

CLOUDCOMMERCE, INC.
Form 10-Q
November 14, 2017
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For quarterly period ended September 30, 2017.

or

TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition period from _____ to _____

Commission
File
Number: 000-13215

**CLOUDCOMMERCE,
INC.**

(Exact name of registrant as
specified in its charter)

NEVADA 30-0050402
(State or other (I.R.S.
jurisdiction of Employer
incorporation or Identification
organization) No.)

**1933 Cliff Drive, Suite 1,
Santa Barbara, CA 93109**
(Address of principal executive offices) (Zip Code)

(805) 964-3313
Registrant's telephone number, including area code

(Former name, former address and former fiscal year, if changed since last report)

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 a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided to Section 7(a)(2)(B) of the Securities Act. o

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

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

As of November 14, 2017, the number of shares outstanding of the registrant's class of common stock was 130,252,778.

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CLOUDCOMMERCE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2017 (Unaudited)	June 30, 2017
ASSETS		
CURRENT ASSETS		
Cash	\$ 107,374	\$ 30,869
Accounts receivable, net	842,266	383,893
Accounts receivable, net - related party	202,606	—
Prepaid and other current Assets	33,225	21,287
TOTAL CURRENT ASSETS	1,185,471	436,049
PROPERTY & EQUIPMENT, net	50,201	55,743
OTHER ASSETS		
Lease deposit	13,300	3,500
Goodwill and other intangible assets, net	13,016,769	1,368,446
TOTAL OTHER ASSETS	13,030,069	1,371,946
TOTAL ASSETS	\$ 14,265,741	\$ 1,863,738
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	\$ 664,716	\$ 164,135
Accrued expenses	503,687	324,092
Line of credit	282,175	205,368
Deferred income and customer deposit	821,171	632,134
Convertible notes and interest payable, current, net	95,349	93,686
Notes Payable	215,446	1,271,673
TOTAL CURRENT LIABILITIES	2,582,544	2,691,088

LONG TERM LIABILITIES		
Purchase price contingency	928,745	—
Deferred tax liability	1,340,185	—
Accrued expenses, long term	208,853	209,903
TOTAL LONG TERM LIABILITIES	2,477,783	209,903
TOTAL LIABILITIES	5,060,327	2,900,991
SHAREHOLDERS' EQUITY (DEFICIT)		
Preferred stock, \$0.001 par value; 5,000,000 Authorized shares:	—	—
Series A Preferred stock; 10,000 authorized, 10,000 issued and outstanding shares;	10	10
Series B Preferred stock; 25,000 authorized, 18,025 shares issued and outstanding;	18	18
Series C Preferred Stock; 25,000 authorized, 14,425 and zero issued and outstanding shares at September 30, 2017 and June 30, 2017, respectively;	14	—
Series D Preferred Stock; 90,000 authorized, 90,000 and zero issued and outstanding shares at September 30, 2017 and June 30, 2017, respectively;	90	—
Common stock, \$0.001 par value; 2,000,000,000 authorized shares; 130,252,778 shares issued and outstanding	130,252	130,252
Additional paid in capital	29,567,922	18,969,288
Accumulated deficit	(20,492,892)	(20,136,821)
TOTAL SHAREHOLDERS' EQUITY (DEFICIT)	9,205,414	(1,037,253)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)	\$ 14,265,741	\$ 1,863,738

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

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CLOUDCOMMERCE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	Three Months Ended	
	September 30, 2017	September 30, 2016
REVENUE	\$1,632,620	\$1,092,674
REVENUE - related party	754,379	—
TOTAL REVENUE	2,386,999	1,092,674
OPERATING EXPENSES		
Salaries and outside services	1,219,260	872,806
Selling, general and administrative expenses	1,178,155	250,172
Stock based compensation	132,824	126,531
Depreciation and amortization	267,631	60,325
TOTAL OPERATING EXPENSES	2,797,870	1,309,834
LOSS FROM OPERATIONS BEFORE OTHER INCOME AND TAXES	(410,871)	(217,160)
OTHER INCOME (EXPENSE)		
Other income	—	69
Gain (loss) on sale of fixed assets	—	14,260
Interest expense	(24,015)	(11,739)
TOTAL OTHER INCOME (EXPENSE)	(24,015)	2,590
LOSS FROM OPERATIONS BEFORE PROVISION FOR TAXES	(434,886)	(214,570)
PROVISION (BENEFIT) FOR INCOME TAXES	(78,815)	—
NET LOSS	(356,071)	(214,570)
PREFERRED DIVIDEND - SERIES A	20,000	20,000
NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$(376,071)	\$(234,570)
NET LOSS PER SHARE		
BASIC	\$(0.00)	\$(0.00)
DILUTED	\$(0.00)	\$(0.00)
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING		
BASIC	130,252,778	129,899,595
DILUTED	130,252,778	129,899,595

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

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CLOUDCOMMERCE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' (DEFICIT)/EQUITY

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017

	Preferred Stock		Common Stock		Additional	Accumulated	Total
	Shares	Amount	Shares	Amount	Paid-in Capital	Deficit	
Balance, June 30, 2017	28,025	\$ 28	130,252,778	\$ 130,252	\$ 18,969,288	\$(20,136,821)	\$(1,037,253)
Issuance of Series C Preferred stock	14,425	14	—	—	1,485,900	—	1,485,914
Issuance of Series D Preferred stock	90,000	90	—	—	8,999,910	—	9,000,000
Dividend on Series A Preferred stock	—	—	—	—	(20,000)	—	(20,000)
Stock based compensation	—	—	—	—	132,824	—	132,824
Net loss	—	—	—	—	—	(356,071)	(356,071)
Balance, September 30, 2017 (Unaudited)	132,450	\$ 132	130,252,778	\$ 130,252	\$ 29,567,922	\$(20,492,892)	\$ 9,205,414

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

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CLOUDCOMMERCE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	For the Three Months Ended	
	September 30, 2017	September 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$(356,071)	\$(214,570)
Adjustment to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	267,631	60,325
Bad debt expense	4,160	(13,725)
Stock based compensation	132,824	126,531
(Gain) loss on sale of fixed assets	—	(14,260)
Change in assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable	(665,139)	93,646
Prepaid and other assets	(21,738)	5,253
Deferred Tax Asset	(78,815)	—
Increase (Decrease) in:		
Accounts payable	500,581	115,967
Accrued expenses	141,295	6,061
Deferred income	(528,133)	(331,644)
NET CASH USED IN OPERATING ACTIVITIES	(603,405)	(166,416)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(497)	(3,889)
Sale of property and equipment	—	14,650
Net cash on acquisition	200,000	—
NET CASH PROVIDED BY INVESTING ACTIVITIES	199,503	10,761
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividend paid	(20,000)	(20,000)
Net proceeds (payments) on line of credit	76,807	(2,734)
Proceeds from issuance of notes payable	423,600	140,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	480,407	117,266
NET INCREASE/(DECREASE) IN CASH	76,505	(38,389)

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CASH, BEGINNING OF PERIOD	30,869	49,663
CASH, END OF PERIOD	\$107,374	\$11,274
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	\$16,265	\$4,741
Taxes paid	\$3,363	\$—

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

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CLOUDCOMMERCE, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

SEPTEMBER 30, 2017

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of CloudCommerce, Inc. (“CloudCommerce,” “we,” “us,” or the “Company”), have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all normal recurring adjustments considered necessary for a fair presentation have been included. Operating results for the three months ended September 30, 2017 are not necessarily indicative of the results that may be expected for the year ending June 30, 2018. For further information, refer to the financial statements and footnotes thereto included in the Company's Form 10-K for the year ended June 30, 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of CloudCommerce is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

The Condensed Consolidated Financial Statements include the Company and its majority-owned subsidiaries, Indaba Group, Inc., a Delaware corporation (“Indaba”) and Parscale Digital, Inc., a Nevada corporation (“Parscale Digital”). All significant inter-company transactions are eliminated in consolidation.

