10-K 1 uvnd-10k_123116.htm ANNUAL REPORT

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

FORM 10-K

☒ **Annual Report under Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended December 31, 2016

or

☐ **Transitional Report under Section 13 or 15(d) of the Securities Exchange Act of 1934**

Commission File Number: 333-165972

U-VEND, INC.

(Exact name of Registrant as specified in its charter)

Delaware	**22-3956444**
(State of incorporation)	(IRS Employer Identification Number)

1507 7th Street, #425
Santa Monica, California 90401
(Address of principal executive office)

(800) 467-1496
(Registrant's telephone number)

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

Securities registered under Section 12(g) of the Act: None

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in

Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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 ☐ Smaller Reporting Company ☒

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Act). Yes ☐ No ☒

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently computed second fiscal quarter was $1,702,881 based upon price of such common stock was last sold on June 30, 2016.

The number of shares outstanding of the registrant's Common Stock, $0.001 par value per share, was 25,064,992 as of April 7, 2017.

U-VEND, INC.
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PART I

ITEM 1 - BUSINESS

Overview

U-Vend, Inc. was incorporated in March 2007 as a Delaware corporation and herein we refer to the company as “we”, “us”, the “Company” or “U-Vend.” We are headquartered in Santa Monica, California and maintain operations in Las Vegas, NV, and in Southern California. Our corporate office is located at 1507 7th Street, #425, Santa Monica, CA 90401 and our telephone number is (800) 467-1496. Our corporate website address is www.u-vend.com. Information contained on our websites is not a part of this annual report.

Forward Looking Information

This report contains statements about future events and expectations that are characterized as “forward-looking statements.” Forward-looking statements are based upon management’s beliefs, assumptions, and expectations. Forward-looking statements involve risks and uncertainties that may cause our actual results, performance, and financial condition to be materially different from the expectations of future results, performance, and financial condition we express or imply in such forward-looking statements. You are cautioned not to put undue reliance on forward-looking statements. We disclaim any intent or obligation to update any forward-looking statements, whether as a result of new information, future events, or otherwise.

Business Overview

With the merger with U-Vend Canada, Inc. on January 7, 2014, the Company entered the business of developing, marketing and distributing various self-serve electronic kiosks and mall/airport co-branded islands throughout North America. The Company seeks to place its kiosks in high-traffic host locations such as big box stores, restaurants, malls, airports, casinos, universities, and colleges. Currently, the Company leases, owns and operates their kiosks but intends to also provide the kiosks, through a distributor relationship, to the entrepreneur wanting to own their own business.

The Company’s “next-generation” vending kiosks incorporate advanced wireless technology, creative concepts, and ease of management. Our kiosks have been designed to be tech-savvy and can be managed on line 24 hours a day/7 days a week, accepting traditional cash input as well as credit and debit cards. Host locations and suppliers have been drawn to this distribution concept of product vending based on the advantages of reduced labor and lower product theft as compared to non-kiosk merchandising platforms.

Currently, the Company distributes a novelty ice cream product, Mini Melts, through a network of over 140 advanced vending kiosks and over 140 small merchandiser freezers. The Company procured all its merchandise of inventory of finished goods ice cream from one vendor during the years ended December 31, 2016 and 2015.

The Company takes a solutions development approach for the marketing of products through a variety of kiosk offerings. This approach has the ability to add digital LCD monitors to most makes and models of their kiosk program. This allows the digital advertising as a national and/or local loop basis and a corresponding additional revenue stream for the Company.

In February 2015, the Company announced entering into an exclusive five year North American sponsorship and licensing agreement with the National Hockey League (“NHL”) for the development, manufacturing and marketing of novelty ice cream products. The Company has branded the product line Frozen Pond Premium Ice Cream. This is the first consumer product the Company has taken from concept to market and will seek to establish a distribution network for the sale of the product throughout Canada and the United States.

In June 2016, the Company entered into a license agreement beginning January 1, 2016 through December 31, 2018 with Major League Baseball Properties, Inc. (“MLB”, “Licensor”) for the non-exclusive right to certain proprietary intangible property of the Licensor to be used in connection with the manufacturing, distribution, promotion and advertisement of an ice cream novelty product to be sold within the U.S., the District of Columbia and U.S. territories.

Employees

As of March 31, 2017, we had nine full-time employees and two part-time employees. None of our employees are subject to collective bargaining agreements.

Websites

We maintain one active website, www.u-vend.com which serves as our corporate website and contains information about our company and business. The Company owns over 12 domain names for future use or for strategic competitive reasons.

Available Information

Under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company is required to file annual, quarterly and current reports with the SEC. You may read and copy any document we file with the SEC at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information about the public reference room. The SEC maintains a web site at http://www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The Company files electronically with the SEC. The SEC makes available, free of charge, through the SEC Internet web site, the Company's filings on Forms 10-K, 10-Q and 8-K, and amendments to those reports, as soon as reasonably practicable after they are filed with the SEC.

ITEM 1A – RISK FACTORS

An investment in our securities is subject to numerous risks, including the Risk Factors described below. Our business, operating results or financial condition could be materially adversely affected by any of the following risks. The risks described below are not the only ones we face. Additional risks we are not presently aware of or that we currently believe are immaterial may also materially affect our business. In such case, we may not be able to proceed with our planned operations and your investment may be lost entirely. The trading price of our common stock could decline due to any of these risks. In assessing these risks, you should also refer to the other information contained or incorporated by reference in this Form 10-K, including our consolidated financial statements. An investment in our securities should only be acquired by persons who can afford to lose their entire investment without adversely affecting their standard of living or financial security.

We have a limited operating history and may not be able to achieve financial or operational success.

We were founded in March 2007, initiated our first operating business in October 2009, exited from our first operating business in March 2013, and acquired our most recent operating business in January 2014. We have a limited operating history with respect to this or any newly acquired business. As a result, we may not be able to achieve sustained financial or operational success, given the risks, uncertainties, expenses, delays and difficulties associated with an early-stage business in an evolving market.

Our growth strategy includes acquisitions that entail significant execution, integration and operational risks.

We are pursuing a growth strategy based in part on acquisitions, with the objective of creating a combined company that we believe can achieve increased cost savings and operating efficiencies through economies of scale especially in the integration of administrative services. We will seek to make additional acquisitions in the future to increase our revenue.

This growth strategy involves significant risks. There is significant competition for acquisition targets in our markets. Consequently, we may not be able to identify suitable acquisitions or may have difficulty finding attractive businesses for acquisition at reasonable prices. If we are unable to identify future acquisition opportunities, reach agreement with such third parties or obtain the financing necessary to make such acquisitions, we could lose market share to competitors who are able to make such acquisitions. This loss of market share could negatively impact our business, revenues and future growth.

We may be unable to achieve benefits from any acquisitions.

Even if we are able to complete acquisitions, we may be unable to achieve the anticipated benefits of a particular acquisition, the anticipated benefits may take longer to realize than expected, or we may incur greater costs than expected in attempting to achieve anticipated benefits.

Any acquisition we make exposes us to risks.

Any acquisition we make carries risks which could result in an adverse effect on our financial condition. These risks include:

☐ diversion of our attention from normal daily operations of our vending business to acquiring and assimilating new businesses;

☐ the use of substantial portions of any cash we have available;

☐ failure to understand the needs and behaviors of users for a newly acquired business or other product;

☐ redundancy or overlap between existing products and services, on the one hand, and acquired products and services, on the other hand;

☐ difficulty assimilating operations, technologies, products and policies of acquired businesses; and

☐ assuming liabilities, including unknown and contingent liabilities, of acquired businesses.

If we are unable to develop and market new product offerings or fail to predict or respond to emerging trends, our revenue and any profitability will suffer.

Our future success will depend in part on our ability to modify or enhance our product offerings marketed through our vending kiosks to meet user's demands. If we are unable to predict preferences or industry changes, or if we are unable to modify our product offerings in a timely manner, we may lose revenue. New products may be dependent upon our ability to enter into new

relationship with suppliers, which we may not be able to obtain in a timely manner, upon terms acceptable to us, or at all. We spend significant resources developing and enhancing our product offerings. However, new or enhanced product offerings may not be accepted by users. If we are unable to successfully source and market new product offerings in a timely and cost-effective manner, our revenue and any profitability will suffer.

If we fail to develop and diversify product offerings, we could lose market share.

The market for selling products through vending kiosks has a low barrier to entry which creates a high level of competition. To remain competitive, we must continue to find, market, and sell new products through our vending kiosks. The time, expense and effort associated with such development may be greater than anticipated, and any products actually introduced by us may not achieve consumer acceptance. Furthermore, our efforts to meet changing customer needs may require the development or licensing of products at great expense. If we are unable to develop and bring to market additional products, we could lose market share to competitors, which could negatively impact our business, revenues and future growth.

The increased security risks of online advertising and e-commerce may cause us to incur significant expenses and may negatively impact our credibility and business.

A significant prerequisite of online commerce, advertising, and communications is the secure transmission of confidential information over public networks. Concerns over the security of transactions conducted on the Internet, consumer identity theft and user privacy have been significant barriers to growth in consumer use of the Internet, online advertising, and e-commerce. A significant portion of our sales is billed directly to our customers' credit card accounts. We rely on encryption and authentication technology licensed from third parties to effect secure transmission of confidential information. Encryption technology scrambles information being transmitted through a channel of communication to help ensure that the channel is secure even when the underlying system and network infrastructure may not be secure. Authentication technologies, the simplest example of which is a password, help to ensure that an individual user is who he or she claims to be by "authenticating" or validating the individual's identity and controlling that individual's access to resources. Despite our implementation of security measures, however, our computer systems may be potentially susceptible to electronic or physical computer break-ins, viruses and other disruptive harms and security breaches. Advances in computer capabilities, new discoveries in the field of cryptography or other developments may specifically compromise our security measures. Any perceived or actual unauthorized disclosure of personally identifiable information regarding website visitors, whether through breach of our network by an unauthorized party, employee theft or misuse, or otherwise, could harm our reputation and brands, substantially impair our ability to attract and retain our customers, or subject us to claims or litigation arising from damages suffered by consumers, and thereby harm our business and operating results. If consumers experience identity theft after using any of our services, we may be exposed to liability, adverse publicity and damage to our reputation. To the extent that identity theft gives rise to reluctance to use our websites or a decline in consumer confidence in financial transactions over the Internet, our businesses could be adversely affected. Alleged or actual breaches of the network of one of our business partners or competitors whom consumers associate with us could also harm our reputation and brands. In addition, we could incur significant costs in complying with the multitude of state, federal and foreign laws regarding the unauthorized disclosure of personal information. For example, California law requires companies that maintain data on California residents to inform individuals of any security breaches that result in their personal information being stolen. Because our success depends on the acceptance of online services and e-commerce, we may incur significant costs to protect against the threat of security breaches or to alleviate problems caused by such breaches. Internet fraud has been increasing over the past few years, and fraudulent online transactions, should they continue to increase in prevalence, could also adversely affect the customer experience and therefore our business, operating results and financial condition.

We depend on key management, product management, technical and marketing personnel for continued success.

Our success and future growth depend, to a significant degree, on the skills and continued services of our management team, including Mark Chapman, our President of U-Vend America, Inc., and David Graber, our Chief Executive Officer. Our ongoing success also depends on our ability to identify, hire and retain skilled and qualified technical and marketing personnel in a highly competitive employment market. As we develop and acquire new products and services, we will need to hire additional employees. Our inability to attract and retain well-qualified managerial, technical and sales and marketing personnel may have a negative effect on our business, operating results and financial condition.

We may be required to seek additional funding, and such funding may not be available on acceptable terms or at all.

We may need to obtain additional funding due to a number of factors beyond our expectations or control, including a shortfall in revenue, increased expenses, a need for working capital for growth, increased investment in capital equipment or the acquisition of businesses, services or technologies. If we do need to obtain funding, it may not be available on acceptable terms or at all. If we are unable to obtain sufficient funding, our business would be harmed. Even if we were able to find outside funding sources, we might be required to issue securities in a transaction that could be highly dilutive to our investors or we may be required to issue securities with greater rights than the securities we have outstanding today. We may also be required to take other actions that could lessen the value of our common stock, including borrowing money on terms that are not favorable to us. If we are unable to generate or raise capital that is sufficient to fund our operations, we may be required to curtail operations, reduce our services, defer or cancel expansion or acquisition plans or cease operations in certain jurisdictions or completely.

The termination, non-renewal or renegotiation on materially adverse terms of our contracts or relationships with one or more of our significant host locations, product suppliers and partners could seriously harm our business, financial condition and results of operations.

The success of our business depends in large part on our ability to maintain contractual relationships with our host locations in profitable locations. Our typical host location agreement ranges from one to three years and automatically renews until we or the host retailer gives notice of termination. Certain contract provisions with our host locations vary, including product and service offerings, the commission fees we are committed to pay each host location, and the ability to cancel the contract upon notice after a certain period of time. We strive to provide direct and indirect benefits to our host locations that are superior to, or competitive with,

other providers or systems or alternative uses of the floor space that our kiosks occupy. If we are unable to provide our host retailers with adequate benefits, we may be unable to maintain or renew our contractual relationships on acceptable terms, causing our business, financial condition and results of operations to suffer.

If we cannot execute on our strategy and offer new automated retail products and services.

Our strategy is based upon leveraging our core competencies in the automated retail space to provide the consumer with convenience and value and to help retailers drive incremental traffic and revenue. To be competitive, we need to develop, or otherwise provide, new product and service offerings that are accepted by the market and establish third-party relationships necessary to develop and commercialize such product and service offerings. We are exploring new businesses to enter, and new products and services to offer, however, the complexities and structures of these new businesses could create conflicting priorities, constrain limited resources, and negatively impact our core businesses. We may use our financial resources and managements' time and focus to invest in other companies offering automated retail services, or we may seek to grow businesses organically, or we may seek to offer new products on our current kiosks. We may enter into joint ventures through which we may expand our product offerings. Any new business opportunity also may have its own unique risks related to operations, finances, intellectual property, technology, legal and regulatory issues, corporate governance or other challenges, for which we may have limited or no prior experience. In addition, if we fail to timely establish or maintain relationships with significant retailers and suppliers, we may not be able to provide our consumers with desirable new products and services. Further, in order to develop and commercialize certain new products and services, we will need to create new kiosks or enhance the capabilities of our current kiosks, as well as adapt our related networks and systems through appropriate technological solutions, and establish market acceptance of such products or services. We cannot assure you that new products or services that we provide will be successful or profitable.

Failure to adequately comply with information security policies or to safeguard against breaches of such policies could adversely affect our operations and could damage our business, reputation, financial position and results of operations.

As our business expands to provide new products and services, we are increasing the amount of consumer data that we collect, transfer and retain as part of our business. These activities are subject to laws and regulations, as well as industry standards, in the United States and other jurisdictions in which our products and services are available. These requirements, which often differ materially and sometimes conflict among the many jurisdictions in which we operate, are designed to protect the privacy of consumers' personal information and to prevent that information from being inappropriately used or disclosed. We maintain and review technical and operational safeguards designed to protect this information and generally require third party vendors and others with whom we work to do so as well. However, despite those safeguards, it is possible that hackers, employees acting contrary to our policies, third-party agents or others could improperly access relevant systems or improperly obtain or disclose data about our consumers, or that we may be determined not to be in compliance with applicable legal requirements and industry standards for data security, such as the Payment Card Industry guidelines. A breach or purported breach of relevant security policies that compromises consumer data or determination of non-compliance with applicable legal requirements or industry standards for data security could expose us to regulatory enforcement actions, card association or other monetary fines or sanctions, or contractual liabilities, limit our ability to provide our products and services, subject us to legal action and related costs and damage our business reputation, financial position, and results of operations.

Litigation, arbitration, mediation, regulatory actions, investigations or other legal proceedings could result in material rulings, decisions, settlements, fines, penalties or publicity that could adversely affect our business, financial condition and results of operations.

Our industry has in the past been, and may in the future continue to be, party to class actions, regulatory actions, investigations, arbitration, mediation and other legal proceedings. The outcome of such proceedings is often difficult to assess or quantify. Plaintiffs, regulatory bodies or other parties may seek very large or indeterminate amounts of money from us or substantial restrictions on our business activities, and the results, including the magnitude, of lawsuits, actions, settlements, decisions and investigations may remain unknown for substantial periods of time. The cost to defend, settle or otherwise finalize lawsuits, regulatory actions, investigations, arbitrations, mediations or other legal proceedings may be significant and such proceedings may divert management's time. In addition, there may be adverse publicity associated with any such developments that could decrease consumer acceptance of our products and services. As a result, litigation, arbitration, mediation, regulatory actions or investigations involving us may adversely affect our business, financial condition and results of operations.

We are subject to substantial federal, state, local and foreign laws and government regulation specific to our business.

Our business is subject to federal, state, local and foreign laws and government regulation, including those relating to copyright law, access to kiosks in public places, consumer privacy and protection, data protection and information security, taxes, vehicle safety, weights and measures, payment cards and other payment instruments, food and beverages, sweepstakes, and contests. The application of existing laws and regulations, changes in laws or enactment of new laws and regulations, that apply, or may in the future apply, to our current or future products or services, changes in governmental authorities' interpretation of the application of various government regulations to our business, or the failure or inability to gain and retain required permits and approvals could materially and adversely affect our business.

In addition, many jurisdictions require us to obtain certain licenses in connection with the operations of our businesses. There can be no assurance that we will be granted all necessary licenses or permits in the future, that current licenses or permits will be renewed or that regulators will not revoke current licenses or permits. Given the unique nature of our business and new products and services we may develop or acquire in the future, the application of various laws and regulations to our business is uncertain. Further, as governmental and regulatory scrutiny and action with regard to many aspects of our business increase, we expect that our costs of complying with the applicable legal requirements may increase, perhaps substantially.

Failure to comply with these laws and regulations could result in, among other things, revocation of required licenses or permits, loss of approved status, termination of contracts, administrative enforcement actions and fines, class action lawsuits, cease and desist orders and civil and criminal liability. The occurrence of one or more of these events, as well as the increased cost of compliance, could materially adversely affect our business, financial condition and results of operations.

