a discount of $121,400. The debt discount relates to the beneficial conversion feature embedded in the conversion option and the fair value of the warrants attached to the notes. The excess fair value of $96,400 was charged to interest expense on the date of the agreement and the debt discount is charged to interest expense ratably over the term of the convertible note.

On October 10, 2014, a note-holder entered into a Securities Transfer Agreement pursuant to which the note-holder sold $15,000 of principal of the Original Notes and the rights associated with the purchase portion. The Company issued a Replacement Note to the purchaser along the same terms as the Purchased Note with the following amendments:

.

The replacement note shall be convertible into the Company s common stock, at any time at the option of the Purchaser, at an initial conversion price per share equal to forty five percent (the Discount) of the lowest closing bid price for the Company s common stock during the twenty trading days immediately preceding a conversion date, as reported by Bloomberg (the Closing Bid Price) (Initial Conversion Price ; provided that if the closing bid price for the common stock on the Clearing Date is lower than the Closing Bid Price, then the Purchase Price shall be adjusted such that the Discount shall be taken from the closing bid price on the Clearing Date, and the Company shall issue additional shares to Purchaser to reflect such adjusted Purchase Price, and provided further, that if the Company s common stock becomes chilled by the Deposit Trust Corporation (DTC) at the time that any portion of the principal and interest of the Replacement Note is converted by Holder, than the Discount shall be adjusted to sixty percent for so long as the Common Stock is chilled. For purposes of this Agreement, the Clearing Date shall be on the date in which the conversion shares are deposited into the Purchaser s brokerage account and Purchaser s broker has confirmed with Purchaser the Purchaser may execute trades of the conversion shares.

.

The Replacement Note shall have a limitation on conversion equal to 4.99% of the Company s outstanding common stock.

During the year ended December 31, 2014, the note holder requested to convert total aggregated $15,000 principal plus accrued interest of $0, into the Company s common stock. The Company issued total aggregated 140,000,000 shares of common stock in connection with such conversion. As of December 31, 2014, 75,000,000 shares remain to be issued.

As of December 31, 2014 and 2013, the Company is reflecting liabilities of $13,117 and $25,931, respectively including accrued interest of $3,117 and $931, respectively. The Company is not in compliance with the repayment terms and is currently in default.

(f)

On July 25, 2013, the Company was advanced $10,000 from a lender and subsequently on August 16, 2013, the lender funded another $25,000. The Company issued a convertible promissory note for the total amount of $35,000 to the lender. The note matures in one year from the issuance date with interest at 10%. The note is convertible into the Company s common stock at a conversion price of $0.005 per shares. In addition, 5,833,333 warrants were issued with an exercise price of $. 006 per share. The warrants are fully vested and have a life of 5 years from date of issuance.

The Company accounted for the issuance of the convertible promissory note and the warrants attached to the note in accordance with ASC 815 Derivatives and Hedging . Accordingly, the warrants and the embedded conversion option of the

F-22

convertible notes are recorded as derivative liabilities at their fair market value and are marked to market through earnings at the end of each reporting period. The gross proceeds from the sale of the note are recorded net of a discount of $159,300. The debt discount relates to the beneficial conversion feature embedded in the conversion option and the fair value of the warrants attached to the notes. The excess fair value of $124,300 was charged to interest expense on the date of the agreement and the debt discount is charged to interest expense ratably over the term of the convertible note

As of December 31, 2014 and 2013, the Company is reflecting liabilities of $39,881 and $36,332, respectively including accrued interest of $4,881 and $1,332, respectively. The Company is not in compliance with the repayment terms and is currently in default.

(g)

On September 5, 2013 the Company issued a convertible promissory note for $ 5,000. The note matures in one year from the issuance date with the stated interest rate at 10%. The note is convertible into the Company s common stock at a conversion price of $0.005 per shares. In addition, 200,000 Warrants were issued with an exercise price of $0.006 per share. The warrants are fully vested and have a life of 5 years from date of issuance.

The Company accounted for the issuance of the convertible promissory note and the warrants attached to the note in accordance with ASC 815 Derivatives and Hedging . Accordingly, the warrants and the embedded conversion option of the convertible notes are recorded as derivative liabilities at their fair market value and are marked to market through earnings at the end of each reporting period. The gross proceeds from the sale of the note are recorded net of a discount of $5,700. The debt discount relates to the beneficial conversion feature embedded in the conversion option and the fair value of the warrants attached to the notes. The excess fair value of $700 was charged to interest expense on the date of the agreement and the debt discount is charged to interest expense ratably over the term of the convertible note. The debt discount is charged to interest expense ratably over the term of the convertible note.

As of December 31, 2014 and 2013, the Company is reflecting liabilities of $5,669 and $5,163, respectively including accrued interest of $669 and $163, respectively. The Company is not in compliance with the repayment terms and is currently in default.

(h)

On September 12, 2013 the Company issued a convertible promissory note for $ 100,000. The note matures in one year from the issuance date with the stated interest rate at 10%. The note is convertible into the Company s common stock at a conversion price of $0.0085 per share. In addition, 10,416,666 warrants were issued with an exercise price of $0.0096 per share. The warrants are fully vested and have a life of 5 years from date of issuance.

The Company accounted for the issuance of the convertible promissory note and the warrants attached to the note in accordance with ASC 815 Derivatives and Hedging . Accordingly, the warrants and the embedded conversion option of the convertible notes are recorded as derivative liabilities at their fair market value and are marked to market through earnings at the end of each reporting period. The gross proceeds from the sale of the note are recorded net of a discount of $82,400. The debt discount relates to fair value of the warrants attached to the notes. The debt discount is charged to interest expense ratably over the term of the convertible note.

As of December 31, 2014 and 2013, the Company is reflecting liabilities of $113,194 and $103,056, respectively including accrued interest of $13,194 and $3,056, respectively. The Company is not in compliance with the repayment terms and is currently in default.

(i)

On December 10, 2013 the Company issued a convertible promissory note for $ 35,000. The note matures in one year from the issuance date with the stated interest rate at 10%. The note is convertible into the Company s common stock at a conversion price of $0.005 per share. In addition, 5,833,333 warrants were issued with an exercise price of $0.006 per share. The warrants are fully vested and have a life of 5 years from date of issuance.

The Company accounted for the issuance of the convertible promissory note and the warrants attached to the note in accordance with ASC 815 Derivatives and Hedging . Accordingly, the warrants and the embedded conversion option of the convertible notes are recorded as derivative liabilities at their fair market value and are marked to market through earnings at the end of each reporting period. The gross proceeds from the sale of the note are recorded net of a discount of $35,000. The debt discount relates to fair value of the conversion option and the warrants attached to the notes. The debt discount is charged to interest expense ratably over the term of the convertible note. The fair value of the conversion option and warrants on the date of issuance in excess of the face amount of the note was recorded to interest expense on the date of issuance.

On June 12, 2014, a note-holder entered into a Securities Transfer Agreement pursuant to which the note-holder sold $35,000 of principal plus accrued interest of the Original Notes and the rights associated with the purchase portion. The Company issued a Replacement Note to the purchaser along the same terms as the Purchased Note with the following amendments:

.

The replacement note shall be convertible into the Company s common stock, at any time at the option of the Purchaser, at an initial conversion price per share equal to fifty percent (the Discount) of the lowest closing bid price for the Company s common stock during the fifteen trading days immediately preceding a conversion date, as reported by Bloomberg (the Closing Bid Price) (Initial Conversion Price ; provided that if the closing bid price for the common stock on the Clearing Date is lower than the Closing Bid Price, then the Purchase Price shall be adjusted such that the Discount shall be taken from the closing bid price on the Clearing Date, and the Company shall issue additional shares to Purchaser to reflect such adjusted Purchase Price, and provided further, that if the Company s common stock becomes chilled by the Deposit Trust Corporation (DTC) at the time that any portion of the principal and interest of the Replacement Note is converted by Holder, than the Discount shall be adjusted to sixty percent for so long as the Common Stock is chilled. For purposes of this Agreement, the Clearing Date shall be on the date in which the conversion shares are deposited into the Purchaser s brokerage account and Purchaser s broker has confirmed with Purchaser the Purchaser may execute trades of the conversion shares.

.

The Replacement Note shall have a limitation on conversion equal to 9.99% of the Company s outstanding common stock.

.

The Company shall bear any and all miscellaneous expenses that may arise as a result of conversion and delivery of shares of common stock in respect of the Replacement Note.

During the year ended December 31, 2014, the note holder requested to convert total aggregated $15,000 principal plus accrued interest of $1,283 into the Company s common stock. The Company issued total aggregated 110,555,556 shares of common stock in connection with such conversion.

As of December 31, 2014 and 2013, the Company is reflecting liabilities of $22,135 and $35,204, respectively including accrued interest of $2,135 and $204, respectively. The Company is not in compliance with the repayment terms and is currently in default.

(j)

On May 25, 2013, in conjunction with a liabilities purchase agreement with ASC Recap, a related party, the Company issued ASC Recap a convertible promissory note in the principal amount of $25,000. The convertible note matured November 30, 2013. The convertible promissory note shall be convertible into the common stock of the Company at any time at a conversion price equal to 50% of the low closing bid price for the twenty days prior to conversion.

During the year ended December 31, 2014, the note holder requested to convert total aggregated $25,000 principal plus fees of $375, into the Company s common stock. The Company issued total aggregated 25,375,000 shares of common stock in connection with such conversion.

(k)

On January 31, 2014, in conjunction with a settlement agreement with Tarpon, a related party, the Company issued Tarpon a convertible promissory note in the principal amount of $75,000. The convertible note matures one year from the date of issuance with interest at 10% per annum. The convertible promissory note shall have no registration rights and shall be convertible into the common stock of the Company at any time at a conversion price equal to 75% of the low closing bid price for the twenty days prior to conversion. The conversion price is subject to anti-dilution protection and down round provisions in the event that the Company issues additional equity securities at a price less than the conversion price. The Company may prepay the note at 150% of the entire outstanding principal amount of the note plus any accrued but unpaid interest. As of January 31, 2015, the Company is not compliant with the repayment terms of the notes and is in default. The Company intends to request that the maturity date of these notes be further extended, however, there can be no assurance that a further extension will be granted.

The Company accounted for the issuance of the convertible promissory note in accordance with ASC 815 Derivatives and Hedging . Accordingly, the embedded conversion option of the convertible notes are recorded as derivative liabilities at their fair market value and are marked to market through earnings at the end of each reporting period. The gross proceeds from the sale of the note are recorded net of a discount of $75,000. The debt discount relates to fair value of the conversion option. The debt discount is charged to interest expense ratably over the term of the convertible note. The fair value of the conversion option on the date of issuance in excess of the face amount of the note was recorded to interest expense on the date of issuance.

As of December 31, 2014, outstanding principal and accrued interest on the note was $75,000 and $6,958, respectively.

(l)

On April 4, 2014 the Company issued a convertible promissory note in the principal amount of $50,000 to Tarpon, a related party. The convertible note matures one year from the date of issuance with the stated interest rate at 0%. The note is convertible into the Company s common stock at a 40% discount of the lowest closing bid price during the 30 trading days prior to conversion.

The Company accounted for the issuance of the convertible promissory note in accordance with ASC 815 Derivatives and Hedging . Accordingly, the embedded conversion option of the convertible notes are recorded as derivative liabilities at their fair market value and are marked to market through earnings at the end of each reporting period. The gross proceeds from the sale of the note are recorded net of a discount of $50,000. The debt discount relates to fair value of the conversion option. The debt discount is charged to interest expense ratably over the term of the convertible note. The fair value of the conversion option on the date of issuance in excess of the face amount of the note was recorded to interest expense on the date of issuance.

As of December 31, 2014, outstanding principal and accrued interest on the note was $50,000 and $0, respectively.

(m)

On April 21, 2014 the Company issued a convertible promissory note in the principal amount of $2,500 to ASC Recap, a related party. The convertible note matures April 30, 2015 with the stated interest rate at 0%. The note is convertible into the Company s common stock at a 50% discount of the lowest closing bid price during the 30 trading days prior to conversion.

The Company accounted for the issuance of the convertible promissory note in accordance with ASC 815 Derivatives and Hedging . Accordingly, the embedded conversion option of the convertible notes are recorded as derivative liabilities at their fair market value and are marked to market through earnings at the end of each reporting period. The gross proceeds from the sale of the note are recorded net of a discount of $2,500. The debt discount relates to fair value of the conversion option. The debt discount is charged to interest expense ratably over the term of the convertible note. The fair value of the conversion option on the date of issuance in excess of the face amount of the note was recorded to interest expense on the date of issuance.

As of December 31, 2014, outstanding principal and accrued interest on the note was $2,500 and $0, respectively.

(n)

On June 17, 2014, in conjunction with a settlement agreement with Levin Consulting Group, LLC (Levin), the Company issued Levin a convertible promissory note in the principal amount of $50,000. The convertible note matures on December 31, 2015 and accrues interest at 10% per annum. The holder may convert all or any portion of the outstanding principal and accrued and unpaid interest due and payable under the note into shares of the Company s common stock at a conversion price equal to 50% of the lowest closing bid price of the Company s common stock during the five trading days immediately prior to such applicable conversion date, in each case subject to the lender not being able to beneficially own more than 9.999% of our outstanding common stock upon any conversion. If the closing bid price for the common stock on the date in which the conversion shares are deposited into the holders brokerage account and the holder may execute trades of the conversion shares (the Clearing Date) then the conversion price shall be adjusted such that the discount be taken from the closing bid price on the Clearing Date.

The Company accounted for the issuance of the convertible promissory note in accordance with ASC 815 Derivatives and Hedging . Accordingly, the embedded conversion option of the convertible notes are recorded as derivative liabilities at their fair market value and are marked to market through earnings at the end of each reporting period. The gross proceeds from the sale of the note are recorded net of a discount of $50,000. The debt discount relates to fair value of the conversion option. The debt discount is charged to interest expense ratably over the term of the convertible note. The fair value of the conversion option on the date of issuance in excess of the face amount of the note was recorded to interest expense on the date of issuance.

During July 2014, the note holder requested to convert total aggregated $50,000 principal plus fees of $600, into the Company s common stock. The Company issued total aggregated 98,388,889 shares of common stock in connection with such conversion.

(o)

On June 19, 2014 the Company issued a convertible promissory note in the principal amount of $100,000. The convertible note matures on December 31, 2014 with the stated interest rate at 10%. The note is convertible into the Company s common stock at a conversion price of $0.0019 per share. In addition, 10,526,316 warrants were issued with an exercise price of $0.00228 per share. The warrants are fully vested and have a life of 5 years from date of issuance. As of December 31, 2014, the Company is not compliant with the repayment terms of the notes and is in default. The Company intends to request that the maturity date of these notes be further extended, however, there can be no assurance that a further extension will be granted.

The Company accounted for the issuance of the convertible promissory note in accordance with ASC 815 Derivatives and Hedging . Accordingly, the warrants and embedded conversion option of the convertible notes are recorded as derivative liabilities at their fair market value and are marked to market through earnings at the end of each reporting period. The gross proceeds from the sale of the note are recorded net of a discount of $64,700. The debt discount relates to fair value of the embedded conversion option and fair value of the warrants. The debt discount is charged to interest expense ratably over the term of the convertible note.

As of December 31, 2014, outstanding principal and accrued interest on the note was $100,000 and $5,417, respectively.

(p)

On July 17, 2014 the Company issued a convertible promissory note in the principal amount of $23,000. The convertible note matures on June 30, 2015 with the stated interest rate at 10%. The note is convertible into the Company s common stock at a conversion price of $0.001 per share. In addition, 4,600,000 warrants were issued with an exercise price of $0.0012 per share. The warrants are fully vested and have a life of 5 years from date of issuance.

The Company accounted for the issuance of the convertible promissory note in accordance with ASC 815 Derivatives and Hedging . Accordingly, the warrants and embedded conversion option of the convertible notes are recorded as derivative liabilities at their fair market value and are marked to market through earnings at the end of each reporting period. The gross proceeds from the sale of the note are recorded net of a discount of $18,000. The debt discount relates to fair value of the embedded conversion option and fair value of the warrants. The debt discount is charged to interest expense ratably over the term of the convertible note.

As of December 31, 2014, outstanding principal and accrued interest on the note was $23,000 and $1,067, respectively.

(q)

On July 17, 2014 the Company issued a convertible promissory note in the principal amount of $20,000. The convertible note matures December 31, 2015 with the stated interest rate at 10%. The note is convertible into the Company s common stock at a 50% discount of the lowest closing bid price during the 10 trading days prior to conversion.

The Company accounted for the issuance of the convertible promissory note in accordance with ASC 815 Derivatives and Hedging . Accordingly, the embedded conversion option of the convertible notes are recorded as derivative liabilities at their fair market value and are marked to market through earnings at the end of each reporting period. The gross proceeds from the sale of the note are recorded net of a discount of $20,000. The debt discount relates to fair value of the conversion option. The debt discount is charged to interest expense ratably over the term of the convertible note. The fair value of the conversion option on the date of issuance in excess of the face amount of the note was recorded to interest expense on the date of issuance.

As of December 31, 2014, outstanding principal and accrued interest on the note was $20,000 and $928, respectively.

(r)

On August 13, 2014 the Company issued a convertible promissory note in the principal amount of $85,000. The convertible note matures June 30, 2015 with the stated interest rate at 8%. The note is convertible into the Company s common stock at a 50% discount of the lowest closing bid price during the 20 trading days prior to conversion. The Company received note proceeds of $75,000 during August 2014 and $10,000 during October 2014. The conversion price is subject to anti-dilution protection and down round provisions in the event that the Company issues additional equity securities at a price less than the conversion price. The Company may prepay the note at 150% of the entire outstanding principal amount of the note plus any accrued but unpaid interest.

The Company accounted for the issuance of the convertible promissory note in accordance with ASC 815 Derivatives and Hedging . Accordingly, the embedded conversion option of the convertible notes are recorded as derivative liabilities at their fair market value and are marked to market through earnings at the end of each reporting period. The gross proceeds from the sale of the note are recorded net of a discount of $85,000. The debt discount relates to fair value of the conversion option. The debt discount is charged to interest expense ratably over the term of the convertible note. The fair value of the conversion option on the date of issuance in excess of the face amount of the note was recorded to interest expense on the date of issuance.

As of December 31, 2014, outstanding principal and accrued interest on the note was $85,000 and $2,536, respectively.

(s)

On September 16, 2014 the Company issued a convertible promissory note in the principal amount of $23,000. The convertible note matures on June 30, 2015 with the stated interest rate at 10%. The note is convertible into the Company s common stock at a conversion price of $0.0005 per share. In addition, 9,200,000 warrants were issued with an exercise price of $0.0006 per share. The warrants are fully vested and have a life of 5 years from date of issuance.

The Company accounted for the issuance of the convertible promissory note in accordance with ASC 815 Derivatives and Hedging . Accordingly, the warrants and embedded conversion option of the convertible notes are recorded as derivative liabilities at their fair market value and are marked to market through earnings at the end of each reporting period. The gross proceeds from the sale of the note are recorded net of a discount of $23,000. The debt discount relates to fair value of the embedded conversion option and fair value of the warrants. The debt discount is charged to interest expense ratably over the term of the convertible note. The fair value of the conversion option and warrants on the date of issuance in excess of the face amount of the note was recorded to interest expense on the date of issuance.

As of December 31, 2014, outstanding principal and accrued interest on the note was $23,000 and $677, respectively.

(t)

On October 21, 2014 the Company issued a convertible promissory note in the principal amount of $ 50,000. The convertible note matures on May 01, 2015 with the stated interest rate at 0% and a premium to be paid on redemption of $20,000. The premium shall be accreted to interest expense over the life of the note. Upon maturity, at the election of the holder, the note is convertible into the Company s common stock at a 50% discount of the lowest closing bid price during the 10 trading days prior to conversion.

