10-Q 1 uvend-10q_093016.htm QUARTERLY REPORT

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2016

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

For the transition period from ________ to __________

Commission File Number: 333-165972

U-VEND, INC.

(Exact name of registrant specified in its charter)

Delaware	22-3956444
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1507 7th STREET, #425
SANTA MONICA, CALIFORNIA 90401
(Address of principal executive offices)

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

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

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

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

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

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

The number of shares outstanding of the registrant's Common Stock, $0.001 par value per share, was 23,059,992, as of November 1, 2016.

U-VEND, INC.

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U-VEND, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	As of September 30, 2016 (unaudited)	As of December 31, 2015
ASSETS		
Current assets:		
Cash	$ 55,749	$ 139,677
Accounts receivable	16,745	3,807
Inventory (net)	103,627	46,979
Prepaid expenses and other assets	66,558	79,548
Total current assets	242,679	270,011
Noncurrent assets:		
Property and equipment (net)	739,037	747,298
Security deposits	17,386	16,018
Other assets (net)	—	70,010
Intangible asset (net)	195,301	260,401
Goodwill	642,340	642,340
Total noncurrent assets	1,594,064	1,736,067
Total assets	$ 1,836,743	$ 2,006,078
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current liabilities:		
Accounts payable	$ 400,682	$ 254,946
Accrued expenses	156,444	156,484
Accrued interest	166,625	121,080
NHL and MLB sponsorship liability	767,840	316,997
Registration rights liability	—	22,156
Amounts due to officers	319,146	624,307
Senior convertible notes, net of discount	—	372,498
Promissory notes payable	448,035	479,576
Convertible notes payable, net of discount	733,235	744,807
Current capital lease obligation	132,790	90,783
Total current liabilities	3,124,797	3,183,634
Noncurrent liabilities:		
Senior convertible notes, net of discount	346,268	—
Convertible notes payable, net of discount	858,015	—
Capital lease obligation, net of discount	130,506	207,703
Warrant liabilities	213,409	310,960
Total noncurrent liabilities	1,548,198	518,663
Total liabilities	4,672,995	3,702,297
Commitments and contingencies (Note 5)		
Stockholders' deficiency:		
Common stock, $.001 par value, 600,000,000 shares authorized, 22,759,992 shares issued and outstanding (18,148,816 - 2015)	22,757	18,148
Additional paid-in capital	4,980,277	4,113,055
Accumulated deficit	(7,839,286)	(5,827,422)
Total stockholders' deficiency	(2,836,252)	(1,696,219)

Total liabilities and stockholders' deficiency	$ 1,836,743	$ 2,006,078

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

U-VEND, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the three months ended		For the nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Revenue	$ 414,842	$ 275,266	$ 1,089,865	$ 624,478
Cost of revenue	205,404	187,699	527,894	402,968
Gross profit	209,438	87,567	561,971	221,510
Operating expenses:				
Selling	433,005	248,565	1,053,849	623,321
General and administrative	499,459	441,515	1,135,003	1,028,341
Accretion and reversal of earn-out liability	—	—	—	(201,013)
	932,464	690,080	2,188,852	1,450,649
Operating loss	(723,026)	(602,513)	(1,626,881)	(1,229,139)
Other (income) expense, net				
Gain on change in fair value of debt and warrant liabilities	(11,486)	(32,042)	(119,671)	(67,743)
Amortization of debt discount and deferred financing costs	170,161	(333)	306,168	114,620
Interest expense	73,589	57,503	191,235	180,309
Unrealized loss (gain) on foreign currency	(1,776)	(8,602)	7,251	(24,561)
	230,488	16,526	384,983	202,625
Net loss	$ (953,514)	$ (619,039)	$ (2,011,864)	$ (1,431,764)
Net loss per share- basic and diluted	$ (0.04)	$ (0.04)	$ (0.10)	$ (0.11)
Weighted average common shares outstanding - basic and diluted	22,075,706	15,213,660	19,503,535	13,246,165