If we cannot manage our growth effectively, we could experience a material adverse effect on our business, financial condition and results of operations.

As we begin to scale our business we may make errors in predicting and reacting to relevant business trends, which could have a material adverse effect on our business, financial condition and results of operations. For example, we may, among other things, over-install kiosks in certain geographic areas leading to non-accretive installations, and we cannot be certain that historical revenue

experience for new kiosks will be sustainable in the future.

This growth may place significant demands on our operational, financial and administrative infrastructure and our management. As our operations grow in size, scope and complexity, we anticipate the need to integrate, as appropriate, and improve and upgrade our systems and infrastructure, both those relating to providing attractive and efficient consumer products and services and those relating to our administration and internal systems, processes and controls. This integration and expansion of our administration, processes, systems and infrastructure may require us to commit and will continue to cause us to commit, substantial financial, operational and technical resources to managing our business.

Managing our growth will require significant expenditures and allocation of valuable management and operational resources. If we fail to achieve the necessary level of efficiency in our organization, including otherwise effectively growing our business lines, our business, operating results and financial condition could be harmed.

We may not have the ability to pay interest on our Notes, to repurchase the convertible notes upon a fundamental change or to settle conversions of the Notes, as may be required.

If a fundamental change occurs under the indenture governing our Notes, holders of the Notes may require us to repurchase, for cash, all or a portion of their Notes. In addition, upon satisfaction of certain conversion conditions (including conditions outside of our control, such as market price or trading price) and proper conversion of the Notes by a holder, we will be required to make cash payments. Depending on the amount and timing of the payment requirements, we may not have been able to meet all of the obligations relating to Note conversions, which could have had a material adverse effect.

Further, if we fail to pay interest on, carry out the fundamental change repurchase obligations relating to, or make payments (including cash) upon conversion of, the Notes, we will be in default under the indenture governing the Notes. A default under the indenture or the fundamental change itself could also lead to a default under agreements governing our existing and future indebtedness. If the repayment of indebtedness were to be accelerated, including after any applicable notice or grace periods, we may not, among other things, have sufficient funds to repay indebtedness or pay interest on, carry out our repurchase obligations relating to, or make cash payments upon conversion of, the Notes.

Conversion of our convertible notes into common stock could result in additional dilution to our stockholders.

Upon satisfaction of certain conversion conditions (including conditions outside of our control, such as market price or trading price) and proper conversion of the Notes by a holder, we may be required to deliver shares of our common stock to a converting holder. If additional shares of our common stock are issued due to conversion of some or all of the outstanding Notes, the ownership interests of existing stockholders would be diluted. Further, any sales in the public market of any shares of common stock issued upon conversion or hedging or arbitrage trading activity that develops due to the potential conversion of the Notes could adversely affect prevailing market prices of our common stock.

Competitive pressures could seriously harm our business, financial condition and results of operations.

The nature and extent of consolidations and bankruptcies, which often occur during or as a result of economic downturns, in markets where we install our kiosks, particularly the supermarket and other retailing industries, could adversely affect our operations, including our competitive position, as the number of installations and potential retail users of our kiosks could be significantly reduced. See the risk factor below entitled, "Events outside of our control, including the current economic environment, has negatively affected, and could continue to negatively affect, consumers' use of our products and services."

Our business can be adversely affected by severe weather, natural disasters and other events beyond our control, such as earthquakes, fires, power failures, telecommunication loss and terrorist attacks.

A catastrophic event that results in the destruction or disruption of any of our critical business or information technology systems could harm our ability to conduct normal business operations and our operating results. While we have taken steps to protect the security of critical business processes and systems and have established certain back-up systems and disaster recovery procedures, any disruptions, whether due to inadequate back-up or disaster recovery planning, failures of information technology systems, interruptions in the communications network, or other factors, could seriously harm our business, financial condition and results of operations.

In addition, our operational and financial performance is a direct reflection of consumer use of and the ability to operate and service our kiosks used in our business. Severe weather, natural disasters and other events beyond our control can, for extended periods of time, significantly reduce consumer use of our products and services as well as interrupt the ability of our employees and third-party providers to operate and service our kiosks.

Our failure to meet consumer expectations with respect to pricing our products and services may adversely affect our business and results of operations.

Demand for our products and services may be sensitive to pricing changes. We evaluate and update our pricing strategies from time to time, and changes we institute may have a significant impact on, among other things, our revenue and net income (loss).

We may be unable to attract new host locations, broaden current host relationships, and penetrate new markets and distribution channels.

In order to increase our kiosk installations, we need to attract new host locations, broaden relationships with current host locations, and develop operational efficiencies that make it feasible for us to penetrate low density markets and new distribution channels. We may be unable to attract host locations or drive down costs relating to the manufacture, installation or servicing of our kiosks to

levels that would enable us to operate profitably in lower density markets or penetrate new distribution channels. If we are unable to do so, our future financial performance could be adversely affected.

Payment of increased fees to host locations or other third party service providers could negatively affect our business results.

We face ongoing pricing pressure from our host locations to increase the commission fees we pay to them on our products and services or to make other financial concessions to win or retain their business. If we are unable to respond effectively to ongoing pricing-related pressures, we may fail to win or retain certain accounts. Our fee arrangements are based on our evaluation of unique factors with each host retailer, such as total revenue, long-term, non-cancelable contracts, installation of our kiosks in high-traffic, geographic locations and new product and service commitments. Together with other factors, an increase in service fees paid, or other financial concessions made, to our host retailers could significantly increase our direct operating expenses in future periods and harm our business.

Events outside of our control, including the current economic environment, have negatively affected, and could continue to negatively affect, consumers' use of our products and services.

Our consumers' use of many of our products and services is dependent on discretionary spending, which is affected by, among other things, economic and political conditions, consumer confidence, interest and tax rates, and financial and housing markets. With economic uncertainty still affecting potential consumers, we may be impacted by more conservative purchasing tendencies with fewer non-essential products and services purchased during the coming periods if the current economic environment continues. In addition, because our business relies in part on consumers initially visiting host locations to purchase products and services that are not necessarily our products and services, if consumers are visiting host retailers less frequently and being more careful with their money when they do, these tendencies may also negatively impact our business. Further, our ability to obtain additional funding in the future, if and as needed, through equity issuances or loans, or otherwise meet our current obligations to third parties, could be adversely affected if the economic environment continues to be difficult. In addition, the ability of third parties to honor their obligations to us could be negatively impacted, as host retailers, suppliers and other parties deal with the difficult economic environment. Finally, there may be consequences that will ultimately result from the current economic conditions that are not yet known, and any one or more of these unknown consequences (as well as those currently being experienced) could potentially have a material adverse effect on our financial condition, operating results and liquidity, as well as our business generally.

Our future operating results may fluctuate.

Our future operating results will depend significantly on our ability to continue to drive new and repeat use of our kiosks, our ability to develop and commercialize new products and services, and our ability to successfully integrate acquisitions and other third-party relationships into our operations. Our operating results could fluctuate and may continue to fluctuate based upon many factors, including:

- fluctuations in revenue generated by kiosk businesses;
- fluctuations in operating expenses, such as transaction fees and commissions we pay to our host locations;
- our ability to establish or maintain effective relationships with significant partners, host locations and suppliers on acceptable terms;
- the amount of service fees that we pay to our host locations;
- the transaction fees we charge consumers to use our services;
- the commercial success of our host locations, which could be affected by such factors as general economic conditions, severe weather or strikes;
- the successful use and integration of assets and businesses acquired or invested in;
- the level of product or price competition;
- the timing and cost of, and our ability to develop and successfully commercialize, new or enhanced products and services;
- activities of, and acquisitions or announcements by, competitors; and;
- the impact from any impairment of inventory, goodwill, fixed assets or intangibles related to our acquisitions and divestitures.

We depend upon third-party manufacturers, suppliers and service providers for our kiosks.

We depend on outside parties to manufacture our kiosks. We intend to continue to expand our installed base of kiosks. Such expansion may be limited by the manufacturing capacity of our third-party manufacturers and suppliers. Third-party manufacturers may not be able to meet our manufacturing needs in a satisfactory and timely manner. If there is an unanticipated increase in demand for our kiosks or our manufacturing needs are not met in a timely and satisfactory manner, we may be unable to meet demand due to manufacturing limitations which could seriously harm our business, financial condition and results of operations.

In addition, we rely on third-party service providers for substantial support and service efforts that we currently do not provide directly. Any failure by us to maintain our existing support and service relationships or to establish new relationships on a timely basis or on acceptable terms could harm our business, financial condition and results of operations.

Disruptions in our supply chain and other factors affecting the distribution of our products could adversely impact our business.

A disruption within our supply chain network could adversely affect our ability to deliver inventory in a timely manner, which could impair our ability to meet customer demand for products and result in lost sales, increased costs or damage to our reputation. Such disruptions may result from damage or destruction to our warehouse facility; weather-related events; natural disasters; third-party strikes, lock-outs, work stoppages or slowdowns; supply or shipping interruptions or costs; or other factors beyond our control. Any such disruption could negatively impact our financial performance or financial condition. We procured all its merchandise of inventory of finished goods ice cream from one vendor during the years ended December 31, 2016 and 2015.

Risks Related to our Securities

Since our common stock is thinly traded it is more susceptible to extreme rises or declines in price, and you may not be able to sell your shares at or above the price paid.

Since our common stock is thinly traded, its trading price is likely to be highly volatile and could be subject to extreme fluctuations in response to various factors, many of which are beyond our control, including:

- trading volume of our shares;
- number of securities analysts, market-makers and brokers following our common stock;
- changes in, or failure to achieve, financial estimates by securities analysts;
- new products or services introduced or announced by us or our competitors;
- actual or anticipated variations in quarterly operating results;
- conditions or trends in our business industries;
- announcements by us of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;
- additions or departures of key personnel;
- sales of our common stock; and
- general stock market price and volume fluctuations of publicly-traded, and particularly microcap, companies.

The stock markets often experience significant price and volume changes that are not related to the operating performance of individual companies, and because our common stock is thinly traded it is particularly susceptible to such changes. These broad market changes may cause the market price of our common stock to decline regardless of how well we perform as a company. In addition, securities class action litigation has often been initiated following periods of volatility in the market price of a company's securities. A securities class action suit against us could result in substantial legal fees, potential liabilities and the diversion of management's attention and resources from our business. Moreover, our shares are currently traded on the OTC QB and, further, are subject to the penny stock regulations. Price fluctuations in such shares are particularly volatile and subject to manipulation by market-makers, short-sellers and option traders.

Our common stock may be considered "penny stock", further reducing its liquidity.

Our common stock may be considered "penny stock", which will further reduce the liquidity of our common stock. Our common stock is likely to fall under the definition of "penny stock," trading in the common stock is limited because broker-dealers are required to provide their customers with disclosure documents prior to allowing them to participate in transactions involving the common stock. These disclosure requirements are burdensome to broker-dealers and may discourage them from allowing their customers to participate in transactions involving our common stock, thereby further reducing the liquidity of our common stock.

"Penny stocks" are equity securities with a market price below $5.00 per share other than a security that is registered on a national exchange, included for quotation on the NASDAQ system or whose issuer has net tangible assets of more than $2,000,000 and has been in continuous operation for greater than three years. Issuers who have been in operation for less than three years must have net tangible assets of at least $5,000,000.

Rules promulgated by the Securities and Exchange Commission under Section 15(g) of the Exchange Act require broker-dealers engaging in transactions in penny stocks, to first provide to their customers a series of disclosures and documents including:

- ☐ A standardized risk disclosure document identifying the risks inherent in investment in penny stocks;
- ☐ All compensation received by the broker-dealer in connection with the transaction;
- ☐ Current quotation prices and other relevant market data; and Monthly account statements reflecting the fair market value of the securities.

These rules also require that a broker-dealer obtain financial and other information from a customer, determine that transactions in penny stocks are suitable for such customer and deliver a written statement to such customer setting forth the basis for this determination.

Our directors and executive officers will continue to exert significant control over our future direction, which could reduce the sale value of our Company.

As of April 7, 2017 our Board of Directors and our executive officers beneficially own approximately 29.7 percent of our common stock. Accordingly, these stockholders, if they act together, will have considerable influence over matters requiring approval of our stockholders, including the election of directors and approval of significant corporate transactions. This concentration of ownership, which could result in a continued concentration of representation on our Board of Directors, may delay, prevent or deter a change in control and could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of our assets.

Investors should not anticipate receiving cash dividends on our common stock, thereby depriving investors of yield on their investment.

We have never declared or paid any cash dividends or distributions on our common stock and intend to retain future earnings, if any, to support our operations and to finance expansion. Therefore, we do not anticipate paying any cash dividends on the common stock in the foreseeable future. Such failure to pay a dividend will deprive investors of any yield on their investment in our common stock.

Our indemnification of officers and directors and limitations on their liability could limit our recourse against them.

Our Certificate of Incorporation and Bylaws contain broad indemnification and liability limiting provisions regarding our officers, directors and employees, including the limitation of liability for certain violations of fiduciary duties. Stockholders therefore will have only limited recourse against these individuals.

If we fail to implement and maintain proper and effective internal controls and disclosure controls and procedures, our ability to produce accurate and timely financial statements and public reports could be impaired, which could adversely affect our operating results, our ability to operate our business and investors' views of us.

Section 404 of the Sarbanes-Oxley Act of 2002 requires the Company to evaluate the effectiveness of its internal control over financial reporting as of the end of each year, and to include a management report assessing the effectiveness of the Company's internal control over financial reporting in each Annual Report on Form 10-K.

We have identified our disclosure controls and procedures were not effective and that material weaknesses exists in our internal control over financial reporting. The material weaknesses consist of an insufficient complement of qualified accounting personnel and controls associated with segregation of duties and ineffective controls associated with identifying and accounting for complex and non-routine transactions in accordance with U.S. generally accepted accounting principles. Due to the material weaknesses in internal control over financial reporting and disclosure controls and procedures, there may be errors in the Company's consolidated financial statements and in the accompanying footnote disclosures that could require restatements. Investors may lose confidence in our reported financial information and disclosure, which could negatively impact our stock price.

We do not expect that our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. Over time, controls may become inadequate because changes in conditions or deterioration in the degree of compliance with policies or procedures may occur. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

We have additional common stock and preferred stock available for issuance, which, if issued, could adversely affect the rights of the holders of our common stock.

Our Certificate of Incorporation authorizes the issuance of up to 600,000,000 shares of our common stock and up to 10,000,000 shares of preferred stock. The common stock and the preferred stock can be issued by the Board of Directors, without stockholder approval. As of April 7, 2017, there are 25,064,992 shares of our common stock outstanding. Further, as of April 7, 2017, there are approximately 92 million instruments outstanding that can be converted into shares of our common stock.

ITEM 1B – UNRESOLVED STAFF COMMENTS

None.

ITEM 2 - PROPERTIES

We lease approximately 2,800 square feet of office and warehouse space at 1080 N. Batavia Street Suite A in Orange County CA at an escalating rate of $2,830 per month on a one year lease expiring February 2018. In addition, the Company leased a warehouse space in Las Vegas, Nevada. The lease for the warehouse in Las Vegas is for a term of 25 months commencing in February 2016 and provides for a base rent of $1,068 with scheduled increases. These locations are used to service our self-serve electronic kiosks in the respective geographic areas. Our corporate mailing address is 1507 7th Street, Unit 425, Santa Monica, CA 90401.

ITEM 3 - LEGAL PROCEEDINGS

There are no material legal proceedings to which the Company or any of its subsidiaries is a party or of which any of their property is the subject.

ITEM 4 – MINE SAFETY DISCLOSURES

Not applicable

PART II

ITEM 5 - MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is listed on the OTCQB, where it trades under the symbol "UVND".

The table below sets forth the range of quarterly high and low closing sales prices for our common stock for 2016 and 2015. The quotations below reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions:

	High	Low
Year ending December 31, 2016		
First Quarter	$ 0.14	$ 0.06
Second Quarter	$ 0.18	$ 0.05
Third Quarter	$ 0.16	$ 0.05
Fourth Quarter	$ 0.06	$ 0.03

	High	Low
Year ending December 31, 2015		
First Quarter	$ 0.45	$ 0.10

Second Quarter	$	0.44	$	0.15
Third Quarter	$	0.35	$	0.12
Fourth Quarter	$	0.20	$	0.07

The last reported sales price of our common stock on the OTC Bulletin Board on April 7, 2017 was $0.03.

Issued and Outstanding

Our certificate of incorporation authorizes 600,000,000 shares of Common Stock, par value $0.001 and 10,000,000 shares of Preferred Stock, par value $0.001. As of December 31, 2016, we had 24,664,992 shares of Common Stock, and 0 shares of Preferred Stock issued and outstanding.

Stockholders

As of April 7, 2017, we had approximately 963 record holders of our common stock. This number does not include the number of persons whose shares are in nominee or in "street name" accounts through brokers.

Dividends

We did not pay dividends during 2016 or 2015. We have never declared or paid any cash dividends or distributions on our common stock and intend to retain future earnings, if any, to support our operations and to finance expansion. Therefore, we do not anticipate paying any cash dividends on the common stock in the foreseeable future.

Stock Transfer Agent and Warrant Agent
Our stock transfer agent is Corporate Stock Transfer, 3200 Cherry Creek Drive South, Suite 430, Denver, CO 80209. We act as our own warrant agent for our outstanding warrants.

Recent Issuances of Unregistered Securities
During the three months ended December 31, 2016,

The Company issued three convertible notes in the aggregate face amount of $250,000 with an interest rate of 9.5% and two year term. These notes are convertible into 5,000,000 shares of common stock at $0.05 per share. The Company issued an aggregate of 5,000,0000 warrants with an exercise price of $0.05 per share and 5 year term in connection with this debt.

The Company entered into consulting agreements with three consultants and issued an aggregate of 705,000 shares for services to be rendered.

The Company issued 500,000 shares of common stock to a noteholder to extend the maturity of the note.

The Company issued 700,000 shares of its common stock upon conversion of $35,000 face amount of Senior Convertible Note.

The shares of common stock to be issued in the above transactions have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), and were issued and sold in reliance upon the exemption from registration contained in Section 4(2) of the Securities Act and Rule 506 of Regulation D promulgated thereunder.