The Company accounted for the issuance of the convertible promissory note in accordance with ASC 815 Derivatives and Hedging . Accordingly, the embedded conversion option of the convertible notes are recorded as derivative liabilities at their fair market value and are marked to market through earnings at the end of each reporting period. The gross proceeds from the sale of the note are recorded net of a discount of $50,000. The debt discount relates to fair value of the conversion option. The debt discount is charged to interest expense ratably over the term of the convertible note. The fair value of the conversion option on the date of issuance in excess of the face amount of the note was recorded to interest expense on the date of issuance.

As of December 31, 2014, outstanding principal on the note, including accretion of the premium in the amount of $7,396, was $57,396.

(u)

On October 22, 2014 the Company issued a convertible promissory note in the principal amount of $ 14,000. The convertible note matures on September 30, 2015 with the stated interest rate at 10%. The note is convertible into the Company s common stock at a conversion price of $0.0004 per share. In addition, 7,000,000 warrants were issued with an exercise price of $0.00048 per share. The warrants are fully vested and have a life of 5 years from date of issuance.

The Company accounted for the issuance of the convertible promissory note in accordance with ASC 815 Derivatives and Hedging . Accordingly, the warrants and embedded conversion option of the convertible notes are recorded as derivative liabilities at their fair market value and are marked to market through earnings at the end of each reporting period. The gross proceeds from the sale of the note are recorded net of a discount of $11,200. The debt discount relates to fair value of the embedded conversion option and fair value of the warrants. The debt discount is charged to interest expense ratably over the term of the convertible note. The fair value of the conversion option and warrants on the date of issuance in excess of the face amount of the note was recorded to interest expense on the date of issuance.

As of December 31, 2014, outstanding principal and accrued interest on the note was $14,000 and $272, respectively.

(v)

On November 10, 2014 the Company issued a convertible promissory note in the principal amount of $ 20,000 to Southridge II, a related party. The convertible note matures on October 31, 2015 with the stated interest rate at 10%. The note is convertible into the Company s common stock at a 50% discount of the lowest closing bid price during the 30 trading days prior to conversion.

The conversion price is subject to anti-dilution protection and down round provisions in the event that the Company issues additional equity securities at a price less than the conversion price. The Company may prepay the note at 150% of the entire outstanding principal amount of the note plus any accrued but unpaid interest.

The Company accounted for the issuance of the convertible promissory note in accordance with ASC 815 Derivatives and Hedging . Accordingly, the embedded conversion option of the convertible notes are recorded as derivative liabilities at their fair market value and are marked to market through earnings at the end of each reporting period. The gross proceeds from the sale of the note are recorded net of a discount of $20,000. The debt discount relates to fair value of the conversion option. The debt discount is charged to interest expense ratably over the term of the convertible note. The fair value of the conversion option on the date of issuance in excess of the face amount of the note was recorded to interest expense on the date of issuance.

As of December 31, 2014, outstanding principal and accrued interest on the note was $20,000 and $283, respectively.

(w)

On November 13, 2014 the Company issued a convertible promissory note in the principal amount of $ 12,500 to Southridge II, a related party. The convertible note matures on October 31, 2015 with the stated interest rate at 10%. The note is convertible into the Company s common stock at a 50% discount of the lowest closing bid price during the 30 trading days prior to conversion. The conversion price is subject to anti-dilution protection and down round provisions in the event that the Company issues additional equity securities at a price less than the conversion price. The Company may prepay the note at 150% of the entire outstanding principal amount of the note plus any accrued but unpaid interest.

The Company accounted for the issuance of the convertible promissory note in accordance with ASC 815 Derivatives and Hedging . Accordingly, the embedded conversion option of the convertible notes are recorded as derivative liabilities at their fair market value and are marked to market through earnings at the end of each reporting period. The gross proceeds from the sale of the note are recorded net of a discount of $12,500. The debt discount relates to fair value of the conversion option. The debt discount is charged to interest expense ratably over the term of the convertible note. The fair value of the conversion option on the date of issuance in excess of the face amount of the note was recorded to interest expense on the date of issuance.

As of December 31, 2014, outstanding principal and accrued interest on the note was $12,500 and $167, respectively.

(x)

On November 17, 2014 the Company issued a convertible promissory note in the principal amount of $ 4,156 to Tarpon, a related party. The convertible note matures on October 31, 2015 with the stated interest rate at 10%. The note is convertible into the Company s common stock at a 50% discount of the lowest closing bid price during the 30 trading days prior to conversion. The conversion price is subject to anti-dilution protection and down round provisions in the event that the Company issues additional equity securities at a price less than the conversion price. The Company may prepay the note at 150% of the entire outstanding principal amount of the note plus any accrued but unpaid interest.

The Company accounted for the issuance of the convertible promissory note in accordance with ASC 815 Derivatives and Hedging . Accordingly, the embedded conversion option of the convertible notes are recorded as derivative liabilities at their fair market value and are marked to market through earnings at the end of each reporting period. The gross proceeds from the sale of the note are recorded net of a discount of $4,156. The debt discount relates to fair value of the conversion option. The debt discount is charged to interest expense ratably over the term of the convertible note. The fair value of the conversion option on the date of issuance in excess of the face amount of the note was recorded to interest expense on the date of issuance.

As of December 31, 2014, outstanding principal and accrued interest on the note was $4,156 and $51, respectively.

(y)

On November 17, 2014 the Company issued a convertible promissory note in the principal amount of $ 25,000. The convertible note matures on December 31, 2015 with the stated interest rate at 10%. The note is convertible into the Company s common stock at a conversion price of $0.0002 per share. In addition, 25,000,000 warrants were issued with an exercise price of $0.00024 per share. The warrants are fully vested and have a life of 5 years from date of issuance.

The Company accounted for the issuance of the convertible promissory note in accordance with ASC 815 Derivatives and Hedging . Accordingly, the warrants and embedded conversion option of the convertible notes are recorded as derivative liabilities at their fair market value and are marked to market through earnings at the end of each reporting period. The gross proceeds from the sale of the note are recorded net of a discount of $25,000. The debt discount relates to fair value of the embedded conversion option and fair value of the warrants. The debt discount is charged to interest expense ratably over the term of the convertible note. The fair value of the conversion option and warrants on the date of issuance in excess of the face amount of the note was recorded to interest expense on the date of issuance.

As of December 31, 2014, outstanding principal and accrued interest on the note was $25,000 and $306, respectively.

Convertible promissory notes payable and accrued interest at December 31, 2014 and 2013 consists of the following:

	December 31,			
		2014		2013
Convertible notes payable and accrued interest	$	1,973,030	$	1,449,619
Discount on convertible notes		(200,459)		(210,781)
Convertible notes payable and accrued interest, net		1,772,571		1,238,838
Less current maturities		(1,772,571)		(1,238,838)
Long-Term Portion	$	–	$	–

NOTE 12: CONVERTIBLE NOTES AND NOTES PAYABLE – OFFICERS & DIRECTOR

Convertible notes and notes payable – Officers & Director and accrued interest at December 31, 2014 and 2013 consists of the following:

		2014			2013	
	$	383,231	(a)	$	435,382	(a)
		118,161	(b)		222,322	(b)
		29,317	(c)		54,008	(c)
		–	(d)		39,113	(d)
		–	(e)		46,378	(e)
		25,000	(f)		25,000	(f)
		5,051	(g)		5,051	(g)
Total		560,760			827,254	
Less: Current maturities		(560,760)			(827,254)	
Convertible notes and notes payable – Officers & Director and accrued interest, net of Current maturities	$	–		$	–	

(a)

In September 2009, the Company entered into agreements with the Chief Executive Officer and the Company's former Chief Financial Officer together to defer a total of $287,000 in compensation owed to them as of September 30, 2009.

In return, the Company issued to the Chief Executive Officer and former Chief Financial Officer each a promissory note for the deferment. The notes mature in January 2011 and interest will be accrued at 10% per annum compounded monthly.

On October 24, 2014, the Company s former Chief Financial Officer (Lazar) entered into a settlement agreement with the Company whereby all deferred compensation and debt obligations of the Company due to Lazar were satisfied. See *Troubled debt restructuring Convertible Notes and Notes Payable Officers & Directors below.*

As of December 31, 2014 and 2013, the Company is reflecting a liability of $383,231 and $435,382 which includes $146,232 and $148,382 of accrued interest, respectively and the Company is not compliant with the repayment terms.

(b)

On April 7, 2010, the Company s Chief Executive Officer, and the Company s former Chief Financial Officer each made loans of $100,000 to the Company. The loans accrue interest at the rate of 7% per annum. In addition, the Company issued warrants to each officer to purchase 431,034 shares of common stock at an exercise price of $0.059 per share. The loans are due and payable by or on October 7, 2010. The interests accrued on the loans are to be paid on the 7th day of each month until the loans mature and paid off. The loans were evidenced by the promissory notes the Company issued to the two officers which each contain a conversion clause that allow the officers at the officer s sole option to convert the loan amount plus all accrued and unpaid interest due under the note into common stock. The conversion price was set at $0.059 per share, which was the closing market price of the common stock as of the closing date of the loans.

The Company accounted for the issuance of the convertible promissory note in accordance with ASC 815 Derivatives and Hedging. Accordingly, the warrants and the embedded conversion option of the convertible note are recorded as derivative liabilities at their fair market value and were marked to market through earnings at the end of each reporting period. The gross proceeds from the sales of the notes of $200,000 were recorded net of a discount of $101,600. The debt discount consisted of $34,800 related to the fair value of the warrants and approximately $66,800 related to the fair value of the embedded conversion option. The debt discount will be charged to interest expense ratably over the term of the convertible note.

On October 24, 2014, the Company s former Chief Financial Officer (Lazar) entered into a settlement agreement with the Company whereby all deferred compensation and debt obligations of the Company due to Lazar were satisfied. See *Troubled debt restructuring Convertible Notes and Notes Payable Officers & Directors below.*

As of December 31, 2014, and 2013, the Company is reflecting a liability of $118,161 and $222,322 which includes $18,161 and $22,322 accrued interest, respectively and the Company is not compliant with the repayment terms.

(c)

On February 7, 2011, the Company s Chief Executive Officer and the Company s former Chief Financial Officer each made loans of $50,000 to the Company. The loans accrue interest at the rate of 10% per annum. In addition, the Company issued warrants to each officer to purchase 89,928 shares of common stock at an exercise price of $0.139 per share. The loans are due and payable by or on February 7, 2012. The loan is to be paid on the maturity date and the accrued interest is to be paid at the end of each month. The loans were evidenced by the promissory notes the Company issued to the two officers which each contain a conversion clause that allow the officers at the officer s sole option to convert the loan amount plus all accrued and unpaid interest due under the note into common stock. The conversion price was $0.139 per share, which was the closing market price of the common stock as of the closing date of the loans.

The Company accounted for the issuance of the notes in accordance with ASC 470 Debt and accordingly the gross proceeds of $100,000 from the sales of the notes were recorded net of a debt discount of $33,612. The debt discount related to the relative fair value of the warrants and was charged to interest expense ratably over the term of the loan.

In 2011, the Company paid repaid $40,000 principal and paid $6,189 accrued interest. In 2012, the Company repaid $6,000 principal and paid $3,050 accrued interest. In 2013, the Company paid repaid $8,000 in principal.

On October 24, 2014, the Company s former Chief Financial Officer (Lazar) entered into a settlement agreement with the Company whereby all deferred compensation and debt obligations of the Company due to Lazar were satisfied. See *Troubled debt restructuring Convertible Notes and Notes Payable Officers & Directors below.*

As of December 31, 2014, and 2013, the Company is reflecting a liability of $29,317 and $54,008 which includes $6,317 and $8,008 accrued interest, respectively and the Company is not compliant with the repayment terms.

(d)

On March 16, 2011, the Company s former Chief Financial Officer made a loan of $85,000 to the Company. The loan accrues interest at the rate of 10% per annum. In addition, the Company issued warrants to purchase 174,180 shares of common stock at an exercise price of $0.122 per share. The loan is due and payable by or on March 16, 2012. The loan is to be paid on the maturity date and the accrued interest is to be paid at the end of each month. The loan is evidenced by the promissory note the Company issued to the former officer which contains a conversion clause that allow the former officer at the former officer s sole option to convert the loan amount plus all accrued and unpaid interest due under the note into common stock. The conversion price was $0.122 per share, which was the closing market price of the common stock as of the closing date of the loans.

The Company accounted for the issuance of the note in accordance with ASC 470 Debt and accordingly the gross proceeds of $85,000 from the sales of the note was recorded net of a debt discount of $28,610. The debt discount related to the relative fair value of the warrants and is being charged to interest expense ratably over the term of the note.

In 2012, the Company repaid $18,000 in principal. In 2013, the Company repaid $36,500 in principal.

On October 24, 2014, the Company s former Chief Financial Officer (Lazar) entered into a settlement agreement with the Company whereby all deferred compensation and debt obligations of the Company due to Lazar were satisfied. See *Troubled debt restructuring Convertible Notes and Notes Payable Officers & Directors below.*

As of December 31, 2014, and 2013, the Company is reflecting a liability of $0 and $39,113 which includes $0 and $8,613 accrued interest, respectively and the Company is not compliant with the repayment terms.

(e)

On March 28, 2011, the Company s former Chief Financial Officer made a loan of $40,000 to the Company. The loan pays interest monthly at the rate of 10% per annum. In addition, the Company issued warrants to purchase 83,333 shares of common stock at an exercise price of $0.12 per share. The loan is due and payable by or on March 28, 2012. The loan is to be paid on the maturity date and the accrued interest is to be paid at the end of each month. The loan is evidenced by the promissory note the Company issued to the former officer which contains a conversion clause that allow the former officer at the former officer s sole option to convert the loan amount plus all accrued and unpaid interest due under the note into common stock. The conversion price was $0.12 per share, which was the closing market price of the common stock as of the closing date of the loans.

F-30

The Company accounted for the issuance of the note in accordance with ASC 470 Debt and accordingly the gross proceeds of $40,000 from the sales of the note was recorded net of a debt discount of $13,472. The debt discount related to the relative fair value of the warrants and is being charged to interest expense ratably over the term of the note.

On October 24, 2014, the Company s former Chief Financial Officer (Lazar) entered into a settlement agreement with the Company whereby all deferred compensation and debt obligations of the Company due to Lazar were satisfied. See *Troubled debt restructuring Convertible Notes and Notes Payable Officers & Directors below.*

As of December 31, 2014 and 2013, the Company is reflecting a liability of $0 and $46,378 which includes $0 and $6,378 accrued interest, respectively. The Company is not compliant with the repayment terms.

(f)

On February 13, 2012 and on October 5, 2012, the Company s Chief Executive Officer made a short term loan of $10,000 and $15,000 to the Company. These loans were intended to be repaid within 2 months. No documents were prepared nor interest accrued. As of December 31, 2014 and 2013, the Company is reflecting a liability of $25,000. The Company is not compliant with the repayment terms.

(g)

On January 3, 2013, the Company s Chief Executive Officer made a short term loan of $9,051 to the Company. This loan was intended to be repaid within 2 months. No documents were prepared nor interest accrued. During 2013 $4,000 was repaid. As of December 31, 2014 and 2013 the Company is reflecting a liability of $5,051. The Company is not compliant with the repayment terms.

(h)

During March 2014 and April 2014, the Company s Chief Executive Officer made a short term loan of $6,500 and $4,800 to the Company. This loan was intended to be repaid within 2 months. No documents were prepared nor interest accrued. As of December 31, 2014 the loan has been paid in full.

Troubled debt restructuring Convertible Notes and Notes Payable Officers & Directors

On October 24, 2014, the Company entered into an agreement in-order to satisfy outstanding liabilities of the Company due to our former Chief Financial Officer (CFO) and former Director, Terry R. Lazar (Lazar), dating back to 2009. Mr. Lazar acted as CFO for the Company until February 15, 2014, and the Company has accrued approximately $510,000 in deferred compensation on behalf of Lazar, including accrued interest and warrants for his services on the Company s Board (Deferred Comp). In addition, Lazar has loaned approximately $225,000 to the Company in the form of loans(s) (Loan). Mr. Lazar and the Company have agreed to satisfy and terminate all Deferred Comp and Loan obligations of the Company due to Lazar by having the Company issue to Lazar a new series of preferred stock.

Per the terms of the agreement the Company shall issue 200 shares of preferred stock with a stated value equal to $200,000. The preferred stock shall carry an annual dividend yield of 5%, and shall be convertible into 100,000,000 shares of common stock at the option of Lazar. The Company has the option to redeem the preferred stock at any time for an amount equal to its stated value plus any accrued dividend by paying cash to Lazar subject to a conversion notice tendered by the holder within five days from receipt of a redemption notice.

The Company estimated the fair value of the 200 shares of preferred stock on the date of the settlement to be $40,000.

Mr. Lazar on February 4, 2015, advised the Company in writing that he was rescinding the agreement. The Company believes that the agreement is a valid and binding agreement between the Company and Mr. Lazar.

The gain resulting from the settlement of the amounts due to Lazar was determined as follows:

Preferred stock to be issued	$	40,000
Total consideration		40,000
Amount outstanding under deferred compensation agreements		(479,150)
Interest accrued on deferred compensation		(30,851)
Book value of 6,647,461 cancelled warrants		–
Amount outstanding under debt agreements		(193,572)
Interest accrued on debt agreements		(46,493)
Gain on restructuring of debt	$	(710,066)

On a basic income and diluted income per share basis the gain was $0.00 per share for the year ended December 31, 2014.

F-31

NOTE 13 RELATED PARTY TRANSACTIONS

(a)

On January 2, 2013, the Company issued a total of 12,820,512 warrants to purchase common stock to its four directors, including warrants issued to its Chief Executive Officer and former Chief Financial Officer, each of which received 3,205,128 warrants for their first quarter of 2013 director fees. The issuance is part of the annual compensation that was authorized by the Company s Board of Directors on December 6, 2011, when the Board approved replacing directors annual compensation of $50,000 with three year warrants payable quarterly. The warrants have a term of three years and are fully vested on the date of issuance. The Company recorded $70,800 of stock-based compensation in connection with this issuance.

(b)

On March 18, 2013, the Company issued to its Chief Executive Officer 15,000,000 shares of common stock and warrants to purchase an additional 15,000,000 shares of common stock at the exercise price of $0.0033 per share. The issuance was approved by the Company s Compensation Committee on February 11, 2013. The warrants have a term of five years. The shares and warrants are fully vested on the date of grant. The Company recorded $188,700 of stock-based compensation which includes $97,500 for the share issuance and $91,200 for the warrants granted.

(c)

On March 18, 2013, the Company issued to its former Chief Financial Officer 10,000,000 shares of common stock and warrants to purchase an additional 10,000,000 shares of common stock at the exercise price of $0.0033 per share. The issuance was approved by the Company s Compensation Committee on February 11, 2013. The warrants have a term of five years. The shares and warrants are fully vested on the date of grant. The Company recorded $125,800 of stock-based compensation which includes $65,000 for the share issuance and $60,800 for the warrants granted.

(d)

On April 5, 2013, the Company issued a total of 3,846,152 warrants to purchase common stock to its four directors, including warrants issued to its Chief Executive Officer and Chief Financial Officer, each of which received 961,538 warrants for their second quarter of 2013 director fees. The issuance is part of the annual compensation that was authorized by the Company s Board of Directors on December 6, 2011, when the Board approved replacing directors annual compensation of $50,000 with three year warrants payable quarterly. The warrants have a term of three years and are fully vested on the date of issuance. The Company recorded $27,600 of stock-based compensation in connection with this issuance.

(e)

On July 1, 2013, the Company issued a total of 2,702,704 warrants to purchase common stock to its four directors, including warrants issued to its Chief Executive Officer and Chief Financial Officer, each of which received 675,676 warrants for their third quarter of 2013 director fees. The issuance is part of the annual compensation that was authorized by the Company s Board of Directors on December 6, 2011, when the Board approved replacing directors annual compensation of $50,000 with three year warrants payable quarterly. The warrants have a term of three years and are fully vested on the date of issuance. The Company recorded $40,800 of stock-based compensation in connection with this issuance.

