# United States
# Securities and Exchange Commission
**Washington, D.C. 20549**

# FORM 10-K

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

For the year ended: December 31, 2019

or

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

For the period ended:

## Q2Earth, Inc.
(Exact name of Registrant as specified in its Charter)

| Delaware | 000-55148 | 20-1602779 |
|---|---|---|
| (State or Other Jurisdiction of Incorporation) | (Commission File Number) | (I.R.S. Employer Identification No.) |

**420 Royal Palm Way, #100**
**Palm Beach, FL 33480**
(Address of Principal Executive Offices)

(561) 693-1423
(Registrant's Telephone Number, including area code)

(Former name or former address, if changed since last report.)

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

Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value $0.0001

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ] No [X]

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes [ ] No [X]

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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.
(1) Yes [X] No [ ] (2) Yes [X] 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 [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or emerging growth company:

| | | | |
|---|---|---|---|
| Large accelerated filer | [ ] | Accelerated filer | [ ] |
| Non-accelerated filer | [X] | Smaller reporting company | [X] |
| Emerging Growth Company | [X] | | |

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 revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

State the aggregate market value of the voting and non-voting common stock held by non-affiliates computed by reference to the price at which the common stock was last sold, or the average bid and asked price of such common stock, as of the last business day of the Registrant's most recently completed second fiscal quarter.

June 28, 2019 - $1,594,549. There are approximately 35,434,418 shares of common voting stock of the Registrant beneficially owned by non-affiliates on June 28, 2019. There is a limited public market for the common stock of the Registrant, so this computation is based upon the closing bid price of $0.045 per share of the Registrant's common stock on the OTCQB.

APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. [X] Yes [ ] No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date:

April 13, 2020: Common – 56,997,460

Documents incorporated by reference: None.

**Q2Earth Inc.**
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## FORWARD LOOKING STATEMENTS

This Annual Report contains certain forward looking statements, as defined in the Private Securities Litigation Reform Act of 1995, including or related to our future results, events and performance (including certain projections, business trends and assumptions on future financings), and our expected future operations and actions. In some cases, you can identify forward-looking statements by the use of words such as “may,” “should,” “plan,” “future,” “intend,” “could,” “estimate,” “predict,” “hope,” “potential,” “continue,” “believe,” “expect” or “anticipate” or the negative of these terms or other similar expressions. These forward-looking statements generally relate to our plans and objectives for future operations and are based upon management’s reasonable estimates of future results or trends. In evaluating these statements, you should specifically consider the risks that the anticipated outcome is subject to, including the factors discussed under “RISK FACTORS” and elsewhere. These factors may cause our actual results to differ materially from any forward-looking statement. Actual results may differ from projected results due, but not limited to, unforeseen developments, including those relating to the following:

- We fail to raise capital;
- We fail to implement our business plan;
- We fail to compete at producing cost effective products;
- Market demand for compost and engineered soils;
- The availability of additional capital at reasonable terms to support our business plan;
- Economic and general health issues caused by the COVID-19 pandemic;
- Economic, competitive, demographic, business and other conditions in our markets;
- Changes or developments in laws, regulations or taxes;
- Ability to close acquisitions and integrate acquired companies and other assets;
- Actions taken or not taken by third-parties, including our suppliers and competitors;
- Changes in our business strategy or development plans;
- The availability and adequacy of our cash flow to meet our requirements; and
- Other factors discussed under the section entitled “RISK FACTORS” or elsewhere herein.

You should read this Annual Report completely and with the understanding that actual future results may be materially different from what we expect. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, future financings, performance, or achievements. Moreover, we do not assume any responsibility for accuracy and completeness of such statements in the future. We do not plan to update any of the forward-looking statements after the date of this Annual Report to conform such statements to actual results.

**JUMPSTART OUR BUSINESS STARTUPS ACT DISCLOSURE**

We qualify as an "emerging growth company," as defined in Section 2(a)(19) of the Securities Act by the Jumpstart Our Business Startups Act (the "JOBS Act"). An issuer qualifies as an "emerging growth company" if it has total annual gross revenues of less than $1.0 billion during its most recently completed fiscal year, and will continue to be deemed an emerging growth company until the earliest of:

- the last day of the fiscal year of the issuer during which it had total annual gross revenues of $1.0 billion or more;
- the last day of the fiscal year of the issuer following the fifth anniversary of the date of the first sale of common equity securities of the issuer pursuant to an effective registration statement;
- the date on which the issuer has, during the previous three-year period, issued more than $1.0 billion in non-convertible debt; or
- the date on which the issuer is deemed to be a "large accelerated filer," as defined in Section 240.12b-2 of the Exchange Act.

As an emerging growth company, we are exempt from various reporting requirements. Specifically, we are exempt from the following provisions:

- Section 404(b) of the Sarbanes-Oxley Act of 2002, which requires evaluations and reporting related to an issuer's internal controls;
- Section 14A(a) of the Exchange Act, which requires an issuer to seek shareholder approval of the compensation of its executives not less frequently than once every three years; and
- Section 14A(b) of the Exchange Act, which requires an issuer to seek shareholder approval of its so-called "golden parachute" compensation, or compensation upon termination of an employee's employment.

Under the JOBS Act, emerging growth companies may delay adopting new or revised accounting standards that have different effective dates for public and private companies until such time as those standards apply to private companies.

## PART I

## ITEM 1. BUSINESS

In this Annual Report, references to "Q2Earth," the "Company," "we," "our," "us" and words of similar import refer to Q2Earth, Inc., the Registrant, a Delaware corporation. References to "Q2P" or the "Subsidiary" refer to Q2Power Corp., a Delaware corporation, our subsidiary and former operating company.

**Organizational History and Merger with Q2P**

The Company, formerly known as Anpath Group, Inc. ("Anpath"), was organized pursuant of the laws of the State of Delaware on August 26, 2004. On November 12, 2015, the Company, its newly formed and wholly-owned subsidiary, AnPath Acquisition Sub, Inc., a Delaware corporation ("Merger Subsidiary"), and Q2P consummated an Agreement and Plan of Merger (the "Merger Agreement"), resulting in the Merger Subsidiary merging with and into Q2P. As a result, Q2P was the surviving company and a wholly-owned subsidiary of AnPath (the "Merger").

As a result of the Merger, all outstanding shares of Q2P were exchanged for approximately 24 million shares of the Company's common stock, and the Company assumed both the Q2P 2014 Founders Stock Option Plan and the 2014 Employees Stock Option Plan (the "Option Plans"). Also pursuant to the Merger, the officers and directors of Q2P took over the management and Board of Directors of the Company. In connection with the Merger, the Company sold the former operating entity of Anpath, ESI, to three former officers and shareholders of Anpath in exchange for the return of 470,560 shares of common stock of the Company and ESI retaining all of the old liabilities of ESI including a litigation judgment.

In December 2015, the Company officially changed its name to Q2Power Technologies, Inc. to reflect the new business direction of the Company after the Merger – that of Q2P, namely the development of waste-to-power systems. In February 2016, the Company changed its fiscal year end from March 31 to December 31 to reflect the year-end of its operating Subsidiary, and up-listed its common stock to the OTCQB. The financial statements and footnotes to the financial statements reflect this change of fiscal year end.

In August 2017, the Company sold its waste-to-power technology to a licensee and re-focused its efforts and resources to the pursuit of acquisitions and management of companies and assets in the business of compost and soil manufacturing. This business model arose from the work the Company was doing with wastewater treatment plants through Q2P and other external factors which led our Board to believe such opportunities would present the most beneficial path forward for the Company and its shareholders. In June 2017, the Company changed its name to Q2Earth, Inc. to better reflect its new business model.

**Prior Waste-to-Power Business**

Q2P was originally formed as a Florida limited liability company by Cyclone Power Technologies, Inc. ("Cyclone") to pursue development and commercialization of its patented waste heat recovery engine. In July 2014, Q2P commenced operations as an independent company after receiving its initial round of funding and signing a formal Separation Agreement with Cyclone. From then until the end of 2016, the business of the Company was the development of waste-to-power systems based on technology licensed from Cyclone.

Q2P's prime target market for its waste-to-power technology (the "Q2P Technology") was small-scale Waste Water Treatment Plants ("WWTPs"), whereby the Q2P Technology could capture methane produced from the WWTPs and convert it into power and usable heat. The Q2P Technology was comprised of our unique external heat engine (the "Q2P Engine") as well as waste fuel burners, controls and other subcomponents (collectively with the Q2P Engine, referred to as a "CHP System"). We developed the CHP System from proof-of-concept to a working "pilot stage" product between 2014 and 2015.

Our pilot program operated in central Ohio for approximately six months, during which time we collected significant information about the technology itself, and the operations and cost structures of WWTPs generally. A large portion of a WWTP's operating expenditures are spent removing the residual sludge (called "biosolids") from digesters, the vast portion of which is either combusted, landfilled or applied directly to the land. Technologies and processes that can convert biosolids to other useful products such as compost and engineered soils, we determined, could provide additional value to agricultural and construction sector customers and new revenue streams for this waste value chain. In mid-2016, along with the addition of two new Board of Director members with vast experience in the waste water, biosolids and waste recycling sectors, we started pursuing synergistic alliances with companies that have assets, technology and business networks for the manufacturing and sale of such beneficial re-use products. This led us to the composting industry.

**Compost and Engineered Soils**

**Overview.** According to the U.S Composting Council (the "USCC"), one-third of the world's arable land has been lost to soil erosion. In the United States, 99 million acres (28% of all cropland) are eroding above soil tolerance rates, meaning the long-term productivity of the soil cannot be maintained and new soil is not adequately replacing the lost soil. This erosion reduces the ability of the soil to support plant growth and store water, making food production more difficult, reducing the earth's ability to filter out carbon and produce oxygen, and adding significant pressure on water resources.

Management believes that soil health may be one of the most important issues facing our planet, affecting the food we eat, water we drink, and air we breathe. Composting is a critical process for recycling organic wastes for beneficial uses to replenish top soil, conserve water and reduce pollution. According to the USCC, composting further protects our climate by sequestering carbon in the soil and reducing methane production from landfills by reducing the volume of organic wastes disposed in this manner.

The composting industry is highly fragmented, comprised of over 5,000 facilities throughout the United States, most of which are small in size and supply varying product qualities. An estimated $5.6 billion in compost is sold annually in the United States, according to the USCC, but less than 10% of farms nationwide currently utilize compost to supplement top soil and reduce chemical and water requirements. New applications for compost such as engineered soils used in general construction, infrastructure projects, land reclamation, sod and turf farms and other green landscape projects are creating additional business opportunities globally.

One of the most compelling business aspects of the compost industry in management's opinion is the trend among certain facilities to view their business less as simply a waste management solution (making money through "tipping fees" – i.e., the fees paid to take waste), and more as a manufacturing process to produce higher end compost and soil products that can be sold at higher margins and have greater beneficial uses for our planet.

We also believe that the composting industry in the United States is prime for consolidation, operational and technological efficiency improvements, and comprehensive sales and marketing strategies to increase demand and usage. Our plan starting in 2017 has been to build the Company by acquiring or overseeing the acquisition and management of strategic compost facilities, developing new distribution channels and product brands, investing in science and technology that support the industry and lead to more widespread usage, and implementing best operating practices and efficiency programs to foster growth and create value.

**Acquisition and Funding Structure.** Our current business involves acquiring or overseeing the acquisition of companies in the compost and soils sector, as well as the operational management of those assets. This acquisition strategy, as well as the funding required to consummate these transactions, is currently being conducted through Earth Property Holdings, LLC ("EPH"), a Delaware limited liability company in which we hold a minority equity interest and an eight-year agreement to oversee and manage all of its operations. See "Management Agreement" below.

Through EPH we have completed two acquisitions to date: George B. Wittmer Associates Inc. ("GBWA"), based in Jacksonville, Florida in November 2018, and Employee Owned Nursery Enterprises Ltd., d/b/a Organics by Gosh ("OBG"), based in Austin, Texas in January 2019. See "Acquired Facilities" below.

***Management Agreement.*** Our agreement to manage the operations of EPH (the "Management Agreement") provides an eight-year term and an annual fee starting at $200,000; however, upon the closing of the GBWA and OBG acquisitions, we received a total of $700,000 in management fees in 2018 and January 2019 which was earned by us over the 2019 fiscal year. The Management Agreement can be terminated by the board of directors of EPH which is controlled by the Class A Unit holders, the equity investors in EPH. If we are terminated by EPH without cause, we would receive a severance payment equal to one-year of management fees plus any accrued management fees to the date of termination. If we are terminated by EPH with cause, we would receive any accrued management fees only.

The Management Agreement provides EPH with a first right of refusal for prospective acquisitions of compost manufacturing companies and facilities; but allows us to pursue such deals if rejected by EPH's board. Further the agreement allows us to pursue independently agreements, licenses or acquisitions related to soil marketing and distribution outside the geographic markets of EPH facilities, new product and brand development, and soil science and bioscience research (the "Q2 Activities"). Management believes these Q2 Activities can be supportive of the EPH facilities we manage as well as provide additional revenue streams at the Company level and value creation for our shareholders.

In May 2019, we also signed a Transaction Services Agreement with Community Eco Power LLC ("CEP") to assist in closing and post-closing integration matters in connection with an acquisition by CEP of two waste-to-energy plants in New England. The closing between the seller and CEP occurred on May 15, 2019. For its services to CEP prior to closing and over the following six months, we received a fee of $250,000. We also received rights to build compost facilities on or around the sites over the next two years subject to permitting and other qualifications, and to invest in future CEP funding rounds. Two of our executive officers invested in CEP after the signing of the services agreement and currently each hold a minority equity interest and collectively own 50% of CEP.

***Q2 Activities under the EPH Management Agreement.*** In May 2019 we started to implement our independent Q2 Activities as provided under the EPH Management Agreement when we signed a worldwide, exclusive license agreement with Agrarian Technologies LLC and its affiliates ("Agrarian") to sell Agrarian's proprietary ABS bio-stimulant, an organic, natural compound designed to enhance root formation, increase vascular strength and promote overall plant health through the entire growth cycle.

The license agreement covers all ABS formulations, applications and improvements, including a proprietary process to utilize ABS to boost the nutrient and commercial value of compost, engineered soils and wood mulch. The license also provides the Company with the exclusive rights to market soil and mulch products under the Wild Earth® and Mulch Masters® federally registered trademarks. The agreement is 10-years with renewal terms, and provides Agrarian royalties based on the sale of the ABS formula including minimum annual guarantees.

As part of the transaction, we also hired the principal owner of Agrarian and inventor of its technology, Richard Stewart, to serve as our Vice President of Product Development. Our license agreement provides us exclusivity for the Agrarian technology for the longer of two years or the term of Mr. Stewart's employment with the Company plus an additional two years; provided however, if Mr. Stewart is terminated without cause, such exclusivity would concurrently terminate.

ABS, a product of over 50 years of university and private research, meets USDA standards for an organic system plan. Management believes that the license with Agrarian will not only support compost production and sales at the Company's affiliated EPH but will also provide the Company with an independent business line. Management has commenced marketing of ABS both as a stand-alone product and as a soil and mulch enhancement, although these operations are still in their start-up phase and no material revenue has been generated through these activities for the Company.

***LLC Agreement.*** EPH is governed by a Limited Liability Company Agreement (the "LLC Agreement"), which sets forth the relative rights of its members. Most importantly, EPH has two outstanding classes of membership units: Class A Units, which provide its holders with an 8% preferred annual distribution; and Class B Units, which share in the profits and liquidation value of EPH after the Class A Unit holders have received a return of their preferred distributions and capital investments. The Class A Unit holders have the right to nominate two of three EPH Board of Director members, who have ultimate authority over material decisions effecting that company. The LLC Agreement also provides restrictions on transfer of units, drag-along/tag-along rights, pre-emptive rights for new issuances, and other terms and rights that are fairly standard in agreements of this nature.

As of December 31, 2019, there were 785,966 Class A Units outstanding held by four investors representing 81.5% of the voting power of EPH, and 178,969 Class B Units outstanding all held by the Company and representing 18.5% of the voting power of EPH. There are also 100,000 Class C Units authorized but not issued. These Class C Units are non-voting, but allow the holders to share in profit distributions and liquidation value on par with the Class B Units. Two EPH equity members who are affiliated with each other also have warrants to acquire up to 14,610 additional Class A Units in EPH before March 2025 for $0.01 per Unit.

***Equity Funding.*** In connection with the closing of the GBWA acquisition, EPH issued 500,000 Class A Units to one institutional investor for $4,400,000. Concurrently, EPH issued to the Company 124,999 Class B Units for $50,000 and the transfer to EPH of the GBWA agreement and future compost facility acquisition rights under a Transfer Agreement. In connection with the closing of OBG, EPH issued an additional 215,909 Class A Units to the same institutional investor and three other investors for $1,900,000, and the Company acquired 53,970 more Class B Units for $21,588. Between the January 2019 funding in connection with the OBG closing and December 31, 2019, EPH issued an additional 70,057 Class A Units for $616,500 in proceeds from the lead institutional investor, and in 2020, EPH issued another 20,568 Class A Units for $181,000 in proceeds from the same investor.

***Debt Funding.*** In connection with the OBG transaction, EPH closed a $6 million mezzanine debt facility (the "Mezzanine Debt"), under which it drew down $3 million and reserved $3 million for future acquisitions. The Company is neither a borrower nor guarantor under the Mezzanine Debt agreements.

***Bridge Financing***. The Company issued a total of $2,821,908 in Convertible Promissory Notes (the "Bridge Notes") during 2017 and 2018 (the "Bridge Offering"), with an additional $30,000 issued in 2019. Proceeds from the Bridge Notes were used to diligence, negotiate and secure the initial compost acquisitions, as well as for operational expenses and legacy debt repayment. The Bridge Notes convert at a 50% discount to the post-funding valuation of the Company at the closing of its next offering in the minimum amount of $5,000,000 (the "Equity Offering"). The conversion valuation has a ceiling of $12,000,000, and a "floor" company value of $6,000,000 in the event there is no Equity Offering before the Bridge Notes are able to be converted. The Bridge Notes convert into common stock, or preferred stock if received by investors in the Equity Offering, commencing on the soonest of the Equity Offering closing or December 31, 2017, at the discretion of the holder. $50,000 of the Bridge Notes were converted to common stock in 2018. Maturity is 36 months from issuance (except for certain Bridge Notes issued in 2018 and 2019, which have a 24-month term) with 15% annual compounded interest which is capitalized each year into the principal of the Notes and paid in kind. There are no warrants issued in connection with the Bridge Offering.