Share Repurchased by the Registrant
We did not purchase or repurchase any of our securities in the years ended December 31, 2016 and 2015.

Securities authorized for issuance under equity compensation plans
On July 22, 2011, the Board of Directors of the Company approved the Company's 2011 Equity Incentive Plan (the "Plan") and on July 26, 2011, stockholders holding a majority of shares of the Company approved, by written consent, the Plan. The total number of shares of common stock available for issuance under the Plan is 5,000,000 shares. Awards may be granted to employees, officers, directors, consultants, agents, advisors and independent contractors of the Company and its related companies. Such options may be designated at the time of grant as either incentive stock options or nonqualified stock options. Stock based compensation includes expense charges related to all stock-based awards. Such awards include options, warrants and stock grants. Generally, the Company issues stock options that vest over three years and expire in 5 to 10 years.

The Company records share based payments under the provisions of FASB ASC 718. Stock based compensation expense is recognized over the requisite service period based on the grant date fair value of the awards. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model on certain assumptions. The Company estimated the expected volatility based on data used by peer group of public companies. The expected term was estimated using the simplified method. The risk-free interest rate assumption was determined using the equivalent U.S. Treasury bonds yield over the expected term. The Company has never paid any cash dividends and does not anticipate paying any cash dividends in the foreseeable future. Therefore, the Company assumed an expected dividend yield of zero.

The following table sets forth information as of December 31, 2016 regarding equity compensation plans under which our equity securities are authorized for issuance.

Equity Plan Compensation Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation Plans (excluding securities reflected in column (a))

	(a)	(b)	(c)
Equity compensation plans approved by securities holders (1)	4,658,150	$ 0.31	341,850
Total	4,658,150		359,350

(1) Pursuant to our 2011 Equity Incentive Plan

ITEM 6 – SELECTED FINANCIAL INFORMATION

This item is not applicable to us as a smaller reporting company.

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

Certain statements contained herein constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "1995 Reform Act"). U-Vend, Inc. desires to avail itself of certain "safe harbor" provisions of the 1995 Reform Act and is therefore including this special note to enable us to do so. Except for the historical information contained herein, this report contains forward-looking statements (identified by the words "estimate," "project," "anticipate," "plan," "expect," "intend," "believe," "hope," "strategy" and similar expressions), which are based on our current expectations and speak only as of the date made. These forward-looking statements are subject to various risks, uncertainties and factors that could cause actual results to differ materially from the results anticipated in the forward-looking statements, including, without limitation, those discussed under Part I, Item 1A "Risk Factors" in this Annual Report, and those described herein that could cause actual results to differ materially from the results anticipated in the forward-looking statements, and the following:

- Our limited operating history with our business model.
- The low cash balance and limited financing currently available to us. We may in the near future have a number of obligations that we will be unable to meet without generating additional income or raising additional capital.
- Further cost reductions or curtailment in future operations due to our low cash balance and negative cash flow.
- Our ability to effect a financing transaction to fund our operations which could adversely affect the value of our stock.
- Our limited cash resources may not be sufficient to fund continuing losses from operations.
- The failure of our products and services to achieve market acceptance.
- The inability to compete in our market, especially against established industry competitors with greater market presence and financial resources.

The following discussion and analysis provides information that our management believes is relevant to an assessment and understanding of our results of operations and financial condition and should be read in conjunction with the financial statements and footnotes that appear elsewhere in this report.

General

U-Vend, Inc. was incorporated in March 2007 as a Delaware corporation and herein we refer to the company as "we", "us", the "Company" or "U-Vend." We are headquartered in Santa Monica, California and maintain operations in Ontario, Canada, Chicago, Illinois, southern California, and Las Vegas, Nevada. Our corporate office is located at 1507 7th Street, #425, Santa Monica, CA 90401 and our telephone number is (800) 467-1496. Our corporate website address is www.u-vend.com. Information contained on our websites is not a part of this interim report.

Nature of Business

The Company entered the business of developing, marketing and distributing various self-serve electronic kiosks and mall/airport co-branded islands throughout North America with the merger with U-Vend Canada, Inc. on January 7, 2014. The Company seeks to place its kiosks in high-traffic host locations such as big box stores, restaurants, malls, airports, casinos, universities, and colleges. Currently, the Company leases, owns and operates their kiosks but intends to also provide the kiosks, through a distributor relationship, to the entrepreneur wanting to own their own business.

The Company's vending kiosks incorporate advanced wireless technology, creative concepts, and ease of management. The Company's kiosks have been designed to be tech-savvy and can be managed on line 24 hours a day/7 days a week, accepting traditional cash input as well as credit and debit cards. Host locations and suppliers have been drawn to this distribution concept of product vending based on the advantages of reduced labor and lower product theft as compared to non-kiosk merchandising platforms. The Company takes a solutions development approach for the marketing of products through a variety of kiosk offerings. The Company's approach to the market includes the addition of digital LCD monitors to most makes and models of their kiosk program. This would allow the Company to offer digital advertising as a national and/or local loop basis and a corresponding additional revenue stream for the Company.

The Company began its current business efforts with the acquisition of the U-Vend Canada business in January 2014. The business acquired from U-Vend Canada was focused on the Chicago, Illinois region at the date of the acquisition and has since expanded to include southern California during the fourth quarter of 2014 and Las Vegas, Nevada in the third quarter of 2015. The Company has a depot and staffing to develop and service customers in each of these geographic regions. The Company will experience increased expenses with the growth in sales and number of kiosks in service, both of which increased as the Company executed it business

plan.

In February 2015, the Company announced entering into an exclusive five year North American sponsorship and licensing agreement with the National Hockey League ("NHL") for the development, manufacturing and marketing of a novelty ice cream product. The Company has branded the product Frozen Pond Premium Ice Cream. This is the first consumer product the Company has taken from concept to market and will seek to establish a wide distribution network for the sale of the product to consumers throughout Canada and the United States.

In June 2016, the Company entered into a license agreement beginning January 1, 2016 through December 31, 2018 with Major League Baseball Properties, Inc. ("MLB", "Licensor") for the non-exclusive right to certain proprietary intangible property of the Licensor to be used in connection with the manufacturing, distribution, promotion and advertisement of an ice cream novelty product to be sold within the U.S., the District of Columbia and U.S. territories.

Management's plans

The accompanying condensed consolidated financial statements have been prepared on a going concern basis. The Company incurred a loss of $2,607,461 during the year ended December 31, 2016, has accumulated losses totaling $8,434,883, and has a working capital deficit of $3,572,772 at December 31, 2016. These factors, among others, indicate that the Company may be unable to continue as a going concern. The condensed consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

To fund the Company's operations for the next 12 months, to allow the Company to continue the development of its business plans and satisfy its obligations on a timely basis, the Company needs to raise additional financing. Should additional financing not be available, the Company will have to negotiate with its lenders to extend the repayment dates of its indebtedness. There can be no assurance that the Company will be able to successfully restructure its debt obligations in the event it fails to obtain additional financing.

On January 7, 2014, U-Vend, Inc., formerly Internet Media Services, Inc. ("IMS") entered into an Exchange of Securities Agreement with U-Vend Canada, Inc., and the stockholders of U-Vend Canada, Inc. ("U-Vend Canada"). The Company believes the merger with U-Vend Canada will provide it with business operations and also working capital. The Company is in discussion to raise additional capital to execute on its current business plans. There is no assurance that future financing arrangements will be successful or that the operating results of U-Vend, Inc. will yield sufficient cash flow to execute the Company's business plans or satisfy its obligations. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Results of Operations: For the Years Ended December 31, 2016 and December 31, 2015

Revenue:
For the year ended December 31, 2016 the Company's revenue increased by $536,818 or 60.2% to $1,428,045 compared to revenues of $891,227 during the year ended December 31, 2015. The increase in revenue was due to additional electronic kiosks being installed and operational during 2016. As of December 31, 2016, the Company had an installed base of 141 electronic kiosks in Southern California and Las Vegas, Nevada compared to 127 installed units at December 31, 2015. A substantial number of kiosks were installed in the first quarter of 2015 and the benefit of a full operational of these kiosks was realized in 2016.

Cost of Revenue:
For the year ended December 31, 2016, the Company's cost of revenue increased by $173,871 or 32.2% to $713,870 compared to cost of revenue of $533,999 during the year ended December 31, 2015. The increase in cost of revenue in 2016 was due to higher revenues being generated by the Company in 2016 compared to 2015. The Company's cost of revenue as a percentage of revenue during the year ended December 31, 2016 was 50.0%, compared to 60.6% in 2015.

Selling Expenses:
Selling expenses for year ended December 31, 2016 increased by $569,035 or 64.9% compared to the year ended December 31, 2015. Selling expenses increased, in part, due to increased revenues attained by the Company during 2016 resulting in increases in selling expenses such as commissions paid to host locations where the Company's kiosks are housed. In addition, during the year ended December 31, 2016, the Company expensed $691,757 compared to $316,997 in 2015 for sponsorship and media commitment fees in connection with the NHL Corporate Marketing Agreement and Major League Baseball Properties, Inc.

General and Administrative Expenses:
General and Administrative expenses for the year ended December 31, 2016 increased by $127,671 or 9.1% compared to the year ended December 31, 2015. Increased levels of operations and revenue in 2016 resulted in increases in all round support costs including compensation, revenue based incentives and travel expenses. During the year ended December 31, 2015, the Company granted options to acquire 4,280,000 shares of its common shares pursuant to the Company's Stock Option plan as compared to only 20,000 in 2016. During 2015 the Company also granted 500,000 restricted shares to an officer with a three year vesting period compared to none in 2016. During the year ended December 31, 2015, $257,904 was charged to operations as stock based compensation costs for the options and the restricted shares granted compared to $165,296 charged to operations during the year ended 2016.

Reversal of earn-out liability:
The Company had estimated the earn-out liability pursuant to its merger agreement U-Vend Canada. The Company paid part of the liability through issuance of 2,261,425 common shares. During the years ended December 31, 2015, the Company determined that it is unlikely that there will be additional earn-out payments since the revenue targets stipulated for the earn-out will not be achieved. Accordingly, the Company reversed the liability for contingent consideration in the amount of $201,013, resulting in non-cash operating income reflected in the accompanying consolidated Statement of Operations during the year ended December 31, 2015.

Change in fair value of debt and warrant liabilities:
The Company evaluates financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. Certain warrants the Company has issued have a "down round provision" as a result the warrants are classified as derivative liabilities for accounting purposes. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair market value and then is revalued at each reporting date, with changes in fair value reported in the consolidated statement of operations. During the year ended December 31, 2016, the Company recognized a gain on the change in fair value of warrant liabilities in the amount of $177,281 compared to a gain on the change in fair value of warrant liabilities in the amount of $83,881 during the year ended December 31, 2015.

Amortization of debt discount and deferred financing costs:
Amortization of debt discount and deferred financing costs increased by $145,928 or 72.2% from $202,247 to $348,175 during the year ended December 31, 2016 as compared to the year ended December 31, 2015. The increase in debt discount and deferred financing costs were due to additional interest, expenses, fine and penalties of $95,844 arising from Senior Convertible Notes and

2016 SPA notes issuance charged as debt discount and deferred financing costs in 2016. In addition, during the year ended December 31, 2016, Company charged to operations as amortization of deferred financing costs $150,000 incurred for a proposed financing as the Company determined that it is unlikely that the proposed financing will be completed.

Interest expense:
Interest expense for the year ended December 31, 2016 increased by $27,972 or 11.7% from the year ended December 31, 2015. The increase was due to higher levels of borrowings the Company had in 2016.

Unrealized gain on foreign currency:
The Company had two convertible notes, payable in Canadian dollars that were acquired in connection with the U-Vend Canada merger on January 7, 2014, and the Company repaid one of the notes during the year ended December 31, 2016. During the year ended December 31, 2016, the Company recorded an unrealized loss of $4,530 and during the year ended December 31, 2015, the Company recorded a gain on foreign currency related to these notes and the related accrued interest of $29,158.

Net Loss:
As a result of the foregoing, the net loss for the year ended December 31, 2016 increased by $556,887 to $2,607,461 compared to a net loss of $2,050,574 incurred during the year ended December 31, 2015.

Liquidity and Capital Resources

At December 31, 2016, the Company had a working capital deficiency of approximately $3,573,000 compared to working capital deficiency of approximately $2,914,000 at December 31, 2015. The increase in the working capital deficiency is primarily due to the Company's operating losses during the year ended December 31, 2016. During the year ended December 31, 2016, the Company's operating activities used cash of approximately $774,000 compared to approximately $632,000 used during the year ended December 31, 2015.

During the year ended December 31, 2016, the Company's operating losses, after adjusting for non-cash items, used approximately $1,898,000 of cash. Changes in working capital items provided approximately $1,124,000 of cash during the year ended December 31, 2016. During the year ended December 31, 2015, the Company's operating losses after adjustment for non-cash items, used approximately $1,500,000 of cash, and working capital items provided approximately $868,000 of cash.

During the year ended December 31, 2016, the Company issued nine promissory notes and borrowed an aggregate amount of $474,000. The promissory notes bear interest at 10% per annum and were due at various due dates in June 2016. These promissory notes were settled through issuance of 2016 SPA notes on June 30, 2016.

On June 30, 2016, the Company entered into an agreement with Cobrador and issued an additional Senior Convertible Note in the face amount of $108,804 in settlement of accrued interest, additional interest, fees and penalties. The additional interest, fees and penalties $72,734 and this amount was charged to operations as debt discount amortization during the nine months ended September 30, 2016. The Senior Convertible Note is due on December 31, 2017 and can be convertible into shares of common stock at a conversion price $.05 per share. The Company determined that the Senior Convertible Note had beneficial conversion and allocated $87,043 as debt discount representing the beneficial conversion. The Company will amortize the debt the discount over the term of the note.

On June 30, 2016, the Company issued five Convertible Notes in the aggregate face amount of $761,597 pursuant to 2016 Stock Purchase Agreement (2016 SPA). 2016 SPA Notes are due in 24 months and bear interest at 9.5% and are convertible into shares of common stock at a conversion price of $0.17 per share. The Company satisfied its obligations for: previously issued Promissory Notes of $549,000, accrued interest of $38,615, lease principal installments of $47,466, previously accrued registration rights penalties of $22,156, due to an ex officer of $81,250, and additional interest, expenses, fine and penalties of $23,110 through the issuance of 2016 SPA Notes.

During the year ended December 31, 2016, the Company repaid one convertible note payable in Canadian dollars that were acquired in connection with the U-Vend Canada merger on January 7, 2014 in the face amount of $19,250.

During the year ended December 31, 2016, the Company issued four Convertible Notes (Cobrador 2016 Convertible Notes) in the face amount of $115,000. The notes are due in due 24 months and bear interest at 9.5% and are convertible into shares of common stock at a conversion price of $0.17 (revised to $0.05 due to down round provisions) per share.

During the fourth quarter of 2016, the Company issued three additional Convertible Notes in the face amount of $250,000. The notes are due in due 24 months and bear interest at 9.5% and are convertible into shares of common stock at a conversion price of $0.05 per share. In connection with these borrowings, the Company granted a total of 5,000,000 warrants with an exercise price of $0.07 per share (revised to $0.05 due to down round provisions) with a five year expiration. The Company allocated $27,585 to debt discount based on the computed fair value of the convertible notes and warrants issued, and the debt discount is classified as derivative warrant liability due to the "down round provision" in the warrants.

During the year ended December 31, 2016, the Company issued two unsecured promissory notes and borrowed an aggregate amount of $80,000. The promissory notes bear interest at 10% per annum, with a provision for an increase in the interest rate upon an event of default as defined therein, and are due at various due dates in May and September 2017.

In addition, during the year ended December 31, 2016, the Company borrowed an aggregate of $76,500 pursuant to seven unsecured promissory notes. The notes bear interest at 19% and the borrowings are payable together with interest over a period of six months from the date of borrowing. The Company repaid an aggregate of $63,467 of borrowings during the year ended December 31, 2016 and the balance outstanding on these notes at December 31, 2016 was $24,116 ($11,083 at December 31, 2015).

The Company raised an aggregate of $265,000 in private placement sale of common shares with warrants during the year ended December 31, 2015. During the year ended December 31, 2015, the Company issued $469,900 in subordinated convertible notes, net of financing costs, and $48,839 in promissory notes. In addition, the Company received $55,000 in proceeds upon exercise of warrants into shares of common stock.

As of December 31, 2016, principal amount of approximately $100,000 in aggregate are due for repayment pursuant to the terms of the related notes. The Company is in discussion with the noteholders for an extension of the repayment date, however, as of date no agreement has been concluded. There is can be no assurance that an acceptable extension agreement will be concluded.

The accompanying consolidated financial statements have been prepared on a going concern basis. The Company incurred a loss of $2,607,461 during the year ended December 31, 2015, has accumulated losses totaling $8,434,883 and has a working capital deficit of approximately $3,573,000 at December 31, 2016. These factors, among others, indicate that the Company may be unable to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

To fund the Company's operations for the next 12 months, to allow the Company to continue the development of its business plans and satisfy its obligations on a timely basis the Company needs to raise additional financing. Should additional financing not be available the Company will have to negotiate with its lenders to extend the repayment dates of its indebtedness. There can be no assurance that the Company will be able to successfully restructure its debt obligations in the event it fails to obtain additional financing.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, an effect on our financial condition, financial statements, revenues or expenses.

Inflation

Although our operations are influenced by general economic conditions, we do not believe that inflation had a material effect on our results of operations during the last three years as we are generally able to pass the increase in our material and labor costs to our customers, or absorb them as we improve the efficiency of our operations.

Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires management to make judgments, assumptions and estimates that affect the amounts reported in our consolidated financial statements and accompanying notes. The consolidated financial statements as of December 31, 2016 describe the significant accounting policies and methods used in the preparation of the consolidated financial statements. Actual results could differ from those estimates and be based on events different from those assumptions. Future events and their effects cannot be predicted with certainty; estimating therefore, requires the exercise of judgment. Thus, accounting estimates change as new events occur, as more experience is acquired or as additional information is obtained. The following critical accounting policies are impacted significantly by judgments, assumptions and estimates used in the preparation of our consolidated financial statements:

Fair Value of Financial Instruments

Financial instruments include cash, accounts receivable, accounts payable, accrued expenses, derivative warrant liabilities, promissory notes payable, capital lease obligations, contingent consideration liability, convertible notes payables, and senior convertible notes payable. Fair values were assumed to approximate carrying values for these financial instruments, except for derivative warrant liabilities, contingent consideration liability, convertible notes payable and senior convertible notes payable, since they are short term in nature and their carrying amounts approximate fair values or they are receivable or payable on demand. The convertible notes payable are recorded at face amount, net of any unamortized discounts based on the underlying shares the notes can be converted into. The fair value was estimated using the trading price on December 31, 2016, since the underlying shares are trading in an active, observable market, the fair value measurement qualifies as a Level 1 input. The determination of the fair value of the derivative warrant liabilities and contingent consideration include unobservable inputs and is therefore categorized as a Level 3 measurement.

Fair value is defined as 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. FASB ASC 820 “Fair Value Measurement” establishes a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). These tiers include:

- Level 1, defined as observable inputs such as quoted prices for identical instruments in active markets;
- Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable such as quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active; and
- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Derivative Financial Instruments

We do not use derivative instruments to hedge exposures to cash flow, market or foreign currency risks. We evaluate all of our financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. Certain warrants the Company has issued have a “down round provision.” As a result, the warrants are classified as derivative liabilities for accounting purposes.

For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair market value and then is revalued at each reporting date, with changes in fair value reported in the consolidated statement of operations. The methodology for valuing our outstanding warrants classified as derivative instruments was determined based on the consideration of the enterprise value of the Company, the limited market of the shares issuable under the agreement and modeling of the Monte Carlo simulation using multiple volatility assumptions. A financial asset or liability’s classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The warrant liability is measured at fair value using certain estimated factors such as volatility and probability which are classified within Level 3 of the valuation hierarchy. Significant unobservable inputs are used in the fair value measurement of the Company’s derivative warrant liabilities include impact of dilution and volatility. Significant increases (decreases) in the volatility input would result in a significantly higher (lower) fair value measurement.

Share-Based Payments

We record our common shares issued based on the value of the shares issued or consideration received, including cash, services rendered or other non-monetary assets, whichever is more readily determinable. The Company accounts for stock-based compensation under the provisions of FASB ASC 718 "Stock Compensation." This statement requires the Company to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost is recognized over the period in which the employee is required to provide service in exchange for the award, which is usually the vesting period. In accordance with FASB ASC 505 "Equity", the measurement date for the non-forfeitable awards to nonemployees that vest immediately is the date the award is issued.

ITEM 7A - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our audited consolidated financial statements for the years ended December 31, 2016 and 2015 follow Item 14, beginning at page F-1.

ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A - CONTROLS AND PROCEDURES

Management's Annual Report on Internal Control over Financial Reporting
Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, the chief executive officer and our chief financial officer and effected by our 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 generally accepted accounting principles.

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including the Company's chief executive officer also acting as chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our evaluation of internal control over financial reporting includes using the 2013 COSO framework, an integrated framework for the evaluation of internal controls issued by the Committee of Sponsoring Organizations of the Treadway Commission, to identify the risks and control objectives related to the evaluation of our control environment.

Our chief executive officer, also acting as chief financial officer, after evaluating the effectiveness of the Company's "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 (Exchange Act) Rules 13a-15(e) or 15d-15(e)) as of the end of the period covered by this annual report, have concluded that our disclosure controls and procedures were not effective and that material weaknesses exist in our internal control over financial reporting based on the evaluation of these controls and procedures as required by paragraph (b) of Exchange Act Rules 13a-15 or 15d-15. The material weaknesses consist of an insufficient complement of qualified accounting personnel and controls associated with segregation of duties and ineffective controls associated with identifying and accounting for complex and non-routine transactions in accordance with U.S. generally accepted accounting principles.

To address the material weaknesses we performed additional analyses and other post-closing procedures and retained the services of a consultant to ensure that our consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Notwithstanding these material weaknesses, management believes that the financial statements included in this Annual Report on Form 10-K fairly present, in all material respects, our financial condition, result of operations and cash flows for the periods presented.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation requirements by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

Changes in Internal Control Over Financial Reporting
There was no change in the Company's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the year ended December 31, 2016 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B – OTHER INFORMATION

None.

PART III

ITEM 10 - DIRECTORS, EXECUTIVE OFFICERS and CORPORATE GOVERNANCE

Directors and Executive Officers

Name	Age	Position	Director/Officer Since

David Graber	45	Chief Executive Officer, Chief Financial Officer, Principal Executive Officer, Principal Financial Officer	February 2017
Raymond Meyers	60	Former Chief Executive Officer, Former Chief Financial Officer, Former Principal Executive Officer, Former Principal Financial Officer, Director	April 2008
Mark Chapman	60	President, U-Vend America, Inc.	August 2015
Alexander A. Orlando	54	Director	April 2008
Patrick White	63	Director	October 2009
Philip Jones	48	Director	October 2009

The principal occupations for at least the past five years of each of our directors and executive officers are as follows:

David Graber effective February 1, 2017, the Company appointed David Graber, 45, to fill the vacancy created by the resignation of Mr. Meyers. Mr. Graber will serve as the Company's Chief Executive Officer, President, and acting Chief Financial Officer and has been added to the Company's Board of Directors. Most recently, Mr. Graber was the Managing Principal of Cobrador Capital Advisors, LLC, an investment management firm focused on the consumer sector. Prior to Cobrador Capital Advisors, LLC, Graber was Managing Director, Investment Banking at New Century Capital Partners (2011-2014) and National Securities Corporation (2009-2010). From 2006-2008, he was CEO and Director of OKC Corporation, a manufacturer and retailer in the home improvement industry. From 1994-2005 Mr. Graber was a Sr. Vice President and Director in the Equities Division of Donaldson, Lufkin & Jenrette and subsequently, Credit Suisse First Boston (CSFB) in New York and Los Angeles. Mr. Graber holds dual Masters of Business Administration (MBA) from Columbia University Graduate School of Business in New York City (2004) and London Business School in the UK (2004). He also holds a BA Psychology from Tulane University in New Orleans, LA (1994).

Raymond Meyers founded U-Vend, Inc. (formerly Internet Media Services, Inc.) in March 2007 and was the Chief Executive Officer and President since the Company's inception until February 1, 2017. Mr. Meyers founded and operated several technology-based companies, with the most recent one being eBoz, Inc., an Internet marketing tools company, which he operated from November 2001 to April 2005 and sold to Web.com (Nasdaq GM: WWWW), formerly Website Pros, Inc., in April 2005. From April 2005 to December 2006 he was an employee of Web.com holding the position of General Manager, eBoz Division. He was previously (from December 1996 to December 1999) CEO and President of ProtoSource Corporation, a NASDAQ listed company. He is a graduate of Rutgers University with continuing education at UCLA. We believe that as a result of his service as our Founder, President and Chief Executive Officer since inception, which adds historical knowledge, operational expertise and continuity to our board of directors, and his extensive corporate management experience, including serving as the chief executive officer of a publically-held company, he provides the board with a deep understanding of all aspects of our business, both strategically and operationally, and therefore should serve on our board.

Mark Chapman serves as President of U-Vend America, Inc. and is responsible for providing the strategic and operational leadership necessary to grow the Company's business in the United States. Mr. Chapman has had success in leading operations in the seven fundamental areas of business execution; Sales, Marketing, Finance, Production, Legal, IT and HR. He has been involved in the creation, management and launch of new products and brands which resulted in category growth that exceeded one billion dollars in multiple companies. He held executive positions in General Foods Corporation, Dr Pepper, Mauna Loa, Malt-O-Meal Foods, Ralston Purina and American Image/Image Plastics. In addition, Mr. Chapman has been a consultant, working with many billion-dollar brands such as, Remington Arms, Northwest Racket & Fitness, Coke Foods, Dial Corp., Belgard Brands, Del Monte, First Brands, HJ Heinz, JM Smuckers, Kellogg's Frozen Foods, First Brands, Reckitt and Coleman, Land-O-Lakes, Diamond Aircraft, Shasta Beverage, Plochmans, and Breyers Frozen Products, Women's Super-Fitness, PrimePay, Accuchex , Gristmill Corporation, U.S. Armed Forces, Baylor College of Medicine and Advanced Orthopedics Sports Medicine. He holds a Bachelor's degree in Marketing & Psychology (Cum Laude) and a Master's degree in Psychology (Magna cum Laude) from Richmond University in London, England.

Alexander A. Orlando holds the positions of Chief Financial Officer and Treasurer for Eagle International Institute, Inc. from March, 2008 to Present. He was Vice President for eBoz, Inc., an Internet marketing tools company, from January 2000 to December 2007, Senior Executive for ITT Industries-Goulds Pumps from August 1998 to December 1999, General Manager and Controller for Foley-PLP from Jan 1995 to Aug 1998, Managing Partner of Wagner's Tax and Consulting Services and owner of several Subway Sandwich Franchises and Real Estate Investments from 1995 to Present. He is a graduate of Ithaca College with a BS in Finance and Accounting, with continuing education at Geneseo State College of New York. We believe Mr. Orlando should serve on our board of directors based on the perspective he brings to our board of directors from his exposure to the internal and external financial requirements and controls of both large and smaller technology companies, and the unique perspective he brings to the our board of directors from his entrepreneurial experiences.

Patrick White was Chief Executive Officer and a Director of Document Security Systems, Inc. ("DSS") from August 2002 to December 2012. In addition, Mr. White was President of DSS from August 2002 until June 2006 and was Chairman of the Board of Directors of DSS from August 2002 until January 2008. DSS is an NYSE AMEX listed company. Mr. White received his Bachelors of Science (Accounting) and Masters of Business Administration degrees from Rochester Institute of Technology. We believe Mr. White is qualified to serve on our board of directors based on his extensive corporate management experience, including serving as the chief executive officer of a publically-held company (DSS), and his experience with the organizational challenges involved with becoming and operating as a publically-held company.

Philip Jones is a CPA and holds an MBA from Rochester Institute of Technology. He has over 15 years of experience in both the public and private accounting and finance sectors, including positions at Arthur Anderson from 1996 to 1998 and PricewaterhouseCoopers from 2003 to 2004, American Fiber Systems (Controller) from 2000 to 2003, and 2004 to 2005, and Zapata (NYSE:ZAP)(Accounting Manager and Director of Finance) from 1998 to 2000. Mr. Jones joined Document Security

Systems, Inc. ("DSS") in 2005 as its Corporate Controller and has been its Chief Financial Officer since 2009. DSS is an NYSE AMEX listed company. We believe Mr. Jones should serve as a member of our board of directors based on his experience in the public and private accounting and finance sectors, and being Chief Financial Officer at a publically traded company (DSS), which provides our board of directors with insights into the areas of corporate finance, cash management, and SEC reporting requirements.

Term of Office

Directors are elected to hold office until the next annual meeting of stockholders and until their successors are elected and qualified. Annual meetings of the stockholders, for the selection of directors to succeed those whose terms expire, are held at such time each year as designated by the Board of Directors. Officers of the Company are elected by the Board of Directors, which is required to consider that subject at its first meeting after every annual meeting of shareholders. Each officer holds office until his successor is elected and qualified or until his earlier resignation or removal.

Committees of the Board of Directors

We do not have any committees of the Board of Directors. We consider a majority of our Board members (consisting of Messrs. Jones, Orlando, and White) to be independent directors under NYSE AMEX rules.

Corporate Governance

We do not have an audit committee, compensation committee or nominating committee. As we grow and evolve as a SEC registrant, our corporate governance structure is expected to be enhanced.

ITEM 11 - EXECUTIVE COMPENSATION

As of December 31, 2016, the Company has employment agreements with Mr. Meyers and Mr. Chapman. Effective December 31, 2016, Paul Neelin, Chief Operating Officer, Secretary and Director resigned from the Company to pursue other opportunities. We do not have key person life insurance on the lives of any of our executive officers.

The following table discloses compensation received by our Chief Executive Officer, Chief Operating Officer and President, U-Vend America, Inc., also referred to herein as our "named executive officers," for the years ended December 31, 2016 and 2015.

Mr. Meyers earned a salary of $60,000 per annum plus a bonus based on revenues for the calendar year of 2016 of which $30,000 was paid during the year and $203,000 was earned but unpaid. In 2015, Mr. Meyers earned a salary of $60,000 per annum plus a bonus based on revenues for the calendar year of 2015 of which $25,500 was paid during the year and $124,000 was earned but unpaid at December 31, 2015. On June 30, 2016, the Company settled $270,000 due to Mr. Myers for unpaid salaries and other accounts through issuance of 1,588,236 shares of common stock.

Mr. Neelin earned a salary of $120,000 for the calendar year of 2016 of which $3,000 was paid during the year and $117,000 was earned but unpaid. Mr. Neelin earned a salary of $120,000 for the calendar year of 2015 of which $0 was paid during the year and $120,000 was earned but unpaid at December 31, 2015. On June 30, 2016, the Company settled $200,000 due to Mr. Neelin for unpaid salaries and other accounts through issuance of 1,176,471 shares of common stock. In addition, the Company settled $93,000 due to Mr. Neelin through the sale of Master Distribution agreement.

Mr. Chapman earned earned a salary of $120,000 for the calendar year of 2016 of which $52,900 was paid during the year and $67,100 was earned but unpaid. Mr. Chapman, hired in August 2015, has a salary of $120,000 per annum of which $48,095 was earned since hired of which $35,000 was paid during 2015 and $13,095 was earned but unpaid at December 31, 2015. On June 30, 2016, the Company settled $30,000 due to Mr. Chapman for unpaid salaries and other accounts through issuance of 176,471 shares of common stock.

The following table sets forth information regarding all cash and non-cash compensation earned by or paid to all of the executive officers of the Company who served during the fiscal years ended December 31, 2016 and 2015 for services in all capacities to the Company.

Summary Compensation Table

Name and Principal Position	Year	Salary	Bonus	Stock Awards(1)	Option Awards(1)	Other Compensation	Total
Raymond J. Meyers	2016	$ 60,000	$ 142,839	$ —	$ —	$ —	$ 202,839
Chief Executive Officer	2015	$ 60,000	$ 894,070	$ —	$ 94,842	$ —	$ 244,249
Paul Neelin	2016	$ 120,000	$ —	$ —	$ —	$ —	$ 120,000
Chief Operating Officer (a)	2015	$ 120,000	$ —	$ —	$ 14,226	$ —	$ 134,226
Mark A. Chapman (b) (2)	2016	$ 120,000	$ —	$ —	$ —	$ —	$ 120,000
President of U-Vend America, Inc	2015	$ 48,095	$ —	$ 36,667	$ —	$ —	$ 84,762
K. Browne (c) Chief Financial Officer	2015	$ 60,000	$ —	$ —	$ 32,482	$ —	$ 92,482

(a) Resigned effective December 31, 2016

(b) Appointed effective August 7, 2015

(c) Resigned effective November 4, 2015

(1) Value of option awards and stock awards is the dollar amount recognized for financial statements reporting purposes. See Note 11 to consolidated financial statements.

(2) Prior to his appointment as President of U-Vend America, Inc., Mr. Chapman performed consulting services and billed the Company approximately $23,400.

Name	Number of Securities Underlying Unexercised Options (Exercisable)	Number of Securities Underlying Unexercised Options (Un-exercisable)	Option Exercise Price	Option Expiration Date	Number of Shares that Have not Vested	Market Value of Shares that Have not Vested
	Outstanding Equity Awards at December 31, 2016					
	Options Awards				Stock Awards	
Raymond J. Meyers	1,333,333	666,667	$ 0.20	07/01/2020		
Paul Neelin	200,000	100,000	$ 0.20	07/01/2020		
Mark A. Chapman					166,667	$ 36,667
K. Browne	350,000	—	$ 0.30	05/31/2019		
	200,000	100,000	$ 0.20	07/01/2020		

(1) On July 1, 2015, Mr. Meyers, Mr. Neelin and Ms. Brown were granted 2,000,000, 300,000 and 300,000 options, respectively. One third of these options vested immediately and the balance vest on July 1, 2016 and 2017. The options expire on July 1, 2020.

(2) On August 7, 2015, Mr. Chapman was granted 500,000 shares of restricted common stock. One third of these shares vest on January 1, 2016 The remaining balance vest equally on August 7, 2017 and 2018.

Directors Compensation

The Company's non-employee directors do not currently receive cash compensation for their services as directors although they are provided reimbursement for out-of-pocket expenses incurred in attending Board meetings. In order to attract and retain qualified persons to our Board, in July 2011, the Company granted its non-employee directors stock options through its Equity Incentive Plan. During 2011, each non-employee director received 2,500 stock options at a strike price of $60.00, vesting equally over a three year period, and with an expiration date of ten years from date of grant. In 2015, the Company granted each of its non-employee directors 500,000 stock options at a strike price of $0.20, one third of the options vesting immediately and the balance over a two year period, and with an expiration date of five years from the date of grant.

Equity Incentive Plan

On July 22, 2011, the Board of Directors of the Company approved the Company's 2011 Equity Incentive Plan (the "Plan") and on July 26, 2011, stockholders holding a majority of shares of the Company approved, by written consent, the Plan. The Plan provides for the grant of options intended to qualify as "incentive stock options" and "non-statutory stock options" within the meaning of Section 422 of the Internal Revenue Code of 1986, together with the grant of bonus stock and stock appreciation rights, at the discretion of our Board of Directors. Incentive stock options are issuable only to our eligible officers, directors and key employees. Non-statutory stock options are issuable only to our non-employee directors and consultants. Upon stockholder approval of the Plan, a total of 5,000,000 shares of common stock or appreciation rights may be issued under the Plan. The Plan will be administered by our full Board of Directors. Under the Plan, the Board will determine which individuals shall receive options, grants or stock appreciation rights, the time period during which the rights may be exercised, the number of shares of common stock that may be purchased under the rights and the option price. As of December 31, 2016, the Company has 4,658,150 options outstanding under the Plan to employees, directors and outside consultants.