(f)

On July 7, 2013, the Company issued a total of 650,000 warrants to purchase common stock to its employees. The warrants have a term of three years and are fully vested on the date of issuance. The Company recorded $11,700 of stock-based compensation in connection with this issuance.

(g)

On June 26, 2012 the Board of Directors of the Company designated and authorized the Series B Preferred Stock ("Series B") as set forth in a Certificate of Designation that was filed with the Secretary of State of the State of Delaware. The Series B has a par value of $0.001 per share, no rights to dividends but provides for liquidation rights which entitle the holder to a pro-rata share of net assets. The Series B carried no conversion provisions. Subsequent to March 31, 2013 all outstanding shares of Series B were returned by the holder for no consideration to the Company, and the Company s Board of Directors authorized cancellation of the Series B. The Certificate of Amendment cancelling the Series B Preferred Stock was filed with the State of Delaware on April 16, 2013.

See Notes 10, 11,12,14,16 and 22 for additional related party transactions related to debt and equity transactions and consulting agreements.

NOTE 14: COMMITMENTS AND CONTINGENCIES

Operating Leases

25 Fairchild Ave

Effective as of July 1, 2008, the Company entered into a seven-year lease for 5,300 square feet of space at 25 Fairchild Avenue in Plainview, New York. The facility is to serve as the Company s executive offices, sales office, showroom and an assembly area.

In March 2012 management exercised a Good Guy Clause in its lease and abandoned the space at 25 Fairchild Avenue.

On September 12, 2012, as a result of the Company s action, Fairchild Warehouse Associates, LLC (Fairchild), as plaintiff, filed suit for recovery of past rental payments for the Company s former office space at 25 Fairchild Avenue, Plainview, N.Y. 11803. An inquest began on December 10, 2014 to determine the amount of money damages due on Fairchild s claim and on March 3, 2015 the court awarded judgment to the plaintiff against the Company in the sum of $887,929. Adding interests and costs to the awarded amount, judgment has been entered against the Company in the total sum of $892,042. Interest on the judgment will continue to accrue at the rate of 9% per annum until satisfied.

During 2013 the Company recorded rent and rent related expenses of $341,849 which includes a charge of $229,234 relating to the lawsuit which is included in occupancy expense in the accompanying consolidated statements of operations.

During 2014 the Company recorded rent, rent related expenses and penalties of $328,290 as a result of the judgment which is included in occupancy expense in the accompanying condensed consolidated statements of operations. As of December 31, 2014 the Company has accrued a liability of $804,220 related to the judgment and is included in accounts payable and accrued liabilities at December 31, 2014.

160 Dupont Street

On May 24, 2010, effective July 1, 2010, the Company entered into a two-year lease in Plainview, New York. The facility is to serve as the Company s production facilities, as well as its headquarters. Under the terms of the lease the Company paid a deposit of approximate $12,000. The minimum monthly lease payments due under this lease are approximately $6,000 for the period July 1, 2010 through June 30, 2011 and approximately $10,700 for the period July 1, 2011 through June 30, 2012.

On October 8, 2013 an eviction notice was issued by the landlord for the Company s facilities at 160 Dupont Street. The Company abandoned the space on October 11 and immediately moved to 485 Underhill Boulevard, Syosset N.Y.

485 Underhill Blvd.

In October 2013 the Company entered into an operating lease for its Syosset N.Y. office facility under a month-to-month agreement starting in October 2013. The Company will pay monthly rental payments of $3,500. The Company exited the space in July 2014 and moved to 35 East Mall, Plainview N.Y.

35 East Mall

In June 2014 the Company entered into an operating lease for its Plainview N.Y. office facility for a period of six months starting in July 2014. The Company will pay monthly rental payments of $1,050. The lease may be renewed in six month increments, with forty-five days notice and is subject to a 5% increase per annum.

Consulting Agreement

On June 13, 2014, the Company entered into a consulting agreement (the Consulting Agreement) with Tarpon, a related party, for the period from the date of the agreement through March 31, 2015. The agreement requires Tarpon to provide general management and consulting services and advisory services to the Company, including assistance in connection with the restructuring of its outstanding debt and equity securities.

Pursuant to the terms of the Consulting Agreement, Tarpon will be compensated by the issuance to it by the Company of shares of Series H Convertible Preferred Stock. Pursuant to the terms of the Consulting Agreement, Tarpon will receive Series H Preferred Stock with a stated value of $425,000 upon the execution of the Agreement, and additional Series H Preferred Stock with a stated value of $75,000 monthly, commencing July 1, 2014 and continuing through the balance of the term. Tarpon received an initial issuance of 17 shares of Series H Preferred (convertible into 151,785,714 shares of common stock) on June 17, 2014, and monthly issuances on July 1, August 1, September 1 and October 1, 2014, of three shares each of Series H Preferred Stock (convertible into 53,571,429, 68,181,818, 187,500,000 and 150,000,000 shares of common stock, respectively). Tarpon has waived its rights under the consulting agreement to the November and December 2014, and the January and February 2015, issuances of Series H Preferred Stock. The execution and delivery of the Consulting Agreement was approved by the directors of the Company. The Company s President did not participate in the vote on this matter.

Equity Purchase Agreement

On June 13, 2014, the Company entered into an Equity Purchase Agreement with an accredited investor. The terms of the Equity Purchase Agreement provide that the Investor agrees, subject to put notices from the Company, to purchase up to $5,000,000 in Common Stock during the 24 months following the execution of the Agreement, subject to certain conditions and limitations. For each closing, the purchase price of the Common Stock will be 90% of the average of the three lowest Closing Bid Prices during the 10 trading days following the relevant Clearing Date (as defined in the Equity Purchase Agreement). In connection therewith, the Company also entered into a Registration Rights Agreement with the investor, pursuant to which the Company is required to file a Registration Statement with the Securities and Exchange Commission for the expected number of shares to be issued under the Equity Purchase Agreement within 120 days of the date of the Registration Rights Agreement. The Investor also provided the Company with a one year loan of $100,000; the obligation to repay this loan is represented by a Promissory Note issued by the Company to the Investor. As of December 31, 2014, no shares have been purchased under the Equity Purchase Agreement and the Company has not filed a registration statement.

Settlement Agreement

On September 30, 2014 the Company entered into an agreement in-order to satisfy an outstanding liability of the Company to our former Vice President of International Markets, Shaul Kochan, dating back to 2009. Per the terms of the agreement the Company would issue 110 shares of preferred stock with a stated value equal to $110,000, which would be redeemed by the Company on a monthly basis in 14 separate tranches at the beginning of each calendar month beginning October 1, 2014.

In addition, the Company would extend the maturity date of the outstanding warrant held by Mr. Kochan from its current expiration date of March 7, 2015 to March 7, 2017, and issue an additional warrant to Mr. Kochan for right to exercise and purchase 2,000,000 shares of the Company s common stock at an exercise price of $0.052 and maturity date of March 7, 2017.

On March 9, 2015, the Company rescinded the settlement agreement with Kochan due to the assertion of further claims by Kochan. Due to termination of the settlement agreement the Company did not issue Kochan the preferred shares and additional warrants provided for under the agreement. Payments totaling $15,000 made to Kochan during the year ended December 31, 2014 shall be applied toward outstanding liabilities owed to Kochan.

Litigation

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. The Company assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment.

In assessing loss contingencies related to legal proceedings that are pending against the Company, or unasserted claims that may result in such proceedings, the Company evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company s financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability and an estimate of the range of possible losses, if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed, unless they involve guarantees, in which case the guarantees would be disclosed. There can be no assurance that such matters will not materially and adversely affect the Company s business, financial position, and results of operations or cash flows. As of December 31, 2014, the Company has the following litigation outstanding.

The Company has remained a defendant in a lawsuit since September 12, 2012 in the Supreme Court of the State of New York, County of Nassau, filed by Fairchild Warehouse Associates, LLC (Fairchild), as plaintiff, for recovery of past rental payments for the Company s former office space at 25 Fairchild Avenue, Plainview, New York 11803. An inquest began on December 10, 2014 to determine the amount of money damages due on Fairchild s claim and on March 3, 2015 the court awarded judgment to the plaintiff against the Company in the sum of $887,929. Adding interests and costs to the awarded amount, judgment has been entered against the Company in the total sum of $892,042. Interest on the judgment will continue to accrue at the rate of 9% per annum until satisfied. As of December 31, 2014 the Company has accrued a liability of $804,220 related to the judgment and is included in accounts payable and accrued liabilities at December 31, 2014.

The Company is in default under a May 30, 2012, Securities Purchase Agreement entered into with TCA Global Credit Master Fund, LP (TCA), providing for the issuance of $275,000 principal amount of senior secured redeemable and convertible debentures due November 30, 2012. On October 4, 2013, at the request of the lender due to default, the Company converted $303,499 of convertible notes and accrued interest into a new convertible note in the amount of $531,431. The increase in principal was due to amounts charged by the lender for penalties, interest, legal and other fees. The newly issued note bears interest at rates of 18% per annum and is due on demand. The lender may convert all or any portion of the outstanding principal, accrued and unpaid interest, and any other sums due and payable under the Note into shares of the Company s common stock at a conversion price equal to 85% of the lowest daily volume weighted average price of the Company s common stock during the five trading days immediately prior to such applicable conversion date, in each case subject to the lender not being able to beneficially own more than 4.99% of our outstanding common stock upon any conversion. The conversion price is subject to anti-dilution protection and down round provisions in the event that the Company issues additional equity securities at a price less than the conversion price. On March 10, 2014, TCA accelerated the outstanding principal balance, interest, calculated at the default rate of 18%, and all sums due under the original note and any amendments. In August 2014 a default final judgment was entered against the Company concluding that TCA is entitled to damages in the amount of $610,349, to foreclose upon the security interests, and to recover attorneys fees and costs incurred by TCA. In addition prejudgment interest shall be assessed at a rate of 18% per annum and post judgment interest shall be assessed at a rate of 4.75% per annum. As of December 31, 2014 the Company has accrued a liability of $651,800 related to the TCA claim and is included in convertible notes payable.

On November 27, 2013, the Company entered into a settlement agreement with Tarpon Bay Partners LLC (Tarpon), a related party. The manager of Tarpon is Stephen Hicks, the President of the Company. Tarpon previously purchased outstanding liabilities of the Company from TCA in the amount of $506,431 and Designs and Project Development Corporation (a former landlord) in the amount of $56,429. Per the terms of the settlement the Company was to issue Tarpon shares of common stock in one or more tranches as necessary, and subject to adjustment and ownership limitations, and a convertible promissory note in the principal amount of $75,000. The Company failed to issue shares to Tarpon and in the first quarter of 2014 TCA rescinded its liabilities purchase agreement with Tarpon. As of December 31, 2014 the Company has accrued a liability of $60,684 related to the Designs and Project Development Corporation claim and is included in notes payable and the $506,431 related to TCA has been included in convertible promissory notes.

On January 31, 2014, in conjunction with the settlement agreement outlined above, the Company issued Tarpon a convertible promissory note in the principal amount of $75,000. The convertible note matures one year from the date of issuance with interest at 10% per annum. The convertible promissory note has no registration rights and shall be convertible into the common stock of the Company at any time at a conversion price equal to 75% of the low closing bid price for the twenty days prior to conversion. The conversion price is subject to anti-dilution protection and down round provisions in the event that the Company issues additional equity securities at a price less than the conversion price. The Company may prepay the note at 150% of the entire outstanding principal amount of the note plus any accrued but unpaid interest.

An eviction notice was issued on October 8 by the landlord for 160 Dupont Street, Five Towns Realty Associates, Inc (Five Towns Realty). There is currently an outstanding balance of $54,739 that is subject to a lawsuit and is included in accounts payable and accrued liabilities at December 31, 2014. The Company is currently in negotiations with Five Towns Realty to reach a settlement.

An action was commenced on March 22, 2012, in the Supreme Court of the New York for the County of Nassau, by Lazar, Sanders Thaler & Associates, LLP, a dissolved accounting firm of which Terry R. Lazar, the Company s former CFO was a member. Among the parties named as defendants were Mr. Lazar and the Company. The claim was made that the Company owned fees to the plaintiff and/or that such fees were paid to Terry Lazar who never forwarded them to the plaintiff. Mr. Lazar undertook the defense of the action on his behalf and on behalf of the Company.

The matter proceeded to inquest and the court awarded judgment to the plaintiff against the Company in the sum of $25,000. Adding interests and costs to the awarded amount, judgment has been entered against the Company in the total sum of $36,613. An appeal has been taken from the judgment. The appeal has been perfected by the filing of the record and brief in the Supreme Court of the state of New York. As of December 31, 2014 the Company has accrued a liability of $36,613 related to the judgment and is included in accounts payable and accrued liabilities at December 31, 2014.

On October 23, 2014, the Company received a notice, filed with the Office of the District Administrative Judge, 10th Judicial District, Nassau County, New York, of the Company s right to arbitrate a fee dispute with Steve Legum over $12,194 of legal fees in connection with Mr. Legum s representation of the Company in the Levin Consulting Group matter. The Company did not file the Request for Fee Arbitration within the required 30 days of receipt of the notice, thereby forfeiting its right elect to resolve the dispute by arbitration. As of December 31, 2014 the Company has accrued a liability of $12,194 related to the dispute and is included in accounts payable and accrued liabilities at December 31, 2014.

NOTE 15 - STOCKHOLDERS' DEFICIENCY

a) Amendment to Articles of Incorporation

On February 26, 2015, the Company filed with the Secretary of State of the State of Delaware an amendment to its Certificate of Incorporation increasing the number of shares of common stock that the Company is authorized to issue from 2,000,000,000 shares of common stock, par value $.001 per share, to 10,000,000,000 shares of common stock, par value $0.00001 per share. In addition the par value per share of the Company s preferred stock decreased to $0.00001 per share as a result of the amendment.

The equity of the Company has been retroactively recast to reflect the decrease in the par value per share of the preferred and common shares and the increase in number of authorized common shares per the amendment.

b) During the year ended December 31, 2014, the Company recorded the following transactions:

Debt

During the year ended December 31, 2014, the Company issued a total of 744,606,665 shares of common stock upon the requests from note holders to convert principal plus accrued interest and fees totaling $273,765 into the Company s common stock based on the terms set forth in the loans. The conversion rates ranged from $.0000556 - $0.00132 per share.

On January 8, 2014, the Company issued 13,265,625 shares of common stock to a note lender as penalty shares for failing to issue shares timely upon receipt of the conversion notice from the lender. The Company recorded $47,756 of interest expense during 2013 for such issuance.

On March 13, 2014, a warrant holder exercised 625,000 warrants at exercise price of $0.0025. The holder elected their cash-less exercise provision. Accordingly, the Company issued 526,315 shares of common stock in connection with such exercise.

On August 27, 2013 the Company received proceeds of $10,500 for the exercise of 1,093,750 warrants and as of December 31, 2013 the shares had not been issued and accordingly the Company recorded the liability for the share issuance. On August 19, 2014 the Company issued the warrant holder 9,545,455 shares which represented the fair value of $10,500 of the proceeds received.

On July 9, 2013 the Company received proceeds of $27,923 for the exercise of 2,389,817 warrants and as of December 31, 2013 the shares had not been issued and accordingly the Company recorded the liability for the share issuance. On August 19, 2014 the Company issued the warrant holder 27,202,727 shares which represented the fair value of $27,923 of the proceeds received.

On July 1, 2014, the Company issued 7,634,921 shares of common stock to a note lender for failing to issue shares timely upon receipt of the conversion notice from the lender. The Company recorded $12,979 of interest expense for such issuance.

On September 15, 2014, the Company issued 7,027,778 shares of common stock to a note lender for failing to issue shares timely upon receipt of the conversion notice from the lender. The Company recorded $4,919 of interest expense for such issuance.

c) During the year ended December 31, 2013, the Company recorded the following transactions:

Debt

During the year ended December 31, 2013, the Company issued a total of 121,376,671 shares of common stock upon the requests from note holders to convert principal plus accrued interest totaling $490,871 into the Company s common stock based on the terms set forth in the loans. The conversion rates were from $0.0009 to $0.014 per share

During the year ended December 31, 2013, the Company issued a total of 23,021,012 shares of common stock to settle notes payable and accrued interest of $125,463.

On February 4, 2013, the Company issued 4,856,726 shares of common stock to a note lender as penalty shares for failing to issue shares timely upon receipt of the conversion notice from the lender. The Company recorded $10,199 of interest expense for such issuance.

On July 15, 2013, the Company issued 526,312 shares of common stock to a note lender as penalty shares for failing to issue shares timely upon receipt of the conversion notice from the lender. The Company recorded $7,895 of interest expense for such issuance.

On October 14, 2013, the Company issued 2,078,972 shares of common stock to a note lender as penalty shares for failing to issue shares timely upon receipt of the conversion notice from the lender. The Company recorded $14,345 of interest expense for such issuance.

On October 22, 2013, the Company issued 1,582,546 shares of common stock to a note lender as penalty shares for failing to issue shares timely upon receipt of the conversion notice from the lender. The Company recorded $9,495 of interest expense for such issuance.

d) Cash

Through Equity Financing:

During the year ended December 31, 2013, for cash proceeds of $570,800 the Company sold 106,066,743 shares of common stock and warrants to purchase additional 26,516,687 shares of common stock at exercise prices of $0.0039 to $0.017 per share. The warrants have a term of three years and are fully vested on the date of issuance.

During the year ended December 31, 2013, for gross proceeds of $64,514, the Company issued 11,609,661 shares of common stock to multiple investors who exercised their warrants to purchase shares of common stock. The exercises prices ranged from $0.0035 to $0.0184.

On August 27, 2013 the Company received proceeds of $10,500 for the exercise of 1,093,750 warrants as of December 31, 2013 the shares have not been issued and accordingly the Company recorded the liability for the share issuance.

On July 9, 2013 the Company received proceeds of $27,923 for the exercise of 2,389,817 warrants as of December 31, 2013 the shares have not been issued and accordingly the Company recorded the liability for the share issuance.

e) Services

On March 18, 2013, the Company issued to its Chief Executive Officer 15,000,000 shares of common stock and warrants to purchase additional 15,000,000 shares of common stock at the exercise price of $0.0033 per share. The issuance was approved by the Company s Compensation Committee on February 11, 2013. The warrants have a term of five years. Both shares and warrants are fully vested on the date of grant. The Company recorded $188,700 of stock-based compensation which includes $97,500 for the shares issuance and $91,200 for the warrants granted.

On March 18, 2013, the Company issued to its former Chief Financial Officer 10,000,000 shares of common stock and warrants to purchase additional 10,000,000 shares of common stock at the exercise price of $0.0033 per share. The issuance was approved by the Company s Compensation Committee on February 11, 2013. The warrants have a term of five years. Both shares and warrants are fully vested on the date of grant. The Company recorded $125,800 of stock-based compensation which includes $65,000 for the shares issuance and $60,800 for the warrants granted.

On March 25, 2013, the Company issued 950,000 shares of common stock to its employees. The issuance was approved by the Board of Directors on January 7, 2013 and the shares are fully vested on the date of grant. The Company recorded $3,800 stock-based compensation in connection with such issuance.

On March 25, 2013, the Company issued 1,250,000 shares of common stock to multiple consultants. The issuance was approved by the Board of Directors on January 7, 2013 and the shares are fully vested on the date of grant. The Company recorded $5,000 of stock-based compensation in connection with such issuance.

On March 14, 2013 and June 25, 2013, per the terms of an agreement entered into on January 24, 2013, the Company issued total 50,000,000 shares of common stock to Engineering Technologies Group, Inc. (ETG). The shares were fully vested on the date of issuance. The Company recorded a stock-based compensation charge of $150,000 for the fair value of the shares included in connection with such issuance.