Accounts Receivable

The Company extends credit to its customers, who are located nationwide. Accounts receivable are customer obligations due under normal trade terms. The Company performs continuing credit evaluations of its customers' financial condition. Management reviews accounts receivable on a regular basis, based on contracted terms and how recently payments have been received to determine if any such amounts will potentially be uncollected. The Company includes any balances that are determined to be uncollectible in its allowance for doubtful accounts. After all attempts to collect a receivable have failed, the receivable is written off. The balance of the allowance account at September 30, 2017 and June 30, 2017 are \$6,333 and \$10,493 respectively.

On November 30, 2016, the Company entered into an agreement with a third party to sell the rights, with recourse, to accounts receivable amounts due from our customers to Indaba. Under the terms of the agreement, the Company may receive advances in amounts up to \$400,000, based on the amounts we invoice our customers, for a period of one year. Because the Company maintains the collectability risk of all outstanding balances, we record the amounts due from customers as a secured borrowing arrangement, with the customer balances at fair value in accounts receivable, including an allowance for any balances at risk of collectability, and the amount due to the third party as a liability. On March 23, 2017, the Company amended the secured borrowing arrangement, which increased the maximum allowable balance by \$100,000, to a total of \$500,000. As of September 30, 2017, the balance due from this arrangement was

\$282,175.

On October 19, 2017, the Company entered into an agreement with a third party to sell the rights, with recourse, to accounts receivable amounts due from our customers to Parscale Digital. Under the terms of the agreement, the Company may receive advances in amounts up to \$500,000, based on the amounts we invoice our customers, for a period of one year. Because the Company maintains the collectability risk of all outstanding balances, we record the amounts due from customers as a secured borrowing arrangement, with the customer balances at fair value in accounts receivable, including an allowance for any balances at risk of collectability, and the amount due to the third party as a liability.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the accompanying financial statements. Significant estimates made in preparing these financial statements include revenue recognition, the allowance for doubtful accounts, long-lived assets, intangible assets, business combinations, the deferred tax valuation allowance, and the fair value of stock options and warrants. Actual results could differ from those estimates.

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Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Revenue Recognition

The Company recognizes income when the service is provided or when product is delivered. We present revenue, net of customer incentives. Most of the income is generated from professional services and site development fees. We provide online marketing services that we purchase from third parties. The gross revenue presented in our statement of operations is in accordance with ASC 605-45. We also offer professional services such as development services. The fees for development services with multiple deliverables constitute a separate unit of accounting in accordance with ASC 605-25, which are recognized as the work is performed. Upfront fees for development services or other customer services are deferred until certain implementation or contractual milestones have been achieved. The terms of services contracts generally are for periods of less than one year. The deferred revenue and customer deposits as of September 30, 2017 and the fiscal year ended June 30, 2017 was \$821,171 and \$632,134, respectively.

We always strive to satisfy our customers by providing superior quality and service. Since we typically bill based on a Time and Materials basis, there are no returns for work delivered. When discrepancies or disagreements arise, we do our best to reconcile those by assessing the situation on a case-by-case basis and determining if any discounts can be given. Historically, no significant discounts have been granted.

Included in revenue are costs that are reimbursed by our clients, including third party services, such as photographers and stylists, furniture, supplies, and the largest component, digital advertising. We have determined, based on our review of ASC 605-45, that the amounts classified as reimbursable costs should be recorded as gross, due to the following factors:

- The Company is the primary obligor in the arrangement;
- We have latitude in establishing price;
- We have discretion in supplier selection; and
- The Company has credit risk.

During the three months ended September 30, 2017 and September 30, 2016, we included \$669,628 and \$0, respectively, in revenue, related to reimburseable costs.

Research and Development

Research and development costs are expensed as incurred. Total research and development costs were zero for the three months ended September 30, 2017 and 2016.

Advertising Costs

The Company expenses the cost of advertising and promotional materials when incurred. Total advertising costs were \$6,844 and \$48,358 for the three months ended September 30, 2017 and 2016, respectively.

Fair value of financial instruments

The Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities are carried at cost, which approximates their fair value, due to the relatively short maturity of these

instruments. As of September 30, 2017 and June 30, 2017, the Company's notes payable have stated borrowing rates that are consistent with those currently available to the Company and, accordingly, the Company believes the carrying value of these debt instruments approximates their fair value.

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. ASC Topic 820 established 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

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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.

We measure certain financial instruments at fair value on a recurring basis. As of September 30, 2017 and the fiscal year ended June 30, 2017, the Company had no assets or liabilities that are required to be valued on a recurring basis.

Property and Equipment

Property and equipment are stated at cost, and are depreciated or amortized using the straight-line method over the following estimated useful lives:

Furniture, fixtures & equipment	7 Years
Computer equipment	5 Years
Commerce server	5 Years
Computer software	3 - 5 Years
Leasehold improvements	Length of the lease

Depreciation expenses were \$6,039 and \$6,137 for the three months ended September 30, 2017 and 2016, respectively.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. To determine recoverability of a long-lived asset, management evaluates whether the estimated future undiscounted net cash flows from the asset are less than its carrying amount. If impairment is indicated, the long-lived asset would be written down to fair value. Fair value is determined by an evaluation of available price information at which assets could be bought or sold, including quoted market prices, if available, or the present value of the estimated future cash flows based on reasonable and supportable assumptions.

Indefinite Lived Intangibles and Goodwill Assets

The Company accounts for business combinations under the acquisition method of accounting in accordance with ASC 805, "Business Combinations," where the total purchase price is allocated to the tangible and identified intangible assets acquired and liabilities assumed based on their estimated fair values. The purchase price is allocated using the information currently available, and may be adjusted, up to one year from acquisition date, after obtaining more information regarding, among other things, asset valuations, liabilities assumed and revisions to preliminary estimates. The purchase price in excess of the fair value of the tangible and identified intangible assets acquired less liabilities assumed is recognized as goodwill.

The Company tests for indefinite lived intangibles and goodwill impairment in the fourth quarter of each year and whenever events or circumstances indicate that the carrying amount of the asset exceeds its fair value and may not be recoverable. In accordance with its policies, the Company performed a qualitative assessment of indefinite lived

intangibles and goodwill at June 30, 2017, and determined there was no impairment of indefinite lived intangibles and goodwill.

Business Combinations

The Company allocates the fair value of purchase consideration to the tangible assets acquired, liabilities assumed and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets. Significant estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows from acquired customer lists, acquired technology, and trade names from a market participant perspective, useful lives and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. During the measurement period, which is one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

Concentrations of Business and Credit Risk

The Company operates in a single industry segment. The Company markets its services to companies and individuals in many industries and geographic locations. The Company's operations are subject to rapid technological advancement and intense competition in the SAAS industry. Accounts receivable represent financial instruments with potential credit risk. The Company typically offers its customers credit terms. The Company makes periodic evaluations of the credit worthiness of its

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enterprise customers and other than obtaining deposits pursuant to its policies, it generally does not require collateral. In the event of nonpayment, the Company has the ability to terminate services.

Stock-Based Compensation

The Company addressed the accounting for share-based payment transactions in which an enterprise receives employee services in exchange for either equity instruments of the enterprise or liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. The transactions are accounted for using a fair-value-based method and recognized as expenses in our statement of operations.

Stock-based compensation expense recognized during the period is based on the value of the portion of stock-based payment awards that is ultimately expected to vest. Stock-based compensation expense recognized in the consolidated statement of operations during the three months ended September 30, 2017, included compensation expense for the stock-based payment awards granted prior to, but not yet vested, as of September 30, 2017 based on the grant date fair value estimated. Stock-based compensation expense recognized in the statement of operations for the three months ended September 30, 2017 is based on awards ultimately expected to vest, or has been reduced for estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The stock-based compensation expense recognized in the consolidated statements of operations during the three months ended September 30, 2017 and 2016 was \$132,824 and \$126,531, respectively.