As of March 31, 2020, approximately $1,068,152 of the original issuance principal amount of the Bridge Notes matured. The Company has received extensions of the maturity date from all of these holders until June 15, 2020 for no additional consideration. Management is working on a plan to repay or convert into equity these and the other Bridge Notes by their respective maturity dates. If we cannot repay these obligations or otherwise come to agreement with the holders, the Company may be forced to seek bankruptcy protection.

***Future Financing***. Management is currently working on securing the next round of funding for EPH needed to close future acquisitions. We are also considering capital raises for the Company, which would allow us to better pursue Q2 Activities or other viable business models. Management can make no guaranty that such financing can be completed on terms acceptable to either EPH or the Company if at all, or that such Q2 Activities leading to additional value creation for Company shareholders can be consummated. Since the middle of 2019, we have funded much of our operational shortfall from advances and loans from EPH and its primary institutional investor. As of the end of 2019, these obligations amounted to $803,926 including accrued interest, all due on demand from EPH.

**Acquired Facilities**

In November 2018 and January 2019 respectively, the Company through EPH completed two acquisitions in the compost and environmental services space. EPH is an unconsolidated equity method investment for the Company; and therefore, the results of operations, balance sheets, and other material aspects of the business of EPH and the acquired companies are not presented in our financial statements or included in current reports or exhibits thereto. The following are summaries of the business of GBWA and OBG.

GBWA, based in Callahan, FL, recycles hundreds of thousands of cubic yards of industrial discard streams and supplies millions of pounds of compost, soil amendments, soil blends, and potting soil materials to the agriculture and horticulture markets annually. Through long term environmental management contracts with large papermills in Florida, Georgia and Alabama, GBWA recovers, reconditions, processes and ships residual streams such as wood ash, precipitated carbonates, flume grit, wood yard waste, off-specification boiler fuel solids, stockpiled bark, and other materials previously landfilled. GBWA eliminates waste stream management, handling, storage and liability by transforming industrial residual streams into commodities for use by other industries.

OBG, based in Austin, Texas, is a leading organics recycler and compost manufacturer, receiving yard trimmings and wasted food from almost 200,000 homes and almost a third of the restaurants and commercial food preparers in the Austin area. The company produces high quality compost, blended soils and other products, which they sell in over a million bags per year through major retailers and in bulk to landscapers and contractors throughout central Texas.

Through our Management Agreement, we oversee all of the operations of GBWA and OBG, including sales, manufacturing, permitting and legal, accounting, staffing, business development and other areas of their respective businesses. We believe that we can implement processes, practices and systems that can make the operations of these companies more efficient and profitable; and pursue strategies to expand their business within and beyond their current territories. Through EPH, we are also seeking additional acquisition opportunities in Florida, Texas, Georgia, North Carolina and other areas throughout the Southeast and Southwest.

**Business of Compost and Soils**

**Tipping Fees.** The business of composting has historically been driven by tipping fees – the amount paid to the compost facility to haul and/or receive waste products. In the case of biosolids received from WWTPs, tipping fees can range from $35 to $80 per ton or more based on location and hauling distance. In the case of yard or "green" waste, these fees are significantly less, ranging from $8 per ton to $18 per ton, but also vary based on location, hauling distance, type of plant waste, and other factors. Food waste tipping fees are usually higher than green waste and less than biosolids. A medium to large compost facility may accept between 50,000 and 200,000 tons of waste per year.

**Manufacturing.** There are several processes for manufacturing compost that are accepted by the U.S. Environmental Protection Agency (the "EPA") and state regulators. The two most common are "static pile" and "windrowing". Using the static pile method, ground-up feedstock is formed into large piles and "cured" for periods of at least 12 months (which can be accelerated by different forced air procedures). During this process, the waste materials breakdown in both aerobic and anaerobic conditions. The windrowing process involves positioning ground-up feedstock into long rows that are mechanically turned every few days and can produce a final product in as little as one to three months. In both static pile and windrowing, there are time and temperature thresholds to create an EPA approved compost.

The compost manufacturing method employed by different facilities depends on may factors such as feedstock used, space requirements, environmental conditions, and desired end product. GBWA uses a form of static piling composting and OBG currently uses the windrowing method.

Manufacturing compost is a capital intensive process, requiring equipment such as grinders, screeners, turners, excavators and other heavy machinery. Maintaining equipment in good working condition is critical to proper operations, and equipment downtime can materially affect financial performance.

**Product Sales.** For many compost facilities, margins made on tipping fees drive their business model and little effort or expense is incurred on producing a quality, consistent end product. For these facilities, limited additional revenue and margin is made on the back end – at times only about 10% to 20% of their revenue is from soil sales. Such facilities may even give away product to landfills for daily cover or sell it to farmers at prices that cover transportation costs.

As mentioned above, one of the most compelling aspects of the compost industry is the trend among certain facilities to view their business less as a waste management solution and more as a manufacturing process to produce higher end compost and soil products. Management believes this is a fundamental transition in thinking about operations, procedures and priorities. Those facilities that have made the transition to focus on end product may have higher production costs to assure consistency of feedstock, better manufacturing procedures, and greater marketing costs, but the financial benefits can be material. Whereas average lower quality compost may sell for $4/cubic yard, high quality products can fetch much higher prices – between $12/cubic yard and $80/cubic yard for the top-end blended soil products.

Compost can be sold as a stand-alone product or used a base material for soil blends. For instance, potting soil purchased in a nursery or "big box" retailers may contain 20% to 30% compost blended with other materials such as top soil, bark or peat. Compost is also used as a base material for "engineered" soils in large landscaping and construction projects. In these applications, compost manufacturers will blend their compost to meet specifications of the contractor that include organic content, weight, water retention, compactibility and other necessary qualities. Such soil blends can sell for the higher range in the market.

The market for compost and soils is localized, limited in large part by the cost of transporting materials. Typically, shipping material over 100 miles from its place of manufacturing becomes less economical. As a result, the larger compost manufacturers will create a dominant presence in their community, and expand their business by offering a broader range of products, better service to both inbound and outbound customers, and identifiable brands that can then be scaled to other markets.

**Business Plan and Value Appreciation Strategy**

Our business currently involves acquiring or overseeing the acquisition of compost and soil manufacturing facilities through EPH, and managing those facilities through a long-term agreement. We believe that by creating a regional or, ultimately, nationwide footprint of composting facilities that can produce consistent, quality products, combined with strong sales, marketing/branding and scientific research, we can create substantial added value from these acquired assets.

Through this strategy, management believes that value to the Company's shareholders can be achieved in several ways. Most directly, both acquisitions and organic growth at the EPH level may lead to higher fees paid to us through our Management Agreement and equity appreciation from our investment in EPH. Possibly more importantly, however, the intellectual property that we develop through these managerial activities – understanding, creating and scaling the best operating practices, systems and processes for compost and soil manufacturing – has potential to generate revenue and fees for the Company beyond just EPH owned facilities. Further, investment or acquisitions at the Company level in brands and new product development, non-traditional sales and marketing channels, and soil science research, may provide "asset and capital light" opportunities to expand our reach nationally and internationally.

While we have been able to implement several of these objectives over the last year, we have not been able to translate that to shareholder value appreciation. In fact, the fees paid under our Management Agreement with EPH do not fully support our ongoing operations, and we have had to take on a significant amount of debt to continue to fund our business. Almost all of this debt matures in 2020 and we are not able to make payments as they come due.

To overcome these significant obstacles to our viability as an ongoing business, in January 2020, our Board of Directors authorized a strategic plan for 2020 which is comprised of: (1) securing new technologies and business opportunities in the broader biosciences sector, including both human and soil health; and (2) significantly reducing debt and liabilities of the Company and eliminating under-performing assets and agreements. The successful results of these actions are intended to attract new capital to fund long term growth opportunities for the Company; however, there is no guaranty that we will be successful in implementing this plan. Furthermore, a plan to reduce our debt by selling off assets would likely result in the Company pursuing a new line of business not in the compost and soil health space. Management believes, however, that our debt load is the fundamental impediment to our ability to continue operations, and that any viable plan that relieves the Company of this burden while providing new business opportunities would benefit our shareholders.

**Human Health Opportunities**. In furtherance of these plans, in January 2020, we appointed Douglas R. Baum to our Board of Directors. Mr. Baum has over 28 years of experience in the bioscience and biotech industries, including development, commercialization and marketing of multiple drugs and medical devices. Over his senior executive tenure, including as CEO of Xeris Pharmaceuticals, he has overseen 15 product approvals through the FDA and raised over $80 million in capital to fund breakthrough technologies. Mr. Baum was granted a 5-year option to purchase 200,000 shares of the Company's commons stock exercisable at $0.02 per share. The options vest one-half in 12 months and the balance in 24 months.

After his appointment to the Board, Mr. Baum secured for the Company an Exclusive Dealing Option Agreement to provide us a 90-day period to negotiate with IGL Pharma Inc., and potentially execute a worldwide, exclusive license agreement for the radiopharmaceutical Samarium-153 DOTMP ("Sm-153 DOTMP"). Sm-153 DOTMP is a promising drug with initial indications for pediatric osteosarcoma, a devastating form of bone cancer afflicting children, as well as a broader market in bone marrow ablation and other metastasized bone cancers. IGL Pharma is an affiliated entity of ISOTherapeutics Group LLC, whose founders created Quadramet® (Samarium-153-EDTMP) one of the first effective commercial radiopharmaceuticals. Since signing the option agreement for the licensing of Sm-153-DOTMP, we have provided IGL Pharma with $23,000 of advanced support fees to fund a "compassionate use" test for the drug, which has been approved by the FDA to treat a patient in a bone marrow ablation procedure.

Management believes that the opportunity presented to the Company with the licensing of this radiopharmaceutical must be viewed in connection with our broader strategic plan for 2020. Specifically, management believes that it is critical for the Company to take decisive action to reduce our debt burden, which has started to mature, including some significant obligations which are currently in default or will be in default over the next quarter. We believe there is a path forward that includes transferring the licensed technology we control related to our compost and soil business to EPH in return for a forgiveness of approximately $1 million in loans as of the end of the second quarter of 2020, as well as redemption and retirement in full of approximately $4 million of Bridge Notes principal and interest. It is expected that EPH would receive in consideration for the funds required to complete this Bridge Note repayment a preferred stock equity that is structured to limit dilution to our common stockholders.

While the details of this plan have not been finalized and we cannot guaranty it will be successful, we are in discussions with all of the stakeholders required to accomplish it. The results of the successful completion of this plan could mean a stronger balance sheet and the infusion of new capital to pursue this novel pharmaceutical opportunity. While a transition into this new business line is a departure from our current compost and soil operations, which are not financially sustainable for the Company in its current condition and would be continued by EPH if the plan is completed, management believes that the path to creating shareholder value is more visible and probable if this plan were to be consummated in 2020.

**Composting Industry**

**Size and Composition.** According to research conducted by the USCC, there are approximately 5,000 commercial composters in the United States diverting an estimated 19.4 million tons of organics from landfills. These organic waste streams primarily consist of yard trimmings, food scraps, biosolids (from waste water treatment plants) and some agricultural waste streams, including manure.

Of the approximately 5,000 composting sites in the U.S., most are small producers generating under $1 million per year in revenue. Less than 400 composters in the U.S., by the Company's count based on industry data, generate more than $5 million in revenue per year, and even fewer over $10 million.

Compost manufacturers can also be segmented by the types of waste they collect for processing. The three main feedstocks are biosolids from WWTPs, yard (or "green") waste from commercial or municipal waste collection firms, and pre or post-consumer food waste. The largest number of composters utilize green waste, however, the largest volume of compost in the U.S. comes from biosolids.

**Applications/Sectors for Compost Sales**. The applications for compost and engineered soils are wide and growing. Engineered soils (sometimes called manufactured soils) are blends of soil, soil components and soil-like material used in horticulture, landscape, construction and site restoration applications. Using engineered soils allows for "tailoring" of soil properties to specific needs. Soil blending is performed at a production scale across the U.S., generating millions of cubic yards of product annually. Compost is a primary component of engineered soils, typically comprising 1/3 of its volume.

The largest segments for the application of compost and engineered soils include the following:

***Agriculture***. Making farmland more productive and sustainable is the largest application of compost. Compost improves infiltration rates, water holding capacity and soil tilth; and fertilizes the soil to supplement nitrogen, phosphorus and potassium. Use of compost can save farmers money by decreasing water, chemical fertilizer and pesticide uses by up to 80%. Despite the utilization of compost on farmland being an age-old practice, the market for this in the U.S. is still largely untapped, estimated at only a 10% utilization rate relative to all farmable land, according to the USCC.

***Horticulture***. The next largest segment of the market is landscaping and gardening (horticulture), which includes customers ranging from commercial landscapers who buy compost, soil and mulch products in bulk, to the home gardener who buys these products in bags at nurseries and big box retailers. The home gardener is a very interesting segment of this group. Concerns surrounding the use of synthetic chemicals on lawns, gardens and the food we eat are creating a growing demand for environmentally friendly, organic based products to replace fertilizers and pesticides. Compost is a natural alternative to synthetic chemicals, and we believe as more consumers are educated about the benefits of using compost, demand for these products will grow.

***Construction***: For both traditional construction and LEED certified projects, use of engineered soils for control of erosion, water retention, sedimentation and pollution can result in cost savings and easier compliance with permitting. Further, Low Impact Development (LID) approaches – maintaining and enhancing pre-development watershed regimes – have become critically important, especially in urban settings. Engineered soils play a major role in green roofs, bio-retention cells, rain gardens, infiltration trenches and open grid pavement systems. The goals of these systems are to reduce the flow rate, volume and contaminant level of storm water runoff (compost can retain 20X its weight in water).

***Silviculture and Land Reclamation (Mining)*:** Engineered soils are being used to repopulate forests (silviculture) and other land where heavy use, industry or other activities such as mining have decimated the vegetation. This is an important area to help control water conservation and climate change.

***Sod and Turf***: Engineered soils are being used to improve sod and turf quality, produce a lighter material, and enhance growth efficiency. They are being used for college and high school athletic fields (especially to replace synthetic turf fields), and for golf course construction and maintenance.

**Competition**

The composting industry is highly fragmented with no clear leader on a national basis. As composting is very much a localized business constrained by the costs of transporting soils over long distances, each region or community that we may enter will likely have a dominant market player. We view these local leaders as potential acquisition targets or partners; however, there is no assurance that we will be able to acquire or build a dominant business in each location we choose to enter.

Large waste companies own compost facilities in their respective portfolios. Waste Management in particular owns over 40 compost facilities, typically connected to a landfill property. We believe that compost sites like these are under-utilized and not geared to creating the highest value end-products for sale into multiple markets. As a result, we believe there is an opportunity to work with large waste companies to help them expand their sales and marketing operations.

The largest buyers of compost and soil products nationwide are aggregators such as Scotts Miracle-Gro and Old Castle. These companies typically purchase material from companies like those we manage, bag and brand the material, and sell it through big box retailers including Home Depot and Lowe's. These aggregators are both customers and competitors of our current and future facilities, as they control important distribution channels and consumer identifiable brands. These companies also have far greater resources that we do.

**Intellectual Property**

**Compost.** With respect to the Company's composting business model, we do not own any specific intellectual property; however, certain of the companies acquired through EPH, or identified for future acquisition or partnership, do have trade secrets in soil formulas, manufacturing processes, and patentable compost additives, all of which could be valuable for our on-going growth strategy. The companies that we manage have certain local or industry-specific product brands and service marks that have value. We will seek to protect and further monetize this intellectual property on behalf of EPH under our Management Agreement.

We have also licensed a compost additive product called ABS from Agrarian Technologies on a worldwide, exclusive basis for a period of 10 years.

**Patents.** The Company currently does not hold any patents.

**Trade Secrets.** With respect to proprietary know-how that is not patentable and processes for which patents are difficult to enforce, we rely on among other things, trade secret protection and confidentiality agreements to safeguard our interests. We also require our customers and business partners to enter into confidentiality agreements before we disclose any sensitive aspects of our technology or business plans.

**Trademarks**. We have received approval from the USPTO for use of our Q2P and Q2Power trademarks. We acquired from Cyclone the U.S. trademarks for "WHE", WHE Generation" and "Generation WHE" in connection with our Separation Agreement. The Company is not currently using any of these marks.

**Government Regulation**

Generally, individual states determine the regulatory process for composting operations and oversee the permitting, siting, design and operations requirements. Federal regulations through the EPA generally apply for facilities handling biosolids, and in some states, animal manures. In cases where the state has not established requirements specifically for composting source separated organics or other mixed feedstocks, the state may defer back to the federal biosolids regulations. Typically, the pollutant limits and pathogen and vector attraction reduction processes are utilized.

Even with regulations in place at the state level, local planning and zoning requirements are important for composting facilities as well. These requirements are often cumbersome to navigate due to outdated laws, lack of familiarity with composting processes and conflicting community priorities. Facilities often must meet local requirements before receiving a permit to operate from the state.

Composting is often not recognized as a traditional land use designation and may be classified as an industrial, rather than an agricultural, activity. This designation can burden composters with excessive regulations. Local land use rules may also require compliance with criteria that is already covered by state rules. This creates both a financial and regulatory burden to the processor.