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

U-VEND, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the nine months ended September 30, 2016	For the nine months ended September 30, 2015
Cash flows from operating activities:		
Net loss	$ (2,011,864)	$ (1,431,764)
Adjustments to reconcile net loss to net cash used by operating activities:		
Stock based compensation	125,294	112,431
(Gain) loss on fair value of warrant liabilities	(119,671)	(62,343)
Common shares issued for lease obligation	—	28,187
Common shares and warrants issued for services	89,994	195,473
Depreciation	108,652	90,058
Amortization of intangible assets	65,100	65,100
Amortization of debt discount and deferred financing costs	210,329	114,620
Accretion and reversal of contingent consideration liability	—	(201,013)
Unrealized loss (gain) on foreign currency	7,251	(24,561)
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	(12,938)	(7,793)
Inventory	(56,648)	(14,407)
Prepaid expenses and other assets	11,622	12,092
Increase in liabilities:		
Accounts payable and accrued expenses	596,537	373,259
Accrued interest	118,166	113,693
Amount due to officers	276,089	208,314
Net cash used by operating activities	(496,253)	(434,054)
Cash flows from investing activities:		
Purchase of property and equipment	(100,391)	(7,115)
Net cash used by investing activities	(100,391)	(7,115)
Cash flows from financing activities:		
Proceeds from common stock warrant exercises	—	55,000
Proceeds from convertible notes, net of financing costs	115,000	423,900
Proceeds from promissory notes	562,800	48,838
Repayment of convertible note		(70,200)
Principal repayments of promissory notes	(65,084)	—
Deferred financing costs paid	(100,000)	—
Net cash provided by financing activities	512,716	457,538
Net increase (decrease) in cash	(83,928)	16,369
Cash - beginning of period	139,677	73,396
Cash - end of period	$ 55,749	$ 89,765
Cash paid for:		
Interest	$ 69,000	$ 23,000
Income taxes	$ 1,000	$ 2,000
Non-cash investing and financing activities:		
Debt discount related to warrant liability and beneficial conversion feature	$ 108,363	$ 9,696
Issuance of common stock to satisfy capital lease obligation	$ —	$ 136,334
Issuance of common shares and warrants as debt financing cost	$ 7,000	$ 26,195

Conversion of senior convertible notes into common stock	$ 62,500	$ 5,000
Issuance of common shares to pay 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	$ —	$ 65,750
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 Condensed Consolidated Financial Statements
September 30, 2016 (Unaudited)

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

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 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 unaudited condensed consolidated financial statements have been prepared on a going concern basis. The Company incurred a loss of $2,011,864 during the nine months ended September 30, 2016, has incurred accumulated losses totaling $7,839,286, and has a working capital deficit of $2,882,118 at September 30, 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 shareholders 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 condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis of Presentation - The accompanying condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information. Accordingly, these statements do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, the accompanying condensed consolidated balance sheets and related condensed consolidated statements of operations and cash flows include all adjustments, consisting only of normal recurring items necessary for their fair presentation in accordance with U.S. generally accepted accounting principles. Interim results are not necessarily indicative of results expected for a full year. For further information regarding the Company's accounting policies, please refer to the audited consolidated financial statements and footnotes for the year ended December 31, 2015 included in the Company's 10-K annual report filed with the SEC on April 28, 2016.

The preparation of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates and assumptions.

Principles of Consolidation - The condensed consolidated financial statements include the accounts of U-Vend, Inc. (formerly Internet Media Services, 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.

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 September 30, 2016, there were approximately 54.7 million (44.9 million at September 30, 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.

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 September 30, 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 September 30, 2016. (See Note 2). 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.

Reclassifications - Certain prior period amounts in the accompanying condensed 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 - FASB 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 May 2014, the FASB issued new accounting guidance, 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 August 2014, the FASB issued ASU No. 2014-15, "Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern." The guidance requires an entity to evaluate whether there are conditions or events, in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued and to provide related footnote disclosures in certain

circumstances. The guidance is effective for the annual period ending after December 15, 2016, and for annual and interim periods thereafter. Early application is permitted. The Company does not believe the adoption of this ASU will have a significant impact on its consolidated financial statements.