Basic and Diluted Net Income (Loss) per Share Calculations

Income (Loss) per Share dictates the calculation of basic earnings per share and diluted earnings per share. Basic earnings per share are computed by dividing income available to common shareholders by the weighted-average number of common shares available. Diluted earnings per share is computed similar to basic earnings per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. The shares for employee options, warrants and convertible notes were used in the calculation of the income per share.

For the three months ended September 30, 2017, the Company has excluded 134,800,000 shares of common stock underlying options, 10,000 Series A Preferred shares convertible into 100,000,000 shares of common stock, 18,025 Series B Preferred shares convertible into 450,625,000 shares of common stock, 14,425 Series C Preferred shares convertible into 144,250,000 shares of common stock, 90,000 Series D Preferred shares convertible into 225,000,000 shares of common stock, and 23,837,250 shares of common stock underlying \$95,349 in convertible notes, because their impact on the loss per share is anti-dilutive.

For the three months ended September 30, 2016, the Company has excluded 123,000,000 shares of common stock underlying options, 10,000 Series A Preferred shares convertible into 100,000,000 shares of common stock, 18,025 Series B Preferred shares convertible into 450,625,000 shares of common stock, and 22,187,250 shares of common stock underlying \$88,749 in convertible notes, because their impact on the loss per share is anti-dilutive.

Dilutive per share amounts are computed using the weighted-average number of common shares outstanding and potentially dilutive securities, using the treasury stock method if their effect would be dilutive.

Recently Issued Accounting Pronouncements

Management reviewed accounting pronouncements issued during the three months ended September 30, 2017, and no pronouncements were adopted during the period.

Income Taxes

The Company uses the liability method of accounting for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to financial statements carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. The measurement of deferred tax assets and liabilities is based on provisions of applicable tax law. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance based on the amount of tax benefits that, based on available evidence, is not expected to be realized.

Reclassification

Certain amounts at June 30, 2017 have been reclassified to conform with the presentation at September 30, 2017.

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3. LIQUIDITY AND OPERATIONS

The Company had net loss of \$356,071 for the three months ended September 30, 2017 and net loss of \$214,570 for the three months ended September 30, 2016, and net cash used in operating activities of \$603,405 and \$166,416 for the same periods, respectively.

While the Company expects that its capital needs in the foreseeable future may be met by cash-on-hand and projected positive cash-flow, there is no assurance that the Company will be able to generate enough positive cash flow or have sufficient capital to finance its growth and business operations, or that such capital will be available on terms that are favorable to the Company or at all. In the current financial environment, it could become difficult for the Company to obtain equipment leases and other business financing. There is no assurance that the Company would be able to obtain additional working capital through the private placement of common stock or from any other source.

Going Concern

The accompanying financial statements have been prepared on a going concern basis of accounting, which contemplates continuity of operations, realization of assets and liabilities and commitments in the normal course of business. The accompanying financial statements do not reflect any adjustments that might result if the Company is unable to continue as a going concern. The Company does not generate significant revenue, and has negative cash flows from operations, which raise substantial doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern and appropriateness of using the going concern basis is dependent upon, among other things, an additional cash infusion. The Company has obtained funds from its shareholders since its inception. It is management's plan to generate additional working capital from increasing sales from its desktop and mobile service offerings, and then continue to pursue its business plan and purposes.

4. BUSINESS ACQUISITIONS

Parscale Digital, Inc.

On August 1, 2017, the Company completed the acquisition of Parscale Creative, Inc., a Nevada corporation ("Parscale Creative"). As of that date, the Company's operating subsidiary, Parscale Digital, Inc., a Nevada corporation ("Parscale Digital"), merged with Parscale Creative, and the name of the combined subsidiary was changed to Parscale Digital. The total purchase price of \$10,209,830, was paid in the form of the issuance of ninety thousand (90,000) shares of the Company's Series D Convertible Preferred Stock, at a liquidation preference of one hundred dollars (\$100) per share, plus \$928,745 in dividend payments, based on 5% of adjusted revenue of Parscale Digital. Adjusted revenue is defined as total revenue, minus digital marketing media buys. As of the date of closing, Brad Parscale, the 100% owner of Parscale Creative, was appointed to the Company's Board of Directors.

Under the purchase method of accounting, the transactions were valued for accounting purposes at \$10,209,830, which was the fair value of Parscale Creative at the time of acquisition. The assets and liabilities of Parscale Creative were recorded at their respective fair values as of the date of acquisition. The acquisition date estimated fair value of the consideration transferred consisted of the following:

Cash	\$200,000
Deferred Revenue	(481,085)
Net tangible liabilities	(281,085)
Non-compete agreements	476,661
Brand name	2,245,000

Customer list	3,105,837
Goodwill	6,082,417
Deferred tax liability	(1,419,000)
Total purchase price	\$ 10,209,830

Issuance of Series D Convertible Preferred Stock	\$9,000,000
Purchase price contingency	928,745
Net tangible liabilities	281,085
Total purchase price	\$ 10,209,830

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The above estimated fair value of the intangible assets is based on a preliminary purchase price allocation prepared by management. As a result, during the preliminary purchase price allocation period, which may be up to one year from the business combination date, we may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. After the preliminary purchase price allocation period, we record adjustments to assets acquired or liabilities assumed subsequent to the purchase price allocation period in our operating results in the period in which the adjustments were determined.

Pro forma results

The following tables set forth the unaudited pro forma results of the Company as if the acquisition of Parscale Creative had taken place on the first day of the period presented. These combined results are not necessarily indicative of the results that may have been achieved had the companies been combined as of the first day of the period presented.

	Three months ended, September 30, 2017	Three months ended, September 30, 2016
Total revenues	\$3,015,311	\$2,600,589
Net loss	(377,438)	(288,260)
Basic and diluted net earnings per common share	\$(0.00)	\$(0.00)

Parscale Media, LLC

On August 1, 2017, the Company entered into a purchase agreement with Brad Parscale, to purchase Parscale Media, LLC, a website hosting business, formed under the laws of Texas. Under the terms of the agreement, the Company agreed to pay Mr. Parscale \$1,000,000 in cash, upon closing the transaction, but in no event later than January 1, 2018. As of September 30, 2017, the Company has not consummated the transaction.

5. INTANGIBLE ASSETS

Domain Name

On June 26, 2015, the Company purchased the rights to the domain "CLOUDCOMMERCE.COM", from a private party at a purchase price of \$20,000, plus transaction costs of \$202, which is used as the main landing page for the Company. The total recorded cost of this domain of \$20,202 has been included in other assets on the balance sheet. As of June 30, 2017, we have determined that this domain has an indefinite useful life, and as such, is not included in depreciation and amortization expense. The Company will assess this intangible asset annually for impairment, in addition to it being classified with indefinite useful life.

Trademark

On September 22, 2015, the Company purchased the trademark rights of "CLOUDCOMMERCE", from a private party at a purchase price of \$10,000. The total recorded cost of this trademark of \$10,000 has been included in other assets on the balance sheet. The trademark expires in 2020 and may be renewed for an additional 10 years. As of September

30, 2015, we determined that this intangible asset has a definite useful life of 174 months, and as such, will be included in depreciation and amortization expense. For the quarter ended September 30, 2017, the Company included \$172 in depreciation and amortization expense related to this trademark.

Non-Compete Agreements

On October 1, 2015, the Company acquired Indaba from three members of the limited liability company. At that time, we retained two of the members, who currently serve as the Chief Executive Officer and Chief Technology Officer of Indaba. Both employees have non-compete agreements in place to protect the Company against the risk of either employee leaving Indaba to compete directly with us. We have calculated the value of those non-compete agreements at \$201,014, with a useful life of two years, which coincides with the term of the non-compete agreement. This amount was included in depreciation and amortization expense until September 30, 2017. For the quarter ended September 30, 2017, the Company included \$25,127 in depreciation and amortization expense related to these non-compete agreements. As of September 30, 2017, the balance for the non-compete agreements was zero.