Composting regulations typically address concerns over litter, leachate, odor, vectors, dust, noise, security against illegal dumping, protection of surface and groundwater, neighborhood compatibility and pathogen and metal levels in the finished product. Requirements for yard waste composting tend to be much more lenient than those for food waste because of the reduced risk of leachate, odors, vectors and pathogens, generally leading to decreased feelings of "Not In My Back Yard" (NIMBYism). Some state regulations facilitate composting of source separated organics (SSO), based on type (e.g., vegetative only with no meat, preconsumer) and quantity (e.g., <500 cy at any one time). In these cases, less onerous and less costly permits may be available. Typically, composting facilities seeking to process larger quantities and/or a wide range of types of SSO (e.g., vegetative and meat/dairy as well as postconsumer, such as plate scrapings) need to apply for a more complex and costly permit.

In addition to governmental oversight of compost operations, certain self-governed organizations such as the US Composting Council through its Seal of Testing Assurance Program ("STA") and OMRI, which certifies organic products, may apply to our products. STA, for instance, is a compost testing, labeling and information disclosure program created in 2000 through the consensus of leading compost research scientists in the United States. STA is not mandatory in the industry, but if a facility chooses to work within its standards, it requires continuous third-party lab testing and reporting of compost samples which can be costly. The benefits of this program include differentiation of qualifying compost in the marketplace.

**Exchange Act**

We are subject to the following regulations of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), and applicable securities laws, rules and regulations promulgated under the Exchange Act by the SEC. Compliance with these requirements of the Exchange Act increases our legal and accounting costs.

**Smaller Reporting Company**

We are subject to the reporting requirements of Section 13 of the Exchange Act, and subject to the disclosure requirements of Regulation S-K of the SEC, as a “smaller reporting company.” That designation will relieve us of some of the informational requirements of Regulation S-K.

**Emerging Growth Company**

We are also an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012, or “JOBS Act.” As long as we remain an “emerging growth company,” we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not an “emerging growth company,” like those applicable to a “smaller reporting company,” including, but not limited to, a scaled down description of our business in SEC filings; no requirements to include risk factors in Exchange Act filings; no requirement to include certain selected financial data and supplementary financial information in SEC filings; not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act; reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements that we file under the Exchange Act; no requirement for Sarbanes-Oxley Act Section 404(b) auditor attestations of internal control over financial reporting; and exemptions from the requirements of holding an annual nonbinding advisory vote on executive compensation and seeking nonbinding stockholder approval of any golden parachute payments not previously approved. We are also only required to file audited financial statements for the previous two fiscal years when filing registration statements, together with reviewed financial statements of any applicable subsequent quarter.

We may take advantage of these reporting exemptions until we are no longer an “emerging growth company.” We can remain an “emerging growth company” for up to five years. We would cease to be an “emerging growth company” prior to such time if we have total annual gross revenues of $1 billion or more and when we become a “larger accelerated filer,” have a public float of $700 million or more or we issue more than $1 billion of non-convertible debt over a three-year period.

Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and, therefore, will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

**Sarbanes/Oxley Act**

Except for the limitations excluded by the JOBS Act discussed under the preceding heading “Emerging Growth Company,” we are also subject to the Sarbanes-Oxley Act of 2002. The Sarbanes/Oxley Act created a strong and independent accounting oversight board to oversee the conduct of auditors of public companies and strengthens auditor independence. It also requires steps to enhance the direct responsibility of senior members of management for financial reporting and for the quality of financial disclosures made by public companies; establishes clear statutory rules to limit, and to expose to public view, possible conflicts of interest affecting securities analysts; creates guidelines for audit committee members’ appointment, compensation and oversight of the work of public companies’ auditors; management assessment of our internal controls; prohibits certain insider trading during pension fund blackout periods; requires companies and auditors to evaluate internal controls and procedures; and establishes a federal crime of securities fraud, among other provisions. Compliance with the requirements of the Sarbanes/Oxley Act will substantially increase our legal and accounting costs.

**Exchange Act Reporting Requirements**

Section 14(a) of the Exchange Act requires all companies with securities registered pursuant to Section 12(g) of the Exchange Act, like we are, to comply with the rules and regulations of the SEC regarding proxy solicitations, as outlined in Regulation 14A. Matters submitted to shareholders at a special or annual meeting thereof or pursuant to a written consent will require us to provide our shareholders with the information outlined in Schedules 14A (where proxies are solicited) or 14C (where consents in writing to the action have already been received or anticipated to be received) of Regulation 14, as applicable; and preliminary copies of this information must be submitted to the SEC at least 10 days prior to the date that definitive copies of this information are forwarded to our shareholders.

We are also required to file annual reports on Form 10-K and quarterly reports on Form 10-Q with the SEC on a regular basis, and will be required to timely disclose certain material events (e.g., changes in corporate control; acquisitions or dispositions of a significant amount of assets other than in the ordinary course of business; and bankruptcy) in a Current Report on Form 8-K.

**Number of Total Employees and Number of Full Time Employees**

As of the date of this Annual Report, we have five full-time employees. This does not include employees at EPH or its operating companies.

**Reports to Security Holders**

You may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may also find all of the reports that we have filed electronically with the SEC at their Internet site www.sec.gov.

## ITEM 1A. RISK FACTORS

A number of factors could affect the business of the Company, which include the following:

***We have a limited operating history and are operating at a loss, and there is no guaranty that we will remain as a going concern or become profitable.***

We recently began operations under our new business model and anticipate that we will operate at a loss for some time. Since we have limited operating history and no history of profitability, we have limited financial results upon which you may judge our potential. There can be no guarantee that we will become a going concern or ever become profitable. In the future, we may experience under-capitalization, development delays, set-backs with closing or integrating acquisitions, lack of funding options, setbacks and many of the problems, delays and expenses encountered by any early stage business, many of which are beyond our control. These include, but are not limited to:

- inability to identify suitable companies for acquisition, joint venture and/or customer sales;
- inability to raise sufficient capital to fund our business plan;
- development and marketing problems encountered in connection with new and existing products;
- competition from larger and more established companies; and
- lack of market acceptance of our anticipated products and services.

***Because our history is limited and we are subject to intense competition, any investment in us would be inherently risky.***

Because we are a company with limited operational history and no profitability, our business activity is early-staged and subject to numerous risks. The compost and soil business is highly competitive in different regions with many companies having access to the same products and markets. Many of them have greater financial resources and longer operating histories than we have and can be expected to compete within the business in which we engage and intend to engage. There can be no assurance that we will have the necessary resources to become or remain competitive. We are subject to the risks which are common to all companies with a limited history of operations and profitability. Therefore, investors should consider an investment in us to be an extremely risky venture.

***We will require additional financing.***

For the foreseeable future, we expect to rely upon funds generated from our Management Agreement with EPH, as well as funds that may be raised from future debt or equity offerings to provide growth and operating capital for the Company. Our Management Agreement is cancellable at will by EPH, and therefore, there is no guaranty that revenue generated from it will continue in the future. We will have to obtain additional financing in order to continue operations expand our business consistent with our proposed plans. There can be no guaranty that additional funds will be available when and if needed. If we are unable to obtain such financing, or if the terms thereof are too costly, we may be forced to curtail or cease operations until such time as alternative financing may be arranged, which could have a materially adverse impact on our planned operations and our shareholders' investment.

***There is substantial doubt on our ability to continue as a going concern.***

The Report of Independent Registered Public Accounting Firm issued in connection with our audited consolidated financial statements for the calendar year ended December 31, 2019 expressed substantial doubt about our ability to continue as a going concern, due to the fact that we have recurring operating losses and our lack of liquidity and working capital.

***Our significant indebtedness and current and pending defaults under several of our debt instruments raise substantial doubt about our solvency and ability to continue operations.***

We have a substantial amount of debt. At December 31, 2019, we had approximately $4.8 million of debt owed under our Bridge Notes, Convertible Notes, and notes and advances to EPH. Our substantial debt could have important consequences to investors, including the following:

- it may be difficult for us to satisfy our obligations, including debt service requirements under our outstanding debt,
- our ability to obtain additional financing for working capital, capital expenditures, debt service requirements or other general corporate purposes may be impaired,
- we do not have the funds to service this debt as it matures,
- we are more vulnerable to economic downturns and adverse industry conditions and our flexibility to plan for, or react to, changes in our business or industry is more limited,
- our ability to capitalize on business opportunities and to react to competitive pressures, as compared to our competitors, may be compromised due to our high level of debt, and
- our ability to borrow additional funds or to refinance debt may be limited.

***We remain at risk regarding our ability to conduct successful operations.***

The results of our operations will depend, among other things, upon our ability to complete acquisitions both on behalf of EPH and ourselves, integrate their operations and culture into a cohesive unit, and manage and grow those operations. Further, it is possible that our operations will not generate income sufficient to meet operating expenses or will generate income and capital appreciation, if any, at rates lower than those anticipated or necessary to sustain ourselves. Our operations may be affected by many factors, some known by us, some unknown, and some which are beyond our control. Any of these problems, or a combination thereof, could have a materially adverse effect on our viability as an entity and might cause the investment of our shareholders or debtors to be impaired or lost. Our management team has not yet been fully formed (we currently do not have a CFO), and we may not be able to find people suitable to fill those positions at the salary levels we are able to afford. Some of our projects may not be completed in time to allow production or marketing due to the inherent risks of product development, limitations on financing, competition, obsolescence, loss of key personnel and other factors. Unanticipated obstacles can arise at any time and result in lengthy and costly delays or in a determination that further development is not feasible.

The consummation of our acquisition and integration plan may take longer than anticipated and could be additionally delayed. We may not be able to complete acquisitions at valuations and prices that provide upside appreciation to investors in those projects and our shareholders. Therefore, there can be no assurance of timely completion and introduction of projects on a cost-effective basis, or that such projects, if introduced, will achieve the results anticipated such that, in combination with existing projects, they will sustain us or allow us to achieve profitable operations. We may not be able to continue our current operations and may seek new businesses or other strategic alternatives to the continuation of our current operations. There is no guaranty that we would be successful in transitioning our business to a new business, which will require funds and other resources that we do not current have.

***Our success will be dependent on our management, and the continued service of key employees.***

Our success is dependent upon the decision making of our directors and executive officers. We believe that our success depends on the continued service of our key employees and our ability to hire additional key employees when and as needed. Although we currently intend to retain our existing management, we cannot assure you that such individuals will remain with us. Further, we cannot assure that we will be able to find and recruit new employees on terms acceptable to the Company. We have fixed term employment agreements with our two key employees – Messrs. Bolin and Nelson — but have not obtained key man life insurance on the lives of either of them. The unexpected loss of the services of one or more of our key executives, directors and advisors, or the inability to find new key employees within a reasonable period of time could have a material adverse effect on the economic condition and results of operations of the Company.

***We may not be able to effectively control and manage our growth.***

Our strategy envisions a period of potentially rapid growth. We currently maintain nominal administrative and personnel capacity due to the early-staged nature of our business, and our expected growth may impose a significant burden on our future planned administrative and operational resources. The growth of our business will require significant investments of capital and increased demands on our management, workforce and facilities. We will be required to substantially expand our administrative and operational resources and attract, train, manage and retain qualified management and other personnel. Failure to do so or satisfy such increased demands would interrupt or would have a material adverse effect on our business and results of operations.

***Acquisitions, other strategic alliances and investments could result in operating difficulties, dilution, and other harmful consequences that may adversely impact our business and results of operations.***

Acquisitions are an important element of our overall corporate strategy and use of capital, and these transactions could be material to our financial condition and results of operations. We expect to continue to evaluate and enter into discussions regarding a wide array of potential strategic transactions. The process of integrating an acquired company, business, or product has created, and will continue to create, unforeseen operating difficulties and expenditures. The areas where we face risks include:

- Diversion of management time and focus from operating our business to acquisition integration challenges.
- Failure to successfully further develop the acquired business or product lines.
- Implementation or remediation of controls, procedures and policies at the acquired company.
- Failure to uncover potential liabilities or other contingencies in our due diligence.
- Potential disputes or litigation with former owners or other stakeholders of acquired facilities.
- Integration of the acquired company's accounting, human resources and other administrative systems, and coordination of product, engineering and sales and marketing functions.
- Transition of operations, users and customers onto our existing platforms.
- Reliance on the expertise of our strategic partners with respect to market development, sales, local regulatory compliance and other operational matters.
- Failure to obtain required approvals on a timely basis, if at all, from governmental authorities, or conditions placed upon approval, under competition and antitrust laws which could, among other things, delay or prevent us from completing a transaction, or otherwise restrict our ability to realize the expected financial or strategic goals of an acquisition.

- In the case of foreign acquisitions, the need to integrate operations across different cultures and languages and to address the particular economic, currency, political and regulatory risks associated with specific countries.

- Cultural challenges associated with integrating employees from the acquired company into our organization, and retention of employees from the businesses we acquire.

- Liability for or reputational harm from activities of the acquired company before the acquisition or from our strategic partners, including patent and trademark infringement claims, violations of laws, commercial disputes, tax liabilities and other known and unknown liabilities.

- Litigation or other claims in connection with the acquired company, including claims from terminated employees, customers, former shareholders or other third parties.

Our failure to address these risks or other problems encountered in connection with our past or future acquisitions and investments or strategic alliances could cause us to fail to realize the anticipated benefits of such acquisitions, investments or alliances, incur unanticipated liabilities, and harm our business generally.

Our acquisitions, investments and strategic alliances could also result in dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities or amortization expenses, or impairment of goodwill and purchased long-lived assets, and restructuring charges, any of which could harm our financial condition or results of operations and cash flows. Also, the anticipated benefits of many of our acquisitions may not materialize.

***Our sales cycles may be long.***

We expect that the period between initial contact with a potential customer for new products such as engineered soils and the purchase of those products may be long and subject to delays associated with the budgeting, approval, and competitive evaluation processes which frequently accompany such projects. We believe that a customer's decision to purchase our products may be discretionary and is influenced by budgetary cycles or forces such as commodity costs. Further, industries such as construction are historically cyclical, and to the extent we focus manufacturing and sales resources on products geared towards these markets, we could experience a material effect on our revenue and profitability if we are caught in a market downturn.

***Our failure to develop and introduce improved products could hurt our growth. Investment in new product lines and products and technologies is inherently risky and could disrupt our ongoing businesses.***

We plan to invest financial resources in research and development, soil and bio sciences, and marketing of new products and technologies. Such endeavors may involve significant risks and uncertainties, including distraction of management from current operations, insufficient revenues to offset liabilities assumed and expenses associated with these new investments, inadequate return of capital on our investments, and unidentified issues not discovered in our due diligence of such strategies and offerings. Because these new ventures are inherently risky, no assurance can be given that such strategies and offerings will be successful and will not adversely affect our reputation, financial condition, and operating results.

***Problems with product quality may damage our market reputation and prevent us from maintaining or increasing our market share.***

Any widespread product failures may damage the market reputation of EPH, its subsidiaries and the Company, and cause sales to decline, which could have a material adverse effect on our financial results, including loss of management fees or equity value in our investment. Such product failures may open us to litigation for which we may not be properly insured, and for which an unfavorable result could have a material adverse effect on our operations and value of your holdings.

***A significant interruption in the operation of EPH's facilities could impact our reputation, contractual relations and operations, which could adversely affect revenues.***

Operations at EPH's facilities are subject to disruption for a variety of reasons, including fire, flooding or other natural disasters, disease outbreaks or pandemics, acts of war, terrorism, government shut-downs and work stoppages. A significant interruption in the operation of EPH's facilities could significantly impact our business, which could have a material adverse effect on our revenues and financial position.

***Climate change and unfavorable weather conditions could adversely impact financial results.***

The issue of climate change is receiving ever increasing attention worldwide. The possible effects, as described in various public accounts, could include changes in rainfall patterns, water shortages, changing storm patterns and intensities, and changing temperature levels that could adversely impact our costs and business operations and the supply and demand for compost and soil products. In addition, fluctuating climatic conditions may result in unpredictable modifications in the manner in which consumers garden or their attitudes towards gardening, making it more difficult for us to provide appropriate products to appropriate markets in time to meet consumer demand. Because of the uncertainty of weather volatility related to climate change and any resulting unfavorable weather conditions, we cannot predict its potential impact on our financial condition, results of operations and cash flows.

***Potential conflicts of interest.***

Virtually all of our current operations involve facilitating acquisitions on behalf of EPH and managing those acquired assets, all under a Management Agreement, which is cancellable at will by EPH. EPH has equity holders and creditors that are different from ours. Our management owes a fiduciary duty to both the Company's shareholders and, by virtue of the Management Agreement, the equity holders of EPH. While there is a certain alignment of interests between the Company and EPH in that we own a minority equity stake in EPH, receive management fees from EPH, and have an interest in assuring the success of EPH, there may be instances in the future when those interests are no longer aligned. In such cases, management may face a conflict in selecting between the Company and EPH interests. We have not formulated a formal policy for the resolution of such conflicts. Further, the officers and directors of the Company are and may in the future become involved in other business activities and opportunities. If a specific business opportunity becomes available, such person(s) may face a conflict in selecting between the Company and his other business interests. The Company has not formulated a policy for the resolution of such conflicts.

***Our Management Agreement is terminable at will, and the loss of this agreement would have a material adverse effect on our financial condition.***

Virtually all of our revenue currently comes from our Management Agreement with EPH. That agreement may be terminated at will by the board of EPH. If this were to occur for reasons other than "for cause", we would receive a one-year severance payment; however, the exact dollar amount of that payment is not certain. If this agreement were cancelled, we would likely need to layoff employees and curtail operations. The termination of this agreement would have a material adverse effect on our business and results of operations.

***Our Class B ownership in EPH is subordinated to other membership interests, and we hold a minority voting stake in that company.***

We own Class B Units in EPH, which are subordinated to the Class A Units and debt. Until such time that the Class A Unit holders have received all of their capital plus an 8% preferred distribution from the profits or liquidation value of EPH, our Class B Unit will not receive any distributions and have minimal economic value. We cannot guarantee that the Class B Units will realize profit or value for the Company. Further, the Class A Unit control a significant majority of the voting power of EPH as well as a majority of the board of director seats. As such, we cannot control the major decisions of EPH which could affect our ownership, including dilution, addition of new members, liquidation of assets, and the like. The LLC Agreement provides us with few protections as a minority holder in EPH. Since the initial investment in EPH, the economic and voting power of our Class B Units has been diluted as EPH has raised additional capital. We expect additional significant future dilution as EPH raises additional equity to fund its acquisition strategy.