On March 19, 2013, the Company issued 3,000,000 shares of common stock to a consultant for services received. The shares are fully vested on the date of issuance. The Company recorded $27,000 of consultant fees in connection with such issuance.

On April 5, 2013, the Company issued 21,509,222 shares of common stock to an investment banker for services received. The shares are fully vested on the date of issuance. The Company recorded $80,000 of consultant fees in connection with such issuance.

NOTE 16 PREFERRED STOCK

The Company is authorized to issue 10,000,000 shares of preferred stock, par value $0.00001 per share, issuable in series with rights, preferences, privileges and restrictions as determined by the Company s board of directors.

At December 31, 2014, outstanding preferred stock consists of the following:

	Authorized Shares	Outstanding Shares	Par Value	Current Annual Dividend Requirement	Total Dividend Arrearage	Dividend Arrearage Per Share	Liquidation Preference (Including Dividend Arrearage)
Series A	52,500	52,500	$ 1	$ 52,500	$ 1,042,600	$ 17.86	$ 1,567,600
Series D	2,000,000	93,000	2	55,800	1,031,400	9.89	1,566,150
Series F	38,644	38,644	–	–	190,328	–	–
Series G	51	51	–	–	–	–	51
Series H	1,000	29	–	–	–	–	725,000
		184,224	$ 2	$ 108,300	$ 2,264,328		$ 3,858,801

At December 31, 2013, outstanding preferred stock consists of the following:

	Authorized Shares	Outstanding Shares	Par Value	Current Annual Dividend Requirement	Total Dividend Arrearage	Dividend Arrearage Per Share	Liquidation Preference (Including Dividend Arrearage)
Series A	400,000	52,500	$ 52	$ 52,500	$ 990,100	$ 17.86	$ 1,515,100
Series B	51	–	–	–	–	–	–
Series D	2,000,000	93,000	93	55,800	975,600	9.89	1,510,350
Series F	1,000,000	38,644	39	–	190,328	–	–
		184,144	$ 184	$ 108,300	$ 2,156,028		$ 3,025,450

Series A and Series F Preferred Stock

On June 3, 2014, the Company filed with the Secretary of State of the State of Delaware Certificates of Correction to its existing Certificates of Designations for its Series A and Series F Preferred Stock, respectively. These filings reduced the number of authorized shares of the Company s Series A Preferred Stock from the previously reported 400,000 shares to 52,500 shares and the number of authorized shares of the Series F Preferred Stock from the previously reported 1,000,000 shares to 38,644 shares. In each case, the current number of outstanding shares (as of the date of filing of each Certificate of Correction, 2014) of the relevant Series is not more than the number of authorized shares specified in the corresponding Certificate of Correction.

Series A

The Series A preferred stock provides for a 10% cumulative dividend, based on the $10.00 per share purchase price, payable annually in common stock or cash, at the Company's option. The Series A preferred stock is not convertible, and is redeemable solely at the Company's option at a price of $11.00 per share plus accrued dividends. The Series A preferred stockholders have voting rights equal to common stockholders. In the event of the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, holders of the Series A preferred stock are entitled to receive out of the assets of the Company the sum of $10.00 per share of Series A preferred stock then outstanding, plus a sum equal to all dividends (whether or not earned or declared) on such shares accrued and unpaid thereon to the date of final payment or distribution, before any payment or distribution upon dissolution, liquidation or winding up shall be made on any series or class of capital stock ranking junior to Series A preferred stock as to such payment or distribution.

Series B

On June 26, 2012 the Board of Directors of the Company designated and authorized the Series B Preferred Stock (Series B) as set forth in a Certificate of Designation that was filed with the Secretary of State of the State of Delaware. The Series B has a par value of $0.001 per share, no rights to dividends but provides for supermajority voting rights for the holder of the shares of Series B and for liquidation rights which entitle the holder to a pro-rata share of net assets. The Series B carries no conversion provisions.

The Company issued 51 shares of the Series B to the Chief Executive Officer. The fair value of the shares on the date of issuance was determined to be de minimus. Subsequent to December 31, 2012 the shares were returned by the holder to the Company for no consideration and the Board of Directors approved the filing of a certificate with the State of Delaware cancelling the Series B Preferred Stock.

Series D

The Series D preferred stock provides for a 12% cumulative dividend, based on the $5.00 per share purchase price, payable semi-annually in common stock or cash, at the Company's option. The Series D preferred stock is not convertible, and is redeemable solely at the Company's option at a price of $5.75 per share plus accrued dividends. The Series D Preferred stockholders have voting rights equal to the common stockholders. In the event of the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, holders of the Series D preferred stock are entitled to receive out of the assets of the Company the sum of all dividends (whether or not earned or declared) on such shares accrued and unpaid thereon to the date of final payment or distribution, before any payment or distribution upon dissolution, liquidation or winding up shall be made on any series or class of capital stock ranking junior to Series D preferred stock as to such payment or distribution.

Series F

The Series F 10% convertible preferred stock is a two-year convertible preferred instrument. All dividends are cumulative and are payable in shares of common stock valued at the then current market price per share, at the time of maturity, or upon conversion, whichever is earlier. The conversion rate for shares and accrued dividends payable is 40 shares of common stock for each share of preferred stock. The Series F convertible preferred stockholders have voting rights equal to the common stockholders. The Series F convertible preferred stock has no stated rights in the assets of the Company upon liquidation. In connection with Series F Preferred Stock conversions, the Company recorded dividends of $0 and $0 for each of the years ended December 31, 2014 and 2013, respectively.

Series G Convertible Preferred Stock

On June 13, 2014, the number, designation, rights, preferences and privileges of the Series G Convertible Preferred Stock (Series G Preferred Stock) were established by the Board. The designation, rights, preferences and privileges that the Board established for the Series G Preferred Stock are set forth in a Certificate of Designations that was filed with the Secretary of State of the State of Delaware on June 17, 2014. Among other things, the Certificate of Designation provides that each one share of Series G Preferred has voting rights equal to (x) (i) 0.019607 multiplied by the total issued and outstanding Common Stock eligible to vote at the time of the respective vote (the number determined by this clause (i), the Numerator), divided by (ii) 0.49, minus (y) the Numerator. These voting rights apply only to matters of Company capitalization (i.e. increase in authorized common stock, stock splits, etc.), and similar matters upon which stockholders are entitled to vote or to which stockholders are entitled to give consent. The Series G has a par value of $0.00001 per share and a stated value of $1.00 per share, no rights to dividends but provides for liquidation rights which entitle the holder to a pro-rata share of net assets. Each Series G share is convertible, at the option of the holder, into one share of Common Stock. The Company issued all of the 51 authorized shares of the Series G Preferred Stock to the President for a purchase price of $1 per share. The Company estimated the fair value of the 51 shares of Series G Preferred Stock issued to be $2,861 on the date of issuance and the excess of the estimated fair value over the purchase price was recorded to compensation expense on the date of issuance.

As a result of the voting rights granted to the Series G Preferred Stock in the Certificate of Designations, the Series G Stockholder holds in the aggregate approximately 51% of the total voting power of all issued and outstanding voting capital of the Company. Pursuant to the terms of the Board resolution authorizing the issuance of the Series G Preferred Stock, and authorizing the issuance of the shares to the Company President, the Company has the right to redeem said Preferred Stock of the Company upon his resignation or the termination of his services as President of the Company.

Series H Convertible Preferred Stock

On June 13, 2014, the number, designation, rights, preferences and privileges of the Series H Convertible Preferred Stock (Series H Preferred Stock) were established by the Board. The designation, rights, preferences and privileges that the Board established for the Series H Preferred Stock are set forth in a Certificate of Designations that was filed with the Secretary of State of the State of Delaware on June 17, 2014.

The Certificate of Designations for the Series H Preferred Stock provides for the issuance of up to 1,000 shares of Series H stock with a par value of $0.00001 per share and a stated value of $25,000 per share. As long as any shares of Series H Preferred Stock remain outstanding, the Company cannot, without the consent of the holders of at least 90% of the Series H Preferred Stock, redeem, repurchase or otherwise acquire any junior securities, or pay or make any distribution upon any junior securities as defined therein.

The Series H Preferred Stock is convertible at the option of the holder into such number of shares upon the conversion ratio equal to the aggregate stated value of the Series H Preferred Stock converted divided by the average closing bid price for the calendar month preceding the original issuance date of the shares being converted, as reported by the reporting service. The Company is required to reserve a sufficient number of shares of common stock as may be required to be issued thereunder. The conversion ratio is subject to adjustment, from time to time, for various reasons including a sale or merger by the Company.

With respect to all matters upon which stockholders are entitled to vote or to which stockholders are entitled to give consent, the holders of the outstanding shares of Series H Preferred Stock shall vote together with the holders of Common Stock, on an as converted basis , without regard to class, except as to those matters on which separate class voting is required by applicable law or the Articles of Incorporation or bylaws.

In the event of the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, holders of the Series H Preferred Stock are entitled to receive out of the assets of the Company the stated value per share of Series H preferred stock then outstanding, plus all other amounts in respect thereof then due and payable, before any payment or distribution upon dissolution, liquidation or winding up shall be made on any series or class of capital stock ranking junior to Series H Preferred Stock as to such payment or distribution.

With respect to all matters upon which stockholders are entitled to vote or to which stockholders are entitled to give consent, the holders of the outstanding shares of Series H Preferred Stock shall vote together with the holders of Common Stock without regard to class, except as to those matters on which separate class voting is required by applicable law or the Articles of Incorporation or bylaws.

During the year ended December 31, 2014, the Company issued an aggregate of 29 shares of Series H Preferred Stock to Tarpon, a related party, as compensation per the terms of a consulting agreement entered into with Tarpon on June 13, 2014. The Company estimated the aggregate fair value of the 29 shares of Series H Preferred Stock issued to be approximately $670,000 on the various dates of issuance and was recorded to consulting expense on the various dates of issuance.

NOTE 17: STOCK WARRANTS

The following warrants were issued by the Company in connection with Convertible Promissory Notes:

The year ended December 31, 2013	32,283,332
The year ended December 31, 2014	56,326,316

The following warrants were issued by the Company in connection with various employment and compensation agreements:

The year ended December 31, 2013	71,786,055
The year ended December 31, 2014	–

The following warrants were exercised:

The year ended December 31, 2013	10,707,030
The year ended December 31, 2014	3,558,567

The following warrants were expired:

The year ended December 31, 2013	2,440,424
The year ended December 31, 2014	12,938,198

The following warrants were cancelled:

The year ended December 31, 2013	–
The year ended December 31, 2014	6,647,461

The following tables set forth information concerning the Company's warrant issuances and warrant balances outstanding as of, and during the years ended December 31, 2014 and 2013:

	Shares Underlying Warrants	Weighted Average Exercise Price	Intrinsic Value
Outstanding at December 31, 2012	85,652,403	$ 0.03	$ -
Granted	104,069,387	0.006	-
Expired	(2,440,474)	0.09	-
Exercised	(10,707,030)	0.006	-
Outstanding at December 31, 2013	176,574,286	0.02	-
Granted	56,326,316	0.001	-
Expired	(12,938,198)	0.049	-
Exercised	(3,558,567)	0.001	-
Cancelled	(6,647,461)	0.013	-
Outstanding at December 31, 2014	209,756,376	0.01	-

The following is additional information with respect to the Company's warrants as of December 31, 2014:

Number of Warrants	Range of Exercise Price	Weighted Average Remaining Contractual Life (In Years)	Average Exercise Price	Currently Exercisable
180,012,183	$0.00024-$0.0096	2.96	$ 0.0037	180,012,183
27,110,063	$0.0108-$0.084	0.82	$ 0.0348	27,110,063
2,574,606	$0.1-$0.1884	2.20	$ 0.1139	2,574,606
59,524	$0.84	0.90	$ 0.8400	59,524
209,756,376				209,756,376

NOTE 18 – INCOME TAXES

The income tax provision (benefit) consists of the following:

	December 31,	
	2014	2013
Federal		
Current	$ –	$ –
Deferred	2,639,100	5,739,800
State and local		
Current	–	–
Deferred	442,100	961,500
Change in valuation allowance	(3,081,200)	(6,701,300)
Income tax provision (benefit)	$ –	$ –

The reconciliation between the statutory federal income tax rate (34%) and the Company's effective rate for the year ended December 31, 2014 and 2013 is as follows:

	2014	2013
U.S. Federal statutory rate	(34.0)%	(34.0)%
State tax benefit, net of federal tax	(5.7)	(5.7)
Sec 382 impairment of NOL carryover	91.0	258.2
Change in fair value of derivative liability	16.7	(3.6)
Other permanent differences	9.0	5.4
Deferred tax true-up	–	(13.3)
Change in valuation allowance	(77.0)	(207.0)
Income tax provision (Benefit)	0.0%	0.0%

As of December 31, 2014 and 2013 the deferred tax asset consisted of the following:

		2014		2013
Deferred Tax Asset				
Net operating loss carryovers	$	906,100	$	3,705,200
Stock-based compensation		1,455,700		1,455,700
Derivative liability		79,600		82,000
Contributions carryover		3,300		3,100
Accrued legal claims		14,500		173,000
Accrued compensation		377,900		503,100
Total deferred tax asset		2,837,100		5,922,100
Valuation allowance		(2,757,500)		(5,838,700)
Net Deferred Tax Asset, net of valuation allowance		79,600		83,400
Deferred Tax Liability				
Convertible debt		(79,600)		(83,400)
Total deferred tax liability		(79,600)		(83,400)
Net Deferred Tax Asset (Liability)	$	–	$	–

As of December 31, 2014 and 2013, the Company had approximately $2.3 million and $9.3 million, respectively, of U.S. federal and state net operating loss carryovers available to offset future taxable income. These net operating losses which, if not utilized, begin expiring between the years 2014 through 2034. In accordance with Section 382 of the Internal Revenue Code, deductibility of the Company s net operating loss carry over may be subject to an annual limitation in the event of a change of control. The Company performed an evaluation as to whether a change of control, as defined under the regulations has taken place, and concluded that a change of control has occurred during the periods ended December 31, 2014 and December 31, 2013. Due to the section 382 ownership change the Company s Nol carryovers are subject to an annual limitation of approximately $114,000. The Company s deferred tax asset related to its net operating loss carryovers has been impaired by $11,985,000 since this represents the tax effect of the Company s net operating loss carryovers that will expire unused due to the annual limitation as calculated under section 382.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences representing net future deductible amounts become deductible. ASC 740 - Income Taxes requires that a valuation allowance be established when it is more likely than not that all, or a portion of, deferred tax assets will not be realized. A review of all available positive and negative evidence needs to be considered, including the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies. Management believes that significant uncertainty exists with respect to future realization of the deferred tax assets and has therefore established a full valuation allowance as of December 31, 2014 and December 31, 2013. For the year ended December 31, 2014 and 2013 the change in deferred tax asset valuation allowance was $(3,081,200) and $(6,701,300) respectively.

Management evaluated the provisions of ASC 740 related to the accounting for uncertainty in income taxes recognized in an enterprise s financial statements. ASC 740 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. Differences between tax positions taken or expected to be taken in a tax return and the benefit recognized and measured pursuant to the interpretation are referred to as "unrecognized benefits." A liability is recognized (or amount of net operating loss carry forward or amount of tax refundable is reduced) for an unrecognized tax benefit because it represents an enterprise's potential future obligation to the taxing authority for a tax position that was not recognized as a result of applying the provisions of ASC 740.

Interest costs related to unrecognized tax benefits are required to be calculated (if applicable) and would be classified as "Interest expense, net" in the statements of operation. Penalties would be recognized as a component of "General and administrative expenses."

No interest or penalties were recorded during the years ended December 31, 2014 and December 31, 2013, respectively. As of December 31, 2014 and December 31, 2013 no liability for unrecognized tax benefits was required to be reported. The Company does not expect any significant changes in its unrecognized tax benefits in the next year.

The Company files tax returns in U.S. federal and various state jurisdictions and is subject to audit by tax authorities beginning with the year ended December 31, 2011.

NOTE 19 SUBSCRIPTIONS RECEIVABLE

In April 2008, a consultant for the Company, entered into Stock Purchase, Loan and Security Agreements with the Company. Under the agreements, the Company loaned the individual $337,200. The obligations to repay the loans were evidenced by non-recourse promissory note. The note called for interest at a rate of 6% per annum and matured on April 16, 2011, at which time there was a three year extension granted. The loaned funds were to be used exclusively for the purchase of 4 million shares of the Company s Common Stock. The stock is being held as collateral for the repayment of the loan. The purchase price of the stock was based on the average closing price of the Common Stock during the 30 trading days immediately preceding the date of the April 2008 agreements which equaled $0.0843. During the fourth quarter of 2013 the subscription receivable along with accrued interest in the aggregate amount of $446,156 was written off.

NOTE 20 CREDIT RISK

The Company maintains its checking and money market accounts in banks. Accounts at each bank are insured by the Federal Deposit Insurance Corporation (FDIC). At times, cash and cash equivalents may be uninsured or in deposit accounts that exceed the FDIC insurance limit.

Periodically, the Company evaluates the credit worthiness of the financial institutions and has determined the credit exposure to be negligible.

NOTE 21: OFFICERS AND DIRECTORS

Terry R. Lazar, Chief Financial Officer of the Company and a Director, resigned on February 14, 2014 for personal reasons as Chief Financial Officer and from the Company s Board of Directors.

On April 2, 2014, the Company Board of Directors elected Stephen M. Hicks to the Board of Directors, to fill a vacancy on the Board, and as President of the Company. Mr. Hicks is the Chief Executive Officer of Southridge LLC (Southridge.) Southridge and its affiliates have financed the Company in the past and continue to own debt and equity securities of the Company. New directors, who are not officers, are paid $12,500 per year in cash or stock.

On April 2, 2014, the Company Board of Directors elected Mr. Gilbert Steedley to the Board to fill a vacancy on the Board. Mr. Steedley is currently interim Chief Executive Officer and Director of Accelpath, New York, N.Y. Compensation is as indicated above for Mr. Steedley.

On April 2, 2014, the Company elected Henry Sargent as Vice President and Secretary of the Company. Mr. Sargent is Chief Operating Officer and General Counsel of Southridge.

NOTE 22: SUBSEQUENT EVENTS

Issuance of Common Stock

From January 1, 2015 through June 5, 2015, the Company issued a total of 558,685,711 shares of common stock upon the requests from note holders to convert principal plus accrued interest totaling $29,184 into the Company s common stock based on the terms set forth in the loans. The conversion rates were from $0.00005 to $0.0000667 per share.

On January 7, 2015, the Company issued 172,654,147 shares of common stock to a note lender for failing to issue shares timely upon receipt of the conversion notice from the lender. The Company recorded $17,265 of interest expense for such issuance.

On January 9, 2015, the Company issued 48,456,897 shares of common stock to a note lender for failing to issue shares timely upon receipt of the conversion notice from the lender. The Company recorded $4,846 of interest expense for such issuance.

On April 6, 2015, the Company issued 25,000,000 shares of common stock to a note lender for failing to issue shares timely upon receipt of the conversion notice from the lender. The Company recorded $5,000 of interest expense for such issuance.

Issuance of Series H Preferred Stock

From January 1, 2015 through June 5, 2015, the Company issued 3 shares of Series H Preferred Stock with a stated value of $75,000 to Tarpon, a related party, as compensation per the terms of a consulting agreement entered into with

Tarpon on June 13, 2014.

Issuance of Convertible Promissory Notes

On January 15, 2015 the Company issued a convertible promissory note in the principal amount of $10,500 to Tarpon, a related party. The convertible note matures on January 31, 2016 with the stated interest rate at 10%. The note is convertible into the Company s common stock at a 50% discount of the lowest closing bid price during the 30 trading days prior to conversion. The conversion price is subject to anti-dilution protection and down round provisions in the event that the Company issues additional equity securities at a price less than the conversion price. The Company may prepay the note at 150% of the entire outstanding principal amount of the note plus any accrued but unpaid interest.