On August 1, 2017, the Company acquired Parscale Creative. At that time, we retained Mr. Parscale to build the Parscale brand as well as consult with the Company on operating matters. Mr. Parscale has a non-compete agreement in

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place to protect the Company against the risk of Mr. Parscale leaving the Company to compete directly with us. We have calculated the value of this non-compete agreement at \$476,661, with a useful life of three years, which coincides with the term of the non-compete agreement. This amount will be included in depreciation and amortization expense until July 31, 2020. For the quarter ended September 30, 2017, the Company included \$26,481 in depreciation and amortization expense related to this non-compete agreement. As of September 30, 2017, the balance for the non-compete agreements was \$450,180.

Name Brand

In connection with the Parscale Creative acquisition, the Company obtained the right to use the Parscale name in advertising, marketing and public relations campaigns. We have calculated the value of this brand name at \$2,245,000. As of September 30, 2017, we have determined that this intangible asset has an indefinite useful life, and as such, is not included in depreciation and amortization expense. The Company will assess this intangible asset annually for impairment, in addition to it being classified with an indefinite useful life.

Customer List

On October 1, 2015, the Company acquired Indaba Group, LLC, a Colorado limited liability company, which at the time brought an increase in revenue and many new customers. We have calculated the value of the Indaba customer list at \$447,171, with a useful life of 3 years. This amount will be included in depreciation and amortization expense until September 30, 2018. For the quarter ended September 30, 2017, the Company included \$37,264 in depreciation and amortization expense related to the Indaba customer list.

We have calculated the value of the Parscale Creative customer list at \$3,105,837, with a useful life of 3 years. This amount will be included in depreciation and amortization expense until July 31, 2020. For the quarter ended September 30, 2017, the Company included \$172,547 in depreciation and amortization expense related to the Parscale Creative customer list.

The Company acquired certain intangible assets pursuant to the acquisitions of Indaba and Parscale Creative. The following is the net book value of the Company's intangible assets:

	September 30, 2017		
	Gross	Accumulated Amortization	Net
Domain Name	\$20,202	\$—	\$20,202
Trademark	10,000	(1,380)	8,620
Customer List	3,553,008	(470,661)	3,082,347
Name Brand	2,245,000	—	2,245,000
Non-Compete Agreements	677,675	(227,495)	450,180
Goodwill	7,210,420	—	7,210,420
Total	\$13,716,305	\$(699,536)	\$13,016,769

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Total amortization expense charged to operations for the quarter ended September 30, 2017 and 2016 was \$261,591 and \$54,188, respectively. The following table reflects the remaining amortization of finite life intangible assets, for the years ended June 30:

2018	\$1,007,935
2019	1,232,120
2020	1,194,856
2021	100,203
2022 and thereafter	6,033
Total	\$3,541,147

6. CREDIT FACILITIES

Secured Borrowing

On November 30, 2016, the Company entered into a 12 month agreement with a third party to sell the rights to amounts due from our customers to Indaba, in exchange for a borrowing facility in amounts up to a total of \$400,000. The agreement was amended on March 23, 2017, which increased the allowable borrowing amount by \$100,000, to a maximum of \$500,000. The proceeds from the facility are determined by the amounts we invoice our customers. The Company evaluated this facility in accordance with ASC 860, classifying it as a secured borrowing arrangement. As such, we record the amounts due from customers in accounts receivable and the amount due to the third party as a liability, presented as a “line of credit” on the Balance Sheet. The principal borrowed through this facility is secured by the accounts receivable balances, in addition to the other assets of the Company. During the term of this facility, the third party lender has a first priority security interest in the Company, and will, therefore, we will require such third party lender’s written consent to obligate the Company further or pledge our assets against additional borrowing facilities. Because of this position, it may be difficult for the Company to secure additional secured borrowing facilities. The cost of this secured borrowing facility is 0.05% of the daily balance. During the three months ended September 30, 2017, the Company included \$12,807 in interest expense, related to the secured borrowing facility, and as of September 30, 2017 and June 30, 2017, the outstanding balance was \$282,175 and \$205,368, respectively.

7. NOTES PAYABLE

During the quarter ended December 31, 2015, the Company signed addenda to each of its outstanding convertible notes, fixing the conversion price at \$0.004. Before the addenda, the conversion price for each of the notes was tied to the trading price of the Company’s common stock. Because of that fluctuation, the Company was required to report derivative gains and losses each quarter, which was included in earnings, and an overall derivative liability balance on the balance sheet. Since the addenda, the Company has eliminated the derivative liability balance on the balance sheet and discontinued the gain/loss reporting on the income statement.

On March 25, 2013, the Company issued a convertible promissory note (the “March 2013 Note”) in the amount of up to \$100,000, at which time an initial advance of \$50,000 was received to cover operational expenses. The lender advanced an additional \$20,000 on April 16, 2013, \$15,000 on May 1, 2013 and \$15,000 on May 16, 2013, for a total draw of \$100,000. The terms of the March 2013 Note, as amended, allow the lender to convert all or part of the outstanding balance plus accrued interest, at any time after the effective date, at a conversion price of \$0.004 per share. The March 2013 Note bears interest at a rate of 10% per year and matures on March 25, 2018. On May 23, 2014, the lender converted \$17,000 of the \$100,000 outstanding balance and accrued interest of \$1,975 into 4,743,699 shares of common stock. On October 14, 2014, the lender converted \$17,000 of the \$100,000 outstanding balance and

accrued interest of \$2,645 into 4,911,370 shares of common stock. The balance of the March 2013 Note, as of September 30, 2017 is \$95,349, which includes \$29,349 of accrued interest.

On January 12, 2016, the Company borrowed \$100,000 from Bountiful Capital, LLC to cover operating costs. The loan was offered interest free on a short term basis, and was due February 12, 2016. On July 31, 2017, the principal balance of \$100,000 was exchanged for Series C Preferred stock, leaving a balance of zero as of September 30, 2017. The other notes exchanged with Bountiful Capital, LLC, are noted below.

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On April 18, 2016, the Company issued a promissory note (the “April 2016 Note”) in the amount of up to \$500,000, at which time an initial advance of \$35,500 was received to cover operational expenses. The lender advanced an additional \$41,000 on May 2, 2016, \$35,000 on May 17, 2016, \$160,000 on May 19, 2016, \$34,000 on June 1, 2016, \$21,000 on June 21, 2016, \$33,500 on June 30, 2016, \$10,000 on July 15, 2016, \$33,000 on July 29, 2016, \$35,500 on August 16, 2016, \$28,000 on August 31, 2016, \$33,500 on September 14, 2016, for a total draw of \$500,000. The April 2016 Note bears interest at a rate of 5% per year and is payable upon demand, but in no event later than 60 months from the effective date of each tranche. On July 31, 2017, the principal balance of \$500,000 was exchanged for Series C Preferred stock, and all accrued interest was forgiven, leaving a balance of zero as of September 30, 2017. We included \$2,123 in interest expense for the quarter, related to the April 2016 Note.

On October 3, 2016, the Company issued a promissory note (the “October 2016 Note”) in the amount of up to \$500,000, at which time an initial advance of \$36,000 was received to cover operational expenses. The lender advanced an additional \$48,000 on October 17, 2016, \$34,000 on October 31, 2016, \$27,000 on November 15, 2016, \$34,000 on November 30, 2016, \$28,500 on December 16, 2016, \$21,000 on January 3, 2017, \$50,000 on January 17, 2017, \$29,000 on January 31, 2017, \$15,000 on February 2, 2017, \$30,000 on February 16, 2017, \$29,000 on March 1, 2017, \$28,000 on March 16, 2017, \$46,500 on April 3, 2017, \$23,500 on April 17, 2017, and \$20,500 on May 2, 2017, for a total draw of \$500,000. The October 2016 Note bears interest at a rate of 5% per year and is payable upon demand, but in no event later than 60 months from the effective date of each tranche. On July 31, 2017, the principal balance of \$500,000 was exchanged for Series C Preferred stock, and all accrued interest was forgiven, leaving a balance of zero as of September 30, 2017. We included \$2,123 in interest expense for the quarter, related to the October 2016 Note.