***EPH has debt which is senior to the equity holders in that company and secured by all of the assets of EPH and its subsidiaries.***

EPH has a $6 million debt facility, of which $3 million was outstanding as of the date of filing. This debt is secured by all of the assets of EPH and the acquired companies. EPH also has other equipment loans and commercial debt that is secured by certain assets and receivables of that company and its subsidiaries. The Company is not a party to any of that debt, nor are any of our assets used as collateral to that debt. While we are not obligated under any of these liabilities, these loans have priority over our equity interests in EPH as well as payment of our management fees, and if EPH or its acquired companies cannot repay these loans, our equity value in EPH could be reduced to nothing and we may not receive any additional management fees.

***EPH is an unconsolidated equity method investment, and our shareholders will not receive financial statements or other information that may be material to their understanding of the risks in that investment.***

Since we do not control the voting or board decisions of EPH, among other criteria, we account for our investment in EPH as an equity method investment. As such, we are not required to consolidate the results of operations or balance sheet of EPH, nor are we required to file audited financial statements for EPH with our Annual Report as we are a Smaller Reporting Company. We may in the future provide summary financial results for EPH in the footnotes to our consolidated financial statements but are not required to do so in this 10-K report. We are also not required to file Current Reports on Form 8-K or include exhibits of material agreements on behalf of EPH. For this reason, you may not have access to full and complete information about the performance and results of EPH.

***Liquidity risks associated with our common stock.***

<u>Limited Public Market</u>. There is a limited trading market for our shares of common stock and a robust trading market for our securities may not develop in the foreseeable future. If no market develops, it may be difficult or impossible for you to sell your shares if you should desire to do so. Our common stock is quoted on the OTCQB. There is extremely limited and sporadic trading of our common stock and no assurance can be given, when, if ever, an active trading market will develop or, if developed, that it will be sustained.

<u>No Trading of Stock</u>. Current rules promulgated by the SEC may prohibit shareholders from trading their shares of common stock under Rule 144 for at least six months unless registered. We have heard from shareholders trying to deposit their previously restricted stock certificates into brokerage accounts that they were unable to do so.

<u>Limited Marketability, Transferability and Liquidity</u>. There is a limited market through which our common stock may be sold, and transfer of these shares is subject to significant restrictions. Unless our shares are registered with the Securities and Exchange Commission and any required state authorities, or an appropriate exemption from registration is available, a holder of the shares may be unable to liquidate an investment in such securities, even though his or her personal financial condition may dictate such a liquidation. In addition, the shares will likely not be readily acceptable as collateral for loans. Therefore, prospective stockholders who require liquidity in their investments should not invest in our common stock.

***The price of our common stock may fluctuate significantly, which could lead to losses for stockholders.***

The securities of public companies can experience extreme price and volume fluctuations, which can be unrelated or out of proportion to the operating performance of such companies. We expect our common stock price will be subject to similar volatility. Any negative change in the public's perception of the prospects of our Company or companies in our market could also depress our common stock price, regardless of our actual results. Factors affecting the trading price of our common stock may include:

* Regulatory actions;

* Variations in our operating results;

* Announcements of acquisitions, technological innovations, new products or product enhancements, strategic alliances or significant agreements by us or by our competitors;

* Recruitment or departure of key personnel;

* Litigation, legislation, regulation or technological developments that adversely affect our business;
* Changes in the estimates of our operating results or changes in recommendations by any securities analysts that elect to follow our common stock; and
* Market conditions in our industry, the industries of our customers and the economy as a whole.

***The application of the "penny stock" rules could adversely affect the market price of our common stock and increase your transaction costs to sell those shares.***

As long as the trading price of our common stock is below $5.00 per share, the open-market trading of our common stock will be subject to the "penny stock" rules. The penny stock rules impose additional sales practice requirements on broker-dealers who sell securities to persons other than established customers and accredited investors (generally those with assets in excess of $1 million or annual income exceeding $200,000 or $300,000 together with their spouses). For transactions covered by these rules, the broker-dealer must make a special suitability determination for the purchase of securities and have received the purchaser's written consent to the transaction before the purchase. Additionally, for any transaction involving a penny stock, unless exempt, the broker-dealer must deliver, before the transaction, a disclosure schedule prescribed by the Commission relating to the penny stock market. The broker-dealer also must disclose the commissions payable to both the broker-dealer and the registered representative and current quotations for the securities. Finally, monthly statements must be sent disclosing recent price information on the limited market in penny stocks. These additional burdens imposed on broker-dealers may restrict the ability or decrease the willingness of broker-dealers to sell our common stock, and may result in decreased liquidity of our common stock and increased transaction costs for sales and purchases of our common stock as compared to other securities.

***We do not intend to pay dividends.***

We have not paid any cash dividends on our common stock since inception and we do not anticipate paying any cash dividends in the foreseeable future. Earnings, if any, that we may realize will be retained in the business for further development and expansion.

***Concentration of Stock Ownership and Control.***

Our executive officers currently control approximately 29.4% of our common stock. Our Bridge Note holders are able to convert their debt principal and interest into common or preferred stock at prices that may be significantly less than current market prices and would result in significant dilution. The Company has employee options and warrants, and the Board has approved a founder's plan similar to restricted forfeitable shares that could result in further dilution, although no founder's shares have been issued. Our business plan entails conducting multiple acquisitions and funding rounds, much of which may utilize our common stock. In this regard, management, Bridge Note holders, future investors and target owners may control a significantly large amount of equity, and as a result, these stockholders acting together will be able to influence many matters requiring stockholder approval including the election of directors and approval of mergers and other significant corporate transactions. This concentration of ownership may have the effect of delaying, preventing or deterring a change in control, and could deprive our stockholders of an opportunity to receive a premium for their shares of common stock as part of a sale of our company and may affect the market price of our stock.

***The Company has Preferred Stock with additional priority rights.***

The Company has 600 shares of Series A Convertible Preferred Stock (the "Preferred Stock") outstanding with a purchase value of $600,000, held by two institutional investors. The Preferred Stock converts into common stock at $0.10 per share, per a March 2018 amendment, subject to price protection provisions in the instance certain shares are issued at a lower price. The Preferred Stock is technically in default as the Company was required to redeem all 600 shares on July 1, 2019, per a modification agreement signed in March 2019. Holders of the Preferred Stock have additional rights to approve extraordinary transactions, including a sale or merger, additional debt and other similar items. While the Preferred Stock does not vote, the holders of the Preferred Stock can control significant influence over the Company.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None. Not required for smaller reporting companies.

**ITEM 2. PROPERTIES**

The Company currently conducts its business from offices in Palm Beach, Florida. The Company has no formal agreement for this space which is leased by Greenblock Capital, a company for which our President previously served as an officer but owns no equity or voting position, and is still affiliated. In 2018 and part of 2019, the Company also leased temporary office space in Atlanta, Georgia from a company that our CEO was previously an executive. The Company paid $500 per month for this space, which it believed to be market rates, but no longer occupies or pays rent under this lease.

**ITEM 3. LEGAL PROCEEDINGS**

We are not a party to any pending legal proceeding and, to the knowledge of our management, no federal, state or local governmental agency is presently contemplating any proceeding against us. No director, executive officer, affiliate of ours, or owner of record or beneficially of more than five percent of our common stock is a party adverse to the Company or has a material interest adverse to us in any proceeding.

When the Company sold the ESI subsidiary to three former shareholders following the 2015 Merger, that company had a judgment against it from a litigation brought in the Superior Court of the County of Iredell, North Carolina, seeking payment of wages of approximately $25,000, together with vacation pay, the value of health insurance benefits and medical expenses. On April 10, 2015, the Court entered judgment against ESI in favor of the plaintiff. Claims made by the plaintiff against AnPath (the Company at that time) and certain of the officers and directors of Anpath at that time were dismissed by the Court. The Company does not believe it has any liability in this matter, and that the judgment was properly retained by ESI in the sale; however, the judgment is to the knowledge of management still outstanding and management cannot guaranty that it will not be brought back into the litigation or collection efforts in the future.

**ITEM 4. MINE SAFETY DISCLOSURES**

None; not applicable.

## PART II

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

**Market Information**

There is no "established trading market" for our shares of common stock. No assurance can be given that any market for our common stock will develop or be maintained. If a public market ever develops in the future, the sale of shares of our common stock that are deemed to be "restricted securities" pursuant to Rule 144 of the SEC by members of management or others may have a substantial adverse impact on any such market.

Set forth below are the high and low closing bid prices for our common stock for each quarter of the years 2018 and 2019. These bid prices were obtained from OTC Markets Group, Inc. All prices listed herein reflect inter-dealer prices, without retail mark-up, mark-down or commissions and may not represent actual transactions.

| Period | High | Low |
|---|---|---|
| January 1, 2018 through March 31, 2018 | $ 0.12 | $ 0.05 |
| April 1, 2018 through June 30, 2018 | $ 0.09 | $ 0.05 |
| July 1, 2018 through September 30, 2018 | $ 0.10 | $ 0.05 |
| October 1, 2018 through December 31, 2018 | $ 0.06 | $ 0.02 |
| January 1, 2019 through March 31, 2019 | $ 0.07 | $ 0.02 |
| April 1, 2019 through June 30, 2019 | $ 0.06 | $ 0.01 |
| July 1, 2019 through September 30, 2019 | $ 0.06 | $ 0.01 |
| October 1, 2019 through December 31, 2019 | $ 0.03 | $ 0.01 |

**Rule 144**

The following is a summary of the current requirements of Rule 144:

| | Affiliate or Person Selling on Behalf of an Affiliate | Non-Affiliate (and has not been an Affiliate During the Prior Three Months) |
|---|---|---|
| Restricted Securities of Reporting Issuers | During six-month holding period – no resales under Rule 144 permitted.<br><br>After six-month holding period – may resell in accordance with all Rule 144 requirements including:<br>● Current public information,<br>● Volume limitations,<br>● Manner of sale requirements for equity securities, and<br>● Filing of Form 144. | During six- month holding period – no resales under Rule 144 permitted.<br><br>After six-month holding period but before one year – unlimited public resales under Rule 144 except that the current public information requirement still applies.<br><br>After one-year holding period – unlimited public resales under Rule 144; need not comply with any other Rule 144 requirements. |

**Holders**

The number of record holders of our common stock as of the date of this Annual Report is 420. This figure does not include beneficial owners who may hold their shares in "street name".

**Dividends**

We have not declared any cash dividends with respect to our common stock, and do not intend to declare dividends in the foreseeable future. Our future dividend policy cannot be ascertained with any certainty, and if and until we determine to engage in any business or we complete any acquisition, reorganization or merger, no such policy will be formulated. There are material restrictions limiting our ability to pay dividends on our securities, including state law and provisions under our Class A Preferred Stock and various debt instruments.

**Securities Authorized for Issuance under Equity Compensation Plans**

Equity Compensation Plan Information.

| Plan Category | Number of Securities to be issued upon exercise of outstanding options, stock appreciation rights and common stock awards* | Weighted-average exercise price of outstanding options, stock appreciation rights and common stock awards | Number of securities remaining available for future issuance under equity compensation plans excluding securities reflected in column (a) |
|---|---|---|---|
| | (a) | (b) | (c) |
| Equity compensation plans approved by security holders | None | None | None |
| Equity compensation plans not approved by security holders | 8,515,480 | $ 0.10 | 3,850,000 |
| Total | 8,515,480 | $ 0.10 | 3,850,000 |

* Information provided as of December 31, 2019. All securities in this table are issued under the Company's 2014 Founder's Stock Option Plan, 2014 Employee Stock Option Plan, and the 2016 Omnibus Plan, as amended. All securities are common stock options. All options and other securities remaining available under equity compensation plans are from the 2016 Omnibus Plan, as amended. There are no warrants or other securities issued under these plans. In January 2020, the Company's shareholders approved the 2016 Omnibus Plan, as amended.

**Recent Sales of Unregistered Securities**

The following table sets forth the sales of unregistered securities by the Company in 2019 and up to the date of filing that were not previously reported in Form 10-Q or 8-K filings.

| To whom | Date | Number of shares | Consideration |
|---|---|---|---|
| Service Provider | 1/17/2020 | 5,000,000 | $ 50,000 |

We issued all securities reported to persons who were "accredited investors" as that term is defined in Rule 501 of Regulation D of the SEC, or to "sophisticated investors" or key employees; and each such person had prior access to all material information about us prior to the offer and sale of these securities, and had the right to consult legal and accounting professionals. We believe that the offer and sale of these securities were exempt from the registration requirements of the Securities Act, pursuant to Sections 4(a)(2) and 4(6) thereof, and Rule 506 of Regulation D of the SEC.

**Purchases of Equity Securities by Us and Affiliated Purchasers**

None.

**ITEM 6: SELECTED FINANCIAL DATA**

Not required for smaller reporting companies.

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

**Overview**

Our initial subsidiary, Q2P, was originally formed in April 2010 in the state of Florida as a limited liability company called "Cyclone-WHE LLC." The purpose of the Company at such time was essentially the same as it was through most of 2016: to complete research and development on its waste-to-power technology with the goal of pursuing business opportunities in the clean energy sector. We re-domiciled to Delaware as a corporation in April 2014, formally split from our former parent in July 2014, and changed our name to "Q2Power Corp." in February 2015. We are licensed to do business in Florida, where we maintain an office.

On November 12, 2015, Q2P consummated its Agreement and Plan of Merger (the "Merger Agreement") with the Company (then called Anpath Group, Inc.) and a newly formed and wholly-owned subsidiary, AnPath Acquisition Sub, Inc., a Delaware corporation ("Merger Subsidiary"), resulting in the Merger Subsidiary merging with and into Q2P. As a result, Q2P was the surviving company and a wholly-owned subsidiary of AnPath (the "Merger"). As a result of the Merger, all outstanding shares of Q2P were exchanged for approximately 24 million shares of our common stock. In addition, we assumed both the Q2P 2014 Founders Stock Option Plan and the 2014 Employees Stock Option Plan (the "Option Plans"), and 1,095,480 options outstanding thereunder. As of the date of the Merger, the officers and directors of Q2P took over the management and Board of Directors of the Company.

In connection with the Merger, we sold the former operating entity of Anpath, ESI, to three former officers and shareholders of Anpath in exchange for the return of 470,560 shares of our common stock and ESI retaining all of the old liabilities of ESI including a litigation judgment. In December 2015, we officially changed our name to Q2Power Technologies, Inc. to reflect our new business direction – that of Q2P – after the Merger. In February 2016, we changed our fiscal year end from March 31 to December 31 to reflect the year-end of our operating Subsidiary, and up-listed our common stock to the OTCQB. The financial statements and footnotes to the financial statements reflect this change of fiscal year end. On August 18, 2017, we changed our name to Q2Earth, Inc.

Since May 2016, management began to pursue opportunities in the business of manufacturing compost and soils from yard waste, food waste, biosolids and other waste streams. In early 2017, we raised funding through our Bridge Offering to implement this change in business model and sold our waste-to-power technology to a licensee. In late 2018, we commenced the process of acquiring companies in this environmental sector and managing their operations through an affiliated company discussed below.

**Acquisitions and Agreements with EPH**

In July 2018 we signed a definitive Stock Purchase Agreement (the "GBWA Purchase Agreement") for the purchase of all of the outstanding capital stock of George B. Wittmer Associates Inc. ("GBWA") of Jacksonville, Florida, from its sole shareholder. GBWA is a residual waste management and compost manufacturing company that services papermills in the southeast United States.

In November 2018 we transferred the GBWA Purchase Agreement to Earth Property Holdings LLC, a Delaware limited liability company ("EPH"), plus $50,000 in non-reimbursed expenses, in return for a 19.9% Class B equity stake and an eight-year Management Agreement to run EPH for an initial annual management fee of $200,000 (this annual fee was increased to $700,000 in January 2019). One institutional entity, in which our CEO is an investor and member, provided $4,400,000 in funding upon transfer of the GBWA Purchase Agreement in return for 500,000 Class A Units equal to 80.1% of the voting equity of EPH. Immediately subsequent to the transfer of the GBWA Purchase Agreement and equity funding, EPH consummated the GBWA acquisition. Our Class B units are subordinated to the Class A equity units in that the Class B units will not receive a dividend or consideration in connection with a liquidation event until the Class A unit holders have received a full repayment of their capital accounts plus all accrued dividends. As such, the Class B units currently have nominal value.

In January 2019 EPH completed the acquisition (the "OBG Acquisition") of Employee Owned Nursery Enterprises Ltd., a Texas limited partnership d/b/a Organics "by Gosh" ("OBG"). OBG is an organics recycling and compost and soil manufacturing company based in Austin, Texas. In connection with the OBG Acquisition, EPH raised an additional $1.9 million in Class A equity units and secured a $6 million mezzanine credit facility, from which EPH drew down $3 million at closing. Also, the Company acquired an additional 53,970 Class B equity units as a subscription payable for $21,588 to maintain our 19.9% equity interest in EPH and received an additional $500,000 annual management fee plus reimbursed expenses.

Through 2019, EPH issued an additional 70,057 Class A Units in consideration for $616,500 of additional investments. We did not purchase additional Class B Units during this time, and as a result, our equity stake in EPH has been diluted to approximately 18.5% as of the end of 2019. Additional dilution has occurred in 2020 as EPH issued an additional 20,568 Class A Units for $181,000 in new investments, reducing our voting stake to 18.2%. We believe that the percentage of EPH ownership represented by our Class B units will continue to be significantly diluted in the following periods as EPH seeks additional equity capital to continue its acquisition strategy. While we have the right to invest alongside new capital to maintain our equity stake, we do not expect to have the funds to do so.