Limitation on Liability and Indemnification of Officers and Directors

Our Certificate of Incorporation provides that liability of directors to us for monetary damages is eliminated to the full extent provided by Delaware law. Under Delaware law, a director is not personally liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director except for liability (i) for any breach of the director's duty of loyalty to us or our stockholders; (ii) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law; (iii) for authorizing the unlawful payment of a dividend or other distribution on our capital stock or the unlawful purchases of our capital stock; (iv) a violation of Delaware law with respect to conflicts of interest by directors; or (v) for any transaction from which the director derived any improper personal benefit.

The effect of this provision in our Certificate of Incorporation is to eliminate our rights and our stockholders' rights (through stockholders' derivative suits) to recover monetary damages from a director for breach of the fiduciary duty of care as a director

(including any breach resulting from negligent or grossly negligent behavior) except in the situations described in clauses (i) through (v) above. This provision does not limit or eliminate our rights or the rights of our security holders to seek non-monetary relief, such as an injunction or rescission, in the event of a breach of a director's duty of care or any liability for violation of the federal securities laws.

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

As of April 7, 2017, there are 25,064,992 shares of common stock outstanding. The following table sets forth certain information regarding the beneficial ownership of the outstanding common shares as of April 7, 2017 by (i) each person who owns beneficially more than 5% of our outstanding common stock; (ii) each of our executive officers and directors; and (iii) all of our executive officers and directors as a group. The shares listed include as to each person any shares that such person has the right to acquire within 60 days from the date hereof. Except as otherwise indicated, each such person has sole investment and voting power with respect to such shares, subject to community property laws where applicable. The address of our executive officers and directors is in care of us at 1507 7th Street, #425, Santa Monica, CA 90401.

SECURITY OWNERSHIP OF MANAGEMENT

Name of Beneficial Owner	Common Shares Beneficially Owned	Percentage Beneficially Owned
Executive officers and directors		
Raymond J. Meyers (1)	4,940,477	18.72%
David Graber (2)	1,250,743	4.99%
Mark A Chapman (3)	366,667	1.45%
Patrick White (4)	1,483,318	5.72%
Philip Jones (5)	335,883	*
Alexander A. Orlando (5)	335,883	*
All executive officers and directors as a group (six persons) (6)	8,712,871	29.69%
Greater than 5% stockholders		
Diane Hope 312 Grays Rd PO Box 56013 Fiesta RPO Stoney Creek Ontario Canada	1,303,488	5.2%
Paul Neelin (7) 312 Grays Rd PO Box 56013Fiesta RPO Stoney Creek Ontario, Canada	2,766,346	10.95%
Automated Retail Leasing Partners, LP (8) 110 East 40th Street, Suite 802 New York, NY 10016	1,250,743	4.99%

* Less than 1%

(1) Includes 1,333,333 shares issuable upon exercise of options.
(2) Includes shares issuable to Cobrador Multi-Strategy Partners LP (Cobrador), Mr. Graber makes the investment decisions on behalf of and deemed to be beneficial owner of shares issuable to Cobrador. The share numbers are limited to 4.99% of the outstanding common shares as of April 7, 2017. Cobrador and the Company have agreed to restrict its ability to convert convertible notes and exercise of its warrants if the number of common stock beneficially held by them exceeds 4.99% of the outstanding shares of common stock with an exception to hold in excess of 4.99% with 61 days written notice of such intent to the Company. Cobrador's ownership includes 28,341,820 shares issuable upon conversion of convertible notes and 26,071,141 shares issuable upon exercise of warrants.
(3) Includes 166,667 shares of vested restricted stock grant.
(4) Includes 335,833 shares issuable upon exercise of options and 520,833 shares issuable upon exercise of warrants.
(5) Includes 335,833 shares issuable upon exercise of options.
(6) Includes 2,340,832 shares issuable upon exercise of options, 166,667 shares of vested restricted stock grant and 1,771,576 shares issuable upon exercise of warrants. See note 2 for limitation on conversion and exercise.
(7) Includes 200,000 shares issuable upon exercise of options.
(8) The share numbers are limited to 4.99% of the outstanding common shares as of April 7, 2017. Automated Retail Leasing Partners (ARLP) and the Company have agreed to restrict its ability to convert convertible notes and exercise of its warrants if the number of common stock beneficially held by them exceeds 4.99% of the outstanding shares of common stock with an exception to hold in excess of 4.99% with 61 days written notice of such intent to the Company. ARLP's ownership includes 1,696,087 shares of common stock 2,064,420 shares of issuable upon conversion of convertible notes and 1,184,043 shares

issuable upon exercise of warrants. Ms. Marilyn Kane, Managing Member of Iridium Capital, General Partner of ARLP makes the investment decisions on behalf of ARLP.

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Director Independence

As our common stock is currently traded on the OTCQB, we are not subject to the rules of any national securities exchange which require that a majority of a listed company's directors and specified committees of the board of directors meet independence standards prescribed by such rules. However, we consider a majority of our Board members (consisting of Messrs. Orlando, White and Jones) to be independent directors under NYSE AMEX rules.

ITEM 14 - PRINCIPAL ACCOUNTING FEES AND SERVICES

Audit Fees

Audit fees consist of fees for professional services rendered for audit and review services of the Company's consolidated financial statements included in the Company's annual financial statements and review of financial statements included on Form 10-Q, and for services that are normally provided by the auditor in connection with statutory and regulatory filings or engagements. The aggregate fees billed or to be billed for professional services rendered by our principal accountant, Freed Maxick CPAs, P.C. for audit and review services for the years ended December 31, 2016 and 2015 were $87,500 and $80,700, respectively. For the year ended December 31, 2016 and 2015, the Company was not required to have an audit of its internal controls over financial reporting.

Audit Related Fees

There were no audit related services provided for the years ended December 31, 2016 and 2015.

Tax Fees

The aggregate fees billed for professional services rendered by our principal accountant, Freed Maxick CPAs, P.C., for preparation of tax returns during the years ended December 31, 2016 and 2015 were $16,705 and $17,700, respectively.

All Other Fees

The aggregate other fees billed for professional services rendered by our principal accountant, Freed Maxick CPAs, P.C., during the years ended December 31, 2016 and 2015 were $0.

We do not have an Audit Committee. Our Board of Directors pre-approves all auditing services and permissible non-audit services provided to us by our independent registered public accounting firm. All fees listed above were pre-approved in accordance with this policy.

ITEM 15 - EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibits

The Exhibits listed below designated by an * are incorporated by reference to the filings by U-Vend, Inc. under the Securities Act of 1933 or the Securities and Exchange Act of 1934, as indicated. All other exhibits are filed herewith.

3.1	Certificate of Incorporation dated March 26, 2007, as amended by Certificate of Amendment dated October 4, 2010 (incorporated by reference to the Company's Form 8-K (file number 333-165972) filed on October 7, 2010).	*
3.2	By-laws, as amended (incorporated by reference to exhibit 3.2 to the Company's Registration Statement on Form S-1 (file number 333-165972) filed on April 9, 2010).	*
10.1	Premise lease agreement dated January 13, 2010 with SC Sunrise LLC for 1434 6th. Street, Unit 9, Santa Monica, CA (incorporated by reference from Company's Registration Statement on Form S-1 (file number 333-165972) dated April 9, 2010).	*
10.2	Agreements dated October 8, 2009 with Document Security Systems (incorporated by reference from Company's Registration Statement on Form S-1/A (file number 333-165972) dated June 30, 2010).	*
10.3	Credit Facility Agreement, dated April 8, 2010, between the Company and Raymond Meyers (incorporated by reference from Company's Registration Statement on Form S-1/A (file number 333-165972) dated June 30, 2010).	*
10.4	Security Agreement, dated April 8, 2010, between the Company and Raymond Meyers (incorporated by reference from Company's Registration Statement on Form S-1/A (file number 333-165972) dated June 30, 2010).	*
10.5	Secured Promissory Note, dated April 8, 2010, between the Company and Raymond Meyers (incorporated by reference from Company's Registration Statement on Form S-1/A (file number 333-165972) dated June 30, 2010).	*
10.6	Secured Promissory Note 2, dated June 30, 2010, between the Company and Raymond Meyers (incorporated by reference from Company's Registration Statement on Form S-1/A (file number 333-165972) dated July 26, 2010).	*
10.7	Form of Warrant to Purchase Common Stock of Internet Media Services, Inc. dated March 17, 2011 (file number 333-165972).	*
10.8	Securities Purchase Agreement by and between Internet Media Services, Inc. and Asher Enterprises, Inc. dated August 26, 2011 (file number 333-165972, filed September 8, 2011).	*
10.9	Securities Purchase Agreement by and between Internet Media Services, Inc. and Asher Enterprises, Inc. dated October 3, 2011 (file number 333-165972, filed October 17, 2011).	*
10.10	Securities Purchase Agreement by and between Internet Media Services, Inc. and Asher Enterprises, Inc dated December 1, 2011 (file number 333-165972, filed December 16, 2011).	*
10.11	Asset Purchase Agreement by and between Internet Media Services, Inc. and Enthusiast Media holdings, Inc. dated March 7, 2012 (file number 333-165972, filed March 13, 2012).	*
10.12	Form of Internet Media Services, Inc. 2011 Equity Incentive Plan dated July 26, 2011 (file number 333-165972, filed July 27, 2011).	*
10.13	Stock Purchase Agreement by and among Western Principal Partners LLC, Internet Media Services, Inc and Raymond Meyers dated March 8, 2013 (file number 333-165972, filed March 19, 2013).	*
10.14	September 17, 2013 Debt Conversion Agreement between Internet Media Services, Inc. and Raymond Meyers (file number 333-165972) dated September 23, 2013)	*

10.15	Form of Senior Convertible Note – Cobrador Multi-Strategy Partners, LP (file number 333-165972) dated November 19, 2013)	*

10.16	Securities Purchase Agreement – Cobrador Multi-Strategy Partners, LP (file number 333-165972) dated November 19, 2013)	*
10.17	Form of Equipment Lease – Automated Retail Leasing Partners (file number 333-165972) dated November 19, 2013).	*
10.18	Form of Warrant Agreement – Cobrador Multi-Strategy partners, LP (file number 333-165972) dated November 19, 2013).	*
10.19	Employment Agreement between Internet Media Services, Inc and Raymond Meyers (file number 333-165972) dated January 13, 2014).	*
10.20	November 30, 2012 Audited Financial Statements of U-Vend Canada, Inc. (file number 333-165972) dated January 13, 2014).	*
10.21	August 31, 2013 Unaudited Interim Financial Statements of U-Vend Canada, Inc. (file number 333-165972) dated January 13, 2014).	*
10.22	November 30, 2013 Audited Financial Statements of U-Vend Canada, Inc (file number 333-165972) dated March 21, 2014)	*
10.23	Summary of Unaudited Pro Forma Combined Financial Statements (file number 333-165972) dated March 21, 2014)	*
10.24	January 7, 2014 Agreement Concerning Exchange of Securities by and among Internet Media Services, Inc. and U-Vend Canada Inc. and the Security Holders of U-Vend Canada, Inc.	*
10.25	January 7, 2014 Employment Agreement between Internet Media Services, Inc and Paul Neelin.	*
10.26	April 4, 2013 National Securities Financial Advisor Agreement between U-Vend, Inc. and National Securities Corp.	*
10.27	Form of Warrant Agreements between National Securities Corp. and Internet Media Services, Inc.	*
10.28	Form of Warrant Agreement between Automated Retail Leasing Partners and Internet Media Services, Inc.	*
10.29	Amendment number 1 to the Agreement Concerning Exchange of Securities by and among Internet Media Services, Inc. and U-Vend Canada, Inc. and the Security Holders of U-Vend Canada, Inc. (file # 333-165972 filed April 15, 2014)	*
10.30	ARLP $10,000 Promissory Note dated May 30, 2014	
10.31	Employment agreement between u-Vend, Inc. and Kathleen Browne (file # 333-165972 filed September 10, 2014)	*
10.32	Equipment Lease Agreement between U-Vend, Inc. and Perkin Industries, LLC	*
10.33	Perkin Industries, LLC Warrant Agreement	*
10.34	Securities Purchase Agreement between U-Vend, Inc. and KBM Worldwide, Inc. Dated December 19, 2014	
10.35	Modification to the series of Cobrador Stock Purchase Agreement, Senior Convertible Notes and Series A Warrants between U-Vend, Inc. and Cobrador Multi-Strategy Partners LP	*
10.36	NHL/U-Vend Corporate Marketing Letter Agreement	*
10.37	Chapman Employment Agreement	*

10.38	Form of Securities Purchase Agreement 2015 SPA	*
10.39	Form of Note 2015 Stock Purchase Agreement	*
10.40	Form of Warrant Agreements 2015 SPA.	*
10.42	Form of 2016 Securities Purchase Agreement	*
10.43	Form of 2016 Warrant Agreement	*

10.44	Meyers Debt Conversion Agreement	*
10.45	Neelin Debt Conversion Agreement	*
10.46	Chapman Debt Conversion Agreement	*
10.47	Agreement to Amend ARLP Leases	*
10.48	ARLP Warrant Agreement	*
10.49	Meyers Resignation Agreement	*
10.50	Meyers Consulting Agreement	*
10.51	Graber Employment Agreement	*
10.52	Neelin Resignation Agreement	*
10.53	Master Distribution Agreement	*
31.1	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to Rule 13a-14(a) and15d-14(a) (filed herewith.)	**
32.1	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. 1350 (furnished herewith.)	**
101.INS*	XBRL Instance Document	
101.SCH*	XBRL Schema Document	
101.CAL*	XBRL Calculation Linkbase Document	
101.DEF*	XBRL Definition Linkbase Document	
101.LAB*	XBRL Label Definition Document	
101.PRE*	XBRL Presentation Linkbase Document	
*	Pursuant to Rule 406T of Regulation S-T, the interactive data files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act of 1934, as amended, are deemed not filed for purposes of Section 18 of the Securities act of 1934, as amended, and otherwise are not subject to liability under those sections.	

*	Previously filed
**	Filed herewith

U-VEND, INC.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
U-Vend, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of U-Vend, Inc. and its Subsidiaries (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of operations, stockholders' deficiency, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of the Company's internal control over financial reporting. Our audits include 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 U-Vend, Inc. and its Subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that U-Vend, Inc. and Subsidiaries will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, U-Vend, Inc. and Subsidiaries has suffered recurring losses from operations since inception and, as of December 31, 2016, has negative working capital and a stockholders' deficiency. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ FREED MAXICK CPAs, P.C.

Buffalo, New York
April 14, 2017

U-VEND, INC.
CONSOLIDATED BALANCE SHEETS

	As of	
	December 31, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash	$ 61,914	$ 139,677
Accounts receivable	16,543	3,807
Inventory (net)	76,212	46,979
Prepaid expenses and other assets	39,101	79,548
Total current assets	193,770	270,011
Noncurrent assets:		
Property and equipment (net)	710,605	747,298
Security deposits	17,386	16,018
Other assets (net)	—	70,010
Intangible asset (net)	173,601	260,401
Goodwill	642,340	642,340
Total noncurrent assets	1,543,932	1,736,067
Total assets	$ 1,737,702	$ 2,006,078
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current liabilities:		
Accounts payable	$ 433,440	$ 254,946
Accrued expenses	105,584	156,484
Accrued interest	215,640	121,080
NHL and MLB sponsorship liability	906,754	316,997
Registration rights liability	—	22,156
Amounts due to officers	288,396	624,307
Senior convertible notes, net of discount	360,775	372,498
Promissory notes payable	498,101	479,576
Convertible notes payable, net of discount	696,480	744,807
Current capital lease obligation	261,372	90,783
Total current liabilities	3,766,542	3,183,634
Noncurrent liabilities:		
Convertible notes payable, net of discount	1,084,923	—
Capital lease obligation, net of discount	—	207,703
Warrant liabilities	184,680	310,960
Total noncurrent liabilities	1,269,603	518,663
Total liabilities	5,036,145	3,702,297
Commitments and contingencies (Note 10)		
Stockholders' deficiency:		
Common stock, $.001 par value, 600,000,000 shares authorized, 24,664,992 shares issued and outstanding (18,148,816 - 2015)	24,664	18,148
Additional paid-in capital	5,111,776	4,113,055
Accumulated deficit	(8,434,883)	(5,827,422)
Total stockholders' deficiency	(3,298,443)	(1,696,219)
Total liabilities and stockholders' deficiency	$ 1,737,702	$ 2,006,078

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

U-VEND, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended December 31, 2016	For the Years Ended December 31, 2015
Revenue	$ 1,428,045	$ 891,227
Cost of revenue	713,870	539,999
Gross profit	714,175	351,228
Operating expenses:		
Selling	1,445,450	876,415
General and administrative	1,527,223	1,399,552
Accretion and reversal of earn-out liability	—	(201,013)
	2,972,673	2,074,954
Operating loss:	(2,258,498)	(1,723,726)
Other (income) expense, net:		
Gain on change in fair value of debt and warrant liabilities	(177,281)	(89,281)
Amortization of debt discount and deferred financing costs	348,175	202,247
Interest expense	267,542	239,570
Unrealized loss (gain) on foreign currency	4,530	(29,158)
Other (income)	(93,095)	—
	349,871	323,378
Loss before income taxes	(2,608,369)	(2,047,104)
Income tax (benefit) provision	(908)	3,470
Net loss	$ (2,607,461)	$ (2,050,574)
Net loss per share- basic and diluted	$ (0.13)	$ (0.15)
Weighted average common shares outstanding - basic and diluted	20,414,751	14,099,052