In February 2016, the FASB issued an accounting standard update 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.

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.

NOTE 2. 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 nine months ended September 30, 2016, the terms of the convertible notes were extended until December 31, 2017. Pursuant to the extension the maturity of the convertibles notes are for more than one year as of September 30, 2016 and accordingly are reclassified as noncurrent liabilities. 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 nine months ended September 30, 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. As of September 30, 2016, the Senior Convertible had an aggregate face and carrying value of $310,000 ($372,500 at December 31, 2015).

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 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 three and nine months ended September 30, 2016, the Company amortized debt discount of $14,507 related to the Senior Convertible Note issued in June 2016. As of September 30, 2016, the Senior Convertible Note issued in June 2016, had a carrying value of $36,268 net of discount of $72,536.

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.

Promissory Notes Payable

During the nine months ended September 30, 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, during the nine months ended September 30, 2016, the Company borrowed an aggregate of $58,800 pursuant to five 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 $45,833 of borrowings during the nine months ended September 30, 2016 and the balance outstanding on these notes at September 30, 2016 was $24,050 ($11,083 at December 31,

2015). The Company also borrowed $30,000 pursuant to a demand promissory note that bears interest at 10% during the nine months ended September 30, 2016.

In January and October 2015, the Company entered into two separate 24 month equipment financing agreements with Perkin Industries, LLC (“the Lender”) for equipment in the aggregate amount of $137,750 with an annual interest rate of 15%. The Lender received an aggregate of 110,200 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 amount of $1,237. During the three and nine months ended September 30, 2016, the Company amortized debt discount of $146 and $439, respectively, and the carrying value of this financing is $137,750 at September 30, 2016. The fair value of the warrant liability related to Perkin equipment financing obligations was $1,711 as of September 30, 2016 ($2,920 December 31, 2015).

Convertible Note Payable

During the nine months ended September 30, 2016, the Company repaid one convertible note payable in Canadian dollars that was acquired 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 $76,237 as of September 30, 2016. During the three and nine months ended September 30, 2016, the Company recorded an unrealized (loss)/ gain on foreign currency translation related to these notes and the related accrued interest of $1,776 and $(7,251), respectively. The Company recorded an unrealized gain on foreign currency translation of $8,602 and an unrealized gain on foreign currency translation of $24,561 during the three and nine months ended September 30, 2015, respectively, related to these notes and the accrued interest.

During the year ended December 31, 2015, the Company issued eleven 9.5% subordinated convertible notes aggregating $441,000 pursuant to 2015 Stock Purchase Agreement (2015 SPA). In connection with these borrowings, the Company granted a total of 735,002 warrants with an exercise price of $0.40 per share 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 three and nine months ended September 30, 2016 the Company recorded $129 and $2,309, respective, as amortization of debt discount on the 2015 SPA subordinated convertible notes. As of September 30, 2016, outstanding 2015 SPA notes had a face value of $441,000 ($441,000 at December 31, 2015). The debt discount of $2,309 at December 31, 2015 is fully amortized, resulting in a carrying value of $441,000 ($438,691 at December 31, 2015).

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, fine and penalties $23,110 to operations as amortization of debt discount and deferred financing costs during the nine months ended September 30, 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 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 three and nine months ended September 30, 2016, the Company amortized $2,405 of debt discount related to 2016 SPA. As of September 30, 2016, outstanding 2016 SPA had a face value of $761,957 and debt discount of $16,837 resulting in carrying value of $744,760.

During the three months ended September 30, 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. In connection with these borrowings, the Company granted a total of 338,235 warrants with an exercise price of $0.30 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 three and nine months ended September 30, 2016, the Company amortized $249 of debt discount resulting in un amortized debt discount of $1,745 and carrying vale of $113,255 at September 30, 2016.

As of September 30, 2016, five convertible notes payable with a face amount of $237,000 ($175,313 at December 31, 2015) are currently 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 note holders for an extension of the repayment date, however, as of November 4, 2016 no agreement has been reached. Additional interest payable, if any, on the notes as of September 30, 2016 was immaterial.