On January 23, 2015 the Company issued a convertible promissory note in the principal amount of $18,500 to Tarpon, a related party. The convertible note matures on December 31, 2015 with the stated interest rate at 10%. The note is convertible into the Company s common stock at a 50% discount of the lowest closing bid price during the 30 trading days prior to conversion. The conversion price is subject to anti-dilution protection and down round provisions in the event that the Company issues additional equity securities at a price less than the conversion price. The Company may prepay the note at 150% of the entire outstanding principal amount of the note plus any accrued but unpaid interest.

On February 3, 2015 the Company issued a convertible promissory note in the principal amount of $50,000. The convertible note matures on August 31, 2015 with the stated interest rate at 8%. The note is convertible into the Company s common stock at a 50% discount of the lowest closing bid price during the 20 trading days prior to conversion. The conversion price is subject to anti-dilution protection and down round provisions in the event that the Company issues additional equity securities at a price less than the conversion price. The Company may prepay the note at 150% of the entire outstanding principal amount of the note plus any accrued but unpaid interest.

On February 11, 2015 the Company issued a convertible promissory note for $11,000 to Tarpon, a related party. The convertible note matures on January 31, 2016 with the stated interest rate at 10%. The note is convertible into the Company s common stock at a 50% discount of the lowest closing bid price during the 30 trading days prior to conversion. The conversion price is subject to anti-dilution protection and down round provisions in the event that the Company issues additional equity securities at a price less than the conversion price. The Company may prepay the note at 150% of the entire outstanding principal amount of the note plus any accrued but unpaid interest.

On February 23, 2015 the Company issued a convertible promissory note in the principal amount of $25,000 to Tarpon, a related party. The convertible note matures on February 29, 2016 with the stated interest rate at 10%. The note is convertible into the Company s common stock at a 50% discount of the lowest closing bid price during the 30 trading days prior to conversion. The conversion price is subject to anti-dilution protection and down round provisions in the event that the Company issues additional equity securities at a price less than the conversion price. The Company may prepay the note at 150% of the entire outstanding principal amount of the note plus any accrued but unpaid interest.

On March 5, 2015 the Company issued a convertible promissory note in the principal amount of $17,500 to Tarpon, a related party. The convertible note matures on March 31, 2016 with the stated interest rate at 10%. The note is convertible into the Company s common stock at a 50% discount of the lowest closing bid price during the 30 trading days prior to conversion. The conversion price is subject to anti-dilution protection and down round provisions in the event that the Company issues additional equity securities at a price less than the conversion price. The Company may prepay the note at 150% of the entire outstanding principal amount of the note plus any accrued but unpaid interest.

On March 18, 2015 the Company issued a convertible promissory note in the principal amount of $13,000 to Tarpon, a related party. The convertible note matures on March 31, 2016 with the stated interest rate at 10%. The note is convertible into the Company s common stock at a 50% discount of the lowest closing bid price during the 30 trading days prior to conversion. The conversion price is subject to anti-dilution protection and down round provisions in the event that the Company issues additional equity securities at a price less than the conversion price. The Company may prepay the note at 150% of the entire outstanding principal amount of the note plus any accrued but unpaid interest.

On April 6, 2015 the Company issued a convertible promissory note in the principal amount of $23,000. The convertible note matures on March 31, 2016 with the stated interest rate at 10%. The note is convertible into the Company s common stock at a conversion price of $0.0001 per share. In addition, 46,000,000 warrants were issued with an exercise price of $0.00012 per share. The warrants are fully vested and have a life of 5 years from date of issuance.

On April 17, 2015 the Company issued a convertible promissory note in the principal amount of $30,000 to Tarpon, a related party. The convertible note matures on April 30, 2016 with the stated interest rate at 10%. The note is convertible into the Company s common stock at a 50% discount of the lowest closing bid price during the 30 trading days prior to conversion. The conversion price is subject to anti-dilution protection and down round provisions in the event that the Company issues additional equity securities at a price less than the conversion price. The Company may prepay the note at 150% of the entire outstanding principal amount of the note plus any accrued but unpaid interest.

On April 29, 2015 the Company issued a convertible promissory note in the principal amount of $15,000 to Tarpon, a related party. The convertible note matures on April 30, 2016 with the stated interest rate at 10%. The note is convertible into the Company s common stock at a 50% discount of the lowest closing bid price during the 30 trading days prior to conversion. The conversion price is subject to anti-dilution protection and down round provisions in the event that the Company issues additional equity securities at a price less than the conversion price. The Company may prepay the note at 150% of the entire outstanding principal amount of the note plus any accrued but unpaid interest.

On May 13, 2015 the Company issued a convertible promissory note in the principal amount of $15,000 to Tarpon, a related party. The convertible note matures on May 31, 2016 with the stated interest rate at 10%. The note is convertible into the Company s common stock at a 50% discount of the lowest closing bid price during the 30 trading days prior to conversion. The conversion price is subject to anti-dilution protection and down round provisions in the event that the Company issues additional equity securities at a price less than the conversion price. The Company may prepay the note at 150% of the entire outstanding principal amount of the note plus any accrued but unpaid interest.

On May 18, 2015 the Company issued a convertible promissory note in the principal amount of $5,500 to Tarpon, a related party. The convertible note matures on May 31, 2016 with the stated interest rate at 10%. The note is convertible into the Company s common stock at a 50% discount of the lowest closing bid price during the 30 trading days prior to conversion. The conversion price is subject to anti-dilution protection and down round provisions in the event that the Company issues additional equity securities at a price less than the conversion price. The Company may prepay the note at 150% of the entire outstanding principal amount of the note plus any accrued but unpaid interest.

On May 28, 2015 the Company issued a convertible promissory note in the principal amount of $15,000 to Tarpon, a related party. The convertible note matures on May 31, 2016 with the stated interest rate at 10%. The note is convertible into the Company s common stock at a 50% discount of the lowest closing bid price during the 30 trading days prior to conversion. The conversion price is subject to anti-dilution protection and down round provisions in the event that the Company issues additional equity securities at a price less than the conversion price. The Company may prepay the note at 150% of the entire outstanding principal amount of the note plus any accrued but unpaid interest.

On May 28, 2015 the Company issued a convertible promissory note in the principal amount of $3,888 to Tarpon, a related party. The convertible note matures on May 31, 2016 with the stated interest rate at 10%. The note is convertible into the Company s common stock at a 50% discount of the lowest closing bid price during the 30 trading days prior to conversion. The conversion price is subject to anti-dilution protection and down round provisions in the event that the Company issues additional equity securities at a price less than the conversion price. The Company may prepay the note at 150% of the entire outstanding principal amount of the note plus any accrued but unpaid interest.

Definitive Information Statement filed with SEC for Capital Increase and Reverse Stock Split

A Preliminary Information Statement was filed with the SEC on October 24, 2014, and the Definitive Information Statement on December 11, 2014, to notify the Company s stockholders that on October 24, 2014, our stockholders approved the following amendments (the Amendments) to our Certificate of Incorporation: (1) a Reverse Stock Split of the Company s common stock at a ratio of not less than one-for-one hundred and not more than one-for-five hundred as determined by our Board of Directors (the Reverse Stock Split), subject to the Board s discretion to determine, without any further action by stockholders, not to proceed with a reverse stock split if it determines that a reverse stock split is no longer in the best interest of the Company and its stockholders, and (2) the authorization of an increase in the number of authorized shares of common stock from two billion (2,000,000,000) shares of common stock, par value $.001 per share, to ten billion (10,000,000,000) shares of common stock, par value $.00001 per share. The Amendment increasing our authorized common stock to 10,000,000,000 shares has become effective with the filing of the Certificate of Amendment with the Secretary of State of the State of Delaware. Following Board determination on March 27, 2015 that the Reverse Stock Split ratio would be 1:500, we filed on April 2, 2015 for approval of and an effective date for the Reverse Stock Split with the Financial Industry Regulatory Authority (FINRA). Currently, the Company is awaiting approval from FINRA for the reverse stock split to become effective.

Entry Into A Material Definitive Agreement

On February 6, 2015, the Company entered into an agreement in-order to satisfy outstanding liabilities of the Company due to our Chief Executive Officer (CEO), Leslie Kessler (Kessler), dating back to 2007. Ms. Kessler acts as CEO for the Company, and the Company has accrued approximately $874,000 in deferred compensation on behalf of Kessler, including accrued warrants for her services on the Company s Board (Deferred Comp). In addition, Kessler has loaned approximately $168,000 to the Company in the form of loans(s) (Loan). Ms. Kessler and the Company have agreed to satisfy and terminate all Deferred Comp and Loan obligations of the Company due to Kessler, apart from a $17,500 loan to the Company which shall remain outstanding to Kessler, by having the Company issue to Kessler a new series of preferred stock.

Per the terms of the agreement the Company shall issue 325 shares of preferred stock with a stated value equal to $325,000. The preferred stock shall carry an annual dividend yield of 5%, and shall be convertible into 650,000,000 shares of common stock at the option of Kessler. The Company has the option to redeem the preferred stock at any time for an amount equal to its stated value plus any accrued dividend by paying cash to Kessler subject to a conversion notice tendered by the holder within five days from receipt of a redemption notice.

In addition, during 2015 Kessler shall receive monthly compensation of $10,000 in cash, $5,000 in stated value of Series H Preferred Stock and be eligible to receive cash and equity bonus compensation from revenue received from sales generated by her.

Amendments to Articles of Incorporation

Series I Convertible Preferred Stock

On April 9, 2015, the number, designation, rights, preferences and privileges of the Series I Convertible Preferred Stock (Series I Preferred Stock) were established by the Board. The designation, rights, preferences and privileges that the Board established for the Series I Preferred Stock are set forth in a Certificate of Designations that was filed with the Secretary of State of the State of Delaware on April 9, 2015.

The Certificate of Designations for the Series I Preferred Stock provides for the issuance of up to 500 shares of Series I stock with a par value of $0.00001 per share and a stated value of $1,000 per share.

The Series I Preferred Stock is convertible at the option of the holder into such number of shares upon the conversion ratio equal to the aggregate stated value of the Series I Preferred Stock converted divided by $0.002.

Holders of Series I Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors out of funds legally available therefor, and the Company shall accrue, annually in arrears at December 31 of each year, commencing on the Issuance Date, cumulative dividends on the Series I Preferred Stock at the rate per share (as a percentage of the Stated Value per share) equal to five percent (5%) per annum on the Stated Value, payable at the option of the Company in cash or common stock valued at the average of the closing trade prices per share of the sixty (60) trading days of the calendar year.

In the event of the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, holders of the Series I Preferred Stock are entitled to receive out of the assets of the Company the stated value per share of Series I preferred stock then outstanding, plus all other amounts in respect thereof then due and payable, before any payment or distribution upon dissolution, liquidation or winding up shall be made on any series or class of capital stock ranking junior to Series I Preferred Stock as to such payment or distribution.

Series J Convertible Preferred Stock

On April 9, 2015, the number, designation, rights, preferences and privileges of the Series J Convertible Preferred Stock (Series J Preferred Stock) were established by the Board. The designation, rights, preferences and privileges that the Board established for the Series J Preferred Stock are set forth in a Certificate of Designations that was filed with the Secretary of State of the State of Delaware on April 9, 2015.

The Certificate of Designations for the Series J Preferred Stock provides for the issuance of up to 500 shares of Series J stock with a par value of $0.00001 per share and a stated value of $1,000 per share.

The Series J Preferred Stock is convertible at the option of the holder into such number of shares upon the conversion ratio equal to the aggregate stated value of the Series J Preferred Stock converted divided by $0.0005.

Holders of Series J Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors out of funds legally available therefor, and the Company shall accrue, annually in arrears at December 31 of each year, commencing on the Issuance Date, cumulative dividends on the Series J Preferred Stock at the rate per share (as a percentage of the Stated Value per share) equal to five percent (5%) per annum on the Stated Value, payable at the option of the Company in cash or common stock valued at the average of the closing trade prices per share of the sixty (60) trading days of the calendar year.

With respect to all matters upon which stockholders are entitled to vote or to which stockholders are entitled to give consent, the holders of the outstanding shares of Series J Preferred Stock, subject to the ownership limitation set forth in the Series J designation, shall vote together with the holders of Common Stock, on an as converted basis , without regard to class, except as to those matters on which separate class voting is required by applicable law or the Articles of Incorporation or bylaws.

In the event of the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, holders of the Series J Preferred Stock are entitled to receive out of the assets of the Company the stated value per share of Series J preferred stock then outstanding, plus all other amounts in respect thereof then due and payable, before any payment or distribution upon dissolution, liquidation or winding up shall be made on any series or class of capital stock ranking junior to Series J Preferred Stock as to such payment or distribution.

Item 9.

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

(a) On February 6, 2015, the Board of Directors of the Company accepted the resignation of Marcum LLP, its independent registered public accounting firm. On the same date, February 6, 2015, the accounting firm of John Scrudato CPA was engaged as the Company's new independent registered public accounting firm, to audit the Company s financial statements for its fiscal year ending December 31, 2014. From the date that Marcum LLP were engaged, April 25, 2003, to the present time, or any other period of time, the reports of Marcum LLP on the Company's financial statements did not contain an adverse opinion or disclaimer of opinion, or were qualified or modified as to uncertainty, audit scope or accounting principles, except that the reports of Marcum LLP as to the Company s financial statements for its fiscal years ended December 31, 2012 and December 31, 2013, were modified for uncertainty due to the substantial doubt about the Company s ability to continue as a going concern.

During the Company's two most recent fiscal years and the subsequent interim periods thereto, there were no disagreements with Marcum LLP, whether or not resolved, on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to the satisfaction of Marcum LLP, would have caused it to make reference to the subject matter of the disagreement in connection with its report on the Company's financial statements.

The Company has requested that Marcum LLP furnish it with a letter addressed to the Securities and Exchange Commission stating whether it agrees with the above statements. The letter is attached as an exhibit to this Form 8-K.

b) On February 6, 2015, the Company engaged John Scrudato CPA as its independent registered public accounting firm. During the two most recent fiscal years and the interim periods preceding the engagement, the Company has not consulted John Scrudato CPA regarding any of the matters set forth in Item 304(a)(2)(i) or (ii) of Regulation S-K.

Item 9A

.

Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer have each reviewed and evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Securities Exchange Act of 1934), as of December 31, 2014. Based on such review and evaluation, our chief executive officer and chief financial officer have concluded that, as of December 31, 2014, our disclosure controls and procedures were not effective to ensure that information required to be disclosed by us in the reports that we file or submit to the Securities and Exchange Commission pursuant to the reporting obligations of the Exchange Act, including this Annual Report on Form 10-K, is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the SEC. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosures.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. The design of any system of controls also is based in part on certain assumptions regarding the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Given these and other inherent limitations of control systems, there is only reasonable assurance that our controls will succeed in achieving their stated goals under all potential future conditions.

Management s Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) and Rule 15d-15(f) of the Exchange Act. Internal control over financial reporting is a process designed by, or under the supervision of, the company s principal executive and principal financial officers, and effected by the board of directors, 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 (US GAAP), including 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 US GAAP, and that receipts and expenditures 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. Also, 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 policies and procedures may deteriorate.

Under the supervision and with the participation of our management, we have assessed the effectiveness of our internal control over financial reporting as of December 31, 2014. In making this assessment, our management used the 1992 criteria described in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Due to the inherent issue of segregation of duties in a small company, we have relied heavily on entity or management review controls to lessen the issue of segregation of duties. Based on this assessment and those criteria, our management concluded that the Company did not maintain effective internal control over financial reporting as of December 31, 2014.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company s annual or interim financial statements will not be prevented or detected on a timely basis. Our management identified the following material weaknesses as of December 31, 2014:

<u>Entity Level</u>. We recognize the need to provide leadership and guidance to our employees regarding the maintenance and preparation of financial matters. There is a weakness due to the fact that there are no documented policies and procedures in place for certain procedures. An audit committee has not been established.

<u>Financial Reporting</u>. There needs to be a more structured mechanism for evidence of review in the financial reporting process. The following procedures have been implemented since the beginning of 2009, (a) CFO signs and date all financial documents upon the completion of reviewing such documents, (b) all approval or permission will be evidenced by either email or in writing. No oral approval or permission is allowed, (c) General Journal is recorded only after CFO approves (in writing) such entry and (d) monthly bank reconciliations must complete within 15 days after month ends and reviewed by CFO 5 days after the completion of bank reconciliation.

Confidential Reporting Mechanism. We recognize that we need to provide leadership and guidance to our employees, clients and vendors regarding business ethics and professional conduct. A confidential reporting mechanism must be in place for anonymous reporting of a breach to these ethics that will enable prompt and thorough investigation. In January 2009, we implemented a whistleblower program. A toll-free number, as well as an email address, were posted on the homepage of our website to encourage our employee, contractors, sub-contractors, vendors to report any unethical or illegal behavior they suspect.

The entire staff consists of three officers, one Controller and one receptionist. Therefore, we have relied heavily on entity or management review controls to lessen the issue of segregation of duties. Upon receiving adequate financing the Company plans to increase its controls in these areas by hiring more experienced employees in financial reporting, establishing an audit committee and formally documenting the controls the Company has in place.

Attestation Report

This Annual Report on Form 10-K does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management s report was not subject to attestation by our registered public accounting firm pursuant to rules of the SEC that permit us to provide only our management s annual report on internal control over financial reporting in this Form 10-K.

Changes in Internal Controls Over Financial Reporting

There were no changes in our internal control over financial reporting during the fourth quarter of our fiscal year ended December 31, 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B.

Other Information.

None.

PART III

Item 10.

Directors, Executive Officers and Corporate Governance.

Directors and Executive Officers

The following table sets forth the names and positions of our current executive officers and directors.

Name	Age	Principal Positions and Offices with our Company	Director Since
Leslie J. Kessler	67	Chief Executive Officer and Chairman of the Board	2007
Stephen M. Hicks	55	President and Director	2014
Gilbert Steedley	49	Director	2014
Henry Sargent	48	Vice President and Secretary	

On April 2, 2014, our Board of Directors elected Stephen M. Hicks, to our Board of Directors, to fill a vacancy on the Board, and as President of the Company. Mr. Hicks is the Chief Executive Officer of Southridge LLC (Southridge), which has financed the Company in the past and continues to own debt and equity securities of the Company. Our Board also on the same date elected Gilbert Steedley as a director of the Company, to fill a vacancy on the Board of Directors, and elected Henry Sargent as Vice President and Secretary of the Company. Mr. Sargent is the Chief Operating Officer and General Counsel of Southridge.

Set forth below is a brief description of the background of each of our current directors and executive officers, based on information provided to us by them.

Leslie J. Kessler was retained as our President in January 2007 and was appointed our Chief Executive Officer and elected as a member of our board of directors in February 2007. Since 1994, Ms. Kessler has served as President of LIK Capital, which specializes in consulting and assisting companies with financing their growth and development. In 1996, Ms. Kessler co-founded CPC of America, Inc., a development stage publicly-traded company developing cardiologic and other medical devices, where she served as corporate secretary and a director from 1996 to 1998. Ms. Kessler holds BA degrees in psychology and elementary education and an MA degree in elementary education from Hofstra University.