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

U-VEND, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIENCY

	Shares outstanding	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Stockholders' Deficiency
Balance at December 31, 2014	10,151,390	$ 10,151	$2,832,392	$ (3,776,848)	$ (934,305)
Stock based compensation	500,000	500	257,404	—	257,904
Shares issued for services	1,305,000	1,305	95,668	—	96,973
Shares issued on debt conversion	100,000	100	4,900	—	5,000
Common shares issued for lease obligation	1,247,177	1,247	245,532	—	246,779
Shares issued on warrants exercised	925,000	925	57,609	—	58,534
Warrants granted for services	—	—	69,695	—	69,695
Shares issued on earn out of contingent consideration	2,261,425	2,261	270,014	—	272,275
Shares issued as fees for debt extension	100,000	100	16,400	—	16,500
Private sale of common shares with warrants	1,558,824	1,559	263,441	—	265,000
Net loss	—	—	—	(2,050,574)	(2,050,574)
Balance at December 31, 2015	18,148,816	18,148	4,113,055	(5,827,422)	(1,696,219)
Stock based compensation	—	—	165,296	—	165,296
Shares issued for services	1,075,000	1,075	69,330	—	70,405
Shares issued on debt conversion	1,950,000	1,950	95,550	—	97,500
Shares issued in settlement of due to officers	2,941,176	2,941	497,059	—	500,000
Warrants granted for services	—	—	62,493	—	62,493
Beneficial conversion feature related to senior convertible notes	—	—	87,043	—	87,043
Shares issued as fees for debt extension	550,000	550	21,950	—	22,500
Net loss	—	—	—	(2,607,461)	(2,607,461)
Balance at December 31, 2016	24,664,992	24,664	$ 5,111,776	$ (8,434,883)	$ (3,298,443)

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

U-VEND, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31, 2016	December 31, 2015
Cash flows from operating activities:		
Net loss	$ (2,607,461)	$ (2,050,574)
Adjustments to reconcile net loss to net cash used by operating activities:		
Stock based compensation	165,296	257,904
Gain on fair value of warrant liabilities	(177,281)	(83,881)
Common shares issued for lease obligation	—	42,269
Common shares and warrants issued for services	132,898	156,973
Depreciation	148,833	123,439
Amortization of intangible assets	86,800	86,800
Amortization of debt discount and deferred financing costs	252,336	202,247
Accretion and reversal of contingent consideration liability	—	(201,013)
Unrealized loss (gain) on foreign currency	4,530	(29,158)
Settlement of debt interest, fees and penalties with convertible notes	95,834	—
Convertible notes payable fair value adjustment	—	(5,400)
(Increase) decrease in assets:		
Accounts receivable	(12,736)	(3,807)
Inventory	(29,233)	(18,247)
Prepaid expenses and other assets	39,079	45,760
Increase in liabilities:		
Accounts payable and accrued expenses	713,716	475,244
Accrued interest	168,145	125,186
Amount due to officers	245,339	243,865
Net cash used by operating activities	(773,905)	(632,393)
Cash flows from investing activities:		
Purchase of property and equipment	(112,140)	(7,115)
Net cash used by investing activities	(112,140)	(7,115)
Cash flows from financing activities:		
Proceeds from common stock warrant exercises	—	55,000
Proceeds from private sales of common shares with warrant	—	265,000
Proceeds from convertible notes	365,000	469,900
Proceeds from promissory notes	630,500	48,839
Repayment of convertible note	—	(70,200)
Principal repayments of promissory notes	(82,718)	(12,750)
Deferred financing costs paid	(104,500)	(50,000)
Net cash provided by financing activities	808,282	705,789
Net (decrease) increase in cash	(77,763)	66,281
Cash - beginning of period	139,677	73,396
Cash - end of period	$ 61,914	$ 139,677
Cash paid for:		
Income taxes	$ —	$ 3,700
Interest	$ 97,000	$ 55,000
Non-cash investing and financing activities:		
Debt discount related to warrant liability and beneficial conversion feature	$ 135,864	$ 10,792
Issuance of common stock to satisfy capital lease obligation	$ —	$ 204,533

Issuance of common shares and warrants as debt financing or extension costs	$ 22,500	$ 44,972
Conversion of senior convertible notes and convertible notes into common stock	$ 97,500	$ 5,000
Issuance of common shares in settlement of due to officers	$ 500,000	$ —
Issuance of senior convertible note to settle interest, fees and penalties due	$ 108,804	$ —
Issuance of convertible notes to settle principal, interest, fees and penalties	$ 761,597	$ —
Equipment, inventory and coin financed with debt	$ —	$ 137,750
Equipment acquired in exchange of warrant liability	$ —	$ 50,100
Issuance of common shares to satisfy contingent consideration obligation	$ —	$ 272,276
Issuance of common stock warrants to satisfy accrued expenses	$ —	$ 60,000

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

U-VEND, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

U-Vend, Inc. (the "Company") entered the business of developing, marketing and distributing various self-serve electronic kiosks and mall/airport co-branded islands throughout North America with the merger with U-Vend Canada, Inc. on January 7, 2014. The Company seeks to place its kiosks in high-traffic host locations such as big box stores, restaurants, malls, airports, casinos, universities, and colleges. Currently, the Company leases, owns and operates their kiosks but intends to also provide the kiosks, through a distributor relationship, to the entrepreneur wanting to own their own business.

The Company's vending kiosks incorporate advanced wireless technology, creative concepts, and ease of management. The Company's kiosks have been designed to be tech-savvy and can be managed online 24 hours a day/7 days a week, accepting traditional cash input as well as credit and debit cards. Host locations and suppliers have been drawn to this distribution concept of product vending based on the advantages of reduced labor and lower product theft as compared to non-kiosk merchandising platforms. The Company takes a solutions development approach for the marketing of products through a variety of kiosk offerings. The Company's approach to the market can include the addition of a digital LCD monitor to most makes and models in a kiosk program. This would allow the Company to offer digital advertising as a national and/or local loop basis and a corresponding additional revenue stream for the Company.

Management's plans

The accompanying consolidated financial statements have been prepared on a going concern basis. The Company incurred a loss of $2,607,461 during the year ended December 31, 2016, has incurred accumulated losses totaling $8,434,883, and has a working capital deficit of $3,572,772 at December 31, 2016. These factors, among others, indicate that the Company may be unable to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

To fund the Company's operations for the next 12 months, to allow the Company to continue the development of its business plans and satisfy its obligations on a timely basis the Company needs to raise additional financing. Should additional financing not be available, the Company will have to negotiate with its lenders to extend the repayment dates of its indebtedness. There can be no assurance that the Company will be able to successfully restructure its debt obligations in the event it fails to obtain additional financing.

On January 7, 2014, U-Vend, Inc. (formerly Internet Media Services, Inc. ("IMS")) entered into an Exchange of Securities Agreement with U-Vend Canada, Inc., and the shareholders of U-Vend Canada, Inc. ("U-Vend Canada"). The Company believes the merger with U-Vend Canada provides it with business operations and also working capital. The Company is in discussion to raise additional capital to execute on its current business plans. There is no assurance that future financing arrangements will be successful or that the operating results of U-Vend, Inc. will yield sufficient cash flow to execute the Company's business plans or satisfy its obligations. The accompanying condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Principles of Consolidation - The consolidated financial statements include the accounts of U-Vend, Inc. and the operations of U-Vend America, Inc., U-Vend Canada, Inc. and its wholly owned subsidiary, U-Vend USA LLC. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates and be based on events different from those assumptions. Future events and their effects cannot be predicted with certainty; estimating, therefore, requires the exercise of judgment. Thus, accounting estimates change as new events occur, as more experience is acquired or as additional information is obtained.

Inventory - Inventories are stated at the lower of cost or market and cost is determined by the average cost method. Inventory is made up of finished goods ice cream. The Company records inventory reserves for spoilage and product losses. The reserve for spoilage and product losses amounted to $5,500 and $7,500 as of December 31, 2016 and 2015, respectively.

***Property and Equipment* -** Property and equipment are stated at cost. Expenditures for repairs and maintenance are charged to

expense as incurred. Depreciation is provided using the straight line method over the estimated useful life of the assets. Electronic kiosks, related equipment and delivery vans have estimated useful lives between three and seven years.

Long lived assets, Identifiable Intangible Assets and Goodwill - Long lived assets, identifiable intangibles assets and goodwill are reviewed periodically for impairment or when events or changes in circumstances indicate that full recoverability of net asset balances through future cash flows is in question. With respect to goodwill, the Company tests for impairment on an annual basis or in interim periods if an event occurs or circumstances change that may indicate the fair value is below its carrying amount. Factors that could trigger an impairment review, include the following: (a) significant underperformance relative to expected historical or projected future operating results; (b) significant changes in the manner of our use of the acquired assets or the strategy for our overall business; and (c) significant negative industry or economic trends.

Assessment for possible impairment is based on the Company's ability to recover the carrying value of the long-lived asset from the expected future pre-tax cash flows. The expected future pre-tax cash flows are estimated based on historical experience, knowledge and market data. Estimates of future cash flows require the Company to make assumptions and to apply judgment, including forecasting future sales, capital investments and expenses and estimating the useful lives of assets. If the expected future cash flows related to the long-lived assets are less than the assets' carrying value, an impairment charge is recognized for the difference between estimated fair value and carrying value.

When performing its evaluation of goodwill for impairment, if the Company concludes qualitatively that it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, then the two-step impairment test is not required. If the Company is unable to reach this conclusion, then the Company would perform the two-step impairment test. Initially, the fair value of the reporting unit is compared to its carrying amount. To the extent the carrying amount of a reporting unit exceeds the fair value of the reporting unit; the Company is required to perform a second step, as this is an indication that the reporting unit goodwill may be impaired. In this step, the Company compares the implied fair value of the reporting unit goodwill with the carrying amount of the reporting unit goodwill and recognize a charge for impairment to the extent the carrying value exceeds the implied fair value. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit to all of the assets (recognized and unrecognized) and liabilities of the reporting unit in a manner similar to a purchase price allocation. The residual fair value after this allocation is the implied fair value of the reporting unit goodwill.

There are inherent assumptions and estimates used in developing future cash flows requiring management judgment in applying these assumptions and estimates to the analysis of identifiable intangibles and asset impairment including projecting revenues, interest rates and the cost of capital. Many of the factors used in assessing fair value are outside the Company's control and it is reasonably likely that assumptions and estimates will change in future periods. These changes can result in future impairments. In the event the Company's planning assumptions are modified resulting in impairment to the Company's assets, the associated expense would be included in the consolidated statements of operations, which could materially impact the Company's business, financial condition and results of operations.

Management's forecasts of future earnings are largely dependent on future cash infusion or incremental borrowing to fund projected growth as well as current operations. If the Company's business plans result in significant delays in implementation and sales of the Company's products are not in alignment with its projections, a future impairment charge could result for a portion or all of the goodwill noted previously.

Common Shares Issued and Earnings Per Share - Common shares issued are recorded based on the value of the shares issued or consideration received, including cash, services rendered or other non-monetary assets, whichever is more readily determinable. The Company presents basic and diluted earnings per share. Basic earnings per share reflect the actual weighted average of shares issued and outstanding during the period. Diluted earnings per share are computed including the number of additional shares that would have been outstanding if dilutive potential shares had been issued. In a loss period, the calculation for basic and diluted earnings per share is considered to be the same, as the impact of potential common shares is anti-dilutive.

As of December 31, 2016, there were approximately 84 million (46 million at December 31, 2015) shares potentially issuable under convertible debt agreements, options, and warrants that could dilute basic earnings per share in the future that were excluded from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive to the Company's losses during the periods presented.

Preferred Stock Authorized - The Company has authorization for "blank check" preferred stock, which could be issued with voting, liquidation, dividend and other rights superior to common stock. As of December 31, 2016 and 2015, there are 10,000,000 shares of preferred stock authorized, and no shares issued or outstanding.

Fair Value of Financial Instruments - Financial instruments include cash, accounts receivable, accounts payable, accrued expenses, derivative warrant liabilities, promissory notes payable, capital lease obligation, convertible notes payables, and senior convertible notes payable. Fair values were assumed to approximate carrying values for these financial instruments, except for derivative warrant liabilities, convertible notes payable and senior convertible notes payable, since they are short term in nature or they are payable on demand. The senior convertible notes and the convertible notes payable are recorded at face value net of any unamortized discounts, based upon the number of underlying convertible shares. The estimated fair value of the convertible notes is determined based on the trading price on December 31, 2016 since the underlying shares are trading in an active observable market, the fair value measurement qualifies as a Level 1 input. Certain convertible notes payable are recorded at fair value at December 31, 2016 (see Note 5). The determination of the fair value of the derivative warrant liabilities include unobservable inputs and is therefore categorized as a Level 3 measurement. Changes in unobservable inputs may result in significantly higher or lower fair value measurement.

Fair value is defined as 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. Financial Accounting Standards Board ("FASB") Accounting Standards Codification ASC 820 "Fair Value Measurement" establishes a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). These tiers include:

- Level 1, defined as observable inputs such as quoted prices for identical instruments in active markets;

- Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable such as quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active; and

- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Derivative Financial Instruments – The Company evaluates its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. Certain warrants issued by the Company have a "down round provision" and as a result the warrants are classified as derivative liabilities for accounting purposes. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair market value and then is revalued at each reporting date, with changes in fair value reported in the consolidated statement of operations. The Company does not use derivative instruments to hedge exposures to cash flow, market or foreign currency risks.

Share-Based Compensation Expense – The Company accounts for stock-based compensation under the provisions of FASB ASC 718 "Compensation- Stock Compensation." This statement requires the Company to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost is recognized over the period in which the employee is required to provide service in exchange for the award, which is usually the vesting period. In accordance with FASB ASC 505 "Equity", the measurement date for the non-forfeitable awards to nonemployees that vest immediately is the date the award is issued.

Revenue Recognition - The Company has 141 electronic kiosks installed in the southern California, and in the Las Vegas areas. Revenue is recognized at the time each vending transaction occurs, the payment method is approved and the product is disbursed from the machine. For our wholesale sales, revenues are recognized at the time the products are delivered to the customer based on our agreement with the customer.

Income Taxes - The Company accounts for income taxes with the recognition of estimated income taxes payable or refundable on income tax returns for the current year and for the estimated future tax effect attributable to temporary differences and carryforwards. Measurement of deferred income items is based on enacted tax laws including tax rates, with the measurement of deferred income tax assets being reduced by available tax benefits not expected to be realized in the immediate future.

The Company reviews tax positions taken to determine if it is more likely than not that the position would be sustained upon examination resulting in an uncertain tax position. The Company did not have any material unrecognized tax benefit at December 31, 2016 or 2015. The Company recognizes interest accrued and penalties related to unrecognized tax benefits in tax expense. During the years ended December 31, 2016 and 2015, the Company recognized no interest and penalties.

Vendor Concentration - The Company procured all its merchandise of inventory of finished goods ice cream from one vendor during the years ended December 31, 2016 and 2015.

Reclassifications - Certain prior period amounts in the accompanying consolidated financial statements have been reclassified to current period presentation. These reclassifications had no effect on the results of operations or cash flows for the periods presented.

Accounting Pronouncements - In May 2014, the Financial Accounting Standards Board ("FASB") issued new accounting guidance, Accounting Standard Update ("ASU") 2014-09 "Revenue from Contracts with Customers". The new guidance requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods and services to customers. The updated guidance will replace most existing revenue recognition guidance in GAAP when it becomes effective. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company is currently evaluating the effect the updated standard will have on the consolidated financial statements and related disclosures.

In July 2015, the FASB issued ASU 2015-11, Inventory (Topic 330): "Simplifying the Measurement of Inventory". This ASU requires inventory within the scope of the guidance be measured at the lower of cost or net realizable value. FASB ASU 2015-11 is effective for annual and interim periods beginning after December 15, 2016, with prospective application required. Early adoption is permitted. The Company is evaluating the potential impact of this ASU on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases", which requires that lease arrangements longer than 12 months result in an entity recognizing an asset and liability. ASU 2016-02 is effective for interim and annual periods beginning after December 15, 2018, and early adoption is permitted. The Company has not yet evaluated nor has it determined the effect of the standard on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, "Compensation — Stock Compensation: Improvements to Employee Share-Based Payment Accounting." The standard is intended to simplify several areas of accounting for share-based compensation arrangements, including the income tax impact, classification on the statement of cash flows and forfeitures. ASU 2016-09 is effective for the Company on January 1, 2017 and the Company is currently evaluating the impact that ASU 2016-09 will have on its consolidated financial statements and related disclosures. The Company does not believe the adoption of this ASU will have a significant impact on its consolidated financial statements.

In April 2016, the FASB issued ASU 2016-10, "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing" to clarify two aspects of Topic 606: (i) identifying performance obligations and (ii) the licensing implementation guidance, while retaining the related principles for those areas. The Company is evaluating the impact, if any, the adoption of this standard will have on the consolidated financial statements and related disclosures.

In August 2016, the FASB issued ASU 2016-15, "Classification of Certain Cash Receipts and Cash Payments", which clarifies the

treatment of several types of cash receipts and payments for which there was diversity in practice. This update is effective for annual periods beginning after December 15, 2017, and interim periods within those fiscal years, with early adoption permitted, including adoption in an interim period. The Company is evaluating the impact, if any, the adoption of this standard will have on the consolidated financial statements and related disclosures.

NOTE 2. MERGER WITH U-VEND CANADA, INC.

On January 7, 2014, the Company entered into an Exchange of Securities Agreement with U-Vend Canada, Inc. ("U-Vend Canada"). Pursuant to the agreement, which was amended on April 30, 2014, effective as of January 7, 2014, the Company acquired all the outstanding shares of U-Vend Canada in exchange for 3,500,000 newly issued shares of the Company's common stock with a par value of $0.001 per share. Certain shareholders of U-Vend Canada were granted the right to earn up to an additional 4,522,850 shares of the Company's common stock subject to certain earn-out provisions based on targeted revenue achievement in 2014 and 2015. The issuance of the earn-out shares was conditional on U-Vend, Inc. providing access to a minimum level of financing needed to achieve the earn-out gross revenues. In the event that the gross revenue targets were not obtained and the minimum level of financing was not provided during the respective period, then certain shareholders were to receive the additional shares described above. During the first quarter of 2015, the Company's board of directors recommended that the first year earn-out of 2,261,425 shares of common stock be paid and these shares were paid in the second quarter of 2015. For the second year, despite a sufficient level of financing having been achieved , the revenue targets were not achieved. As a result, during the year ended December 31, 2015, the Company reversed the remaining liability for contingent consideration in the amount of $201,013, resulting in non-cash operating income reflected in accompanying consolidated Statement of Operations.