In addition to our investment in EPH and the closing of the GBWA and OBG transactions, which we currently manage and oversee, we are also in negotiations with several other composting facilities to acquire in 2020 through EPH. We can make no guaranty that these additional acquisitions will close due to many factors including failure to raise required funding, failure to reach definitive agreements, and findings of items in the diligence process that would make closing not in the best interests of EPH's members or our shareholders. Furthermore, if such acquisitions are completed, our equity stake in EPH will likely be significantly diluted. Also, we have no assurances that our Management Agreement will be continued in future periods, as EPH has the right to terminate that agreement at will with the payment of a one-year severance fee.

**Additional Technology and Revenue Opportunities**

In addition to our acquisition and management role on behalf of EPH, during 2019 we secured other potential revenue and value creation opportunities for the Company. In May 2019, we signed a worldwide, exclusive license agreement with Agrarian Technologies LLC and its affiliates ("Agrarian") to sell Agrarian's proprietary ABS bio-stimulant, an organic, natural compound designed to enhance root formation, increase vascular strength and promote overall plant health through the entire growth cycle. The license agreement covers all ABS formulations, applications and improvements, including a proprietary process to utilize ABS to boost the nutrient and commercial value of compost, engineered soils and wood mulch. The license also provides the Company with the exclusive rights to market soil and mulch products under the Wild Earth® and Mulch Masters® federally registered trademarks. The agreement is 10-years with renewal terms, and provides Agrarian royalties based on the sale of the ABS formula including minimum annual guarantees.

As part of the transaction, we also hired the principal owner of Agrarian and inventor of its technology, Richard Stewart, to serve as our Vice President of Product Development. Our license agreement provides us exclusivity for the Agrarian technology for the longer of two years or the term of Mr. Stewart's employment with the Company plus an additional two years; provided however, if Mr. Stewart is terminated without cause, such exclusivity would concurrently terminate.

ABS, a product of over 50 years of university and private research, meets USDA standards for an organic system plan. Management believes that the license with Agrarian will not only support compost production and sales at the Company's affiliated EPH but will also provide the Company with an independent business line. Management has commenced marketing of ABS both as a stand-alone product and as a soil and mulch enhancement, although these operations are still in their start-up phase and no material revenue has been generated through these activities.

Also in May 2019, the Company signed a services agreement with Community Eco Power, LLC ("CECO"), to assist CECO in completing an acquisition of two waste-to-power facilities in New England, and to assist management transition operations over the following six months. The acquisition closed on May 15, 2019. The fee for the Company's services was $250,000, of which a portion was recognized as revenue upon closing and the balance was recognized in the proceeding periods in 2019 over the service period. The Company's CEO and President each hold a minority equity stake in CECO and in the aggregate a 50% equity stake in that company.

Moving forward we may also review and pursue other synergistic opportunities in the waste-to-value, recycling, or broader biotech sectors. At the current time, fees from the EPH Management Agreement, which can be cancelled at will by EPH, do not cover our full overhead and we have had to borrow funds from EPH under several 6% interest demand notes. At discussed below in Plan of Operations, these efforts to pursue other viable business lines and reduce our debt burden commenced in January 2020.

**Bridge Offering and Follow-On Bridge**

The Company issued a total of $2,821,908 in Convertible Promissory Notes (the "Bridge Notes") during 2017 and 2018 (the "Bridge Offering") and $30,000 in 2019. Proceeds from the Bridge Notes were used to complete due diligence, negotiate and secure the initial compost acquisitions, as well as for operational expenses and legacy debt repayment. The Bridge Notes convert at a 50% discount to the post-funding valuation of the Company at the closing of its next offering in the minimum amount of $5,000,000 (the "Equity Offering"). The conversion valuation has a ceiling of $12,000,000, and a "floor" company value of $6,000,000 in the event there is no Equity Offering before the Bridge Notes are able to be converted. The Bridge Notes convert into common stock, or preferred stock if received by investors in the Equity Offering, commencing on the soonest of the Equity Offering closing or December 31, 2017, at the discretion of the holder. In 2018, one Bridge Note in the principal amount of $50,000 was converted into shares of common stock. Maturity is 36 months from issuance (except for certain Bridge Notes issued in 2018 and 2019, which have a 24-month term) with 15% annual interest which is capitalized each year into the principal of the Notes and paid in kind.

As of March 31, 2020, approximately $1,068,152 of the original issuance principal amount of the Bridge Notes matured. The Company has received extensions of the maturity date from all of these holders until June 15, 2020 for no additional consideration. Management is working on a plan to repay or convert into equity these and the other Bridge Notes by their respective maturity dates. Any equity conversion would be highly dilutive to our current shareholders. If we cannot repay these obligations or otherwise come to agreement with the holders, our ability to operate will be materially adversely affected, if not completely shut down and the Company may be forced to seek bankruptcy protection.

**A. Plan of Operation**

Management's plan for 2020 is to complete several more acquisitions in the compost space through EPH, which will require raising additional equity and debt from current and future investors. Such new investments through EPH would significantly dilute our equity ownership in that company. We will also be focused on our role managing the operations of EPH and its subsidiary entities, which may lead to additional management fees and other opportunities. This Management Agreement, however, is cancellable at will by EPH and there is no assurance that EPH will continue to operate under that agreement in future periods. We cannot be certain that additional acquisitions will close due to many factors including failure to raise required funding, failure to reach definitive agreements, and findings of items in the diligence process that would make closing not in the best interests of EPH's members or our shareholders.

To continue operations towards these goals, we will need to raise additional capital for the Company. We have a verbal commitment with the primary investor of EPH that they will continue to provide funding to the Company either as Bridge Notes, other Q2 securities, or advances on management fees, to maintain our operations through at least the end of the second quarter of 2020; however, we do not have any formal written agreement and there can be no guarantee that this investor will continue to fund our operations in the future. While we are cautiously optimistic that we will have funding to maintain our current operations and advance our business plan, management cannot guarantee that additional financing can be completed on terms acceptable to the Company, if at all.

Without additional funding, specifically equity funding, we will continue to face significant challenges pursuing our current business strategy and developing it to a state where we are self-sustaining or profitable. We anticipate that our equity ownership in EPH will be diluted in future periods as that company raises additional equity capital with liquidation preferences ahead of ours. We may never experience a return on our investment in EPH. Further, since our Management Agreement with EPH can be cancelled at will by EPH, we have no assurances that this revenue stream will continue in the future. Management recognizes these uncertainties, and is seeking options to allow us to reduce our significant debt load from the Bridge Notes, convertible notes and preferred stock, and debt owed to EPH; and also allow us to develop business lines that generate revenue which can support our ongoing operations and eventually lead to profitability. These business lines may be those we are already engaged in or may be new opportunities in agricultural technology or the broader biosciences sector. If we are unable to raise additional capital or develop profitable business lines, we may need to reduce materially our overhead, including laying-off employees and officers.

**New Strategic Plan**. In January 2020, our Board of Directors authorized a strategic plan for 2020 which is comprised of: (1) securing new technologies and business opportunities in the broader biosciences sector, including both human and soil health; and (2) significantly reducing debt and liabilities of the Company and eliminating under-performing assets and agreements. The successful results of these actions are intended to attract new capital to fund long term growth opportunities for the Company; however, there is no guaranty that we will be successful in implementing this plan.

To advance these plans, in January 2020, we appointed Douglas R. Baum to our Board of Directors. Mr. Baum has over 28 years of experience in the bioscience and biotech industries, including development, commercialization and marketing of multiple drugs and medical devices. Over his senior executive tenure, including as CEO of Xeris Pharmaceuticals, he has overseen 15 product approvals through the FDA and raised over $80 million in capital to fund breakthrough technologies. Mr. Baum was granted a 5-year option to purchase 200,000 shares of the Company's commons stock exercisable at $0.02 per share. The options vest one-half in 12 months and the balance in 24 months.

After his appointment to the Board, Mr. Baum secured for the Company an Exclusive Dealing Option Agreement to provide us a 90-day period to negotiate with IGL Pharma Inc., and potentially execute a worldwide, exclusive license agreement for the radiopharmaceutical Samarium-153 DOTMP ("Sm-153 DOTMP"). Sm-153 DOTMP is a promising drug with initial indications for pediatric osteosarcoma, a devastating form of bone cancer afflicting children, as well as a broader market in bone marrow ablation and other metastasized bone cancers. IGL Pharma is an affiliated entity of ISOTherapeutics Group LLC, whose founders created Quadramet® (Samarium-153-EDTMP) one of the first effective commercial radiopharmaceuticals. Since signing the option agreement for the licensing of Sm-153-DOTMP, we have provided IGL Pharma with $23,000 of advanced support fees to fund a single patient test for the drug, which has been approved by the FDA to treat a patient in a bone marrow ablation procedure.

Management believes that the opportunity presented to the Company with the licensing of this radiopharmaceutical must be viewed in connection with our broader strategic plan for 2020. Specifically, it is critical for the Company to take decisive action to reduce our debt burden, which has started to mature including some significant obligations which are currently in default or will be in default in the coming periods. We believe there is a path forward that includes transferring the licensed technology we control related to our compost and soil business to EPH in return for a forgiveness of approximately $1 million in loans as of the end of the second quarter of 2020, as well as redemption and retirement in full of approximately $4 million of Bridge Notes principal and interest. It is expected that EPH would receive in consideration for the funds required to complete this Bridge Note repayment a preferred stock equity that is structured to limit dilution to our common stockholders.

While the details of this strategic plan have not been finalized, we are in discussions with all of the stakeholders required to accomplish it. The results of the successful completion of this plan, for which there is no guaranty, could mean a stronger balance sheet and the infusion of new capital to pursue this novel pharmaceutical opportunity. While a transition into this new business line is a departure from our current compost and soil operations, which are not financially sustainable for the Company in its current condition and would be continued by EPH if the plan is completed, management believes that the path to creating shareholder value is more visible and probable if we can complete these corporate actions in 2020.

**B**. **Management's Discussion and Analysis of Financial Condition and Results of Operations**

Between July 2014 and mid-2016, through Q2P we primarily devoted our efforts to commercializing the Q2P engine and CHP system, developing our waste-to-power business model, and recruiting executive management and key employees. Starting in the second half of 2016, we began to phase out our R&D operations, and in August 2017, sold our engine technology. We are now focused on promoting our compost manufacturing business model, including providing soil management services and facilitating the acquisition of or investing in other compost manufacturing companies. As a new entity, we have limited current business operations and nominal assets. We currently operate at a loss with minimal to no revenue.

Starting in the third quarter of 2018, we increased our operating expenses as new employees were hired and operations to acquire and invest in compost facilities increased. We currently have five full time employees, including our CEO, President, two Vice Presidents, and controller.

***Results of Operations for the years ended December 31, 2019 and 2018***

For the year ended December 31, 2019, we recorded $916,667 in total revenue all with related entities, pursuant to two management service agreements, an increase of $883,334 over revenue recorded in 2018.

For the year ended December 31, 2019, we recorded a net loss of $681,979, an increase of $284,722 (72%) from our net loss of $397,257 for the same period in 2018. Basic and diluted net loss per share was $0.01 for both the years ended December 31, 2019 and 2018. The primary underlying reasons for the increase in the net loss for 2019 over 2018 were an increase of $467,577 in operating expenses and an increase of $210,286 in financing costs, offset by an increase of $883,334 in revenue and a decrease in the gain recognized due to the change in the fair value of the convertible bridge notes of $518,605.

The majority of the $467,577 increase in operating expenses was due to an increase in payroll and related expenses of $779,859 (111%) to $1,485,343 for the year ended December 31, 2019 from $705,484 for the same period in 2018, due additional people on payroll for the full year 2019 offset by a decrease of professional fees of $283,547 (39%) to $444,782 for the year ended December 31, 2019 from $728,329 for the same period in 2018.

We recorded $666,667 of revenue related to management fees from our equity method investment EPH which is considered to be a related party during the year ended December 31, 2019 compared to the same period in 2018 which reflected $33,333 from the same contract. Also in 2019, we received $250,000 in services fees from CECO, a related party, for assistance in completing an acquisition of power plants for CECO.

**Financial Condition, Liquidity and Capital Resources**

For year ended December 31, 2019, cash decreased by $159,557. This decrease was primarily the result of cash used in operating activities of $978,057, partially offset by proceeds from notes from EPH of $788,500 plus $30,000 in additional Bridge Notes.

Net cash used by operating activities was $978,057 for the year ended December 31, 2019, which reflected our net loss during the period of $681,978, non-cash adjustments of $408,594, partially offset by a net increase in operating liabilities of $112,518. The majority of non-cash adjustments consists of a $1,057,877 gain on change in fair value of the Bridge Notes primarily as a result of our lower stock price and proximity to maturity, and partially offset by $535,877 in paid-in-kind interest related to the Bridge Notes and $115,714 of stock based compensation.

Our net loss resulted largely from our funding of activities related to the execution of our business strategy of facilitating the acquisition of and investment in and managing compost manufacturing businesses, including conducting due diligence and incurring consulting and professional expenses and hiring additional employees to support these operations, as well as ongoing general and administrative expenses.

Net cash used in investing activities during year ended December 31, 2019 consisted of $0.

Net cash provided by financing activities during the year ended December 31, 2019 consisted of additional notes from EPH of $788,500 and additional convertible Bridge Note of $30,000.

At December 31, 2019, our cash totaled $478. Our cash is currently held at large U.S. banks.

Based on our current strategy and operating plan, we need to raise additional capital to support operations; therefore, there is substantial doubt about our ability to operate as a going concern. See “Note 2 – Basis of Presentation and Going Concern” in our consolidated financial statements.

Since July 2014, we have raised over $8 million in capital over several financings, inclusive of cash invested and some debt and payables converted to stock. With these funds, we have been able to complete the prototype stage of our original technology, place our first operating pilot unit in the field, recruit a solid engineering and business team, and secure strong Directors with significant industry experience. Specifically, with the closing of our Bridge Offering, described below, we have also been able to pivot our business model to the compost and soil manufacturing business which culminated in the closing of the GBWA acquisition, establishment and funding of EPH, and securing of our long-term Management Agreement with EPH in late 2018, as well as additional activity in 2019.

***Bridge Financing.*** In 2017, 2018, and 2019, we completed our Bridge Offering with $2,660,092 of new cash raised plus an additional $191,908 in old debt converted into the round. In 2018, one Bridge Note in the principal amount of $50,000 was converted into shares of common stock. The Bridge Notes convert at a 50% discount to the post-funding valuation of the Company at the closing of our next offering in the minimum amount of $5,000,000 (the "Equity Offering"). The conversion valuation has a ceiling of $12,000,000, and a "floor" company value of $6,000,000 in the event there is no Equity Offering before the Bridge Notes are able to be converted.

The Bridge Notes are currently convertible into our common stock, or preferred stock if received by investors in the Equity Offering, at the discretion of the individual holders. Maturity is 36 months (24 months for Bridge Notes issued in 2018) from issuance with 15% annual interest which will be capitalized each year into the principal of the Bridge Notes and paid in kind.

As of March 31, 2020, approximately $1,068,152 of the original issuance principal amount of the Bridge Notes matured. The Company has received extensions of the maturity date from all of these holders until June 15, 2020 for no additional consideration. Management is working on a plan to repay or convert into equity these and the other Bridge Notes by their respective maturity dates. Any equity conversion would be highly dilutive to our current shareholders. If we cannot repay these obligations or otherwise come to agreement with the holders, our ability to operate will be materially adversely affected, if not completely shut down and the Company may be forced to seek bankruptcy protection.

The Bridge Offering was led by two accredited investors and joined by approximately 25 additional accredited investors which included our Directors. The Bridge Notes issued in 2018 were mainly to one accredited investor that also led the equity funding for EPH. Management conducted the Bridge Offering and no broker fees were paid in connection with the initial closing. All securities issued in the Bridge Offering and debt settlements were issued pursuant to an exemption from registration under Section 4(a)(2) under the Securities Act of 1933.

Funds from the Bridge Offering were used to secure our acquisitions of or investments in compost and soil companies, retire old debt, and pay operating expenses in 2017 and 2018.

***Company's Prior Financings.***

Subsequent to the Merger into the public company, we raised $600,000 in our Series A 6% Convertible Preferred Stock (the "Preferred Stock") from two separate accredited investors in November 2015 and January 2016, respectively. The Preferred Stock bears a 6% dividend per annum, calculable and payable per quarter in cash or additional shares of common stock as determined in the Certificate of Designation. The Preferred Stock was originally convertible at $0.26 per share at the discretion of the holders and contains price protection provisions in the instance that we issue shares at a lower price, subject to certain exemptions. As a result of the July 2016 common stock offering described below, the conversation price for these Preferred Shares automatically reduced to $0.21 per share, and as a result of the Bridge Offering, the conversion price was reset to $0.15 per share. Pursuant to the 2018 Modification, the conversion price is currently $0.10 per share. Preferred Stock holders also received other rights and protections including piggy-back registration rights, rights of first refusal to invest in subsequent offerings, security over our assets (secondary to our debt holders), and certain negative covenant guaranties that we will not incur non-ordinary debt, enter into variable pricing security sales, redeem or repurchase stock or make distributions, and other similar warranties. The Preferred Stock is redeemable on July 1, 2019 per a March 2019 modification and has no voting rights until converted to common stock. The Preferred Stockholders also received 50% warrant coverage at an exercise price of $0.50, with a five-year term and similar price protections as in the Preferred Stock. Pursuant to agreements with the warrant holders, this conversion price remains at $0.50 as of December 31, 2018.

On March 15, 2016, we entered into a 120-day term loan agreement with one accredited investor in the principal amount of $150,000. The loan bore 20% interest with interest payments due monthly. The holders of the term loan received 100,000 shares of common stock valued at $26,000, $3,000 cash and a second security interest in our assets of in exchange for arranging the financing. This loan matured on July 15, 2016, and a 10% late penalty was assessed on July 15, 2016. On March 22, 2017, we entered into an addendum to the loan agreement with the lenders which extended the maturity date to December 31, 2017, allowed for conversion at the discretion of the holders to common stock, and waived all defaults in return for payment of $30,000 which included the late fee and accrued but unpaid interest. These fees and interest payments were paid in April 2017, and the loan was repaid in full in December 2017.