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 condensed consolidated balance sheets at September 30, 2016 and December 31, 2015. These costs are amortized over the term of the respective notes. The Company incurred approximately $107,000 of financing costs during the nine months ended September 30, 2016, including $7,000 related to maturity extensions of a convertible note paid in shares of the Company's common stock and $100,000 for a proposed financing. Amortization of financing costs for the three and nine months ended September 30, 2016 was $1,017 ($32,315 in 2015) and $27,010 ($80,436 in 2015), respectively. In addition, during the three months ended September 30, 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 3. STOCKHOLDERS' DEFICIENCY

During the nine months ended September 30, 2016, the Company granted options to acquire 20,000 shares of its common shares pursuant to the Company's Stock Option plan.

During the nine months ended September 30, 2016, $125,294 ($112,431 in 2015) was charged to operations as stock based compensation costs for the options and the restricted shares granted.

During the nine months ended September 30, 2016, the Company issued 50,000 shares of common stock with a fair value of $7,000 to a note holder to extend the maturity date of the note.

During the nine months ended September 30, 2016, the Company issued 1,250,000 shares upon conversion of $62,500 face amount of Senior Convertible Note. In addition, the Company issued 2,941,176 shares to settle $500,000 due to three of its officers.

During the nine months ended September 30, 2016, the Company issued 370,000 shares of common stock with a fair value of $45,600 and warrants with a fair value of $44,394 to consultants for services rendered.

At September 30, 2016 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 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	420,000	$	0.35	August 2019-December 2019
2014 Warrants for services	96,000	$	0.05	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
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 2018-October 2018
2015 Issued with 2015 SPA convertible debt	735,002	$	0.40	February 2020- September 2020
2015 Issued for services	407,067	$	0.40	April 2020-November 2020
2015 Warrants issued for equipment	200,000	$	0.35	December 2017
2016 Warrants issued with 2016 SPA convertible debt	2,239,990	$	0.30	June 2021
2015 Warrants issued with sale of common shares	779,413	$	0.30	December 2017
2016 Warrants issued for consulting services	1,250,000	$	0.17	June 2021
2016 Warrants issued for lease extension	150,000	$	0.30	August 2019
2016 Warrants with Convertible notes	338,236	$	0.30	August 2021-September 2021
	34,003,278			

During the nine months ended September 30, 2016, 1,286,482 warrants expired unexercised.

NOTE 4. FAIR VALUE OF FINANCIAL INSTRUMENTS OPEN

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 nine months ended September 30, 2016 and the year ended December 31, 2015.

	September 30, 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	22,120	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	(119,671)	(83,881)
	$ 213,409	$ 310,960

The fair value of warrants outstanding at September 30, 2016 and December 31, 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 5. COMMITMENTS

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, $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 $25,000 at the inception of the agreement and has accrued $60,714 at September 30, 2016 and charged to operations $85,714 of guaranteed payments related to nine months ended September 30, 2016.

NOTE 6. CAPITAL LEASE OBLIGATIONS

In connection with the merger on January 7, 2014, the Company acquired the capital assets and 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 September 30, 2016, under capital leases which have a remaining non-cancelable lease term in excess of one year:

2016	58,772
2017	136,355
Total minimum lease payments	195,128
Guaranteed residual value	120,688
	315,796
Less: Amount represented interest	(43,946)
Present value of minimum lease payments and guaranteed residual value	271,850

Less: Current portion of capital lease obligations	(132,790)
Long term capital lease obligations and guaranteed residual value	139,060
Less: Unamortized debt discount on capital leases	(8,554)
Long term capital lease obligations and guaranteed residual value, net	$ 130,506

NOTE 7. SUBSEQUENT EVENTS

In October 2016, the Company entered into a four-month joint marketing agreement with a firm and issued a total of 300,000 shares of restrictive common stock, and 200,000 three-year cashless warrants with an exercise price of $0.07 for services to be rendered.

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 $0.07 per share.