Stephen M. Hicks is the Chief Executive Officer and founding principal of Southridge LLC. Mr. Hicks sets the overall strategic direction for the Southridge group of companies, and is responsible for business development and execution. Mr. Hicks founded Southridge in 1996. Active in the investment industry for over 25 years, Mr. Hicks has broad experience in financial structuring, derivatives, risk arbitrage, and investment banking. He received his BS in Business Administration from King's College in Briarcliff Manor, New York, and an MBA from Fordham University, in New York City. On October 25, 2010, the SEC filed a lawsuit in the United States District Court for Connecticut against Southridge Advisors and Mr. Hicks alleging, among other things, that a position in previously managed funds were overvalued and that such conduct as well as other matters amounted to violations of Section 17(a) of the Securities Act, Section 10(b) of the Securities Exchange Act and Rule 10b-5 thereunder, and Sections 206(1), 206(2) and 206(4) if the Investment Advisers Act and Rule 206(4)-8 thereunder. The lawsuit seeks injunctive relief and monetary penalties.

Gilbert Steedley is currently, and since June 21, 2013 has been, the interim Chief Executive Officer and a director of AccelPath, New York, New York. He is the founder of INU, which provides small cap public/private companies with capital market intelligence. Mr. Steedley has over twenty years of business development, industry research, and corporate finance experience across a diverse range of industries, including, and at the forefront, the energy industry. Mr. Steedley has a close link with Wall Street operations, having served as a Senior Vice President of Business Development for Able Global Partners, a New York City based merchant bank; Director of Issuer Services and a Director of Equities Business Development with the American Stock Exchange (AMEX) and Senior Research Analyst of Issuer Services with NASDAQ. In his role at AMEX, Mr. Steedley worked with clients concerning listing requirements on the exchange. Mr. Steedley has served on several boards of directors including those of oil and gas companies.

Mr. Steedley received a Bachelor of Science in Finance degree from Mercy College, New York and a Master of Business Administration degree from Delaware State University, Delaware. In addition, he attended an Executive Education Program in Oil and Gas Investing at SMU-COX Texas. He has produced articles on investment styles and strategies that were published in Forbes Magazine.

Henry Sargent, JD, CFA, is Southridge's Chief Operating Officer and General Counsel. His responsibilities include investment selection, deal structuring and monitoring, workouts, and reorganization. Prior to joining Southridge in 1998, Mr. Sargent spent several years at a New York-based corporate and securities law firm, specializing in private placements, venture capital financing, and corporate reorganizations. He received a BA from Connecticut College and his JD from Fordham University School of Law, NY. Mr. Sargent is a member of the New York Bar Association, the CFA Institute, and the New York Society of Security Analysts.

26

Corporate Governance

Our board of directors has determined that Gilbert Steedley is "independent" within the meaning of the applicable rules of the SEC and The New York Stock Exchange.

Audit Committee.

Our Board of Directors plans to establish an Audit Committee, the members of which shall be considered as independent under the standards for independence for audit committee members established by the NYSE. The Audit Committee will operate under a written charter.

Other Committees.

Our Board of Directors performs the functions usually designated to an Audit Committee. We intend shortly to establish an Audit Committee with one or more independent directors.

The Board does not have standing compensation or nominating committees. Our Board plans to evaluate on an ongoing basis the need for establishing a compensation committee and/or a nominating committee, and it plans to so at the appropriate time.

The entire Board of Directors participates in the consideration of compensation issues and of director nominees. To date, the Board of Directors has not formally established any criteria for Board membership. Candidates for director nominees are reviewed in the context of the current composition of the Board, the Company s operating requirements and the long-term interests of its stockholders. In conducting this assessment, the Board of Directors considers skills, diversity, age, and such other factors as it deems appropriate given the current needs of the Board and the Company, to maintain a balance of knowledge, experience and capability. In particular, weight is given to experience relevant to the Company s operations in the water purification industry and familiarity with international business issues.

The Board s process for identifying and evaluating nominees for director, including nominees recommended by stockholders, involves compiling names of potentially eligible candidates, conducting background and reference checks, conducting interviews with the candidate and others (as schedules permit), meeting to consider and approve the final candidates and, as appropriate, preparing an analysis with regard to particular recommended candidates.

Board Role in Risk Oversight

Our Board has overall responsibility for risk oversight with a focus on the most significant risks facing our Company. Not all risks can be dealt with in the same way, and it is the Board s responsibility to evaluate the potential adverse impact of risks faced by the company and the resources allocated to avoid or mitigate the potential adverse impact.

Risk Assessment in Compensation Programs

The responsibility of the Board is to assess the Company s compensation programs to identify potential risks arising from the Company s compensation policies and practices that are reasonably likely to have a material adverse effect on the Company.

Stockholder Communications

The Board has not established a formal process for stockholders to send communications, including director nominations, to the Board; however, the names of all directors are available to stockholders in this Information Statement. Any stockholder may send a communication to any member of the Board of Directors, in care of the Company, at 35 East Mall, Plainview, New York 11803 (Attention: Secretary). Director nominations submitted by a stockholder will be considered by the full Board. Each communication should clearly specify the name of the individual director or group of directors to whom the communication is addressed. Communications sent by email will be delivered directly to the Corporate Secretary, who will promptly forward such communications to the specified director addressees. Communications sent by mail will be promptly forwarded by the Corporate Secretary to the specified director addressee or, if such communication is addressed to the full Board of Directors, or to the Chairman of the Board (when one is appointed), who will promptly forward such communication to the full Board of Directors. Due to the infrequency of stockholder communications to the Board, the Board does not believe that a more formal process is necessary. However, the Board will consider, from time to time, whether adoption of a more formal process for such stockholder communications has become necessary or appropriate.

In general, advance notice of nominations of persons for election to our Board or the proposal of business to be considered by the shareholders must be given to our Secretary no earlier than the October 1 or later than December 1 preceding the next year's annual meeting, which would be scheduled in the month of May or June.

A shareholder's notice of nomination should set forth (i) as to each person whom the shareholder proposes to nominate for election or re-election as a director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934 (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director, if elected); (ii) as to any other business that the shareholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such shareholder and the beneficial owner, if any, on whose behalf the proposal is made; and (iii) as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made, (A) the name and address of such shareholder, as they appear on our books, and of such beneficial owner, (B) the number of shares of our common stock that are owned (beneficially or of record) by such shareholder and such beneficial owner, (C) a description of all arrangements or understandings between such shareholder and such beneficial owner and any other person or persons (including their names) in connection with the proposal of such business by such shareholder and any material interest of such shareholder and of such beneficial owner in such business, and (D) a representation that such shareholder or its agent or designee intends to appear in person or by proxy at our annual meeting to bring such business before the meeting.

Director Compensation

The Company did not pay its directors any compensation in 2014 for their service as directors, and does not at this time have a compensation program in place for its directors.

Other Information about our Board of Directors

During our fiscal year ended December 31, 2014, our Board of Directors met twice and acted by written consent four times.

We do not have a formal policy on attendance at meetings of our shareholders; however, we encourage all Board members to attend shareholder meetings that are held in conjunction with a meeting of our Board of Directors. In fiscal 2014, every director attended at least 75 percent of the meetings of the Board and the committees on which he or she served held during his or her time of service.

Attendance of Directors at Shareholder Meetings

We do not have a formal policy on attendance at meetings of our shareholders

Section 16(a) Compliance by Officers and Directors

Based solely upon a review of Forms 3, 4 and 5 and amendments to these forms furnished to us, together with written representations received by us from applicable parties that no Form 5 was required to be filed by such parties, all parties subject to the reporting requirements of Section 16(a) of the Exchange Act filed all such required reports during and with respect to our fiscal year ended December 31, 2014, with the following exceptions:

During 2014, Stephen Hicks was elected as a director and appointed as President of the Company on April 2, 2014, and Gilbert Steedley was elected a director and Henry Sargent, as Vice President and Secretary, on that same date. Mr. Hicks filed a late Form 3 on June 30, 2014; Mr. Steedley filed a late Form 3 on April 22, 2014; and Henry Sargent filed a late Form 3 on April 30, 2014.

On June 30, 2014, Mr. Hicks filed a late Form 4 with respect to two convertible notes issued by the Company to companies controlled by Mr. Hicks on April 4 and 24, 2014, and with respect to shares of Series G Preferred Stock issued to Mr. Hicks, and shares of Series H Preferred Stock issued to a company controlled by Mr. Hicks, on June 17, 2014.

On September 17, 2014, Mr. Hicks filed a late Form 4 with respect to shares of Series H Preferred Stock issued to a company controlled by Mr. Hicks, on July 1, August 1, and September 1, 2014.

On October 8, 2014, Mr. Hicks filed a late Form 4 with respect to shares of Series H Preferred Stock issued to a company controlled by Mr. Hicks, on October 1, 2014.

Code of Ethics

On June 13, 2014, our board of directors adopted a revised Code of Ethics designed to deter wrongdoing and promote honest and ethical conduct, full, fair and accurate disclosure, compliance with laws, prompt internal reporting and accountability to adherence to the Code of Ethics. Our Code of Ethics applies to all of our employees and directors, including our Chief Executive Officer, Chief Financial Officer and Controller. This Code of Ethics was filed as an exhibit to our Current Report on Form 8-K, filed with the SEC on June 17, 2014.

Item 11.

Executive Compensation.

General

The following table sets forth, with respect to our fiscal years ended December 31, 2014, 2013 and 2012, all compensation earned by or paid to all persons who served as our chief executive officer at any time during our fiscal year ended December 31, 2014 and certain other executive officers, including our Chief Financial Officer and Chief Operating Officer.

SUMMARY COMPENSATION TABLE

	Fiscal Year	Salary	Stock Awards	Option Awards	All Other Compensation	Total
Leslie J. Kessler, Chief Executive Officer (1)	2014	$ 180,000				$ 180,000
	2013	180,000	$ 97,500	$ 126,000		403,500
	2012	210,000	65,000	109,840	--	384,840
Stephen M. Hicks, President	2014	-	-	-	-	-
Terry R. Lazar, Chief Financial Officer (2)	2014	18,750				18,750
	2013	150,000	65,000	95,600		310,600
	2012	180,000	65,000	109,840	--	354,840
Gerard Stoehr, Chief Operating Officer (3)	2014					
	2013	145,385				
	2012	208,615	--	14,600	--	223,2115

(1)

Ms. Kessler was appointed our President in January 2007 and Chief Executive Officer in February 2007. From May 2006 to January 2007, she was an outside consultant to our company. The amounts reflected in the table constitute the total compensation earned by Ms. Kessler during the subject fiscal years, whether or not actually paid to her. Ms. Kessler elected to defer $162,692 and $97,500 from her 2012 and 2011 salaries, respectively.

(2)

In 2012, Ms. Kessler was awarded 1,000,000 shares of our common stock. We recorded $65,000 in stock-based compensation in connection with such award and have included such amount in the Summary Compensation Table. In addition, in 2012, Ms. Kessler was also awarded warrants to purchase 15,000,000 shares of our common stock at exercise price of $0.006 per share. We recorded $72,900 in stock-based compensation in connection with such award and have included such amount in the Summary Compensation Table. In 2012, Ms. Kessler received warrants to purchase 1,805,119 shares of our common stock at exercise price of $0.013 to $0.058 per share as the Directors Fees that were approved by the Board of Director on December 6, 2011, when the Board approved to replace directors annual compensation of $50,000 with three year warrants payable quarterly, and warrants to purchase an aggregate of 4,842,162 shares of common stock, at exercise prices ranging from $0.0039 to $0.0185, for Directors Fees for 2013.

On March 18, 2013, the Company issued to Ms. Kessler 15,000,000 shares of common stock and rights to purchase additional 15,000,000 shares of common stock at the exercise price of $0.0033 per shares. The issuance was approved by the Company s Compensation Committee on February 11, 2013. The warrant has term of five year. The Company recorded $188,700 stock-based compensation which includes $97,500 for the shares issuance and $91,200 for the warrants granted. We recorded a total of $34,800 as director fees warrant compensation issuances and have included such amount in the Summary Compensation Table

(3)

Mr. Lazar was appointed Chief Financial Officer and a director of our company in September 2007 and resigned from these positions in February 2014. The amounts reflected in the table constitute the total compensation earned by Mr. Lazar during the subject fiscal years, whether or not actually paid to him. Mr. Lazar elected to defer $129,150 and $76,050 from his 2012 and 2011 salary, respectively. In 2011, Mr. Lazar was awarded 3,000,000 shares of our common stock and was also awarded warrants to purchase 2 million shares of our common stock at exercise price of $0.07 per share. We recorded $339,000 and $128,300 in stock-based compensation in connection with these awards and have included such amount in the Summary Compensation Table. In 2012, Mr. Lazar was awarded 1,000,000 shares of our common stock. We recorded $65,000 in stock-based compensation in connection with such award and have included such amount in the Summary Compensation Table. In addition, in 2012, Mr. Lazar was awarded warrants to purchase 15,000,000 of our common stock at exercise price of $0.006 per share. We recorded $72,900 in stock-based compensation in connection with such award and have included such amount in the Summary Compensation Table. In 2012, Mr. Lazar received warrants to purchase 1,805,119 shares of our common stock at exercise price of $0.013 to $0.058 per share as the Directors Fees that was approved by the Board of Director on December 6, 2011, when the Board approved to replace directors annual compensation of $50,000 with three year warrants payable quarterly. We recorded a total of $36,940 as director fees warrant compensation issuances and have included such amount in the Summary Compensation Table.

On March 18, 2013, the Company issued Mr. Lazar 10,000,000 shares of common stock and rights to purchase additional 10,000,000 shares of common stock at the exercise price of $0.0033 per shares. The issuance was approved by the Company s Compensation Committee on February 11, 2013. The warrant has term of five years. The Company recorded $125,800 stock-based compensation which includes $65,000 for the shares issuance and $60,800 for the warrants granted. We recorded a total of $34,800 as director fees warrant compensation issuances in 2013 and have included such amount in the Summary Compensation Table.

(4)

Mr. Stoehr was appointed Chief Operating Officer of the Company effective January 1, 2011. The amounts reflected in the table constitute the total compensation earned by Mr. Stoehr during the subject fiscal years, whether or not actually paid to him. $60,000 from Mr. Stoehr 2012 salary has been deferred. In 2012, Mr. Stoehr was also awarded warrants to purchase 3,500,000 shares of our common stock at exercise price of $0.006 per share. We recorded $14,600 in stock-based compensation in connection with such award and have included such amount in the Summary Compensation Table.

Employment Agreements/Arrangements with Executive Officers

On February 5, 2015, pursuant to a letter agreement with Ms. Kessler, her April, 2008, employment agreement was terminated, and she agreed on revised terms for her employment with the Company. Ms. Kessler and the Company agreed to satisfy and terminate all deferred compensation and loan obligations, apart from a $17,500.00 loan to the Company which shall remain outstanding, by having the Company issue to her 325 shares of a new series of preferred with a stated value equal to $325,000 in order to satisfy in full the Company s existing deferred compensation and loan obligations to her, other than the $17,500 that remains outstanding. The preferred stock shall carry an annual dividend yield of five percent (5%), and shall be convertible into shares of common stock at a conversion price of $0.0005 per share, at the option of Ms. Kessler. The Company has the option to redeem the preferred stock at any time for an amount equal to its stated value plus any accrued dividend by paying cash to Ms. Kessler. For 2015, Ms. Kessler is to receive monthly compensation for her services to the Company of $10,000 in cash and $5,000 in stated value of Series H preferred stock. For 2015, Ms. Kessler is also to receive cash bonus compensation from the Company from revenue received from sales generated by her as set forth in the letter agreement.

On October 24, 2014, the Company entered into an agreement in to satisfy outstanding liabilities of the Company due to our former Chief Financial Officer and director, Terry R. Lazar, dating back to 2009. Mr. Lazar resigned as a director and Chief Financial Officer effective February 15, 2014. Mr. Lazar and the Company terminated the April 2008 employment agreement between Mr. Lazar and the Company and agreed to satisfy and terminate all deferred compensation and loan obligations of the Company due to him by having the Company issue him a new series of preferred stock. Per the terms of the agreement the Company shall issue 200 shares of preferred stock with a stated value equal to $200,000. The preferred stock shall carry an annual dividend yield of 5%, and shall be convertible into 100,000,000 shares of common stock at the option of Mr. Lazar. The Company has the option to redeem the preferred stock at any time for an amount equal to its stated value plus any accrued dividend by paying cash to Mr. Lazar subject to a conversion notice tendered by the holder within five days from receipt of a redemption notice. Mr. Lazar on February 4, 2015, advised the Company in writing that he was rescinding the agreement. The Company believes that the agreement is a valid and binding agreement between the Company and Mr. Lazar.

Outstanding Equity Awards at Fiscal Year-End

The following tables set forth, for each person listed, as of December 31, 2014:

.

with respect to each option award -

.

the number of shares of our common stock issuable upon exercise of outstanding options that have been earned, separately identified by those exercisable and unexercisable;

.

the number of shares of our common stock issuable upon exercise of outstanding options that have not been earned;

.

the exercise price of such option; and

.

the expiration date of such option; and

.

with respect to each stock award -

.

the number of shares of our common stock that have been earned but have not vested;

.

the market value of the shares of our common stock that have been earned but have not vested;

.

the total number of shares of our common stock awarded under any equity incentive plan that have not vested and have not been earned; and

.

the aggregate market or pay-out value of our common stock awarded under any equity incentive plan that have not vested and have not been earned.

Name	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options	Option Exercise Price	Option Expiration Date
Leslie Kessler	15,000,000			0.006	10/25/17
	104,167			0.057	10/21/2015
	200,000			0.1	10/4/2015
	89,928			0.139	2/7/2016
	367,647			0.034	7/2/2015
	961,538			0.013	11/5/2015
	3,205,128			0.0039	1/11/2016
	15,000,000			0.0033	2/11/2018
	961,538			0.013	4/05/2016
	675,676			0.0185	7/01/2016
	1,259,000			0.0100	10/01/2016

(1) Does not include (a) shares of our common stock issuable upon conversion of notes payable issued in connection with loans Ms. Kessler made to the Company between April 2010 and Feb 2011and (b) 520,962 shares of our common stock issuable upon exercise of warrants granted to Ms. Kessler in connection with loans she made to the Company between April 2010 and February 2011.

Board of Directors Policy on Executive Compensation

Executive Compensation

Our executive compensation philosophy is to provide competitive levels of compensation by recognizing the need for multi-discipline management responsibilities, achievement of our company s overall performance goals, individual initiative and achievement, and allowing our company to attract and retain management with the skills critical to its long-term success. Management compensation is intended to be set at levels that we believe is consistent with that provided in comparable companies. Our company s compensation programs are designed to motivate executive officers to meet annual corporate performance goals and to enhance long-term stockholder value. Our company's executive compensation has four major components: base salary, performance incentive, incentive stock options and other compensation.

Executive Base Salaries

Base salaries are determined by evaluating the various responsibilities for the position held, the experience of the individual and by comparing compensation levels for similar positions at companies within our principal industry. We review our executives base salaries and determine increases based upon an officer s contribution to corporate performance, current economic trends and competitive market conditions.

Performance Incentives

We utilize performance incentives based upon criteria relating to performance in special projects undertaken during the past fiscal year, contribution to the development of new products, marketing strategies, manufacturing efficiencies, revenues, income and other operating goals to augment the base salaries received by executive officers.

Incentive Stock Options

Our company uses stock options as a means to attract, retain and encourage management and to align the interests of executive officers with the long-term interest of our company s stockholders.

Benefits and Other Compensation

Our company does not offer a health plan to its executive officers or employees.

Retirement and Post Retirement Benefits

Our company does not offer a post-retirement health plan to its executive officers or employees unless it is included in a employment agreement directly entered between employee and us.

Item 12.

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

We currently have outstanding the following voting securities: our common stock, and the following series of our class of preferred stock: Series A Preferred Stock, Series D Preferred Stock, Series F Preferred Stock, Series G

Preferred Stock, and Series H Preferred Stock.

The following tables set forth information with respect to the beneficial ownership of shares of each class of our voting securities as of April 22, 2015, by:

.

each person known by us to beneficially own 5% or more of the outstanding shares of such class of stock, based on filings with the Securities and Exchange Commission and certain other information,

.

each of our current named executive officers and directors, and

.

all of our current executive officers and directors as a group.