On May 16, 2017, the Company issued a promissory note (the “May 16, 2017 Note”) in the amount of \$38,000, at which time the entire balance of \$38,000 was received to cover operational expenses. The May 16, 2017 Note bears interest at a rate of 5% per year and is payable upon demand, but in no event later than 36 months from the effective date. On July 31, 2017, the principal balance of \$38,000 was exchanged for Series C Preferred stock, and all accrued interest was forgiven, leaving a balance of zero as of September 30, 2017. We included \$161 in interest expense for the quarter, related to the May 16, 2017 Note.

On May 30, 2017, the Company issued a promissory note (the “May 30, 2017 Note”) in the amount of \$46,000, at which time the entire balance of \$46,000 was received to cover operational expenses. The May 30, 2017 Note bears interest at a rate of 5% per year and is payable upon demand, but in no event later than 36 months from the effective date. On July 31, 2017, the principal balance of \$46,000 was exchanged for Series C Preferred stock, and all accrued interest was forgiven, leaving a balance of zero as of September 30, 2017. We included \$195 in interest expense for the quarter, related to the May 30, 2017 Note.

On June 14, 2017, the Company issued a promissory note (the “June 14, 2017 Note”) in the amount of \$26,000, at which time the entire balance of \$26,000 was received to cover operational expenses. The June 14, 2017 Note bears interest at a rate of 5% per year and is payable upon demand, but in no event later than 36 months from the effective date. On July 31, 2017, the principal balance of \$26,000 was exchanged for Series C Preferred stock, and all accrued interest was forgiven, leaving a balance of zero as of September 30, 2017. We included \$110 in interest expense for the quarter, related to the June 14, 2017 Note.

On June 29, 2017, the Company issued a promissory note (the “June 29, 2017 Note”) in the amount of \$23,500, at which time the entire balance of \$23,500 was received to cover operational expenses. The June 29, 2017 Note bears interest at a rate of 5% per year and is payable upon demand, but in no event later than 36 months from the effective date. On July 31, 2017, the principal balance of \$23,500 was exchanged for Series C Preferred stock, and all accrued interest was forgiven, leaving a balance of zero as of September 30, 2017. We included \$100 in interest expense for the quarter, related to the June 29, 2017 Note.

On July 10, 2017, the Company issued a promissory note (the “July 10, 2017 Note”) in the amount of \$105,000, at which time the entire balance of \$105,000 was received to cover operational expenses. The July 10, 2017 Note bears interest at a rate of 5% per year and is payable upon demand, but in no event later than 36 months from the effective date. On July 31, 2017, the principal balance of \$105,000 was exchanged for Series C Preferred stock, and all accrued interest was forgiven, leaving a balance of zero as of September 30, 2017. We included \$302 in interest expense for the quarter, related to the July 10, 2017 Note.

On July 14, 2017, the Company issued a promissory note (the “July 14, 2017 Note”) in the amount of \$50,500, at which time the entire balance of \$50,500 was received to cover operational expenses. The July 14, 2017 Note bears interest at a rate of 5% per year and is payable upon demand, but in no event later than 36 months from the effective date. On July 31, 2017, the principal balance of \$50,500 was exchanged for Series C Preferred stock, and all accrued interest was forgiven, leaving a balance of zero as of September 30, 2017. We included \$118 in interest expense for the quarter, related to the July 14, 2017 Note.

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On July 30, 2017, the Company issued a promissory note (the “July 30, 2017 Note”) in the amount of \$53,500, at which time the entire balance of \$53,500 was received to cover operational expenses. The July 30, 2017 Note bears interest at a rate of 5% per year and is payable upon demand, but in no event later than 36 months from the effective date. On July 31, 2017, the principal balance of \$53,500 was exchanged for Series C Preferred stock, and all accrued interest was forgiven, leaving a balance of zero as of September 30, 2017. We included \$7 in interest expense for the quarter, related to the July 30, 2017 Note.

On July 31, 2017, the Company signed an exchange agreement with the holder of our notes, which exchanged ten convertible notes, totaling \$1,485,914 per equity schedule, for 14,425 shares of Series C Preferred stock. Each share of Series C Preferred stock has a face value of \$100 and is convertible into common stock at a price of \$0.01 per share. At the time of the exchange, all accrued interest was forgiven.

On August 3, 2017, the Company issued a promissory note (the “August 3, 2017 Note”) in the amount of \$25,000, at which time the entire balance of \$25,000 was received to cover operational expenses. The August 3, 2017 Note bears interest at a rate of 5% per year and is payable upon demand, but in no event later than 36 months from the effective date. The balance of the August 3, 2017 Note, as of September 30, 2017 is \$25,199, which includes \$199 of accrued interest.

On August 15, 2017, the Company issued a promissory note (the “August 15, 2017 Note”) in the amount of \$34,000, at which time the entire balance of \$34,000 was received to cover operational expenses. The August 15, 2017 Note bears interest at a rate of 5% per year and is payable upon demand, but in no event later than 36 months from the effective date. The balance of the August 15, 2017 Note, as of September 30, 2017 is \$34,214, which includes \$214 of accrued interest.

On August 28, 2017, the Company issued a promissory note (the “August 28, 2017 Note”) in the amount of \$92,000, at which time the entire balance of \$92,000 was received to cover operational expenses. The August 28, 2017 Note bears interest at a rate of 5% per year and is payable upon demand, but in no event later than 36 months from the effective date. The balance of the August 28, 2017 Note, as of September 30, 2017 is \$92,416, which includes \$416 of accrued interest.

On September 28, 2017, the Company issued a promissory note (the “September 28, 2017 Note”) in the amount of \$63,600, at which time the entire balance of \$63,600 was received to cover operational expenses. The September 28, 2017 Note bears interest at a rate of 5% per year and is payable upon demand, but in no event later than 36 months from the effective date. The balance of the September 28, 2017 Note, as of September 30, 2017 is \$63,617, which includes \$17 of accrued interest.

Following is the five year maturity schedule for our notes payable, including accrued interest:

Year	
ended	Amount
June	Due
30,	
2018	\$ 310,795

8. CAPITAL STOCK

The Company’s authorized stock consists of 2,000,000,000 shares of common stock, par value \$0.001 per share. The Company is also authorized to issue 5,000,000 shares of preferred stock, par value of \$0.001 per share. The rights,

preferences and privileges of the holders of the preferred stock will be determined by the Board of Directors prior to issuance of such shares. As of September 30, 2017, the Company's Board of Directors has designated the rights, preferences and limitations of a portion of its preferred stock as follows:

Series A Preferred

The Company has designated 10,000 shares of its preferred stock as Series A Preferred Stock. Each share of Series A Preferred Stock is convertible into 10,000 shares of the Company's common stock. The holders of outstanding shares of Series A Preferred Stock shall be entitled to receive dividends, payable quarterly, out of any assets of the Corporation legally available therefor, at the rate of \$8 per share per annum, payable in preference and priority to any payment of any dividend on the common stock. As of September 30, 2017, the Company has 10,000 shares of Series A Preferred Stock outstanding.

Series B Preferred

The Company has designated 25,000 shares of its preferred stock as Series B Preferred Stock. Each share of Series B Preferred Stock shall have a stated value of \$100. The Series B Preferred Stock is convertible into shares of fully paid and non-assessable shares of the Company's common stock by dividing the stated value by a conversion price of \$0.004 per share. Series B Preferred Stock shall not be entitled to vote, as a separate class or otherwise, on any matter presented to the

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stockholders of the Company for their action or consideration at any meeting of stockholders of the Company. As of September 30, 2017, the Company has 18,025 shares of Series B Preferred Stock outstanding.

Series C Preferred

The Company has designated 25,000 shares of its preferred stock as Series C Preferred Stock. Each share of Series C Preferred Stock shall have a stated value of \$100. The Series C Preferred Stock is convertible into shares of fully paid and non-assessable shares of the Company's common stock by dividing the stated value by a conversion price of \$0.01 per share. Series C Preferred Stock shall not be entitled to vote, as a separate class or otherwise, on any matter presented to the stockholders of the Company for their action or consideration at any meeting of stockholders of the Company. As of September 30, 2017, the Company has 14,425 shares of Series C Preferred Stock outstanding.