On April 29, 2016, our three independent Directors loaned us a total of $60,200 pursuant to three convertible notes. The total principal amount of all three notes was $66,000. The notes were converted into the Bridge Offering in March 2017. In June 2016, three other shareholders provided an additional $30,000 us on the same loan terms, which were also subsequently converted into the Bridge Offering.

In July and August 2016, we received subscription agreements from six accredited investors (four of whom were previous shareholders) to purchase 750,000 shares of restricted common at a price of $0.21 per share for an aggregate of $157,500, less $610 in financing costs.

In September 2016, our three independent Board members advanced us $3,000 for payment of insurance premiums. In the fourth quarter of 2016 and first quarter of 2017, the three Board members advanced an additional $29,500 to cover expenses. All of these advances were converted into our Bridge Offering.

All promissory notes and shares in these offerings were sold pursuant to an exemption from the registration requirements of the Securities Exchange Commission under Regulation D to accredited or sophisticated investors who completed questionnaires confirming their status. Unless otherwise described in this Quarterly Report, reference to “restricted” common stock means that the shares have not been registered and are restricted from resale pursuant to Rule 144 of the Securities Act of 1933, as amended.

***Separation from Cyclone and Related License Agreement***

On July 28, 2014, Q2P (which at such time was called WHE Generation Corp. and renamed Q2Power Corp. on January 26, 2015) commenced operations as an independent company after receiving its initial round of seed funding and signing a formal separation agreement (the “Separation Agreement”) from Cyclone. The Separation Agreement between Q2P and Cyclone provided for a formal division of certain assets, liabilities and contracts related to Q2P’s business, as well as establishing procedures for exchange of information, indemnification of liability, and releases and waivers for the principals moving forward. As part of the separation from Cyclone, Q2P also purchased for $175,000 certain licensing rights to use Cyclone’s patented technology on a worldwide, exclusive basis for 20 years with two 10-year renewal terms for Q2P’s waste heat and waste-to-power business (the “License Agreement”).

In August 2017, we closed our Transfer Agreement which transferred to Phoenix all of our technology and materials associated with the old Q2P Technology, including transferring and assigning our License Agreement with Cyclone to Phoenix.

**Cash and Working Capital**

We have incurred negative cash flows from operations since inception. As of December 31, 2019, we had an accumulated deficit of $11,049,209 and working capital deficit of $3,791,821.

**Critical Accounting Policies**

Our financial statements are prepared in conformity with U.S. generally accepted accounting principles (GAAP). Disclosures regarding our Critical Accounting Policies are provided in Note 3 – Summary of Significant Accounting Policies of the footnotes to our consolidated financial statements.

**Off-Balance Sheet Arrangements**

The Company did not engage in any “off-balance sheet arrangements” (as that term is defined in Item 303(a)(4)(ii) of Regulation S-K) as of December 31, 2019.

## ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required for smaller reporting companies.

## ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and the reports of our independent registered accounting firm required pursuant to this item are included in Item 15 of this report and are presented beginning on page F-1.

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

None.

## ITEM 9A: CONTROLS AND PROCEDURES

In connection with the preparation of this Annual Report, management, under the supervision and with the participation of the Company's Chief Executive Officer, President and Principal Accounting Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this Annual Report. Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer, President and the Principal Accounting Officer, to allow timely decisions regarding required disclosures. Management concluded that, as of December 31, 2019, the Company's disclosure controls and procedure were not effective based on the criteria in *Internal Control – Integrated Framework* issued by the COSO, version 2013.

**Management's Annual Report on Internal Control Over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process, under the supervision of the Chief Executive Officer, the President and the Principal Accounting Officer, designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with generally accepted accounting principles in the United States (GAAP). Internal control over financial reporting includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the Company's assets;

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the Board of Directors; and

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management conducted an assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in 2013. As a result of this assessment, management identified certain material weaknesses in internal control over financial reporting. A material weakness is a control deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. The identified material weaknesses are disclosed below:

- Due to the size of the Company and available resources, there are limited personnel to assist with the accounting and financial reporting function, which results in a lack of segregation of duties.

- The Company has experienced significant turnover in the role that oversees the day-to-day accounting and financial reporting functions, which increases the risk of a material misstatement in the financial statements.

- The Company lacks knowledge and expertise with accounting for stock -based compensation arrangements.

As a result of the material weaknesses in internal control over financial reporting described above, management concluded that, as of December 31, 2019, the Company's internal control over financial reporting was not effective based on the criteria in *Internal Control – Integrated Framework* issued by the COSO.

The Company is in the process of addressing and correcting these material weaknesses, including drafting, formalizing and implementing greater internal controls to assure proper financial reporting. As the Company retained but then lost its acting CFO in 2019, and its Principal Accounting Officer has not had the resources to implement proper controls, these weaknesses still exist. Management will be diligent in its efforts to continue to improve the reporting processes of the Company, including the addition of accounting resources and the continued development of proper accounting policies and procedures.

This annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. We were not required to have, nor have we, engaged our independent registered public accounting firm to perform an audit of internal control over financial reporting pursuant to the rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

**Changes in Internal Control Over Financial Reporting**

There were no other changes in our internal control over financial reporting in connection with the evaluation required by Rule 13a-15(d) of the Exchange Act that occurred during 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B: OTHER INFORMATION**

There was no other information required to be disclosed in the fourth quarter of 2019 that was not filed by the Company in a Current Report on Form 8-K.

## PART III

## ITEM 10: DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

### Identification of Directors and Executive Officers

The following table sets forth the names of all of our current directors and executive officers. The Directors will serve until the next annual meeting of the shareholders or until their successors are elected or appointed and qualified, or their prior resignation or termination.

| Name | Positions Held | Age | Date of Election or Designation | Date of Termination or Resignation |
|---|---|---|---|---|
| Kevin Bolin | Chairman and CEO | 56 | February 2016 | * |
| Christopher Nelson | President, General Counsel & Director | 50 | July 2014 | * |
| Joel Mayersohn | Director | 62 | July 2014 | * |
| Scott Whitney | Director | 62 | March 2016 | * |
| Tristan Peitz | Director | 36 | May 2017 | * |
| Douglas R. Baum | Director | 53 | January 2020 | * |

### Business Experience

**Kevin M. Bolin – Chairman and CEO.** Mr. Bolin is a residual waste management and renewable energy senior executive with over 20 years experience in the sectors. Mr. Bolin's previous industry positions include: Executive Chairman of the Board and interim CEO of Alter NRG (2009-2015), a publicly-traded (Toronto Stock Exchange) leader in plasma gasification of waste feedstock technology acquired from Westinghouse. At Alter NRG, he oversaw the corporate restructuring, operational turnaround, capital raising of over $35 million, and eventual sale of the company in July 2015 at a 160% premium to market which represented a 7x return to investors during his tenure as Chairman. Prior to that, he was CEO, President and Director of EnerTech Environmental (1992-2010), a renewable energy and biosolids technology company, which he grew to $20 million in annual sales anchored by long-term contracts valued at $390 million, and raised over $200 million in funding. He was previously an Industrial Advisor to EQT Infrastructure, a global private equity firm with over 20 Billion Euros under management. Mr. Bolin started his career working for the international accounting firm KPMG and was, but is not currently, a certified CPA in the states of New York and Georgia. In addition to these accomplishments, Mr. Bolin has won awards, been issued patents, and published numerous articles in the waste and renewable energy sectors. He is a certified public accountant with his BBA from the University of Notre Dame.

**Christopher Nelson – President, General Counsel & Director.** Mr. Nelson oversees acquisitions, finance, business development, and legal aspects for the Company, a role he has provided since its inception in 2014. He has also served as Managing Director of GreenBlock Capital LLC in Palm Beach, Florida, a boutique mergers and acquisitions firm specializing in ag-technology and bio-technology transactions. Until July 31, 2014, Mr. Nelson served as President and General Counsel of Cyclone, positions he held since March 2011. During his tenure at Cyclone, Mr. Nelson assisted and oversaw all aspects of the company's business and legal affairs, including public securities filings and over $8 million in financing transactions, licensing and development agreements with major corporations and the military, investor and public relations, and general corporate matters. Mr. Nelson has practiced law in Florida for over 24 years, and since 2001 has represented many start-up, early stage and established businesses seeking financing, acquisitions and general growth management counseling. Between 1997 and 2000, Mr. Nelson was an associate with Greenberg Traurig PA, and between 1995 and 1997 an associate with Akerman Senterfitt PA, both in Miami, Florida. At both firms he served in their corporate and securities practice, representing NYSE and NASDAQ companies. Mr. Nelson received a BA from Princeton University, and JD from University of Miami School of Law.

**Scott W. Whitney – Director.** Mr. Whitney is currently CEO of Green Harvest One Corporation. Until September 2017, he was CEO of Liberty Tire Recycling Co., the world's largest provider of tire recycling services, reclaiming approximately 140 million discarded tires per year in the US and Canada. Prior to this, he was CEO of Greenwood Fuels, a Green Bay, WI based company that manufactures renewable fuel pellets from non-recyclable by-products of various manufacturing processes such as paper, label and packaging production. For over 25 years, Mr. Whitney served in several executive roles at Covanta Holding Corp., a $2 Billion waste-to-power company traded on the NYSE, including President of Covanta's European group, and Senior Vice President of business development at Covanta Energy Group where he oversaw the development of their waste-to-energy, independent power and water/wastewater treatment businesses in North America, South America, Europe and the Middle East. He is a currently member of the Board of Directors of Epcot Crenshaw, a research and development company based in West Chester, PA, and its subsidiary, Green Harvest One, a company that develops and operates integrated anaerobic digestion and gasification facilities. In addition, Mr. Whitney is a frequent speaker at various industry events for organizations such as Forbes Magazine, UK Trade & Investment, and the US Department of Commerce. He received his BS in Marine Engineering from the United States Naval Academy and served as an officer in the United States Navy.

**Joel Mayersohn – Director**. Mr. Mayersohn is a Partner in the Ft. Lauderdale, FL, office of Dickinson Wright PLLC, where he specializes in corporate, securities and business law. Over the last 30 years, he has advised a diversified client base in private placements, public offerings, mergers and acquisitions, financing transactions and general securities law matters. He also has experience in venture capital, bridge loans and pipe financings. Mr. Mayersohn was previously on the Board of Directors of Cyclone, until July 31, 2014. He is a member of the Florida and New York Bars.

**Tristan Peitz – Director**. Mr. Peitz was appointed to the Board on May 1, 2017, as one of the lead investors for the Company's Bridge Offering. Until 2019, he worked at Cohen Capital Management ("CCM"), a $600 million family office, where he built and manages a credit book which consists of $120 million of municipal bonds and a $60 million high yield book. On the equity side of the business, Mr. Peitz is a generalist with deep sector experience and responsibility for energy and healthcare. At CCM, he has also served as financial adviser for mergers and acquisitions, analysis on several early stage and venture investments, and creation and implementation of complex tax strategies. Prior to CCM, Mr. Peitz served at AlixPartners, a premier turnaround and restructuring focused consulting firm. At AlixPartners, he assisted organizations in the areas of financial advisory services, corporate strategy & operations, restructuring and turnarounds, divestitures and business exits, and forensic investigations related to internal fraud and abuse. Projects he worked on at AlixPartners included Tribune Company, MEI Conlux, Building Materials Holding Corp., Mattson Technology and others. Prior to joining AlixPartners, Mr. Peitz was a research analyst at Eminence Capital, a New York based $4 billion hedge fund, and before that an investment banking analyst with Jefferies & Company focused on healthcare, biotech and biofuel companies to evaluate leveraged buyouts, refinancings, restructurings, IPOs and M&A transactions. Mr. Peitz attended the University of Michigan where he graduated with distinction from the Ross School of Business with a BA in Business Administration - concentration in finance and accounting.

**Douglas R. Baum -- Director**. Mr. Baum was appointed to the board in January 2020. He brings to the Company over 28 years of experience in the bioscience and biotech industries, including development, commercialization and marketing of multiple drugs and medical devices. Over his long senior executive tenure, he has overseen 15 product approvals through the FDA and raised over $80 million in capital to fund breakthrough technologies. Between 2012 and 2017, he served as President, Chief Executive Officer and Director of Xeris Pharmaceuticals Inc.; and from 2007 to 2012 as Executive Vice President and Chief Operating Officer of Macuclear Inc. Prior to that, Mr. Baum held several executive level positions with clinical trial research firms. He holds an MSTC in Technology Commercialization and BBS in International Sales and Marketing from the University of Texas.

**Employment Agreements**

Both Mr. Nelson and Mr. Bolin have Employment Agreements that provide for terms from two to three years with renewal terms, base salary and performance-based bonuses, a 12-month severance for termination without cause or for "good reason", non-compete / non-solicitation, and other standard features. In 2018, Mr. Bolin's severance package was extended to 24 months. He is currently receiving an annual salary of $350,000. Mr. Nelson's agreement provides for an annual salary of $220,000.

**Director Compensation**

Directors receive 400,000 stock options per year, vesting half immediately and half in six months, with a 10-year term and priced at current market rates. Directors are also eligible to receive other cash or equity based compensation, including Restricted Stock Units, at the discretion of the Board (with such interested members abstaining from a vote). The three independent Directors received 400,000 stock option each in 2018. No stock options were issued in 2019.

**Executive Recruitment**

Management is currently in discussions with several individuals to fill other key positions including CFO. The Board will make its decision to hire executive personnel based upon experience, knowledge of the industry, professional reputation and performance history. Other executive may be appointed in connection with acquisitions. All members of senior management are expected to have employments agreements with non-compete provisions similar to current executives.

**Family Relationships**

There are no family relationships between any of the Company's directors or executive officers or any person nominated or chosen by the Company to become a director or executive officer.

**Directorships**

None of our directors or executive officers is a director of a company that is required to file reports under Sections 15 or 13(d) of the Exchange Act.

**Involvement in Certain Legal Proceedings**

During the past 10 years, none of our present or former directors, executive officers or persons nominated to become directors or executive officers or control person of our Company:

- has filed a petition under federal bankruptcy laws or any state insolvency laws, nor had a receiver, fiscal agent or similar officer appointed by a court for the business or property of such person, or any partnership in which he was a general partner at or within two years before the time of such filing, or any corporation or business association of which he was an executive officer at or within two years before the time of such filing;

- was convicted in a criminal proceeding or named subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);

- was the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him or her from or otherwise limiting the following activities:

  Acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, any other person regulated by the Commodity Futures Trading Commission, or an associated person of any of the foregoing, or as an investment adviser, underwriter, broker or dealer in securities, or as an affiliated person, director or employee of any investment company, bank, savings and loan association or insurance company, or engaging in or continuing any conduct or practice in connection with such activity;

  Engaging in any type of business practice; or

  Engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of Federal or State securities laws or Federal commodities laws;

- was the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any Federal or State authority barring, suspending or otherwise limiting for more than 60 days the right of such person to engage in any activity described in the preceding bullet point, or to be associated with persons engaged in any such activity;

- was found by a court of competent jurisdiction in a civil action or by the SEC to have violated any Federal or State securities law, and the judgment in such civil action or finding by the SEC has not been subsequently reversed, suspended, or vacated;

- was found by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading Commission to have violated any Federal commodities law, and the judgment in such civil action or finding by the Commodity Futures Trading Commission has not been subsequently reversed, suspended or vacated;

- was the subject of, or a party to, any Federal or State judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of:

  any Federal or State securities or commodities law or regulation; or

  any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order; or

  any law or regulation prohibiting mail or wire fraud in connection with any business activity; or

- was the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, or any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

**Promoters and Control Person**

To the best of our management's knowledge, no person who may be deemed to have been a promoter or founder of our Company was the subject of any of the legal proceedings listed under the heading "Involvement in Certain Legal Proceedings" above.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Our shares of common stock are registered under the Exchange Act, and therefore the officers, directors and holders of more than 10% of our outstanding shares are subject to the provisions of Section 16(a), which requires them to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and our other equity securities. Officers, directors and greater than 10% beneficial owners are required by SEC regulations to furnish us with copies of all Section 16(a) reports they file. Based solely upon review of the copies of such forms furnished to us during the fiscal year ended December 31, 2019, all forms have been filed.

**Code of Ethics**

We have adopted a code of ethics for our principal executive and financial officers. Our code of ethics was posted to our web site as November 2015.

**Corporate Governance**

***Audit Committee.*** In 2017 we established an Audit Committee made up of our three independent Directors. The Audit Committee formally instituted its governance procedures, and actively oversees the quarterly and year-end review and audit process.

***Compensation Committee.*** In 2017 we established a Compensation Committee made up of two independent Directors and our Chairman. The Compensation Committee formally instituted its governance procedures, and actively oversees all executive-level salary and compensation matters for the Company.

***Nominating Committee.*** We have not established a Nominating Committee. We believe that we are able to effectively manage the issues normally considered by a Nominating Committee through the Board of Directors. If we do establish a Nominating Committee, we will disclose this change to our procedures in recommending nominees to our Board of Directors.

**Indemnification of Directors and Officers.**

Section 145 of the Delaware General Corporation Law provides, in general, that a corporation incorporated under the laws of the State of Delaware, such as the Company, may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding (other than a derivative action by or in the right of the corporation) by reason of the fact that such person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful. In the case of a derivative action, a Delaware corporation may indemnify any such person against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification will be made in respect of any claim, issue or matter as to which such person will have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery of the State of Delaware or any other court in which such action was brought determines such person is fairly and reasonably entitled to indemnity for such expenses.

Our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws provide that we will indemnify our directors, officers, employees and agents to the extent and in the manner permitted by the provisions of the Delaware General Corporation Law. Any repeal or modification of these provisions shall be prospective only, and shall not adversely affect any limitation on the liability of our directors or officers existing prior to the time of such repeal or modification. We are also permitted to apply for insurance on behalf of any director, officer, employee or other agent for liability arising out of his actions, whether or not the Delaware General Corporation Law would permit indemnification.

## ITEM 11: EXECUTIVE COMPENSATION

The following table sets forth the aggregate compensation paid by us for services rendered during the periods indicated for the Company's two executive officers.