Beneficial ownership is determined in accordance with the rules of the SEC and includes voting and investment power. In addition, under SEC rules, a person is deemed to be the beneficial owner of securities which may be acquired by such person upon the exercise of options and warrants or the conversion of convertible securities within 60 days from the date on which beneficial ownership is to be determined.

The term named executive officers is defined in the SEC rules as those executive officers who are required to be listed in the Summary Compensation Table provided under Item 10 of this Annual Report on Form 10-K.

Except as otherwise indicated in the notes to the following table,

.

we believe that all shares are beneficially owned, and investment and voting power is held by, the persons named as owners, and

.

the address for each beneficial owner listed in the table is c/o Puresafe Water Systems, Inc., 35 East Mall, Plainview, New York 11803.

Series A Preferred Stock:

Name and Address of Stockholder	Amount and Nature of Beneficial Ownership	Percentage of Class
Jerome and Anne Asher JTWROS (1)	5,000	9.5%
Robert D. Asher (2)	5,000	9.5
All executive officers and directors as a group (three persons)	0	0.0%

(1)

The address for Mr. J. and Ms. Asher is 2701 N. Ocean Boulevard, Apartment E-202, Boca Raton, Florida 33431.

(2)

The address for Mr. R. Asher is 72 Old Farm Road, Concord, Massachusetts 01742.

Series D Preferred Stock:

Name and Address of Stockholder	Amount and Nature of Beneficial Ownership	Percentage of Class
John A. Borger (1)	10,000	10.8%
Shirley M. Wan (2)	6,000	6.5
All executive officers and directors as a group (three persons)	0	0.0%

(1)

The address for Mr. Borger is 806 E. Avenida Pico, Suite 1, PMB #262, San Clemente, California 92673.

(2)

The address for Ms. Wan is 5455 Chelsen Wood Drive, Duluth, Georgia 30155.

Series F Preferred Stock:

Name and Address of Stockholder	Amount and Nature of Beneficial Ownership	Percentage of Class
Robert Kaszovitz (1)	10,000	25.2%
C Trade Inc. (2)	9,375	10.4
Olsham Grundman Frome Rosenzweig & Wolosky (3)	5,000	5.6
Peter Hoffman (4)	3,126	7.9
All executive officers and directors as a group (three persons)	0	0.0

(1)

The address for Mr. Kaszovitz is 1621 51st Street, Brooklyn, New York, 11204.

(2)

The address for C Trade Inc. is 25-40 Shore Boulevard, Suite 9L, Astoria, New York 11102.

(3)

The address for Olsham Grundman Frome Rosenzweig & Wolosky is 65 East 55th Street, New York, New York 10022.

(4)

The address for Mr. Hoffman is 70-35 Vleigh Place, Flushing, New York 11367.

Series G Preferred Stock:

The designation, rights, preferences and privileges that the Board established for the Series G Preferred are set forth in a Certificate of Designation that was filed with the Secretary of State of the State of Delaware on June 17, 2014. Among other things, the Certificate of Designation provides that each one share of Series g Preferred has voting rights equal to (x) 0.019607 *multiplied by* the total issued and outstanding Common Stock eligible to vote at the time of the respective vote (the Numerator), *divided by* (y) 0.49, *minus* (z) the Numerator.

The Board issued an aggregate of fifty-one (51) shares of Series G Preferred to our President, Stephen M. Hicks (the Series G Stockholder). As a result of the voting rights granted to the Series G Preferred, the Series G Stockholder holds in the aggregate approximately 51% of the total voting power of all issued and outstanding voting capital of the Company.

The following table sets forth the name of the Series G Stockholder and the number of shares of Series G Preferred held by the Series G Stockholder.

Name of Series G Stockholder	**Number of Shares of Series G Preferred held**
Stephen M. Hicks 90 Grove Street Ridgefield, CT 06877	51

Series H Preferred Stock:

The designation, rights, preferences and privileges that the Board established for the Series H Preferred are set forth in a Certificate of Designation that was filed with the Secretary of State of the State of Delaware on June 17, 2014. The Series H Preferred Stock is convertible at the option of the holder into such number of shares upon the conversion ratio equal to the aggregate stated value of the Series H Preferred Stock converted divided by the average closing bid price for the calendar month preceding the original issuance date of the shares being converted, as reported by the reporting service. The Company is required to reserve a sufficient number of shares of common stock as may be required to be issued thereunder. The conversion ratio is subject to adjustment, from time to time, for various reasons including a sale or merger by the Company. With respect to all matters upon which stockholders are entitled to vote or to which stockholders are entitled to give consent, the holders of the outstanding shares of Series H Preferred Stock shall vote together with the holders of Common Stock without regard to class, except as to those matters on which separate class voting is required by applicable law or the Articles of Incorporation or bylaws.

The Board has issued an aggregate of twenty (29) shares of Series H Preferred to Tarpon Bay Partners LLC (Tarpon), a member firm of the Southridge LLC group, pursuant to a consulting agreement between the Company and Tarpon.

The following table sets forth the name of the Series H Stockholder and the number of shares of Series H Preferred held by the Series G Stockholder.

Name of Series H Stockholder	**Number of Shares of Series H Preferred held**
Tarpon Bay Partners LLC 17210 Germano Court Naples, FL 34110	29

Common Stock:

Name and Address of Stockholder (1)	Amount and Nature of Beneficial Ownership	Percentage of Class(2)

Leslie Kessler	75,218,552	(3)	2.90%
Stephen M. Hicks c/o Southridge LLC Executive Pavilion, 90 Grove Street Ridgefield, CT 06877	6,700,780,361	(4)	72.64%
All executive officers and directors as a group (3)	6,775,998,913		73.13%

(1)

The addresses of our executive officers and directors, and of any other stockholder for whom an address is not given, listed in the above table are c/o the Company, 35 East Mall, Plainview, NY 11803.

(2)

Based on 2,548,778,041shares of common stock outstanding as of April 22, 2015.

(3)

Ms. Kessler is our Chief Executive Officer and a member of our board of directors. Ms. Kessler owns 33,133,003 shares of common stock directly, and additionally owns beneficially (a) 42,085,549 shares of our common stock issuable upon exercise of warrants granted to Ms. Kessler or issued to Ms. Kessler in connection with loans made to or investments made in the Company by Ms. Kessler; and upon conversion of outstanding loans to the Company made by Ms. Kessler to the Company in 2010 and 2011.

(4)

Stephen M. Hicks has voting and investment control over securities held by Tarpon Bay Partners LLC (Tarpon), which is the record holder of 29 shares of Series H Convertible Preferred Stock (Series H Preferred) of the Company. As a result of such control of Tarpon and stock ownership, Mr. Hicks has voting power over the 611,038,961shares of common stock into which the Series H Preferred shares are convertible on all matters upon which the Company s holders of common stock are entitled to vote or to which stockholders are entitled to give consent. At April 22, 2015, Mr. Hicks owns beneficially 6,064,366,400 shares of common stock, through his voting and investment control of securities of the Company held by Tarpon Bay Partners LLC, ASC Recap LLC and Southridge II LP. This number does not include the 51 shares of Series G Preferred owned by Mr. Hicks, which is representative of 2,652,887,379 shares solely for voting purposes. For more information, please see the Series G Stockholder table above.

34

Item 13.

Certain Relationships and Related Transactions, and Director Independence.

<u>Certain Relationships and Related Transactions</u>

Related parties of the Company consist of, in addition to our officers and directors, the following individuals/entities:

Related Parties	**Relationship**
Southridge LLC (Southridge)	An entity of which the Company s President and member of its board of directors is the Chief Executive Officer and controls the entity.
Southridge Partners II LP (Southridge II)	An entity of which the Company s President and member of its board of directors is the Manager of the general partner of Southridge II. Southridge II is a controlled company in the Southridge LLC group of companies.
Tarpon Bay Partners, LLC (Tarpon)	An entity of which the Company s President and member of its board of directors is the Manager. Tarpon is a controlled company in the Southridge LLC group of companies.
ASC Recap LLC (ASC Recap)	An entity of which the Company s President and member of its board of directors is the Manager. ASC Recap is a controlled company in the Southridge LLC group of companies.

Executive Compensation

On January 2, 2013, the Company issued a total of 12,820,512 warrants as directors compensation to purchase common stock to its four directors, including warrants issued to its Chief Executive Officer and former Chief Financial Officer, each of which received 3,205,128 warrants for their first quarter of 2013 director fees. The warrants have a term of three years and are fully vested on the date of issuance. The Company recorded $70,800 of stock-based compensation in connection with this issuance.

On March 18, 2013, the Company issued to its Chief Executive Officer 15,000,000 shares of common stock and warrants to purchase an additional 15,000,000 shares of common stock at the exercise price of $0.0033 per share. The issuance was approved by the Company s Compensation Committee on February 11, 2013. The warrants have a term of five years. The shares and warrants are fully vested on the date of grant. The Company recorded $188,700 of stock-based compensation which includes $97,500 for the share issuance and $91,200 for the warrants granted.

On March 18, 2013, the Company issued to its former Chief Financial Officer 10,000,000 shares of common stock and warrants to purchase an additional 10,000,000 shares of common stock at the exercise price of $0.0033 per share. The issuance was approved by the Company s Compensation Committee on February 11, 2013. The warrants have a term of five years. The shares and warrants are fully vested on the date of grant. The Company recorded $125,800 of stock-based compensation which includes $65,000 for the share issuance and $60,800 for the warrants granted.

On April 5, 2013, the Company issued a total of 3,846,152 warrants to purchase common stock to its four directors, including warrants issued to its Chief Executive Officer and Chief Financial Officer, each of which received 961,538 warrants for their second quarter of 2013 director fees. The warrants have a term of three years and are fully vested on the date of issuance. The Company recorded $27,600 of stock-based compensation in connection with this issuance.

On July 1, 2013, the Company issued a total of 2,702,704 warrants to purchase common stock to its four directors, including warrants issued to its Chief Executive Officer and Chief Financial Officer, each of which received 675,676 warrants for their third quarter of 2013 director fees. The warrants have a term of three years and are fully vested on the date of issuance. The Company recorded $40,800 of stock-based compensation in connection with this issuance.

The directors compensation for services on the Board of Directors in the 2013 fourth quarter was not paid in 2013

On February 5, 2015, pursuant to a letter agreement with Ms. Kessler, her April, 2008, employment agreement was terminated, and she agreed on revised terms for her employment with the Company. Ms. Kessler and the Company agreed to satisfy and terminate all deferred compensation and loan obligations, apart from a $17,500.00 loan to the Company which shall remain outstanding, by having the Company issue to her 325 shares of a new series of preferred with a stated value equal to $325,000 in order to satisfy in full the Company s existing deferred compensation and loan obligations to her, other than the $17,500 that remains outstanding. The preferred stock shall carry an annual dividend yield of five percent (5%), and shall be convertible into shares of common stock at a conversion price of $0.0005 per share, at the option of Ms. Kessler. The Company has the option to redeem the preferred stock at any time for an amount equal to its stated value plus any accrued dividend by paying cash to Ms. Kessler. For 2015, Ms. Kessler is to receive monthly compensation for her services to the Company of $10,000 in cash and $5,000 in stated value of Series H preferred stock. For 2015, Ms. Kessler is also to receive cash bonus compensation from the Company from revenue received from sales generated by her as set forth in the letter agreement.

35

On October 24, 2014, the Company entered into an agreement in to satisfy outstanding liabilities of the Company due to our former Chief Financial Officer and director, Terry R. Lazar, dating back to 2009. Mr. Lazar resigned as a director and Chief Financial Officer effective February 15, 2014. Mr. Lazar and the Company terminated the April 2008 employment agreement between Mr. Lazar and the Company and agreed to satisfy and terminate all deferred compensation and loan obligations of the Company due to him by having the Company issue him a new series of preferred stock. Per the terms of the agreement the Company shall issue 200 shares of preferred stock with a stated value equal to $200,000. The preferred stock shall carry an annual dividend yield of 5%, and shall be convertible into 100,000,000 shares of common stock at the option of Mr. Lazar. The Company has the option to redeem the preferred stock at any time for an amount equal to its stated value plus any accrued dividend by paying cash to Mr. Lazar subject to a conversion notice tendered by the holder within five days from receipt of a redemption notice. Mr. Lazar on February 4, 2015, advised the Company in writing that he was rescinding the agreement. The Company believes that the agreement is a valid and binding agreement between the Company and Mr. Lazar.

Issuance of Promissory Notes

During March 2014 and April 2014, the Company s Chief Executive Officer made a short term loan of $6,500 and $4,800 to the Company. This loan was intended to be repaid within 2 months. No documents were prepared nor interest accrued. As of September 30, 2014 the loan has been paid in full.

Transactions with Southridge LLC and Affiliated Companies

Consulting Agreement with Tarpon Bay Partners LLC

On June 13, 2014, the Company entered into a consulting agreement (the Agreement) with Tarpon Bay Partners, LLC, a Florida limited liability company (Tarpon), for the period from the date of the Agreement through March 31, 2015. The Agreement requires Tarpon to provide general management and consulting services and advisory services to the Company, including assistance in connection with the restructuring of our outstanding debt and equity securities. The manager of Tarpon is Stephen Hicks, the President of the Company. Pursuant to the terms of the agreement, Tarpon will be compensated by the issuance to it by the Company of shares of a new Series H Convertible Preferred Stock. The Series H Preferred Stock is convertible at the option of the holder into such number of shares upon the conversion ratio equal to the aggregate stated value of the Series H Preferred Stock converted divided by the average closing bid price for the calendar month preceding the original issuance date of the shares being converted, as reported by the reporting service. The Company is required to reserve a sufficient number of shares of common stock as may be required to be issued thereunder. The conversion ratio is subject to adjustment, from time to time, for various reasons including a sale or merger by the Company. With respect to all matters upon which stockholders are entitled to vote or to which stockholders are entitled to give consent, the holders of the outstanding shares of Series H Preferred Stock shall vote together with the holders of Common Stock without regard to class, except as to those matters on which separate class voting is required by applicable law or the Articles of Incorporation or bylaws. Pursuant to the terms of the Consulting Agreement, Tarpon received 17 shares of Series H Preferred Stock with a stated value of $425,000 upon the execution of the Agreement, and will receive additional shares of Series H Preferred Stock with a stated value of $75,000 monthly, continuing through the balance of the term of the Consulting Agreement. The execution and delivery of the Consulting Agreement was approved by the directors of the Company. Mr. Hicks did not participate in the vote on this matter.

Tarpon is a controlled company in the Southridge LLC group of companies. Stephen M. Hicks, President and a director of the Company, controls Southridge LLC and is manager of Tarpon.

On December 19, 2013, the Company issued 22,109,375 shares of common stock to Southridge LLC upon conversion of $35,000 of the principal amount of a convertible note and legal fees of $375.

On November 27, 2013, the Company entered into a settlement agreement with Tarpon. Tarpon previously purchased outstanding liabilities of the Company from TCA in the amount of $506,431 and Designs and Project Development Corporation (a former landlord) in the amount of $56,429. Per the terms of the settlement the Company was to issue Tarpon shares of common stock in one or more tranches as necessary, and subject to adjustment and ownership limitations, sufficient to generate proceeds to equal to $562,860 (the Claim Amount) and a convertible promissory note in the principal amount of $75,000. Pursuant to the settlement agreement, the Company and Tarpon reasonably estimated that the fair market value of the settlement shares and all other amounts received or to be received by Tarpon is equal to approximately $825,000. The Company failed to issue shares to Tarpon, and in the first quarter of 2014 TCA rescinded its liabilities purchase agreement with Tarpon.

On January 31, 2014, in conjunction with the settlement agreement outlined above, the Company issued Tarpon a convertible promissory note in the principal amount of $75,000. The convertible note matures one year from the date of issuance with interest at 10% per annum. The convertible promissory note shall have no registration rights and shall be convertible into the common stock of the Company at any time at a conversion price equal to 75% of the low closing bid price for the twenty days prior to conversion.

On April 4, 2014 the Company issued a convertible promissory note for $ 50,000 to Tarpon. The note matures in one year from the issuance date with the stated interest rate at 0%. The note is convertible into the Company s common stock at a 40% discount of the lowest closing bid price during the 30 trading days prior to conversion.

On April 21, 2014 the Company issued a convertible promissory note to ASC Recap LLC, controlled by Southridge LLC, for $2,500. The note matures on April 30, 2015 with the stated interest rate at 0%. The note is convertible into the Company s common stock at a 50% discount of the lowest closing bid price during the 30 trading days prior to conversion.

On November 10, 2014 the Company issued a convertible promissory note for $ 20,000 to Southridge II. The note matures on October 31, 2015 with the stated interest rate at 10%. The note is convertible into the Company s common stock at a 50% discount of the lowest closing bid price during the 30 trading days prior to conversion. The conversion price is subject to anti-dilution protection in the event that the Company issues additional equity securities at a price less than the conversion price.

On November 13, 2014 the Company issued a convertible promissory note to a related party for $ 12,500 to Southridge II. The note matures on October 31, 2015 with the stated interest rate at 10%. The note is convertible into the Company s common stock at a 50% discount of the lowest closing bid price during the 30 trading days prior to conversion. The conversion price is subject to anti-dilution protection in the event that the Company issues additional equity securities at a price less than the conversion price.

On November 17, 2014 the Company issued a convertible promissory note for $ 4,156 to Tarpon. The note matures on October 31, 2015 with the stated interest rate at 10%. The note is convertible into the Company s common stock at a 50% discount of the lowest closing bid price during the 30 trading days prior to conversion. The conversion price is subject to anti-dilution protection in the event that the Company issues additional equity securities at a price less than the conversion price.

On December 23, 2014 the Company issued a promissory note for $ 15,000 to Southridge II. The note matures on March 31, 2015 with the stated interest rate at 8%.

Series G Preferred Stock

On June 13, 2014, the Company s Board of Directors (Mr. Hicks not participating) authorized the issuance to Mr. Hicks of the 51 authorized shares of a new Series G Convertible Preferred Stock. The designation, rights, preferences and privileges that the Board established for the Series G Preferred Stock are set forth in a Certificate of Designations that was filed with the Secretary of State of the State of Delaware on June 17, 2014. Among other things, the Certificate of Designation provides that each one share of Series G Preferred has voting rights equal to (x) (i) 0.019607 *multiplied by* the total issued and outstanding Common Stock eligible to vote at the time of the respective vote (the number determined by this clause (i), the Numerator), *divided by* (ii) 0.49, *minus* (y) the Numerator. As a result of the voting rights granted to the Series G Preferred, the Series G Stockholder holds in the aggregate approximately 51% of the total voting power of all issued and outstanding voting capital of the Company. These voting rights apply only to matters of Company capitalization (i.e. increase in authorized common stock, stock splits, etc.), and similar matters upon which stockholders are entitled to vote or to which stockholders are entitled to give consent. The Series G Preferred Stock has a par value of $0.001 per share, no rights to dividends but provides for liquidation rights which entitle the holder to a pro-rata share of net assets. Each Series G share is convertible, at the option of the holder, into one share of Common Stock.

Item 14.

Principal Accountant Fees and Services.

Marcum LLP served as our independent registered public accountants for our fiscal year ended December 31, 2013, and we engaged John Scrudato CPA as our independent registered public accountant for our fiscal year ended December 31, 2014.

Principal Accountant Fees and Services

The following table sets forth the fees billed by our independent certified public accountants for the years ended December 31, 2014 and 2013 for the categories of services indicated.

	Fiscal Year Ended December 31,	
Category	2013	2014
Audit fees (1)	$ 97,500	$ 169,050
Audit-related fees (2)	0	0
Tax fees (3)	0	0
All Other Fees (4)	0	0

(1)

Consists of fees billed for the audit of our annual financial statements, review of financial statements included in our Quarterly Reports on Form 10-Q and services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements.