Series D Preferred

The Company has designated 90,000 shares of its preferred stock as Series D Preferred Stock. Each share of Series D Preferred Stock shall have a stated value of \$100. The holders of outstanding shares of Series D Preferred Stock shall be entitled to receive dividends, payable quarterly, out of any assets of the Corporation legally available therefore, at the rate of 5% of adjusted revenue of Parscale Digital. Adjusted revenue is defined as total revenue, minus digital marketing media buys. The Series D Preferred Stock is convertible into shares of fully paid and non-assessable shares of the Company's common stock by multiplying the stated number of shares by 2,500. Series D Preferred Stock shall not be entitled to vote, as a separate class or otherwise, on any matter presented to the stockholders of the Company for their action or consideration at any meeting of stockholders of the Company. As of September 30, 2017, the Company has 90,000 shares of Series D Preferred Stock outstanding.

9. STOCK OPTIONS AND WARRANTS

Stock Options

On July 10, 2003, the Company adopted the Warp 9, Inc. Stock Option Plan for directors, executive officers, and employees of and key consultants to the Company. Pursuant to the now terminated plan, the Company was authorized to issue 5,000,000 shares of common stock. The plan was administered by the Company's Board of Directors (the "Board"), and options granted under the plan could be either incentive options or nonqualified options. Each option was exercisable in full or in installment and at such time as designated by the Board. Notwithstanding any other provision of the plan or of any option agreement, each option expired on the date specified in the option agreement, which date was to be no later than the tenth anniversary of the date on which the option was granted (fifth anniversary in the case of an incentive option granted to a greater-than-10% stockholder). The purchase price per share of the common stock under each incentive option was to be no less than the fair market value of the common stock on the date the option was granted (110% of the fair market value in the case of a greater-than-10% stockholder). The purchase price per share of the common stock under each nonqualified option was to be specified by the Board at the time the option is granted, and could be less than, equal to or greater than the fair market value of the shares of common stock on the date such nonqualified option was granted, but was to be no less than the par value of shares of common stock. The plan provided specific language as to the termination of options granted thereunder.

The Company used the historical industry index to calculate volatility, since the Company's stock history did not represent the expected future volatility of the Company's common stock. During the three months ended September 30, 2017, the Company issued options to purchase 11,800,000 shares of common stock. The fair value of options granted during the quarter ended September 30, 2017, was determined using the Black Scholes method with the following assumptions:

	Quarter Ended September 30, 2017
Risk free interest rate	5.00 %
Stock volatility factor	397 %
Weighted average expected option life	5 years
Expected dividend yield	none

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A summary of the Company's stock option activity and related information follows:

	Three Months ended September 30, 2017		Three Months ended September 30, 2016	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding -beginning of period	123,000,000	\$0.013	123,000,000	\$ 0.013
Granted	11,800,000	\$0.016	—	\$ —
Exercised	—	\$—	—	\$—
Forfeited	—	\$—	—	\$—
Outstanding - end of period	134,800,000	\$0.013	123,000,000	\$ 0.013
Exercisable at the end of the period	103,905,571	\$0.013	66,671,233	\$ 0.012
Weighted average fair value of options granted during the year		\$ 190,000		\$ —

As of September 30, 2017, the intrinsic value of the stock options was \$5,582,350, and stock option expense for the three months ended September 30, 2017 was \$132,824.

The Black Scholes option valuation model was developed for use in estimating the fair value of traded options, which do not have vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

The weighted average remaining contractual life of options outstanding, as of September 30, 2017 was as follows:

Exercise prices	Number of options outstanding	Weighted Average remaining contractual life (years)
\$ 0.050	1,800,000	4.97
\$ 0.015	35,000,000	4.90
\$ 0.013	60,000,000	4.35
\$ 0.013	15,000,000	4.47
\$ 0.010	10,000,000	4.84
\$ 0.053	12,500,000	1.87
\$ 0.004	500,000	4.04
	134,800,000	

Warrants

During the periods ended September 30, 2017 and 2016, the Company issued no warrants for services, and no warrants were outstanding.

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10. RELATED PARTIES

On July 31, 2017, the Company signed an exchange agreement with Bountiful Capital, LLC, the holder of our notes, which exchanged ten convertible notes, totaling \$1,485,914 per equity schedule, for 14,425 shares of Series C Preferred stock, the details of which are included in footnote 7 “Notes Payable”. The Chief Financial Officer of the Company, Gregory Boden, is also the President of Bountiful Capital, LLC. Therefore, this loan transaction was with a related party.

Bountiful Capital, LLC, loaned the Company \$25,000 on August 3, 2017, \$34,000 on August 15, 2017, \$92,000 on August 28, 2017, and \$63,600 on September 28, 2017, as unsecured promissory notes. The terms of the notes include interest of 5% and are due and payable upon demand, but in no case later than 36 months after the effective date.

Parscale Digital provides services to Parscale Strategy, which is owned by Brad Parscale. Mr. Parscale serves as a director of the Company. During the quarter ended September 30, 2017, the Company included \$754,379 in revenue from providing services to Parscale Strategy, and as of September 30, 2017, Parscale Strategy had an account receivable balance of \$202,606.

On August 1, 2017, the Company signed a lease for office space with Giles-Parscale, Inc., which is owned by Jill Giles. Ms. Giles is an employee of the Company and she owns the building which serves as the primary premises and headquarters of Parscale Digital, in San Antonio, Texas.

11. CONCENTRATIONS

For the three months ended September 30, 2017, the Company had one major customer (a related party) who represented approximately 32% of total revenue. For the three months ended September 30, 2016, the Company had one major customers who represented 67% of total revenue. At September 30, 2017 and June 30, 2017, accounts receivable from three and two customers, respectively, represented approximately 44% and 52% of total accounts receivable, respectively. The customers comprising the concentrations within the accounts receivable are not the same customers that comprise the concentrations with the revenues discussed above.

12. COMMITMENTS

Operating Leases

On August 1, 2017, the management of Parscale Digital signed a lease with Giles-Parscale, Inc., which commenced on August 1, 2017, for approximately 8,290 square feet, at 321 6th Street, San Antonio, TX 78215, for \$9,800 per month, plus a pro rata share of the common building expenses. The lease expires on July 31, 2022.

On March 1, 2016, the Company moved into office space located at 1933 Cliff Drive, Suite 1, Santa Barbara, CA 93109, on a month-to-month arrangement, for approximately \$3,000 per month.

On December 10, 2012, the management of Indaba signed a lease which commenced on January 16, 2013 for approximately 3,300 square feet at 2854 Larimer Street, Denver, CO 80205, for approximately \$3,500 per month. The original lease term expired on February 28, 2016, but was extended until February 28, 2018, at a rate of \$5,850 per month.

The following is a schedule, by years, of future minimum rental payments required under the operating lease.

Years Ending June 30,	Rent Payment
2018	\$ 132,843
2019	\$ 138,100
2020	\$ 138,100
2021	\$ 138,100
2022	\$ 80,573

Total lease expense for the three months ended September 30, 2017 and 2016 was \$43,540 and \$26,296, respectively. The Company is also required to pay its pro rata share of taxes, building maintenance costs, and insurance in according to the lease agreement.

On May 21, 2014, the Company entered into a settlement agreement with the landlord of our previous location, to make monthly payments on past due rent totaling \$227,052. Under the terms of the agreement, the Company will make monthly payments of \$350 on a reduced balance of \$40,250. Upon payment of \$40,250, the Company will record a gain on extinguishment of debt of \$186,802. As of September 30, 2017, the Company recorded the outstanding balance under this settlement agreement as a long term notes payable, with the current portion of the debt recorded in accrued expenses. As of September 30, 2017, the Company owed \$26,250 on the outstanding reduced payment terms.

Table of ContentsLegal Matters

The Company may be involved in legal actions and claims arising in the ordinary course of business, from time to time, none of which at the time are considered to be material to the Company's business or financial condition.