In November 2016, the Company issued a convertible note under the Company's 2016 Securities Purchase Agreement for $150,000 with an interest rate of 9.5% and two year term. The note is convertible into 3,000,000 shares of common stock at $0.05 per share. The Company issued 3,000,000 warrants with an exercise price of $0.07 per share and five year term in connection with this debt.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the three and nine months ended September 30, 2016 and September 30, 2015

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 $2,011,864 during the nine months ended September 30, 2016, has accumulated losses totaling $7,839,286, and has a working capital deficit of $2,882,118 at September 30, 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 Three and Nine Months Ended September 30, 2016 and September 30, 2015

Revenues:

For the three months ended September 30, 2016 the Company's revenues increased by $139,576 or 50.7% to $414,842 compared to revenues of $275,266 during the three months ended September 30, 2015. For the nine months ended September 30, 2016, the Company's revenues increased by $465,387 or 74.5% to $1,089,865 during the comparable period in 2015. The increases in revenues were due to additional electronic kiosks installed and operational during 2016. As of September 30, 2016, the Company had 140 electronic kiosks installed and operational in Greater Chicago, Illinois, southern California and Las Vegas, Nevada compared to 118 at September 30, 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 Revenues:

For the three months ended September 30, 2016, the Company's cost of revenues increased by $17,705 or 9.4% to $205,404 compared to cost of revenues of $187,699 during the three months ended September 30, 2015. For the nine months ended September 30, 2016, the Company's cost of revenues increased by $124,926 or 31.0% to $527,894 compared to cost of revenues of $402,968 during the comparable period in 2015. The increase in cost of revenues in 2016 was due to higher revenues generated by the Company in 2016 compared to 2015. The Company's cost of revenues as a percentage of revenues during the three and nine months ended September 30, 2016 were 49.5% and 48.4%, respectively, compared to 68.2% and 64.5%, respectively, in 2015.

Selling Expenses:

Selling expenses for three months and nine months ended September 30, 2016 increased by $184,440 and $430,528 compared to the comparable period in 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 based. In addition, during the nine months ended September 30, 2016, the Company accrued or expensed $475,843 for sponsorship and media commitment fees in connection with the NHL Corporate Marketing Agreement and MLB compared to $230,004 during the comparable period in 2015.

General and Administrative Expenses:

General and Administrative expenses for the three months and nine months ended September 30, 2016 increased by $57,944 and

$106,662, respectively, compared to the comparable period in 2015. Increased levels of operations and revenues in 2016 resulted in increases in support costs including compensation, revenue based incentives and travel expenses. However the increases were offset by decreases in professional fees and merger related expenses compared to costs incurred in 2015.

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 nine months ended September 30, 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 condensed consolidated Statement of Operations during the nine months ended September 30, 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 any change in fair value reported in the condensed consolidated statement of operations. During the three and nine months ended September 30, 2016, the Company recognized a gain on the change in fair value of warrant liabilities in the amount of $11,486 and $119,671, respectively. During the three and nine months ended September 30, 2015 the Company recognized a gain on the change in fair value of warrant liabilities in the amount of $32,042 and $67,743, respectively.

Amortization of debt discount and deferred financing costs:

Amortization of debt discount and deferred financing costs increased by $170,494 from ($333) during the three months ended September 30, 2015 to $170,161 during the three months ended September 30, 2016. For nine months ended September 30, 2016, amortization of debt discount and deferred financing costs increased by $191,548 compared to comparable period in 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 three and nine months ended September 30, 2016, Company charged to operations as amortization of deferred financing costs $150,00 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 three months and nine months ended September 30, 2016 increased by $16,086 and $10,926, respectively over the comparable period in 2015. The increases were due to higher levels of borrowings the Company had in 2016.

Unrealized (gain) loss 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. During the three months ended September 30, 2016, the Company recorded an unrealized gain on foreign currency related to these notes and the related accrued interest of $1,776. For the the nine months ended September 30, 2016, the Company recorded a unrealized loss of $7,251. During the three and nine months ended September 30, 2015, the Company recorded an unrealized gain on foreign currency translation of $8,602 and, the Company recorded an unrealized gain on foreign currency translation of $24,561, respectively, related to these notes and the accrued interest.