(2)

Consists of assurance and related services that are reasonably related to the performance of the audit and reviews of our financial statements and are not included in audit fees in this table.

(3)

Consists of professional services rendered for tax compliance, tax advice and tax planning. The nature of these tax services is tax preparation.

(4)

No other services were provided during the years ended December 31, 2013 and 2014.

Audit Committee Approval

We do not have an audit committee of our board of directors. We believe that each member of our board has the expertise and experience to adequately serve our stockholders interests while serving as directors. Since we are not required to maintain an audit committee and our full board acts in the capacity of an audit committee, we have not elected to designate any member of our board as an audit committee financial expert.

Pre-Approval Policy

We understand the need for Marcum to maintain objectivity and independence in its audit of our financial statements. To minimize relationships that could appear to impair the objectivity of Marcum, our board of directors has restricted the non-audit services that Marcum may provide to us and has determined that we would obtain even these non-audit services from Marcum only when the services offered by Marcum are more effective or economical than services available from other service providers.

Our board of directors has adopted policies and procedures for pre-approving all non-audit work performed by Marcum or any other accounting firms we may retain. Specifically, under these policies and procedures, our board shall pre-approve the use of Marcum for detailed, specific types of services within the following categories of non-audit services: merger and acquisition due diligence and related accounting services; tax services; internal control reviews; and reviews and procedures that we request Marcum to undertake to provide assurances of accuracy on matters not required by laws or regulations. In each case, the policies and procedures require our board to set specific annual limits on the amounts of such services which we would obtain from Marcum and require management to report the specific engagements to the board and to obtain specific pre-approval from the board for all engagements.

Board of Directors Approval of Audit-Related Activities

Management is responsible for the preparation and integrity of our financial statements, as well as establishing appropriate internal controls and financial reporting processes. Marcum is responsible for performing an independent audit of our financial statements and issuing a report on such financial statements. Our board of directors responsibility is to monitor and oversee these processes.

Our board reviewed the audited financial statements of our company for the year ended December 31, 2014 and met with both other members of management and the independent auditors, separately and together, to discuss such financial statements. Management and the auditors have represented to us that the financial statements were prepared in accordance with generally accepted accounting principles in the United States. Our board also received written disclosures and a letter from our auditors regarding their independence from us, as required by [Independence Standards Board Standard No. 1,] and discussed with the auditors their independence with respect to all services that our auditors rendered to us. Our board also discussed with the auditors any matters required to be discussed by Statement on Auditing Standards No. 61. Based upon these reviews and discussions, our board authorized and directed that the audited financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2014.

PART IV

Item 15.

Exhibits and Financial Statement Schedules

(a) Financial Statements

The financial statements and schedules included in this Annual Report on Form 10-K are listed in Item 8.

(b) Exhibits

The following exhibits are being filed as part of this Annual Report on Form 10-K, or incorporated herein by reference as indicated.

Exhibit Number	Exhibit Description
3.1	Composite of Certificate of Incorporation of PureSafe Water Systems, Inc., as amended to date.
3.1a	Certificate of Designations of Series B Preferred Stock, filed June 26, 2012. [Incorporated by reference to Exhibit 3.1a to our Current Report on Form 8-K, filed with the SEC on April 3, 2013.]
3.1b	Amendment to Certificate of Designations of Series B Preferred Stock, filed April 16, 2013. [Incorporated by reference to Exhibit 3.1b to our Quarterly Report on Form 10-Q, filed with the SEC on May 20, 2013.]
3.1c	Certificate of Correction to Certificate of Designation of Series A Preferred Stock, filed June 3, 2014. [Incorporated by reference to Exhibit 3.08 to our Current Report on Form 8-K, filed with the SEC on June 17, 2014.]
3.1d	Certificate of Correction to Certificate of Designation of Series F Preferred Stock, filed June 3, 2014. [Incorporated by reference to Exhibit 3.09 to our Current Report on Form 8-K, filed with the SEC on June 17, 2014.]
3.1e	Certificate of Designations of Series G Convertible Preferred Stock, filed June 17, 2014. [Incorporated by reference to Exhibit 3.10 to our Current Report on Form 8-K, filed with the SEC on June 17, 2014.]
3.1f	

	Certificate of Designations of Series H Convertible Preferred Stock, filed June 17, 2014. [Incorporated by reference to Exhibit 3.11 to our Current Report on Form 8-K, filed with the SEC on June 17, 2014.]
3.1g	Certificate of Amendment, filed February 26, 2015. [Incorporated by reference to Exhibit 3.1g to our Quarterly Report on Form 10-Q, filed with the SEC on March 2, 2015.]
3.1h	Certificate of Designations for Series I and J Convertible Preferred Stock, filed April 9, 2015. [Incorporated by reference to Exhibit 3.1h to our Current Report on Form 8-K, filed with the SEC on April 17, 2015.].
3.2	Amended and Restated By-Laws of PureSafe Water Systems, Inc. [Incorporated by reference to Exhibit 3(ii) to Amendment No. 1 to our Annual Report 10-KSB/A, filed with the SEC on November 17, 2003 (File No.: 0-30544).]
3.2a	Amended and Restated By-Laws of PureSafe Water Systems, Inc., effective June 11, 2009 [Incorporated by reference to Exhibit 3.2a to our Current Report on Form 8-K, filed with the SEC on June 11, 2009.]
3.2b	Amended and Restated By-Laws of PureSafe Water Systems, Inc., effective June 13, 2014 [Incorporated by reference to Exhibit 3.12 to our Current Report on Form 8-K, filed with the SEC on June 17, 2014.]
4.5	Series B Warrant to Purchase Common Stock and Allonge to an Amendment and Extension of Common Stock Purchase Warrant. [Incorporated by reference to Exhibit 4.6 to Amendment No. 1 to our Annual Report on Form 10-KSB/A, filed with the SEC on November 17, 2003 (File No.: 0-30544).]
4.6	Series B Second Allonge to an Amendment and Extension of Common Stock Purchase Warrant. [Incorporated by reference to Exhibit 4.6 to our Registration statement on Form SB-2, filed with the SEC on January 24, 2005 (File No.: 0-30544).]
4.7	Subordinated Debentures. [Incorporated by reference to Exhibit 4.5 to Amendment No. 1 to our Annual Report on Form 10-KSB, filed with the SEC on November 17, 2003 (File No.: 0-30544).]
10.4	Warrant Certificate, dated November 16, 2005, issued to Southridge Partners LP. [Incorporated by reference to Exhibit 99.4 to our Current Report on Form 8-K, filed with the SEC on November 23, 2005 (File No.: 0-30544).]
10.5	Loan Agreement, dated as of October 11, 2006, between Water Chef, Inc. and Southridge Partners LP. . [Incorporated by reference to Exhibit 99.4 to our Current Report on Form 8-K, filed with the SEC on October 19, 2006 (File No.: 0-30544).]
10.6	Registration Rights Agreement, dated as of October 11, 2006, between Water Chef, Inc. and Southridge Partners LP. [Incorporated by reference to Exhibit 99.4 to our Current Report on Form 8-K, filed with the SEC on October 19, 2006 (File No.: 0-30544).]
10.7	Promissory Note of Water Chef, Inc., dated October 17, 2006 and in the principal amount of $300,000, issued to Southridge Partners LP. [Incorporated by reference to Exhibit 99.4 to our Current Report on Form 8-K, filed with the SEC on October 19, 2006 (File No.: 0-30544).]
10.8	Warrant Certificate, dated October 11, 2006, issued to Southridge Partners LP. [Incorporated by reference to Exhibit 99.4 to our Current Report on Form 8-K, filed with the SEC on October 19, 2006 (File No.: 0-30544).]
10.9	Securities Purchase Agreement, dated as of August 27, 2007, between Water Chef, Inc., Southridge Partners LP and Southshore Capital Fund Ltd. [Incorporated by reference to Exhibit 99.1 to our Current Report on Form 8-K, filed with the SEC on September 9, 2007 (File No.: 0-30544).]

10.10	Registration Rights Agreement, dated as of August 27, 2007, between Water Chef, Inc. and Southridge Partners LP. [Incorporated by reference to Exhibit 99.2 to our Current Report on Form 8-K, filed with the SEC on September 9, 2007 (File No.: 0-30544).]
10.11	10% Convertible Promissory Note of Water Chef, Inc., dated September 7, 2007 and in the principal amount of $200,000, issued to Southridge Partners LP. [Incorporated by reference to Exhibit 99.3 to our Current Report on Form 8-K, filed with the SEC on September 9, 2007 (File No.: 0-30544).]
10.12	10% Convertible Promissory Note of Water Chef, Inc., dated September 7, 2007 and in the principal amount of $50,000, issued to Southshore Capital Fund Ltd. [Incorporated by reference to Exhibit 99.4 to our Current Report on Form 8-K, filed with the SEC on September 9, 2007 (File No.: 0-30544).]
10.13	Warrant Certificate, dated September 7, 2007, issued to Southridge Partners LP. [Incorporated by reference to Exhibit 99.5 to our Current Report on Form 8-K, filed with the SEC on September 9, 2007 (File No.: 0-30544).]
10.14	Warrant Certificate, dated September 7, 2007, issued to Southshore Capital Fund Ltd. [Incorporated by reference to Exhibit 99.6 to our Current Report on Form 8-K, filed with the SEC on September 9, 2007 (File No.: 0-30544).]
10.15	Private Equity Credit Agreement, dated as of September 7, 2007, between Water Chef, Inc. and Brittany Capital Management Limited. [Incorporated by reference to Exhibit 99.7 to our Current Report on Form 8-K, filed with the SEC on September 9, 2007 (File No.: 0-30544).]
10.16	Registration Rights Agreement, dated as of September 7, 2007, between Water Chef, Inc. and Brittany Capital Management Limited. [Incorporated by reference to Exhibit 99.8 to our Current Report on Form 8-K, filed with the SEC on September 9, 2007 (File No.: 0-30544).]
10.17	Employment Agreement, dated April 16, 2008 between Water Chef, Inc. and Leslie J. Kessler. [Incorporated by reference to Exhibit 99.1 to our Current Report on Form 8-K (Date of Report: April 16, 2008), filed with the SEC on April 17, 2008 (File No.: 0-30544).]
10.18	Employment Agreement, dated April 16, 2008, between Water Chef, Inc. and Terry R. Lazar. [Incorporated by reference to Exhibit 99.2 to our Current Report on Form 8-K (Date of Report: April 16, 2008), filed with the SEC on April 17, 2008 (File No.: 0-30544).]
10.19	Stock Purchase, Loan and Security Agreement, dated April 16, 2008, between Water Chef, Inc. and Leslie J. Kessler. [Incorporated by reference to Exhibit 99.3 to our Current Report on Form 8-K (Date of Report: April 16, 2008), filed with the SEC on April 17, 2008 (File No.: 0-30544).]
10.20	Stock Purchase, Loan and Security Agreement, dated April 16, 2008, between Water Chef, Inc. and Terry R. Lazar. [Incorporated by reference to Exhibit 99.4 to our Current Report on Form 8-K (Date of Report: April 16, 2008), filed with the SEC on April 17, 2008 (File No.: 0-30544).]
10.21	Stock Purchase, Loan and Security Agreement dated April 16, 2008 between Water Chef, Inc. and Shaul Kochan. [Incorporated by reference to Exhibit 99.5 to our Current Report on Form 8-K (Date of Report: April 16, 2008), filed with the SEC on April 17, 2008 (File No.: 0-30544).]
10.22	Letter Agreement, dated August 18, 2008 between Water Chef, Inc. and Leslie J. Kessler. [Incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K (Date of Report: August 18, 2008), filed with the SEC on August 19, 2008 (File No.: 0-30544).]
10.23	Letter Agreement, dated August 18, 2008, between Water Chef, Inc. and Terry R. Lazar. [Incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K (Date of Report: August 18, 2008), filed with the SEC on August 19, 2008 (File No.: 0-30544).]
10.24	Consulting Agreement, dated as of June 6, 2008, by and between Water Chef, Inc., and Hidell-Eyster International. [Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-QSB, filed with the SEC on August 19, 2008 (File No.: 0-30544).]

10.25 Form of Stock Subscription Agreement utilized in the sale of common stock and warrants from October 26, 2007 through July 18, 2008. [Incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-QSB, filed with the SEC on August 19, 2008 (File No.: 0-30544).]

10.26 Form of Warrant issued to investors in connection with the sale of common stock and warrants from October 26, 2007 through July 18, 2008. [Incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-QSB, filed with the SEC on August 19, 2008 (File No.: 0-30544).]

10.27 Loan Agreement, Promissory Note, and Warrant of Water Chef, Inc., dated October 14, 2008 and in the principal amount of $50,000 issued to Leslie J. Kessler. [Incorporated by reference to Exhibit 10.27 to our Annual Report on Form 10-K, filed with the SEC on April 15, 2009.]

10.28 Loan Agreement, Promissory Note, and Warrant of Water Chef, Inc., dated November 17, 2008 and in the principal amount of $50,000 issued to Leslie J. Kessler. [Incorporated by reference to Exhibit 10.28 to our Annual Report on Form 10-K, filed with the SEC on April 15, 2009.]

10.29 Loan Agreement, Promissory Note, and Warrant of Water Chef, Inc., dated October 14, 2008 and in the principal amount of $50,000 issued to Terry R. Lazar. [Incorporated by reference to Exhibit 10.29 to our Annual Report on Form 10-K, filed with the SEC on April 15, 2009.]

10.30 Loan Agreement, Promissory Note, and Warrant of Water Chef, Inc., dated November 17, 2008 and in the principal amount of $50,000 issued to Terry R. Lazar. [Incorporated by reference to Exhibit 10.30 to our Annual Report on Form 10-K, filed with the SEC on April 15, 2009.]

10.31	Loan Agreement, Promissory Note, and Warrant of Water Chef, Inc., dated December 17, 2008 and in the principal amount of $50,000 issued to Steve Legum. [Incorporated by reference to Exhibit 10.30 to our Annual Report on Form 10-K, filed with the SEC on April 15, 2009.]
10.32	Consulting Agreement, dated as of August 6, 2008, by and between Water Chef, Inc., and Designs and Project Development Corp. [Incorporated by reference to Exhibit 10.32 to our Annual Report on Form 10-K, filed with the SEC on April 15, 2009.]
10.33	Consulting Agreement, dated as of December 14, 2007, by and between Water Chef, Inc., and Bircon Ltd. [Incorporated by reference to Exhibit 10.33 to our Annual Report on Form 10-K, filed with the SEC on April 15, 2009.]
10.34	Incentive Stock Option Agreement, dated April 17, 2009, between PureSafe Water Systems, Inc. and Leslie J. Kessler. [Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q, filed with the SEC on May 20, 2009.]
10.35	Incentive Stock Option Agreement, dated April 17, 2009, between PureSafe Water Systems, Inc. and Terry R. Lazar. [Incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q, filed with the SEC on May 20, 2009.]
10.36	Incentive Stock Option Agreement, dated April 17, 2009, between PureSafe Water Systems, Inc. and Al Wolter. [Incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q, filed with the SEC on May 20, 2009.]
10.37	Incentive Stock Option Agreement, dated April 17, 2009, between PureSafe Water Systems, Inc. and Al Wolter. [Incorporated by reference to Exhibit 10.4 to our Quarterly Report on Form 10-Q, filed with the SEC on May 20, 2009.]
10.38	Warrant certificate evidencing 4,000,000 warrants registered in the name of Leslie J. Kessler. [Incorporated by reference to Exhibit 10.5 to our Quarterly Report on Form 10-Q, filed with the SEC on May 20, 2009.]
10.39	Form of Loan Agreement for the Company s 2009 private placement. [Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q, filed with the SEC on November 16, 2009.]
10.40	Employment Agreement, effective as of January 1, 2010, between the Company and Leslie J. Kessler. [Incorporated by reference to Exhibit 10.40 to our Current Report on Form 8-K, filed with the SEC on February 8, 2010.]
10.41	Employment Agreement, effective as of January 1, 2010, between the Company and Terry R. Lazar. [Incorporated by reference to Exhibit 10.41 to our Current Report on Form 8-K, filed with the SEC on February 8, 2010.]
10.42	General Management Services Agreement, effective January 1, 2010, between Hidell-Eyster International and the Company. [Incorporated by reference to Exhibit 10.42 to our Current Report on Form 8-K, filed with the SEC on April 1, 2010.]
10.43	Secured Convertible Promissory Note, dated August 3, 2011, issued by the Company to Southridge Partners II, LP. [Incorporated by reference to Exhibit 10.43 to our Quarterly Report on Form 10-Q, filed with the

	SEC on August 22, 2011.]
10.44	Securities Purchase Agreement, dated August 3, 2011, between the Company and Southridge Partners II, LP. [Incorporated by reference to Exhibit 10.44 to our Quarterly Report on Form 10-Q, filed with the SEC on August 22, 2011.]
10.45	Common Stock Purchase Warrant issued August 3, 2011 by the Company to Southridge Partners II, LP. [Incorporated by reference to Exhibit 10.45 to our Quarterly Report on Form 10-Q, filed with the SEC on August 22, 2011.]
10.46	Engineering Package Agreement, dated January 24, 2013, by and between the Company and ETG/Engineering Technologies Group, Inc. [Incorporated by reference to Exhibit 10.46 to our Current Report on Form 8-K, filed with the SEC on April 3, 2013.]
10.47	Exclusive Sales and Marketing Agreement, dated January 25, 2013, by and between the Company and Global Equipment Marketing, Inc. [Incorporated by reference to Exhibit 10.47 to our Current Report on Form 8-K, filed with the SEC on April 3, 2013.]
10.48	Consulting Agreement, dated June 13, 2014, between the Company and Tarpon Bay Partners LLC. [Incorporated by reference to Exhibit 10.48 to our Current Report on Form 8-K, filed with the SEC on June 17, 2014.]
10.49	Equity Purchase Agreement, dated June 13, 2014, between the Company and Alpha Capital Anstalt. [Incorporated by reference to Exhibit 10.49 to our Current Report on Form 8-K, filed with the SEC on June 17, 2014.]
10.50	Registration Rights Agreement, dated June 13, 2014, between the Company and Alpha Capital Anstalt. [Incorporated by reference to Exhibit 10.50 to our Current Report on Form 8-K, filed with the SEC on June 17, 2014.]
10.51	Stipulation, dated June 2, 2014, between the Company and Levin Consulting Group. [Incorporated by reference to Exhibit 10.51 to our Current Report on Form 8-K, filed with the SEC on June 17, 2014.]
14.1	Code of Ethics. [Incorporated by reference to Exhibit 14.01 to our Current Report on Form 8-K, filed with the SEC on June 17, 2014.]
31	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer and Principal Financial Officer.*.
32	Section 1350 Certification of Chief Executive Officer and Principal Financial Officer.**

* Filed herewith

** Furnished herewith

Copies of the following documents are included as exhibits to this report pursuant to Item 601 of Regulation S-K.

SEC Ref. No.	**Title of Document**
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Label Linkbase Document
101.PRE	XBRL Taxonomy Presentation Linkbase Document

The XBRL related information in Exhibits 101 to this Annual Report on Form 10-K shall not be deemed filed or a part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, and is not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of those sections.

SIGNATURES

Pursuant to 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.

Date: June 5, 2015

PURESAFE WATER SYSTEMS, INC.

By: */s/Leslie J. Kessler*
Leslie J. Kessler, Chief Executive Officer, Principal Financial Officer and Principal Accounting Officer

Pursuant to 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 and on the dates indicated.

Signature and Name	Capacities	Date
/s/ Leslie J. Kessler Leslie J. Kessler (Principal Executive Officer)	Chief Executive Officer and Director	June 5, 2015
/s/ Stephen M. Hicks Stephen M. Hicks	President and Director	June 5, 2015
/s/ Gilbert Steedley Gilbert Steedley	Director	June 5, 2015