13. SUPPLEMENTAL STATEMENT OF CASH FLOWS INFORMATION

During the three months ended September 30, 2017, there were non-cash financing activities as follows:

	2017	2016
Preferred stock issued for acquisition	\$9,000,000	—
Preferred stock issued in exchange for debt	\$1,485,914	—
Purchase price contingency	\$928,745	—

During the three months ended September 30, 2016, there were no non-cash financing activities.

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events according to ASC TOPIC 855 as of the date of the financial statements and has determined that the following subsequent events are reportable.

The Company received the following advances under promissory notes:

Date of funding	Amount of funding
October 11, 2017	\$103,500
October 27, 2017	\$106,000

On October 19, 2017, the Company entered into an agreement with a third party to sell the rights, with recourse, to accounts receivable amounts due from our customers to Parscale Digital. Under the terms of the agreement, the Company may receive advances in amounts up to \$500,000, based on the amounts we invoice our customers, for a period of one year. Because the Company maintains the collectability risk of all outstanding balances, we record the amounts due from customers as a secured borrowing arrangement, with the customer balances at fair value in accounts receivable, including an allowance for any balances at risk of collectability, and the amount due to the third party as a liability. The cost of this secured borrowing facility is 0.056% of the daily balance.

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**Item MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS
2. OF OPERATIONS**

Cautionary Statements

The following Management’s Discussion and Analysis should be read in conjunction with our financial statements and the related notes thereto included elsewhere herein. The Management’s Discussion and Analysis contains forward-looking statements that involve risks and uncertainties, such as statements of our plans, objectives, expectations and intentions. Any statements that are not statements of historical fact are forward-looking statements. When used, the words “believe,” “plan,” “intend,” “anticipate,” “target,” “estimate,” “expect,” and the like, and/or future-tense or conditional constructions (“will,” “may,” “could,” “should,” etc.), or similar expressions, identify certain of these forward-looking statements. These forward-looking statements are subject to risks and uncertainties that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements in this quarterly report. Our actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of several factors including, but not limited to, those noted under “Risk Factors” of the reports filed with the Securities and Exchange Commission. We do not undertake any obligation to update forward-looking statements to reflect events or circumstances occurring after the date of this quarterly report.

Overview

CloudCommerce, Inc. (“CloudCommerce,” “we,” “us,” “our,” or the “Company”) is a leading provider of data driven solutions. We develop solutions that help our clients acquire, engage, and retain their customers by leveraging cutting edge digital strategies and technologies. We focus intently on using data analytics to drive the creation of great user experiences and effective digital marketing campaigns. Whether it is creating omni-channel experiences, engaging a specific audience, or energizing voters in political campaigns, we believe data is the key to digital success. Our goal is to become the industry leader by always applying a “data first” strategy and acquiring other companies that can help us achieve this vision. To better serve our customers and create value for our shareholders, we strategically acquire profitable cloud commerce solutions providers with strong management teams.

Data Analytics

To deliver the highest Return on Investment (“ROI”) for our customer’s digital marketing campaign, we utilize sophisticated data science to identify the correct universes to target relevant audiences. Our ability to understand and translate data drives every decision we make. By listening to and analyzing our customers’ data we are able to make informed decisions that positively impact our customers’ business. We leverage industry-best tools to aggregate and visualize data across multiple sources, and then our data and behavioral scientists segment and model that data to be deployed in targeted marketing campaigns. We have data analytics expertise in retail, wholesale, distribution, logistics, manufacturing, political, and several other industries.

Digital Marketing

We help our customers get their message out, educate their market and tell their story. We do so creatively and effectively by deploying powerful call-to-action digital campaigns with national reach, and boosting exposure and validation with coordinated advertising in print media. Our fully-developed marketing plans are founded on sound research methodologies, brand audits and exploration of the competitive landscape. Whether our customer is a challenger brand, a political candidate, or a well-known household name, our strategists are skillful at leveraging data

and creating campaigns that move people to make decisions.

Branding and Creative Services

We approach branding from a “big picture” perspective, establishing a strong identity and then building on that to develop a comprehensive branding program that tells our customer’s story, articulates what sets our customer apart from their competitors and establishes our customer in their market.

Development and Managed Infrastructure Support

Commerce-focused, user-friendly digital websites and apps, elevates our customer’s marketing position and draw consumers to their products and services. Our platform-agnostic approach allows us to architect and build solutions that are the best fit for each customer. Once the digital properties are built, our experts will help manage and protect the website or app and provide the expertise needed to scale the infrastructure needed as our customer’s business grows.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations, including the discussion on liquidity and capital resources, are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and

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judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, management re-evaluates its estimates and judgments, particularly those related to the determination of the estimated recoverable amounts of trade accounts receivable, impairment of long-lived assets, revenue recognition, and deferred tax assets. We believe the following critical accounting policies require more significant judgment and estimates used in the preparation of the financial statements.

Among the significant judgments made by management in the preparation of our financial statements are the following:

Revenue recognition

The Company recognizes income when the service is provided or when the product is delivered. We present revenue, net of customer incentives. Most of the income is generated from professional services and site development fees. We provide online marketing services that we purchase from third parties. The gross revenue presented in our statement of operations is in accordance with ASC 605-45. We also offer professional services such as development services. The fees for development services with multiple deliverables constitute a separate unit of accounting in accordance with ASC 605-25, which are recognized as the work is performed. Upfront fees for development services or other customer services are deferred until certain implementation or contractual milestones have been achieved.

Accounts receivable

The Company extends credit to its customers who are located nationwide. Accounts receivable are customer obligations due under normal trade terms. The Company performs continuing credit evaluations of its customers' financial condition. Management reviews accounts receivable on a regular basis, based on contracted terms and how recently payments have been received to determine if any such amounts will potentially be uncollected. The Company includes any balances that are determined to be uncollectible in its allowance for doubtful accounts.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. To determine recoverability of a long-lived asset, management evaluates whether the estimated future undiscounted net cash flows from the asset are less than its carrying amount. If impairment is indicated, the long-lived asset would be written down to fair value. Fair value is determined by an evaluation of available price information at which assets could be bought or sold, including quoted market prices, if available, or the present value of the estimated future cash flows based on reasonable and supportable assumptions.

Indefinite Lived Intangibles and Goodwill Assets

The Company accounts for business combinations under the acquisition method of accounting in accordance with ASC 805, "Business Combinations," where the total purchase price is allocated to the tangible and identified intangible assets acquired and liabilities assumed based on their estimated fair values. The purchase price is allocated using the information currently available, and may be adjusted, up to one year from acquisition date, after obtaining more information regarding, among other things, asset valuations, liabilities assumed and revisions to preliminary estimates. The purchase price in excess of the fair value of the tangible and identified intangible assets acquired less liabilities assumed is recognized as goodwill.

The Company tests for indefinite lived intangibles and goodwill impairment in the fourth quarter of each year and whenever events or circumstances indicate that the carrying amount of the asset exceeds its fair value and may not be

recoverable. In accordance with its policies, the Company performed a qualitative assessment of indefinite lived intangibles and goodwill at June 30, 2017, and determined there was no impairment of indefinite lived intangibles and goodwill.

Business Combinations

The Company allocates the fair value of purchase consideration to the tangible assets acquired, liabilities assumed and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets. Significant estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows from acquired customer lists, acquired technology, and trade names from a market participant perspective, useful lives and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. During the measurement period, which is one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

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Fair value of financial instruments

The Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities are carried at cost, which approximates their fair value, due to the relatively short maturity of these instruments. As of September 30, 2017 and 2016, the Company's notes payable have stated borrowing rates that are consistent with those currently available to the Company and, accordingly, the Company believes the carrying value of these debt instruments approximates their fair value.

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. ASC Topic 820 established 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.

We measure certain financial instruments at fair value on a recurring basis. The Company had no assets and liabilities measured at fair value on a recurring basis as of September 30, 2017.

Recent Accounting Pronouncements

There were various updates recently issued, most of which represented technical corrections to the accounting literature or application to specific industries and are not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

Results of Operations for the Three Months Ended September 30, 2017, compared to the Three Months Ended September 30, 2016.