**Summary Executive Compensation Table**

| Name and Principal Position | Year | Salary ($) (a) | Bonus ($) (b) | Stock Awards ($) (c) | Option Awards ($) (d) | Non-Equity Incentive Plan Compensation ($) (e) | Nonqualified Deferred Compensation ($) (f) | All Other Compensation ($) (g) | Total Earnings ($) (h) |
|---|---|---|---|---|---|---|---|---|---|
| Kevin Bolin, Chairman & CEO | 2019 | 295,000 | - | - | - | - | - | 17,853 | 312,853 |
| | 2018 | 202,085 | - | - | - | - | - | 18,000 | 220,085 |
| Christopher Nelson, President & GC | 2019 | 245,000 | - | - | - | - | - | 16,626 | 261,626 |
| | 2018 | 161,665 | - | - | - | - | - | 18,000 | 179,665 |

(a) Salaries include those amounts paid and accrued as an expense on the books of the Company.

(c)(d) Stock and Option Awards are calculated based on the face value of awards as of the date of grant.

(g) All Other Compensation is comprised of healthcare costs.

**Outstanding Option and Stock Awards**

| | Option Awards | | | | | Stock Awards | | | |
|---|---|---|---|---|---|---|---|---|---|
| Name (a) | Number of Securities Underlying Unexercised Options (#) Exercisable (b) | Number of Securities Underlying Unexercised Options (#) Unexercisable (c) | Equity Incentive Plan Awards Number of Securities Underlying Unexercised Unearned Options (#) (d) | Option Exercise Price ($) (e) | Option Expiration Date (f) | Number of Shares or Units of Stock That Have Not Vested (#) (g) | Market Value of Shares or Units of Stock That Have Not Vested ($) (h) | Equity Incentive Plan Awards: Number of Unearned Shares, Vested Units or Other Rights That Have Not Vested (#) (i) | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($) (j) |
| Kevin Bolin | 400,000 | - | - | $ 0.10(1) | 2/29/26 (2) | - | - | - | - |
| Chairman & CEO | 1,800,000 | - | - | $ 0.10(1) | 12/28/26 (2) | - | - | - | - |
| | | | | | | | | | |
| Christopher Nelson, | 255,000 | - | - | $ 0.10(1) | 7/30/24 | - | - | - | - |
| President | 60,000 | - | - | $ 0.10(1) | 11/17/25 | - | - | - | - |

(1) In January 2020, the Board approved a reduction in the exercise price of these options to $0.02. That price reset is not reflected as of December 31, 2019 in this table.

(2) The term of Mr. Bolin's options was extended from five to ten years in 2018.

**Director Compensation**

In June 2019, the Board approved payment to the independent directors of $500 per month plus an additional $500 per month for committee chairs. These fees were accrued but not paid in 2019. All three independent directors received a grant of 400,000 stock options in 2018, but no option grants were made in 2019. Directors shall also be reimbursed for reasonable travel expenses incurred in connection with meetings of the Board of Directors, but no such expenses were incurred in 2019 or 2018. The following table excludes fees paid to the two executive directors, Messrs. Bolin and Nelson, for their services in 2019 in their respective officer capacities. Mr. Baum was not a director in 2019.

| Name | Fees Earned or Paid in Cash ($) | Stock Awards ($) | Option Awards ($) | Non-Equity Incentive Plan Compensation ($) | Nonqualified Deferred Compensation Earnings ($) | All Other Compensation ($) | Total ($) |
|---|---|---|---|---|---|---|---|
| Kevin Bolin | - | - | - | - | - | - | - |
| Scott Whitney | 7,000 | - | - | - | - | - | 7,000 |
| Joel Mayersohn | 7,000 | - | - | - | - | - | 7,000 |
| Tristan Peitz | 3,500 | - | - | - | - | - | 3,500 |
| Christopher Nelson | - | - | - | - | - | - | - |

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

**Security ownership of certain beneficial owners**. As of April 13, 2020, there were no persons outside of management and Directors known to the Company to be the beneficial owner of more than five percent of any class of the registrant's voting securities (including any "group" as that term is used in section 13(d)(3) of the Exchange Act). The percent of class is based on 56,997,460 shares of common stock issued and outstanding as of April 13, 2020.

**Security ownership of management**. The following information as of April 13, 2020, is provided for all current management and Directors as to each class of equity securities of the registrant or any of its parents or subsidiaries, including directors' qualifying shares, beneficially owned by all directors and nominees, all stock options and stock appreciation rights that are vested or will vest within the following 60 days. The percent of class is based on 56,997,460 shares of common stock issued and outstanding as of April 13, 2020, and includes in the total outstanding the additional shares of common stock underlying any vested options (or vesting in the following 60 days) for the specific beneficial owner.

| (1) Title of class | (2) Name of beneficial owner | (3) Amount and nature of beneficial ownership | (4) Percent of class |
|---|---|---|---|
| Common | Kevin Bolin (1) | 12,200,000 | 21.4% |
| Common | Christopher Nelson (2) | 6,822,200 | 12.0% |
| Common | Joel Mayersohn (3) | 2,051,842 | 3.6% |
| Common | Scott Whitney (4) | 2,200,000 | 3.9% |
| Common | Tristan Peitz (5) | 1,300,000 | 2.3% |
| Common | Douglas Baum (6) | - | - |
| Common | All Officers and Directors | 24,574,042 | 43.1% |

(1) Mr. Bolin's holdings include 2,200,000 vested stock options and 10,000,000 shares subject to forfeiture (see below).

(2) Mr. Nelson's holdings include 315,000 vested stock options and 5,000,000 shares subject to forfeiture (see below).

(3) Mr. Mayersohn's holdings include 1,996,000 vested stock options.

(4) Mr. Whitney's holdings are all vested stock options.

(5) Mr. Peitz's holdings are all vested stock options.

(6) Mr. Baum's holdings do not include 200,000 unvested stock options.

None of our officers and directors own any Preferred Stock or other classes of securities other than common stock options, and Bridge Notes under the Company's Bridge Offering. Currently, there are no other shareholders that hold 5% or more of the total outstanding common stock of the company.

### Forfeiture of Executive Shares

In December 2016, the Board of Directors approved for Mr. Bolin 10,000,000 shares of common stock, and for Mr. Nelson 5,000,000 shares of common stock, both as compensation and both subject to forfeiture provisions. These shares were issued in February 2017. The forfeiture provisions provide that during their employment: (1) the Company must complete at least $3 million in funding and (2) complete its first strategic acquisition. Other length of employment provisions in the forfeiture clauses were satisfied in July 2018. If these individuals do not fulfill their commitments and performance goals, the Board of Directors may in its full discretion, terminate the shares and retire them to treasury. Until such time, however, the shareholders may exercise all rights of voting and otherwise afforded to the common stock of the Company. Management believes these shares will vest and no longer be subject to forfeiture in 2020.

## ITEM 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTORS INDEPENDENCE

**Transactions with Related Persons**

Joel Mayersohn, our Director, is also a partner in the law firm of Dickinson Wright PLLC, which provides legal services for the Company, including SEC work.

**Promoters and Certain Control Persons**

See the heading "Transactions with Related Persons" above.

**Parents of the Smaller Reporting Company**

We have no parents.

**Director Independence**

We had three independent directors serving on our Board of Directors as of the end of 2019 – Messrs. Whitney, Mayersohn and Peitz. While Mr. Mayersohn's firm also serves as the Company's corporate counsel, it was determined that the payments made for services from the Company to his firm are not material enough to create an issue with Mr. Mayersohn's independence.

## ITEM 14: PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following is a summary of the fees billed and unbilled to the Company by our independent registered public accounting firm for professional services rendered for 2019 and 2018:

| Fee Category | 2019 | 2018 |
|---|---|---|
| Audit Fees | $ 56,000 | $ 140,798 |
| Audit-related Fees | - | - |
| Tax Fees | - | - |
| All Other Fees | - | - |

Audit fees - Consists of fees for professional services rendered by D. Brooks and Associates CPAs, P.A. in 2019 and 2018 for the audit of our annual consolidated financial statements, and the review of interim consolidated financial statements included in our quarterly reports and services that are normally provided by our principal accountants in connection with statutory and regulatory filings or engagements.

Audit-related fees - Consists of fees for assurance and related services by our principal accountants that are reasonably related to the performance of the audit or review of the Company's consolidated financial statements and are not reported under "Audit fees."

Tax fees - Consists of fees for professional services rendered by our principal accountants for tax compliance, tax advice and tax planning.

All other fees - Consists of fees for products and services provided by our principal accountants, other than the services reported under "Audit fees," "Audit-related fees" and "Tax fees" above.

## PART IV

## ITEM 15: EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements.

The following financial statements of Q2Earth Inc., together with the report thereon of D. Brooks and Associates, CPAs, P.A., an independent registered public accounting firm, are included in this Annual Report on Form 10-K:



(a)(2) Financial Statement Schedules.

All schedules have been omitted because they are not required or because the required information is given in the Financial Statements or Notes thereto set forth under Item 8 above.

(a)(3) Exhibits.

| Exhibit Number | Description |
|---|---|
| 3.1 | Amended and Restated Certificate of Incorporation (incorporated by reference to the Form 8-K filed December 15, 2015 and Form 8-K filed December 23, 2010) |
| 3.2 | Amended and Restated Bylaws (incorporated by reference to the Form 8-K filed December 23, 2010) |
| 4.1 | Certificate of Designation of Preferences, Rights and Limitations of Series A 6% Convertible Preferred Stock (incorporated by reference to the Form 8-K filed November 18, 2015) |
| 10.01 | Securities Purchase Agreement for Convertible Debentures (incorporated by reference to the Form 8-K filed July 2, 2014) |
| 10.02 | Original Issue Discount Senior Secured Convertible Debentures (incorporated by reference to the Form 8-K filed July 2, 2014) |
| 10.03 | Common Stock Purchase Warrant issued with Convertible Debentures (incorporated by reference to the Form 8-K filed July 2, 2014) |
| 10.04 | Security Agreement in connection with the Convertible Debentures (incorporated by reference to the Form 8-K filed July 2, 2014) |
| 10.05 | Agreement and Plan of Merger (incorporated by reference to the Form 8-K filed August 26, 2015) |
| 10.06 | Form of Warrant Agreement issued in connection with Preferred Stock (incorporated by reference to the Form 8-K filed November 18, 2015) |
| 10.07 | Amended and Restated License Agreement with Cyclone (incorporated by reference to the Form 8-K filed November 18, 2015) |
| 10.08 | Form of Subscription Agreement for Convertible Note Bridge Offering (incorporated by reference to the Form 8-K filed April 4, 2017) |
| 10.09 | Form of Promissory Note for Convertible Note Bridge Offering (incorporated by reference to the Form 8-K filed April 4, 2017) |

| | |
|---|---|
| 10.10 | 2016 Omnibus Equity Incentive Plan (incorporated by reference in the Form 10-K filed for the year ended December 31, 2017) |
| 10.11 | Employment Agreement with Kevin Bolin (incorporated by reference in the Form 10-K filed for the year ended December 31, 2017) |
| 10.12 | Employment Agreement with Christopher Nelson (incorporated by reference in the Form 10-K filed for the year ended December 31, 2017) |
| 10.13 | Transfer and Assignment Agreement dated November 9, 2018 between Q2Earth, Inc. and Earth Property Holdings, LLC (incorporated by reference in the Form 8-K filed on November 13, 2018) |
| 10.14 | Management Agreement dated November 9, 2018 between Q2Earth, Inc. and Earth Property Holdings, Inc. (incorporated by reference in the Form 8-K filed on November 13, 2018) |
| 10.15 | Limited Liability Company Agreement of Earth Property Holdings, Inc. dated November 9, 2018 (incorporated by reference in the Form 8-K filed on November 13, 2018) |
| 10.16 | Subscription Agreement for Class B Units in Earth Property Holdings LLC (incorporated by reference in the Form 8-K filed January 23, 2019) |
| 10.17 | Form of Amended and Restated Limited Liability Company Agreement of Earth Property Holdings LLC (incorporated by reference in the Form 8-K filed January 23, 2019) |
| 10.18 | Transaction Services Agreement dated May 17, 2019 between Q2Earth, Inc. and Community Eco Power LLC (incorporated by reference in the Form 8-K filed May 22, 2019) |
| 21.1 | Subsidiaries of the Company |
| 31.1 | 302 Certification of Kevin Bolin, CEO |
| 31.2 | 302 Certification of Principal Accounting Officer |
| 32 | 906 Certification |
| 101.INS# | XBRL Instance Document. |
| 101.SCH# | XBRL Taxonomy Extension Schema Document. |
| 101.CAL# | XBRL Taxonomy Extension Calculation Linkbase Document. |
| 101.DEF# | XBRL Taxonomy Extension Definition Linkbase Document. |
| 101.LAB# | XBRL Taxonomy Extension Label Linkbase Document. |
| 101.PRE# | XBRL Taxonomy Extension Presentation Linkbase Document. |

# XBRL (Extensible Business Reporting Language) information is furnished and not filed herewith, is not a part of a registration statement or Prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

## SIGNATURES

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

Q2EARTH, INC.

| | |
|---|---|
| *Date:* April 14, 2020 | *By: /s/ Kevin Bolin*<br>*Kevin Bolin*<br>*Chairman and Chief Executive Officer,*<br>*Principal Accounting Officer* |

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| | |
|---|---|
| *Date:* April 14, 2020 | *By: /s/ Kevin Bolin*<br>*Kevin Bolin*<br>*Chairman of the Board of Directors and CEO* |
| *Date:* April 14, 2020 | *By: /s/ Christopher M. Nelson*<br>*Christopher M. Nelson*<br>*President, General Counsel and Director* |
| *Date:* April 14, 2020 | *By: /s/ Joel Mayersohn*<br>*Joel Mayersohn*<br>*Director* |
| *Date:* April 14, 2020 | *By: /s/ Scott Whitney*<br>*Scott Whitney*<br>*Director* |
| *Date:* April 14, 2020 | *By: /s/ Tristan Peitz*<br>*Tristan Peitz*<br>*Director* |

D. BROOKS
& ASSOCIATES CPAs

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Q2Earth, Inc.

**Opinion on the Consolidated Financial Statements**

We have audited the accompanying consolidated balance sheets of Q2Earth, Inc. (the Company) as of December 31, 2019 and 2018, and the related consolidated statements of operations, stockholders' deficit, and cash flows for the years then ended. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

**Substantial Doubt Regarding Going Concern**

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has incurred operating losses, has incurred negative cash flows from operations and has a working capital deficit. These and other factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plan regarding these matters is also described in Note 2 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**Basis for Opinion**

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit includes performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2019.

D. Brooks and Associates CPAs, P.A.

Palm Beach Gardens, FL
April 14, 2020

4440 PGA Blvd, Suite 104 ■ Palm Beach Gardens, Florida 33410 ■ Main Office: 561.429.6225 ■ Fax: 561.282.3444

dbrookscpa.com

**Q2EARTH, INC.**
**CONSOLIDATED BALANCE SHEETS**

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| **ASSETS** | | |
| CURRENT ASSETS | | |
| Cash | $ 478 | $ 160,035 |
| Prepaid expenses and other assets | 7,665 | - |
| TOTAL CURRENT ASSETS | 8,143 | 160,035 |
| PROPERTY AND EQUIPMENT, NET | - | 354 |
| **TOTAL ASSETS** | $ 8,143 | $ 160,389 |
| **LIABILITIES AND STOCKHOLDERS' DEFICIT** | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued expenses | $ 240,948 | $ 176,190 |
| Accrued bonus | 150,000 | - |
| Notes payable – related party | 788,500 | - |
| Accrued interest – related party | 15,426 | - |
| Debentures – in default | 165,000 | 165,000 |
| Contract liabilities – related party | - | 117,667 |
| Convertible bridge notes, at fair value | 2,440,090 | - |
| TOTAL CURRENT LIABILITIES | 3,799,964 | 458,856 |
| Convertible bridge notes, at fair value | 32,910 | 2,960,000 |
| TOTAL LIABILITIES | 3,832,874 | 3,418,856 |
| Redeemable convertible preferred stock - Series A; $0.0001 par value, 1,500 designated Series A, 600 shares issued and outstanding (liquidation preference of $748,604) | 748,604 | 712,604 |
| Commitments and Contingencies (Note 13) | | |
| **STOCKHOLDERS' DEFICIT** | | |
| Preferred stock, $0.0001 par value; 5,000,000 shares authorized, no shares issued and outstanding | - | - |
| Common stock, $0.0001 par value, 100,000,000 shares authorized, 51,997,460 shares issued and outstanding at December 31, 2019 and December 31, 2018 | 5,199 | 5,199 |
| Additional paid-in capital | 6,470,676 | 6,390,961 |
| Accumulated deficit | (11,049,210) | (10,367,231) |
| TOTAL STOCKHOLDERS' DEFICIT | (4,573,335) | (3,971,071) |
| **TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT** | $ 8,143 | $ 160,389 |

See notes to the consolidated financial statements.