NOTE 3. PROPERTY AND EQUIPMENT

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

	Estimated useful	2016	2015
Electronic kiosks and vending machines	5 to 7 years	$ 1,027,830	$ 937,389
Delivery Vans	3 to 5 years	21,700	
Less: accumulated depreciation		338,925	190,091
		$ 710,605	$ 747,298

Depreciation expense amounted to $148,833 and $123,439, respectively for the years ended December 31, 2016 and 2015.

NOTE 4. INTANGIBLE ASSETS

Intangible assets arose from merger with U-Vend Canada, Inc. (See Note 2) and consist of the following as of December 31:

	Estimated useful	2016	2015
Operating agreement	5 years	$ 434,000	$ 434,000
Less: accumulated amortization		260,399	173,599
		$ 173,601	$ 260,401

Amortization expense related to these intangible assets amounted to $86,800 for the years ended December 31, 2016 and 2015.

Future amortization expense for the years ending December 31,

2017	$ 86,800
2018	86,801
Total	$ 173,601

NOTE 5. DEBT

Senior Convertible Notes

The Company entered into a Securities Purchase Agreement ("2013 SPA") dated June 18, 2013 with Cobrador Multi-Strategy Partners, LP ("Investor" or "Cobrador") pursuant to Cobrador providing an aggregate of $400,000 financing through senior convertible notes and warrants.

During the year ended December 31, 2016, the terms of the convertible notes were extended until December 31, 2017. In connection with the extension, the Company extended the expiration dates of Series A Warrants by one year. The fair value of the Series A Warrants did not materially change due to the extension.

During the year ended December 31, 2016, the Company issued 1,250,000 shares of common stock upon Cobrador converting three Senior Convertible Notes in the face amount of $62,500. During the year ended December 31, 2015, Cobrador converted $5,000 of outstanding principal at $0.05 per share into 100,000 common shares.

As of December 31, 2016, the Senior Convertible had an aggregate face and carrying value of $310,000 ($372,498 at December 31, 2015) and bear interest at 7% per annum.

On June 30, 2016,the Company entered into an agreement with Cobrador and issued an additional Senior Convertible Note in the face amount of $108,804 in settlement of accrued interest, additional interest, fees and penalties. The additional interest, fees and penalties $72,734 and this amount was charged to operations as debt discount amortization during the year ended December 31, 2016. The Senior Convertible Note is due on December 31, 2017 and can be convertible into shares of common stock at a conversion price $.05 per share and bear interest at 7% per annum. The Company determined that the Senior Convertible Note had a beneficial conversion feature and allocated $87,043 as debt discount representing the beneficial conversion. The Company will amortize the debt the discount over the term of the note.

During the year ended December 31, 2016, the Company amortized debt discount of $29,014 related to the Senior Convertible Note issued in June 2016. As of December 31, 2016, the Senior Convertible Note issued in June 2016, had a carrying value of $50,775 net of discount of $58,029.

Pursuant to 2013 SPA, there were an aggregate of 11.2 million Series A Warrants expiring at various dates between June 2017 and December 2018 and an aggregate of 12 million Series B Warrants expiring at various dates between June 2018 and November 2019. The Warrants issued have a "down round provision" and as a result, warrants issued in connection with the Senior Convertible Notes are classified as derivative liabilities for accounting purposes. The derivative warrant liabilities are marked to market at each balance sheet date. The fair value of the outstanding warrants issued in connection with this 2013 SPA aggregate $89,378 and $220,829 as of December 31, 2016 and 2015, respectively. The fair value of the warrants was determined based on the consideration of the enterprise value of the Company, the limited market of the shares issuable under the agreement and the Monte Carlo modeling valuations using volatility assumptions. Due to certain unobservable inputs in the fair value calculations of the warrants, derivative warrant liabilities are classified as Level 3.

Promissory Notes Payable

During 2014, the Company issued an unsecured promissory note to a former employee of U-Vend Canada. The original amount of this note was $10,512 has a term of 3 years and accrues interest at 17% per annum. The total principal outstanding on this promissory note at December 31, 2016 and 2015 was $6,235.

During the year ended December 31, 2016, the Company issued nine unsecured promissory notes and borrowed an aggregate amount of $474,000. The promissory notes bear interest at 10% per annum, with a provision for an increase in the interest rate upon an event of default as defined therein, and were due at various due dates in June 2016. On June 30, 2016 the Company issued new convertible promissory notes and repaid the promissory notes as further detailed in the Convertible Note Payable section. In addition, the Company also issued issued new convertible promissory notes and repaid two promissory notes in the aggregate face amount of $35,000 issued in 2014 and 2015 as further detailed in the Convertible Note Payable section.

In addition, during the year ended December 31, 2016, the Company borrowed an aggregate of $76,500 pursuant to seven unsecured promissory notes. The notes bear interest at 19% and the borrowings are payable together with interest over a period of six months from the date of borrowing. The Company repaid an aggregate of $63,467 of borrowings during the year ended December 31, 2016 and the balance outstanding on these notes at December 31, 2016 was $24,116 ($11,083 at December 31, 2015).

During the year ended, the Company issued two unsecured promissory notes and borrowed an aggregate amount of $80,000. The promissory notes bear interest at 10% per annum, with a provision for an increase in the interest rate upon an event of default as defined therein, and were due at various due dates in May and September 2017.

Perkin Industries, LLC Equipment Financing

In October 2014, January 2015 and October 2015, the Company entered into three separate 24 month equipment financing agreements with Perkin Industries, LLC (“the Lender”) for equipment in the aggregate amount of $387,750 with an annual interest rate of 15%. The assets financed consisted of self-service electronic kiosks placed in service in the Company’s southern California region. The Company is obligated to pay interest only in accordance with the agreement on a monthly basis over the term of the agreement. The agreement includes a put/call option that allows the Lender at the end of year one to put 50% of the equipment back to the Company or the Company to call for $193,875. If the year one put and/or call is exercised, the monthly interest-only payment under the agreement is reduced by 50%. At the end of year two, the Lender shall have the option to put the remaining 50% of the equipment back to the Company or the Company to put for $193,875. If the year one put /or call is not exercised by either party, the Lender shall be permitted to put 100% of the equipment back to the Company for $387,750. The Lender received an aggregate of 310,200 warrants with an exercise price of $0.35 per share and a term of three years in connection with this financing which was recorded as a debt discount and derivative warrant liability due to the “down round provision” in the aggregate amount of $3,708. Pursuant to down round provisions, the exercise price of the warrants was revised to $0.26 at December 31, 2016.

The carrying value of this financing is $387,750 at December 31, 2016 and $387,254, net of $496 debt discount at December 31, 2015.

The fair value of the warrant liability related to 2014 and 2015 Perkin equipment financing obligations was $1,194 at December 31, 2016 and $2,920 as of December 31, 2015. Total amortization of debt discount related to 2014 and 2015 Perkin equipment financing during the years ended December 31, 2016 and 2015 was $496 and $2,697, respectively.

In October 2016, the Company and Perkin Industries, LLC entered into an agreement to extend the termination date of lease agreement 1, dated October 21, 2014, and lease agreement 2, dated January 8, 2015. The new termination date of lease 1 is October 17, 2017 and the new termination date for lease 2 is January 5, 2018. In consideration of this extension, the Company issued to Perkin Industries, LLC 200,000 five-year warrants with an exercise price of $0.05 per share. The value of the warrants amounted to an immaterial amount and was charged to operations.

Convertible Note Payable

U-Vend Canada Convertible Notes

During the year ended December 31, 2016, the Company repaid one convertible note payable in Canadian dollars that was assumed in connection with the U-Vend Canada merger on January 7, 2014 in the face amount of $19,250. The Company has another convertible 18% note in the principal carrying value of $74,480 as of December 31, 2016, which was due for repayment in September 2014. During the year ended December 31, 2016, Company recorded an unrealized loss on foreign currency translation related to these notes and the related accrued interest of $4,530. The Company recorded an unrealized gain on foreign currency

translation of $29,158 during the year ended December 31, 2015, related to these notes and the accrued interest.

2014 Stock Purchase Agreement (2014 SPA) with 10% Convertible Notes and Warrants

In 2014 and 2015 the Company issued eight convertible notes convertible notes in the aggregate face amount of $146,000 due at various dates between August 2015 and March 2016. The principal on these notes is due at the holder's option in cash or common shares at a conversion rate of $0.30 per share. In connection with these borrowings the Company granted a total of 360,002 warrants with an exercise price of $0.35 per share and five year terms. The warrants issued have a "down round provision" and as a result are classified as derivative liabilities for accounting purposes. Pursuant to down round provision, the exercise price of the warrants is $0.22 at December 31, 2016. The fair value of the outstanding warrants issued in connection with this 2014 SPA aggregate $1,386 and $3,389 as of December 31, 2016 and 2015, respectively.

The Company and the noteholder with three notes in the aggregate face amount of $45,000 extended the repayment date to December 31, 2017. The Company and two noteholders with aggregate face amount of $25,000 extended the due date to June 30, 2018 and the Company agreed to a revised conversion price of $.05 per share and a revised exercise price of $.07 per share. The revised value of warrants amounted to immaterial amount and was charged to operations. The Company and one noteholder agreed to a extension of the repayment date to June 2017 with an agreed monthly payments and, in connection therewith the Company paid approximately $28,000 of fees paid in cash and shares of the Company's common stock.

2015 Stock Purchase Agreement (2015 SPA)

During the year ended December 31, 2015, the Company issued eleven subordinated convertible notes bearing interest at 9.5% per annum aggregating $441,000 pursuant to 2015 Stock Purchase Agreement (2015 SPA).The notes are due in December 2017. The principal on these notes is due at noteholder's option in cash or common shares at a conversion rate of $0.30 per share, revised to $0.05 due to down round provisions. In connection with these borrowings, the Company granted a total of 735,002 warrants with an exercise price of $0.40 per share (revised to $0.22 due to down round provisions) and 5 year terms. The Company allocated $8,113 of proceeds received to debt discount based on the computed fair value of the convertible notes and warrants issued. During the year ended December 31, 2016, the noteholder converted one note in the face amount of $35,000 into 700,000 shares of common stock. The Company recorded during the year ended December 31, 2016 and 2015, $2,309 and $5,804, respectively, as amortization of debt discount on the 2015 SPA subordinated convertible notes. As of December 31, 2016, outstanding 2015 SPA notes had a face value of $406,000 ($441,000 at December 31, 2015). The debt discount of $2,309 at December 31, 2015 is fully amortized as of December 31, 2016, resulting in a carrying value of $406,000 ($438,691 at December 31, 2015).

2016 Financings

On June 30, 2016, the Company issued five Convertible Notes in the aggregate face amount of $761,597 pursuant to 2016 Stock Purchase Agreement (2016 SPA). 2016 SPA Notes are due in 24 months and bear interest at 9.5% and are convertible into shares of common stock at a conversion price of $0.17 per share. The Company satisfied its obligations for: previously issued Promissory Notes of $549,000, accrued interest of $38,615, lease principal installments of $47,466, previously accrued registration rights penalties of $22,156, due to an ex-officer of $81,250, and additional interest, expenses, fine and penalties of $23,110 through the issuance of 2016 SPA Notes. The Company charged additional interest, expenses, fines and penalties $23,110 to operations as amortization of debt discount and deferred financing costs during the year ended December 31, 2016.

In connection with these borrowings, the Company granted a total of 2,239,990 warrants with an exercise price of $0.30 per share (revised to $0.05 due to down round provisions) with a five- year expiration. The Company allocated $19,242 to debt discount based on the computed fair value of the convertible notes and warrants issued, and the debt discount is classified as derivative warrant liability due to the "down round provision" in the warrants.

During the year ended December 31, 2016, the Company amortized $4,810 of debt discount related to 2016 SPA. As of December 31 2016, outstanding 2016 SPA had a face value of $761,597 and debt discount of $14,432 resulting in carrying value of $747,165.

During the year ended December 31, 2016, the Company issued four Convertible Notes (Cobrador 2016 Convertible Notes) in the face amount of $115,000. The notes are due in due 24 months and bear interest at 9.5% and are convertible into shares of common stock at a conversion price of $0.17 per share (revised to $0.05 due to down round provisions). In connection with these borrowings, the Company granted a total of 338,235 warrants with an exercise price of $0.30 (revised to $0.05 due to down round provisions) per share with a five year expiration. The Company allocated $1,994 to debt discount based on the computed fair value of the convertible notes and warrants issued, and the debt discount is classified as derivative warrant liability due to the "down round provision" in the warrants. During the year ended December 31, 2016, the Company amortized $498 of debt discount resulting in un amortized debt discount of $1,496 and carrying value of $113,504 at December 31, 2016.

During the fourth quarter of 2016, the Company issued three additional Convertible Notes in the face amount of $250,000. The notes are due in due 24 months and bear interest at 9.5% and are convertible into shares of common stock at a conversion price of $0.05 per share. In connection with these borrowings, the Company granted a total of 5,000,000 warrants with an exercise price of $0.07 per share (revised to $0.05 due to down round provisions) with a five-year expiration. The Company allocated $27,585 to debt discount based on the computed fair value of the convertible notes and warrants issued, and the debt discount is classified as derivative warrant liability due to the "down round provision" in the warrants. During the year ended December 31, 2016, the Company amortized $1,839 of debt discount resulting in un amortized debt discount of $25,746 and carrying value of $224,254 at December 31, 2016.

As of December 31, 2016, two of the 2014 SPA notes in the aggregate amount of $100,000 are due for repayment. The terms of the notes, amongst other things, provide for payment of additional interest if repayments are not made on due dates. The Company is in discussion with the noteholders for an extension of the repayment date, however, as of March 25, 2017 no agreement has been concluded. Additional interest payable, if any, on the notes as of December 31, 2016 was immaterial.

Scheduled maturities of debt as of December 31, 2016 are:

2017	$	1,613,385
2018		1,126,597

		2,739,982
Less: unamortized debt discount net		(99,703)
	$	2,640,279

Other Assets - Deferred Financing Costs

Financing costs associated with the Senior Convertible Notes, certain of the Subordinated Convertible Notes payable and planned financing are included in deferred financing costs on the consolidated balance sheets at December 31, 2016 and December 31, 2015. These costs are amortized over the term of the respective notes. The Company incurred approximately $128,000 of financing costs during the year ended December 31, 2016, including $22,500 related to maturity extensions of a convertible note paid in shares of the Company's common stock, $100,000 for a proposed financing and $4,500 as cash fees for a debt maturity extensions and approximately $1,000 in warrants issued pursuant to debt maturity extensions. Amortization of financing costs for the year December 31, 2016 was $48,306 ($83,843 in 2015). In addition, during the during the year ended December 31, 2016 the Company charged to operations as amortization of deferred financing costs $150,000 incurred for a proposed financing as the Company determined that it is unlikely that the proposed financing will be completed.

NOTE 6. CAPITAL LEASE OBLIGATIONS

In connection with the merger on January 7, 2014, the Company acquired the capital assets and assumed the outstanding lease obligations of U-Vend Canada. As per the terms of the agreement with the lessor, the Company is obligated to pay annual lease payments as summarized below and also buy the equipment from the lessor at the lease maturity in 2017. Accordingly, the lease has been treated as a capital lease.

In August 2016, the Company and the lessor agreed to extend the term of the lease until December 31, 2017. As a consideration of the extension, the Company issued warrants to acquire 150,000 shares of common stock. The warrants have an exercise price of $0.30 per share, a term of three years, and recorded as a debt discount and derivative warrant liability due to the "down round provision" in the amount of $884.

The following schedule provides minimum future rental payments required as of December 31, 2016, under capital leases which have a remaining non-cancelable lease term in excess of one year:

2017	$	180,997
Total minimum lease payments		180,997
Guaranteed residual value		120,668
		301,665
Less: Amount represented interest		(33,451)
Present value of minimum lease payments and guaranteed residual value		268,214
Less: Unamortized debt discount on capital leases		(6,842)
Capital lease obligations and guaranteed residual value, net	$	261,372

Equipment held under capital leases at December 31, 2016 had a cost of $465,500 and accumulated depreciation of $201,262. Equipment held under capital leases at December 31, 2015 had a cost of $465,500 and accumulated depreciation of $132,896.

NOTE 7. STOCKHOLDERS' DEFICIENCY

The Company has authorized shares of common stock of 600,000,000 shares.

During the year ended December 31, 2016, the Company issued 550,000 shares of common stock with a fair value of $22,500 to a note holder to extend the maturity date of the note.

During the year ended December 31, 2016, the Company issued 1,950,000 shares upon conversion of $97,500 face amount of Senior Convertible Note and Convertible Note. In addition, the Company issued 2,941,176 shares to settle $500,000 due to three of its officers.

During the year ended December 31, 2016, the Company issued 1,075,000 shares of common stock with a fair value of $70,405 and warrants with a fair value of $62,493 to consultants for services rendered.

At December 31, 2016 the Company had the following warrant securities outstanding:

	Warrants	Exercise Price		Expiration
2011 Private placement warrants	12,500	$	30.00	March 2018
2013 Series A warrants Senior convertible notes	5,200,000	$	0.05	June 2017-December 2017
2013 Series B warrants Senior convertible notes	6,000,000	$	0.06	June 2018-December 2018
2014 Series A warrants Senior convertible notes	6,000,000	$	0.05	January 2018-December 2018
2014 Series B warrants Senior convertible notes	6,000,000	$	0.06	January 2019-November 2019
2014 Warrants for services	656,364	$	0.22	December 2019
2014 Warrants for services	1,184,000	$	0.06	June 2018-December 2018
2014 Issued to Director for debt	520,833	$	0.24	February 2017-July 2017
2014 Issued with 2014 SPA convertible debt	208,334	$	0.22	August 2019
2014 Issued with equipment financing obligation	200,000	$	0.26	October 2017
2014 issued with lease obligation	246,563	$	0.20	March 2017
2014 issued with lease obligation	483,889	$	0.18	May 2017
2014 Issued with 2014 SPA convertible debt	35,000	$	0.05	October 2019-November 2019
2015 Issued with 2014 SPA convertible debt	116,668	$	0.22	January 2020-March 2020

2015 Issued with convertible financing obligation	110,200	$	0.26	January 2018-October 2018
2015 Issued with 2015 SPA convertible debt	735,002	$	0.22	April 2020- November 2020
2015 Issued for services	407,067	$	0.22	April 2020-November 2020
2015 Warrants issued for equipment	318,182	$	0.22	January 2020
2016 Warrants issued with 2016 SPA convertible debt	2,239,990	$	0.05	June 2021
2015 Warrants issued with sale of common shares	779,413	$	0.30	November 2017 -December 2017
2016 Warrants issued for consulting services	1,250,000	$	0.05	June 2021
2016 Warrants issued for lease extension	150,000	$	0.05	August 2019
2016 Warrants with Convertible notes	338,236	$	0.05	August 2021-September 2021
2016 Warrants issued for services	200,000	$	0.07	October 2019
2016 Warrants issued for lease extension	200,000	$	0.05	October 2021
2016 Warrants issued with Convertible Notes	5,000,000	$	0.05	November -December 2021
	38,592,241			

During the year ended December 31, 2016, the Company revised the exercise price of the warrants based the provisions for down round provided for in the agreements. The exercise prices indicated in the table above are the revised strike price in effect at December 31, 2016. In addition, the Company issued 354,546 additional warrants pursuant to the down round provisions.