REVENUE

Total revenue for the three months ended September 30, 2017 increased by \$1,294,325 to \$2,386,999, compared to \$1,092,674 for the three months ended September 30, 2016. The increase was primarily due to the acquisition of Parscale Creative, partially offset by a reduction in revenue at Indaba.

SALARIES AND OUTSIDE SERVICES

Salaries and outside services for the three months ended September 30, 2017 increased by \$346,454 to \$1,219,260, compared to \$872,806 for the three months ended September 30, 2016. The increase was primarily due to the acquisition of Parscale Creative, due to 45 additional employees added to payroll expense.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

Selling, general, and administrative (“SG&A”) expenses for the three months ended September 30, 2017 increased by \$927,983 to \$1,178,155, compared to \$250,172 for the three months ended September 30, 2016. The increase was primarily due to the acquisition of Parscale Creative, and the increase in costs to maintain an additional office in San Antonio.

STOCK BASED COMPENSATION

Stock based compensation expenses for the three months ended September 30, 2017 increased by \$6,293 to \$132,824, compared to \$126,531 for the three months ended September 30, 2016. The increase was due to additional stock options offered to employees.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expenses for the three months ended September 30, 2017 increased by \$207,306 to \$267,631, compared to \$60,325 for the three months ended September 30, 2016. The increase was primarily due to additional intangible assets amortized as a result of the Parscale Creative acquisition.

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OTHER INCOME AND EXPENSE

Total other income (expense) for the three months ended September 30, 2017 decreased by \$26,605 to net other expense of \$24,015, compared to net other income of \$2,590 for the three months ended September 30, 2016. The increase was primarily due to the utilization of a secured borrowing arrangement, resulting in higher interest expense.

NET LOSS

The consolidated net loss for the three months ended September 30, 2017 was \$356,071, compared to the consolidated net loss of \$214,570 for the three months ended September 30, 2016. The increase in net loss for the period was primarily due to a reduction in revenue of Indaba and the increase in operating expenses from Parscale Digital.

LIQUIDITY AND CAPITAL RESOURCES

The Company had a net working capital deficit (i.e. the difference between current assets and current liabilities) of (\$1,397,073) at September 30, 2017 compared to a net working capital deficit of (\$2,255,039) at fiscal year ended June 30, 2017.

Cash flow used in operating activities was \$603,405 for the three months ended September 30, 2017, compared to cash flow used in operating activities of \$166,416 for the three months ended September 30, 2016. The increase in cash flow used in operating activities of \$436,989 was primarily due to an increase in the Parscale Digital accounts receivable balance, partially offset by additional amortization expense of intangible assets.

Cash flow provided by investing activities was \$199,503 for the three months ended September 30, 2017, compared to cash flow provided by investing activities of \$10,761 for the three months ended September 30, 2016. The increase in cash flow provided by investing activities of \$188,742 was primarily due to the Parscale Creative acquisition, and the cash proceeds that resulted from the acquisition.

Cash flow provided by financing activities was \$480,407 for the three months ended September 30, 2017, compared to \$117,266 for the three months ended September 30, 2016. The increase in cash flow provided by financing activities of \$363,141 was due to additional borrowings under promissory notes.

Liquidity is the ability of a company to generate funds to support its current and future operations, satisfy its obligations, and otherwise operate on an ongoing basis. Significant factors in the management of liquidity are funds generated by operations, levels of accounts receivable and accounts payable and capital expenditures.

The financial statements have been prepared on a going concern basis of accounting, which contemplates continuity of operations, realization of assets and liabilities and commitments in the normal course of business. The accompanying consolidated financial statements do not reflect any adjustments that might result if we are unable to continue as a going concern. Our independent auditors, in their report on our audited financial statements for the years ended June 30, 2017 and 2016 expressed substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern is dependent upon, among other things, additional cash infusion. Management believes the existing shareholders, the prospective new investors and future revenue will provide the additional cash needed to meet our obligations as they become due, and will allow the development of our core business operations.

As a result of the recent economic recession, and the continuing economic uncertainty, it has been difficult for companies to obtain equity or debt financing. While the credit markets have improved over the last year, it remains difficult for smaller companies to obtain financing on reasonable terms.

Any additional capital raised through the sale of equity or equity-backed securities may dilute current stockholders' ownership percentages and could also result in a decrease in the fair market value of our equity securities. The terms of the securities issued by us in future capital raising transactions may be more favorable to new investors and may include preferences, superior voting rights and the issuance of warrants or other derivative securities which may have a further dilutive effect.

Furthermore, any additional debt or equity or other financing that we may need may not be available on terms favorable to us, or at all. If we are unable to obtain required additional capital, we may have to curtail our growth plans or cut back on existing business. Further, we may not be able to continue operations if we do not generate sufficient revenues from operations.

We may incur substantial costs in pursuing future capital financing, including investment banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution expenses and other costs. We may also be required to recognize non-cash expenses in connection with certain securities we issue, such as convertible notes and warrants, which may adversely impact our reported financial results.

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Off-Balance Sheet Arrangements

None.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Management, with the participation of the Company's principal executive and principal financial officers, or persons performing similar functions, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act of 1934, as amended), as of the end of the period covered by this report to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Act is (i) recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms and (ii) accumulated and communicated to the Company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Based on that evaluation, our management concluded that, as of June 30, 2017, our disclosure controls and procedures were not effective due to the following material weaknesses:

1. lack of segregation of duties; and
2. failure to implement accounting controls of acquired businesses.

To the extent reasonably possible given our limited resources, we intend to take measures to cure the aforementioned weaknesses.

Our management, including our principal executive officer and principal financial officer, do not expect that our disclosure controls and procedures or our internal controls will prevent all error or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. 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. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

To address the material weaknesses, we performed additional analysis and other post-closing procedures in an effort to ensure our consolidated financial statements included in this report have been prepared in accordance with generally accepted accounting principles. Accordingly, management believes that the financial statements included in this report fairly present in all material respects our financial condition, results of operations and cash flows for the periods presented.

No Attestation Report by Independent Registered Accountant

The effectiveness of our internal control over financial reporting as of September 30, 2017 has not been audited by our independent registered public accounting firm by virtue of our exemption from such requirement as a smaller reporting company.

Changes in Internal Controls over Financial Reporting

There have been no changes in the Company's internal control over financial reporting that occurred during the quarter ended September 30, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

The Company's management does not expect that its disclosure controls or its internal control over financial reporting will prevent or detect all error 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. 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. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are

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subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

PART II. - OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

The Company may be involved in legal actions and claims arising in the ordinary course of business from time to time in the future. However, at this time there are no current 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 1A. RISK FACTORS

Not required for smaller reporting companies.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION

None

Item 6. EXHIBITS

(a) Exhibits

EXHIBIT NO. DESCRIPTION

<u>31.1</u>	Section 302 Certification
<u>31.2</u>	Section 302 Certification
<u>32.1</u>	Section 906 Certification
<u>32.2</u>	Section 906 Certification
EX-101.INS	XBRL INSTANCE DOCUMENT*
EX-101.SCH	XBRL TAXONOMY EXTENSION SCHEMA DOCUMENT*
EX-101.CAL	XBRL TAXONOMY EXTENSION CALCULATION LINKBASE*
EX-101.DEF	XBRL TAXONOMY EXTENSION DEFINITION LINKBASE*
EX-101.LAB	XBRL TAXONOMY EXTENSION LABELS LINKBASE*
EX-101.PRE	XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE*

* Furnished herewith. 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 Act of 1933, as amended, and otherwise are not subject to liability under those sections.

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SIGNATURES

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

CLOUDCOMMERCE, INC.
(Registrant)

Dated: November 14, 2017 By: */s/ Andrew Van Noy*
Andrew Van Noy

Chief Executive Officer and President

(Principal Executive Officer)

/s/ Greg Boden
Greg Boden

Chief Financial Officer

(Principal Financial/Accounting Officer)