Net Loss:

As a result of the foregoing, the net loss for the three months ended September 30, 2016 was $953,514 compared to a net loss of $619,039 during the three months ended September 30, 2015. For the nine months ended September 30, 2016, the net loss was $2,011,864 compared to a net loss of $1,431,764 in 2015.

Liquidity and Capital Resources

At September 30, 2016, the Company had a working capital deficiency of $2,882,118 compared to working capital deficiency of approximately $2,914,000 at December 31, 2015. The decrease in the working capital deficiency is primarily due to the refinancing short term debt with long term debt pursuant to Senior Convertible Notes and 2016 SPA Notes issuance but the decrease was offset by Company's operating losses during the nine months September 30, 2016. During the nine months ended September 30, 2016, the Company's operating activities used cash of approximately $496,000 compared to approximately $434,000 used during the nine months ended September 30, 2015.

During the nine months ended September 30, 2016, the Company's operations, after adjusting for non-cash items, used approximately $1,429,000 of cash. Changes in working capital items provided approximately $933,000 of cash during the nine months months ended September 30, 2016. During the nine months ended September 30, 2015, the Company's operations, after adjustment for non-cash items, used approximately $1,119,000 of cash and working capital items provided approximately $685,000 of cash.

During the nine months ended September 30, 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. In addition, during the nine months ended September 30, 2016, the Company borrowed an aggregate of $58,800 pursuant to five 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 $45,833 of borrowings during the nine months ended September 30, 2016 and the balance outstanding on these notes at September 30, 2016 was $24,050.

During the nine months ended September 30, 2016, the Company issued 1,250,000 shares of common stock upon Cobrador converting Senior Convertible Note in the face amount of $62,500.

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.

During the nine months ended September 30, 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.

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 nine months ended September 30, 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. The Company also borrowed $30,000 pursuant to a demand promissory note that bears interest at 10% during the nine months ended September 30, 2016.

As of September 30, 2016, aggregate principal amounts of approximately $237,000 are due for repayment pursuant to the terms of the related notes. The Company is in discussion with the note holders for an extension of the repayment date. However, as of November 4, 2016 no agreement has been reached. There is no assurance that an acceptable extension agreement will be reached.

The accompanying unaudited condensed consolidated financial statements have been prepared on a going concern basis. The Company incurred a loss of $2,011,864 during the nine months ended September 30, 2016, has accumulated losses totaling $7,839,286, and has a working capital deficit of $2,882,118 at September 30, 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.

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, 2015 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, 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 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 estimated fair value of the convertible notes is determined based on the trading price on September 30, 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 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 4 - CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures:

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 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 quarterly report, have concluded that our disclosure controls and procedures were not effective and that material weaknesses described in our Form 10-K for the fiscal year ended December 31, 2015 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.

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 condensed 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 Quarterly Report on Form 10-Q fairly present, in all material respects, our financial condition, result of operations and cash flows for the periods presented.

(b) Changes in Internal Control over Financial Reporting:

There were no changes in the Company's internal control over financial reporting during the third quarter of 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

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

During the three months ended September 30, 2016,

The Company issued 800,000 shares of its common stock upon conversion of $40,000 face amount of Senior Convertible Note.

The Company issued 370,000 common shares in connection with three consulting agreements.

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.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

ITEM 6 – EXHIBITS

31.1 Certification of Principal Executive and Chief Financial Officer Pursuant to Rule 13a-14(a) and15d-14(a)

32.1 Certification of Principal Executive and Chief Financial Officer Pursuant to 18 U.S.C. 1350

101.INS* XBRL Instance Document

101.SCH* XBRL Taxonomy Extension Schema Document

101.CAL* XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF* XBRLTaxonomy Extension Definition Linkbase Document

101.LAB* XBRL Taxonomy Extension Label Linkbase Document

101.PRE* XBRL Taxonomy Extension 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 Sections 11 or 12 of the Securities Exchange 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.

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.

November 14, 2016

By: /s/ Raymond Meyers
Raymond Meyers
Chief Executive Officer and Chief Financial Officer
(Principal Executive Officer and Principal Financial Officer)