During the year ended December 31, 2016, there were 2,452,065 warrants that expired unexercised, and 9,732,772 warrants issued.

At December 31, 2015 the Company had the following warrant securities outstanding:

	Warrants		Exercise Price	Expiration
2011 Private placement warrants	12,500	$	60.00	March 2018
2013 Series A warrants Senior convertible notes	5,200,000	$	0.05	June 2017-December 2017
2013 Series B warrants Senior convertible notes	6,000,000	$	0.06	June 2018-December 2018
2013 Issued with lease obligation	861,250	$	0.12	October 2016
2014 Acquired in U-Vend Canada merger	517,335	$	0.24	October 2015-January 2016
2014 Series A warrants Senior convertible notes	6,000,000	$	0.05	January 2017-December 2018
2014 Series B warrants Senior convertible notes	6,000,000	$	0.06	January 2019-November 2019
2014 Warrants for services	18,480	$	0.01	January 2016
2014 Warrants for services	420,000	$	0.35	August 2019-December 2019
2014 Warrants for services	35,000	$	0.24	January 2016
2014 Warrants for services	770,000	$	0.05	October 2015-December 2016
2014 Warrants for services	1,184,000	$	0.06	June 2018-December 2018
2014 Issued to Director for debt	729,166	$	0.24	November 2016-July 2017
2014 Issued with 2014 SPA convertible debt	243,334	$	0.35	August 2019-December 2019
2014 Issued with equipment financing obligation	200,000	$	0.35	October 2017
2014 issued with lease obligation	246,563	$	0.20	March 2017
2014 issued with lease obligation	483,889	$	0.18	May 2017
2014 Issued with promissory note	41,667	$	0.18	May 2017
2015 Issued with 2014 SPA convertible debt	116,668	$	0.35	January 2020-March 2020
2015 Issued with convertible financing obligation	110,200	$	0.35	January-October 2018
2015 Issued for services	407,067	$	0.40	February 2020-November 2020
2015 Issued with 2015 SPA convertible debt	735,002	$	0.40	April 2020-November 2020
2015 Warrants issued for equipment	200,000	$	0.35	January 2020
2015 Warrants issued with sale of common shares	779,413	$	0.30	December 2017
	31,311,534			

NOTE 8. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table provides a summary of changes in derivative warrant liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2016 and 2015.

		December 31, 2016		December 31, 2015
Balance at beginning of period	$	310,960	$	309,993
Allocation of proceeds related to convertible and promissory notes to derivative liabilities due to “down round” provision		51,001		38,282
Reclassification of warrant liability as additional paid in capital upon exercise of warrants		—		(3,534)
Equipment purchased with warrants classified as derivative liabilities due to “down round” provision		—		50,100
Unrealized gain on fair value adjustment		(177,281)		(83,881)
	$	184,680	$	310,960

The fair value of warrants outstanding at December 31, 2016 and 2015 has been determined based on the consideration of the enterprise value of the Company, the limited market of the shares issuable under the agreement and modeling of the Monte Carlo simulation using multiple volatility assumptions. Warrants issued in and prior to 2012 are significantly out of the money and diluted therefore, management has deemed the fair value of these to be de minimis. Due to certain unobservable inputs in the fair value calculations of the warrants, derivative warrant liabilities are classified as Level 3.

NOTE 9. EQUITY INCENTIVE PLAN

On July 22, 2011, the Board of Directors of the Company approved the Company's 2011 Equity Incentive Plan (the "Plan") and on July 26, 2011, stockholders holding a majority of shares of the Company approved, by written consent, the Plan. The total number of shares of common stock available for issuance under the Plan is 5,000,000 shares. Awards may be granted to employees, officers, directors, consultants, agents, advisors and independent contractors of the Company and its related companies. Such options may be designated at the time of grant as either incentive stock options or nonqualified stock options. Stock based compensation includes expense charges related to all stock-based awards. Such awards include options, warrants and stock grants. Generally, the Company issues stock options that vest over three years and expire in 5 to 10 years.

The Company records share based payments under the provisions of FASB ASC 718 "Compensation - Stock Compensation." Stock based compensation expense is recognized over the requisite service period based on the grant date fair value of the awards. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model.

The Company estimated the expected volatility based on data used by its peer group of public companies. The expected term was estimated using the simplified method. The risk-free interest rate assumption was determined using the equivalent U.S. Treasury bonds yield over the expected term. The Company has never paid any cash dividends and does not anticipate paying any cash dividends in the foreseeable future. Therefore, the Company assumed an expected dividend yield of zero.

The following shows the significant assumptions used to compute the share-based compensation expense for stock options granted during the years ended December 31, 2016 and 2015:

Volatility	65%
Expected term	2 - 5 years
Risk-free interest rate	1.38% - 1.62%
Expected dividend yield	0%

A summary of all stock option activity for the years ended December 31, 2016 and 2015 is as follows:

	Options	Weighted Average Exercise Price	Weighted Average Contractual Life	Aggregate Intrinsic Value
Outstanding at December 31, 2014	360,650	$ 1.99		
Issued in 2015	4,280,000	$ 0.20		
Forfeited 2015				
Outstanding at December 31, 2015	4,640,650	$ 0.34	4.4 years	
Issued in 2016	20,000	$ 0.20		
Forfeited in 2016	(2,500)	$ 60.00		
Outstanding at December 31, 2016	4,658,150	$ 0.31	3.4 years	$ —
Exercisable at December 31, 2016	3,929,819	$ 0.33	3.4 years	$ —

The Company granted 20,000 options during the year ended December 31, 2016 and 4,280,000 options during the year ended December 31, 2015. The weighted average grant date fair value of options granted during the year ended December 31, 2016 and 2015 were $0.04 and $0.09, respectively. The fair value of options that vested during the year ended December 31, 2016 and 2015 amounted to approximately $140,907 and $221,207, respectively.

At December 31, 2016, there was approximately $68,236 of unrecognized compensation cost related to non-vested options. This cost is expected to be recognized over a weighted average period of approximately 1.5 years.

In 2015, the Company granted 500,000 restricted shares to an officer with a three year vesting. During the years ended December 31, 2016 and 2015, $24,444 and $36,667, respectively, was charged to operations as stock based compensation costs for the restricted shares granted. At December 31, 2016, there was $48,889 of unrecognized compensation cost related to non-vested stock grants that is expected to be recognized over a period of approximately 1.75 years.

NOTE 10. COMMITMENTS AND CONTINGENCIES

National Hockey League Retail License and Sponsorship Agreement

On February 27, 2015 U-Vend, Inc. announced a multi-year, Corporate Marketing Letter Agreement (the "Agreement") with the National Hockey League. The Agreement includes the usage of NHL® team branded marks on the Company's Frozen Pond Premium Ice Cream™ for the period commencing March 1, 2015 through June 30, 2020 in retail distributions including mass merchants, specialty shops, convenience stores and in the Company's specialty kiosks in North America.

The Company entered into the Agreement with NHL Enterprises, L.P, NHL Enterprises Canada, L.P. and NHL Interactive Cyber Enterprises, LLC (collectively referred to as the "NHL" and the "Licensors") and includes a retail license agreement, a corporate sponsorship and a marketing agreement. In connection with the Agreement, the Company shall pay to the NHL a royalty payment of five percent (5%) on net sales as well as fees attributable to national advertising, promotion and corporate marketing and branding events. The Agreement also provides for customary representations, warranties, and indemnification from the parties.

The following schedule provides minimum future payments for each of the periods ending June 30, 2016 through 2020 as defined in the NHL license and sponsorship agreements as of December 31, 2016 remeasured from Canadian dollars to U. S. dollars at the spot rate on December 31, 2016:

For the period	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	Total
Sponsorship fee	372,400	521,360	633,080	633,080	633,080	2,793,000
Minimum royalty	223,440	372,400	446,880	521,360	670,320	2,234,000
Media commitment	148,960	148,960	148,960	148,960	148,960	744,800
Product in kind	1,490	1,490	1,490	1,490	1,490	7,448
Total Commitment	746,290	1,044,210	1,230,410	1,304,890	1,453,850	5,779,648

No payments were made to the NHL under this agreement as of December 31, 2016. The agreement provides for termination provisions for nonpayment. The Sponsorship and Minimum royalty payments due to the NHL (in Canadian dollars) are as follows in the initial period: $200,000 on November 15, 2015, $200,000 on January 15, 2016 and $400,000 on April 15, 2016. The company has accrued $858,754 of this total commitment as of December 31, 2016. As part of the agreement, the NHL has commitments to the Company including a retail royalty fund which partially reduces the total commitment above.

Major League Baseball Properties, Inc License Agreement

In June, 2016 the Company entered into a license agreement beginning January 1, 2016 through December 31, 2018 with Major League Baseball Properties, Inc. (“MLB” “Licensor”) for the non-exclusive right to certain proprietary intangible property of the Licensor to be used in connection with the manufacturing, distribution, promotion and advertisement of the Company’s products sold within the U.S., the District of Columbia and U.S. territories. Under the license agreement, the Company is scheduled to pay the following guaranteed payments; $150,000 during 2016, $275,000 during 2017, and $575,000 during 2018. The Company is obligated to pay the licensor a royalty based on the product sold or advertising sold. The royalty paid shall offset all or a portion of the guaranteed payments. The agreement is subject to customary default and termination clauses. The Company has paid $102,000 during the year ended December 31, 2016 and has accrued $48,000 at December 31, 2016 and charged to operations $150,000 of guaranteed payments related to the year ended December 31, 2016.

Operating Lease Obligations

As of December 31, 2016, the Company has two operating lease agreements for warehouse space, one in southern California and one in in Las Vegas . The lease for the California warehouse was extended for an additional term of one year until January 2018 with a base rent of $2,830 a month. The lease for the warehouse in Las Vegas is for a term of 25 months commencing in February 2016 and provides for a base rent of $1,068 with scheduled increases. The Company also has two vehicle leases for use in product distribution and sales efforts. The vehicle leases expire in October 2017 and June 2021 and require a monthly payment of $1,063. Rent expense amounted to $58,282 and $65,141 during the years ended December 31, 2016 and 2015, respectively.

The aggregate rental commitments for the real estate leases at December 31, 2016 is:

2017	$	46,776
2018		4,966
Total	$	51,742

NOTE 11. INCOME TAXES

Loss from operations before provision (benefit) for income taxes is summarized in the following table.

	For the Year Ending	
	2016	2015
Domestic	$ (2,339,677)	$ (1,873,516)
Foreign	(268,692)	(173,588)
	$ (2,608,369)	$ (2,047,104)

The income tax provision (benefit) is summarized in the following table.

	For the Year Ending	
	2016	2015

Current:		
Federal	$ —	$ —
State	(908)	3,470
Foreign	—	—
Total current	(908)	3,470
Deferred:		
Federal	(886,965)	(694,357)
State	(127,328)	(94,514)
Foreign	(65,963)	(42,055)
Total deferred	(1,080,256)	(830,926)
Less increase in allowance	1,080,256	830,926
Net deferred	—	—
Total income tax provision (benefit)	$ (908)	$ 3,470

The significant components of the deferred tax assets and liabilities are summarized below.

	As of December 31,	
	2016	2015
Deferred tax assets (liabilities):		
Net operating loss carryforwards	$ 2,698,856	$ 1,669,671
Depreciable and amortizable assets	(64,135)	(48,106)
Prepaid expense	(253)	(253)
Intangible asset	(87,002)	(130,503)
Stock based compensation	223,543	162,396
Beneficial conversion feature	(22,184)	—
Loss reserve	2,736	3,239
Accrued compensation	108,743	157,443
Other	680	116
Total	2,860,984	1,814,003
Less valuation allowance	(2,860,984)	(1,814,003)
Net deferred assets (liabilities)	$ —	$ —

The Company has approximately $6,679,000, and $1,144,000 in federal U.S. and Canadian net operating loss carryforwards ("NOLs"), respectively, as well as $5,685,000 in U.S. state and $1,144,000 in Canadian provincial NOLs available to reduce future taxable income. These carryforwards begin to expire in year 2030. Due to the uncertainty as to the Company's ability to generate sufficient taxable income in the future and utilize the NOLs before they expire, the Company has recorded a valuation allowance to fully offset the NOLs, and the total net deferred tax assets, as well.

Internal Revenue Code Section 382 ("Section 382") imposes limitations on the availability of a company's net operating losses and other corporate tax attributes as certain significant ownership changes occur. As a result of the historical equity instrument issuances by the Company, a Section 382 ownership change may have occurred and a study will be required to determine the date of the ownership change, if any. The amount of the Company's net operating losses and other tax attributes incurred prior to any ownership change may be limited based on the Company's value. In addition, as a result of the Company's acquisition of the shares of U-Vend Canada, the amount of U-Vend Canada's NOLs incurred prior to the ownership change and those of its wholly-owned limited liability company, U-Vend USA LLC may be limited based on U-Vend Canada's value at the date of acquisition. A full valuation allowance has been established for the Company's deferred tax assets, including net operating losses and any other corporate tax attributes.

During the years ended December 31, 2016 and 2015 the Company had no unrecognized tax benefits. The Company's policy is to recognize interest accrued and penalties related to unrecognized tax benefits in tax expense.

The Company files income tax returns in the U.S. and Canada federal jurisdictions, the states of California, Florida, Illinois and New York, as well as the province of Ontario. The tax years 2013-2016 generally remain open to examination by the U.S. federal and state taxing authorities. In addition, the 2012 tax year is still open for the state of California, Canadian federal and province of Ontario taxing authorities.

A reconciliation of the income tax provision using the statutory U.S. income tax rate compared with the actual income tax provision reported on the consolidated statements of operations is summarized in the following table.

	2016	2015
Statutory United States federal rate	34.00%	34.00%
United States federal tax on foreign branch operations	3.31	4.99
State income tax, net of federal benefit	4.94	4.25
Other foreign income tax, net of federal benefit	1.01	.82
Change in valuation reserves	(41.41)	(40.55)
Permanent differences	(1.41)	(.44)
Tax rate differential between jurisdictions	(2.72)	(2.54)
State income tax law changes	—	—
Other	2.31	(1.54)
Effective tax rate benefit (provision)	.03%	(.17)%

NOTE 12. SALE OF MASTER DISTRIBUTOR AGREEMENT

Mr. Neelin, a former officer of the Company, and the Company entered into a five year exclusive Master Distributor Agreement to market and sell U-Vend services in Canada and Latin America. All expenses associated with the marketing, selling and the provisioning of the services will be borne by Mr. Neelin. The Company will earn a royalty fee of 10% on total gross sales of the services sold through the distribution agreement. Royalties will be paid to the Company on a quarterly basis. Pursuant to the agreement, Neelin waived an amount of $93,000 due to him from the Company and this amount has been accounted as other income.

NOTE 13. SUBSEQUENT EVENTS

On January 26, 2017, the Company issued a convertible note under the Company's 2016 Securities Purchase Agreement for $20,000 with an interest rate of 9.5% and two year term. The note is convertible into 400,000 shares of common stock at $0.05 per share. In addition, the Company issued 400,000 warrants with an exercise price of $0.07 per share and five year term in connection with this debt.

On January 5, 2017, the Company issued 400,000 shares of common stock upon exercise of warrants resulting in cash proceeds of $20,000 to the Company.

Effective February 1, 2017, the Company appointed David Graber as the Company's Chief Executive Officer. Mr. Graber is affiliated with Cobrador Multi-Strategy Partners LP (Cobrador), and Cobrador has provided significant financing to the Company. As of December 31, 206 the Company had $1,434,591 in aggregate face amount due pursuant to Senior Convertible Notes and Convertible Notes, net of unamortized discount of $68,047 with $1,366,544 carrying value. During the year ended December 31, 2016, the Company incurred approximately $100,000 of interest expense for the borrowing from Cobrador. In addition, subsequent to the year end, the Company borrowed $20,000 pursuant a Convertible Note.

In February 2017, the Company issued three convertible notes under the Company's 2016 Securities Purchase Agreement for an aggregate amount of $200,000 with an interest rate of 9.5% and two year term. The note is convertible into an aggregate of four million shares of common stock at $0.05 per share. In addition, the Company issued an aggregate of four million warrants with an exercise price of $0.07 per share and five year term in connection with this debt.

On March 31, 2017, the Company borrowed $25,000 pursuant to a promissory note that bears interest at 10% and due in 30 days.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act 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.

U-VEND, INC.

April 14, 2017	By:	/s/ David Graber David Graber Chief Executive Officer, Chief Financial Officer and Director (Principal Executive Officer and Principal Accounting Officer)

In accordance with Section 13 or 15(d) of the Exchange Act 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.

April 14, 2017	By:	/s/ Philip Jones Philip Jones Director
April 14, 2017	By:	/s/ David Graber David Graber Chief Executive Officer, Chief Financial Officer and Director (Principal Executive Officer and Principal Accounting Officer)
April 14, 2017	By:	/s/ Raymond Meyers Raymond Meyers Director
April 14, 2017	By:	/s/ Alexander Orlando Alexander Orlando Director
April 14, 2017	By:	/s/ Patrick White Patrick White Director