**Q2EARTH, INC.**
**CONSOLIDATED STATEMENTS OF OPERATIONS**

| | For the years ended December 31, 2019 | For the years ended December 31, 2018 |
|---|---|---|
| REVENUES - RELATED PARTIES | $ 916,667 | $ 33,333 |
| EXPENSES | | |
| Payroll | 1,485,343 | 705,484 |
| Professional fees | 444,782 | 728,329 |
| General and administrative | 148,507 | 177,242 |
| Total Expenses | 2,078,632 | 1,611,055 |
| LOSS FROM OPERATIONS | (1,161,965) | (1,577,722) |
| OTHER INCOME (EXPENSE) | | |
| Financing costs including interest | (556,303) | (346,017) |
| Loss on equity method investment | (21,588) | (50,000) |
| Change in fair value of convertible bridge notes | 1,057,877 | 1,576,482 |
| Total Other Income (Expense) | 479,986 | 1,180,465 |
| LOSS BEFORE INCOME TAXES | (681,979) | (397,257) |
| INCOME TAXES | - | - |
| NET LOSS | (681,979) | (397,257) |
| PREFERRED STOCK | | |
| Series A convertible contractual dividends | (36,000) | (40,768) |
| NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS | $ (717,979) | $ (438,025) |
| NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS: BASIC AND DILUTED | $ (0.01) | $ (0.01) |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING: BASIC AND DILUTED | 51,997,460 | 49,868,544 |

See notes to the consolidated financial statements

**Q2EARTH, INC.**
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT**

| | Preferred Stock | | Common Stock | | Additional Paid In | Accumulated | Total Stockholders' |
|---|---|---|---|---|---|---|---|
| | Shares | Value | Shares | Value | Capital | Deficit | Deficit |
| Balance, December 31, 2017 | - | - | 48,384,009 | $ 4,838 | $ 6,042,962 | $ (9,969,974) | $ (3,922,174) |
| Issuance of stock to consultants for services | - | - | 3,000,000 | 300 | 153,986 | - | 154,286 |
| Amortization of stock option grants and restricted units | - | - | - | - | 177,178 | - | 177,178 |
| Series A, preferred stock contractual dividends | - | - | - | - | (40,768) | - | (40,768) |
| Conversion of bridge subscription to equity | - | - | 613,451 | 61 | 57,603 | - | 57,664 |
| Net loss year ended December 31, 2018 | - | - | - | - | - | (397,257) | (397,257) |
| Balance, December 31, 2018 | - | - | 51,997,460 | $ 5,199 | $ 6,390,961 | $ (10,367,231) | $ (3,971,071) |
| Issuance of stock to consultants for services | - | - | - | - | 115,715 | - | 115,715 |
| Series A, preferred stock contractual dividends | - | - | - | - | (36,000) | - | (36,000) |
| Net loss year ended December 31, 2019 | - | - | - | - | - | (681,979) | (681,979) |
| Balance, December 31, 2019 | - | - | 51,997,460 | $ 5,199 | $ 6,470,676 | $ (11,049,210) | $ (4,573,335) |

See notes to consolidated financial statements.

**Q2EARTH, INC.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | For the years ended December 31, 2019 | For the years ended December 31, 2018 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net Loss | $ (681,979) | $ (397,257) |
| Adjustments to reconcile net loss to net cash used in operations: | | |
| Depreciation | 354 | 199 |
| Loss on equity investment | 21,588 | 50,000 |
| Restricted shares issued for outside services | 115,715 | 154,286 |
| Amortization of stock option grants and restricted stock unit grants | - | 177,178 |
| Change in fair value of convertible bridge notes | (1,057,877) | (1,576,482) |
| Amortization of preferred stock discount | - | 1,062 |
| Amortization of debt issuance costs | 5,000 | 5,000 |
| Paid-in-kind interest - convertible bridge notes | 535,877 | 339,146 |
| Accrued interest – related party | 15,426 | - |
| Changes in operating assets and liabilities | | |
| (Increase) decrease in prepaid expenses and other current assets | (7,665) | 5,833 |
| Increase in accounts payable and accrued expenses | 43,170 | 54,730 |
| Increase (decrease) in contract liabilities -related party | (117,667) | 117,667 |
| Increase accrued bonuses | 150,000 | - |
| Net cash used in operating activities | (978,057) | (1,068,638) |
| | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Investment in Earth Property Holdings LLC | - | (50,000) |
| Net cash used in investing activities | - | (50,000) |
| | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from notes payable - related parties, net of issuance costs | 788,500 | - |
| Proceeds from convertible bridge notes, net of issuance costs | 30,000 | 980,000 |
| Net cash provided by financing activities | 818,500 | 980,000 |
| | | |
| NET DECREASE IN CASH | (159,557) | (138,638) |
| | | |
| CASH - Beginning of period | 160,035 | 298,673 |
| | | |
| CASH - End of period | $ 478 | $ 160,035 |
| | | |
| SUPPLEMENTAL CASH FLOW DISCLOSURES: | | |
| Payment of interest in cash | $ - | $ 1,247 |
| NON-CASH INVESTING AND FINANCING ACTIVITIES: | | |
| Investment in unconsolidated investee | $ 21,588 | $ - |
| Accrual of contractual dividends on Series A convertible preferred stock | $ 36,000 | $ 40,768 |
| Conversion of convertible bridge notes and accrued interest to 613,451 shares of common stock | $ - | $ 57,664 |

See notes to the consolidated financial statements.

**Q2EARTH INC.**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS**

Q2Earth, Inc. (hereinafter the "Company"), incorporated in Delaware on August 26, 2004, is currently engaged in the business of managing compost and soil manufacturing facilities, and is pursuing a plan of strategic acquisitions and investments in this sector through an unconsolidated investee called Earth Property Holdings LLC, a Delaware limited liability company ("EPH"). Through EPH, the Company completed one acquisition in November 2018 and a second in January 2019. The Company owns a 18.5% equity interest in EPH and manages all of its operations pursuant to an eight-year management contract. The Company previously owned and licensed technology that converts waste fuels and heat to power, which it sold to a licensee in August 2017. Formerly, the Company's name was Q2Power Technologies, Inc., and before that, Anpath Group, Inc. ("Anpath").

Q2Power Corp. (the "Subsidiary" or "Q2P") operated as an R&D company focused on the conversion of waste to energy and other valuable "reuse" products since July 2014. The operations of the Company have from 2014 until early 2017 been essentially those of the Subsidiary. In May 2016, the Company began exploring other synergistic business lines such as compost and soil manufacturing from wastewater biosolids and other waste feedstocks. In 2017, the Company formally shifted its focus from waste-to-energy technology R&D, including selling its technology to a license in August 2017, to facilitating the acquisition of, investment in, and operation of facilities that manufacture compost and sustainable soils from waste resources. The Company is also exploring other technology and business lines in the broader biosciences sector to either add to its soil health line, or transfer into over the following year.

**NOTE 2 – BASIS OF PRESENTATION AND GOING CONCERN**

For the year ended December 31, 2019, the Company used cash in operating activities of $978,057 and incurred a loss of $681,978. The accumulated deficit since inception is $11,049,209, which was comprised of operating losses and other expenses. Additionally, certain of the Company's debentures totaling $165,000 and redeemable convertible preferred stock matured on July 1, 2019 and are currently in default. Management is in discussions with the holders to either extend the maturity dates or find an alternate settlement solution.

As of December 31, 2019, $2,741,908 of our convertible bridge notes, plus accrued and capitalized interest which was $1,046,502 as of December 31, 2019, will mature beginning in March 2020 through October 2020 with an additional $32,910 in principal and accrued interest maturing in 2021; provided however, all bridge note that were due to mature on March 31, 2020 have been extended by agreement with the holders until June 15, 2020.

As of December 31, 2019, the Company had a working capital deficit of $3,791,821

These conditions raise substantial doubt about the Company's ability to continue as a going concern. There is no guarantee whether the Company will be able to generate revenue and/or raise capital sufficient to support its operations. The ability of the Company to continue as a going concern is dependent on management's plans which include implementation of its business model to facilitate the acquisition of and investment in cash-flowing businesses, grow revenue and earnings of those companies which may result in added management fees for the Company, and continue to raise funds for the Company through debt or equity offerings. Alternatively, the Company would need to find another line of business if such current activities cannot support ongoing operations, which may become likely.

The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties. The Company has concluded that EPH is an equity method investment. The primary investor, and not the Company, has ultimate control over major decisions affecting EPH and the greatest economic risk.

On March 31, 2017, the Company completed the first $1,050,000 tranche of a convertible bridge note offering (the "Bridge Offering"). Through the end of 2017, the Company closed an additional $600,000 of follow-on investments in the Bridge Offering. In 2018 and 2019, the Company raised an additional $980,000 and $30,000, respectively, in convertible notes on substantially same terms as the Bridge Offering with three accredited investors and one institutional investor (the "Follow-On Bridge Offering"). As of December 31, 2019, a total principal amount of $2,801,908 and approximately $1,052,322 of accrued interest remains due on the Bridge Offering notes.

In July 2018, the Company signed a Stock Purchase Agreement for the purchase of all of the outstanding capital stock of George B. Wittmer Associates Inc. ("GBWA") of Callahan, Florida, from its sole shareholder. On November 9, 2018, the Company transferred the agreement to acquire GBWA to EPH, and through EPH, consummated the GBWA acquisition. Concurrently with the GBWA closing: (i) the Company signed an eight-year Management Agreement (the "Management Agreement") with EPH to oversee all of the operations of EPH and its acquired subsidiaries for an initial annual fee of $200,000 (which was subsequently increased by amendment to $700,000, $300,000 of which is provided for the management of GBWA); (ii) appointed the Company's CEO and President to serve as President and Secretary, respectively, of EPH; and (iii) pursuant to the terms of EPH's Limited Liability Company Agreement (the "LLC Agreement") acquired 124,999 Class B Membership Units of EPH, equal to 19.9% of the voting interests of EPH, for $50,000. To complete the GBWA acquisition, EPH raised $4.4 million from one institutional investor for 500,000 Class A Membership Units, equal to 80.1% of the voting interest of EPH.

On January 18, 2019, EPH completed its second acquisition of Employee Owned Nursery Enterprises Ltd., a Texas limited partnership d/b/a Organics "by Gosh" ("OBG"). Concurrently with the OBG acquisition, the Company: (i) acquired an additional 53,970 Class B Membership Units in EPH for $21,588 through a subscription payable which is included in accounts payable and accrued expenses on the consolidated balance sheets; and (ii) received an additional annual management fee of $500,000 plus expenses in connection with the transaction.

In May 2019, the Company signed a services agreement with Community Eco Power, LLC ("CECO") to assist that company complete an acquisition of two waste-to-power facilities in New England, and to assist management transition operations over the following six months. The acquisition closed on May 15, 2019. Two of the Company's officers and directors each own minority equity stakes in CECO. The fee for the Company's services was $250,000, all of which was recognized as revenue in 2019.

Our net loss resulted largely from our funding of activities related to the execution of our business strategy of facilitating the acquisition of and investment in and managing compost manufacturing businesses, including conducting due diligence and incurring consulting and professional expenses and hiring additional employees to support these operations, as well as ongoing general and administrative expenses.

Management is aware of the Company's liquidity and going concern issues and is taking steps to improve its negative cashflow. Management may be able to facilitate additional acquisitions through EPH in 2020, and upon the completion of such transactions, may receive additional management fees to oversee the operations of EPH and its subsidiaries. However, this agreement can be terminated at-will by EPH. Further, management is pursuing other revenue producing contracts and opportunities for the Company including licensing or developing soil science and product brands that can generate revenue through sublicenses and soil sales either from EPH or other companies, looking at synergistic business lines in agricultural technology and the broader biosciences sector, and also utilizing its experience in completing acquisitions to help facilitate non-competitive transactions for third parties for a fee.

In the second quarter of 2019, the Company licensed soil technology called ABS from Agrarian Technologies, Inc., for which the Company is currently pursuing sales and distributorship agreements but has not yet been able to generate any material revenue from these activities. The Company pays a minimum royalty under this license agreement to the licensor of $7,500 per quarter, $15,000 of which has been accrued but not paid as of December 31, 2019; and then pays royalties on the sales of the ABS product based on volume sold to the extent such volume royalties exceed the minimum royalties. Management may also seek to raise additional capital through equity and debt offerings.

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Principles of Consolidation**

The consolidated financial statements include the accounts of the Company and its Subsidiary. All significant inter-company transactions and balances have been eliminated in consolidation. References herein to the Company include the Company and its Subsidiary, unless the context otherwise requires.

**Cash**

The Company considers cash, short-term deposits, and other investments with original maturities of no more than ninety days when acquired to be cash and cash equivalents for the purposes of the statement of cash flows. The Company maintains cash balances at two financial institutions and has experienced no losses with respect to amounts on deposit. The Company held no cash equivalents as of December 31, 2019 and 2018.

**Revenue Recognition**

On January 1, 2018, the Company adopted ASC Topic 606, "Revenue from Contracts with Customers ("ASC 606") and all the related amendments. The Company elected to adopt this guidance using the modified retrospective method. The adoption of this guidance did not have a material effect on the Company's financial position, results of operations, or cash flows.

The core principle of ASC 606 requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. ASC 606 defines a five-step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than previously required under U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation.

Revenue for services in 2018 and 2019 included two contracts where the Company was paid for management of related entities. In its review, management identifies that a contract exists with a customer, identifies the performance obligations in the contract, determines the transaction price, allocates the transaction price to the performance obligations in the contract, and then recognizes revenue when the Company satisfies a specific performance obligation. Payments received before all the relevant criteria for revenue recognition are satisfied are recorded as contract liabilities.

The management services to be provided to the Company's related parties are performance obligations satisfied evenly over a period of time. Therefore, revenue from these management service agreements are recognized on a straight-line basis over the service period.

During the year ended December 31, 2019, revenues generated by the Company were from two customers both of which are related to the Company. During the year ended December 31, 2018, revenues generated by the Company were from one customer related to the Company.

**Stock Based Compensation**

The Company applies the fair value method of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 718, "*Share Based Payment*", in accounting for its stock-based compensation. This standard states that compensation cost is measured at the grant date based on the fair value of the award and is recognized over the service period, which is usually the vesting period. The Company values stock-based compensation at the market price for the Company's common stock and other pertinent factors at the grant date.

The Black-Scholes option pricing valuation method is used to determine fair value of stock options consistent with ASC 718, "*Share Based Payment".* Use of this method requires that the Company make assumptions regarding stock volatility, dividend yields, expected term of the awards and risk-free interest rates.

The Company accounts for transactions in which services are received from non-employees in exchange for equity instruments based on the fair value of the equity instruments exchanged, in accordance with ASC 505-50, "*Equity Based payments to Non-employees*". The Company measures the fair value of the equity instruments issued based on the fair value of the Company's stock on contract execution.

**Fair Value Measurement**

The Company measures fair value in accordance with a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure 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). The Company's convertible Bridge Notes are valued by using Monte Carlo Simulation methods and discounted future cash flow models. Where possible, the Company verifies the values produced by its pricing models to market prices. Valuation models require a variety of inputs, including contractual terms, market prices, yield curves, credit spreads, measures of volatility and correlations of such inputs. These convertible Bridge Notes do not trade in liquid markets, and as such, model inputs cannot generally be verified and do involve significant management judgment. Such instruments are typically classified within Level 3 of the fair value hierarchy.

**Equity Method Investment**

Investments in partnerships, joint ventures and less-than majority-owned subsidiaries in which we have significant influence are accounted for under the equity method. The Company's consolidated net income includes the Company's proportionate share of the net income or loss of our equity method investee. When we record our proportionate share of net income, it increases income (loss) — net in our consolidated statements of operations and our carrying value in that investment. Conversely, when we record our proportionate share of a net loss, it decreases income (loss) — net in our consolidated statements of income and our carrying value in that investment. The Company's proportionate share of the net income or loss of our equity method investees includes significant operating and nonoperating items recorded by our equity method investee. These items can have a significant impact on the amount of income (loss) — net in our consolidated statements of operations and our carrying value in those investments.

**Property and Equipment**

Property and equipment are recorded at cost. Depreciation is computed on the straight-line method, based on the estimated useful lives of the assets as follows:

| | Years |
|---|---|
| Furniture and equipment | 7 |
| Computers | 5 |

Expenditures for maintenance and repairs are charged to operations as incurred.

**Income Taxes**

Income taxes are accounted for under the asset and liability method as stipulated by FASB ASC 740, "*Income Taxes*" ("ASC 740"). Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under ASC 740, the effect on deferred tax assets and liabilities or a change in tax rate is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced to estimated amounts to be realized by the use of a valuation allowance. A valuation allowance is applied when in management's view it is more likely than not (50%) that such deferred tax will not be utilized.

In the event that an uncertain tax position exists in which the Company could incur income taxes, the Company would evaluate whether there is a probability that the uncertain tax position taken would be sustained upon examination by the taxing authorities. Reserves for uncertain tax positions would be recorded if the Company determined it is probable that a position would not be sustained upon examination or if payment would have to be made to a taxing authority and the amount is reasonably estimated. As of December 31, 2019, the Company does not believe it has any uncertain tax positions that would result in the Company having a liability to the taxing authorities; however, federal returns have not been filed since the Company's inception in 2014. Such delinquencies are being resolved by management and a retained tax expert. Interest and penalties related to any unrecognized tax benefits is recognized in the consolidated financial statements as a component of income taxes.

**Basic and Diluted Loss Per Share**

Net loss per share is computed by dividing the net loss attributable to common stockholders by the weighted average number of common shares outstanding during the period. Diluted net loss per share is calculated by dividing the net loss attributable to common stockholders by the weighted average number of common shares outstanding during the period plus any potentially dilutive shares related to the issuance of stock options, shares from the issuance of stock warrants, shares issued from the conversion of redeemable convertible preferred stock and shares issued for the conversion of convertible debt.

At December 31, 2019, there were the following potentially dilutive securities that were excluded from diluted net loss per share because their effect would be anti-dilutive: 8,515,480 shares from common stock options, 3,153,845 shares from common stock warrants, 1,650,000 shares from the conversion of debentures, 71,466,785 shares that may be converted from Bridge Notes (based upon an assumed conversion price at December 31, 2019 of $0.084 per share), and 7,486,040 shares from the conversion of redeemable convertible preferred stock (not inclusive of cumulative dividends which may be converted to shares of common stock under certain conditions). At December 31, 2018, there were the following potentially dilutive securities that were excluded from diluted net loss per share because their effect would be anti-dilutive: 8,515,480 shares from common stock options, 5,337,345 shares from common stock warrants, 1,650,000 shares from the conversion of debentures (not inclusive of shares that may be converted from Bridge Notes, as the valuation and corresponding share price were not determinable at such time), 37,970,259 shares that may be converted from Bridge Notes (based upon an assumed conversion price at December 31, 2019 of $0.082 per share) and 7,126,040 shares from the conversion of redeemable convertible preferred stock.

**Significant Estimates**

U.S. Generally Accepted Accounting Principles ("GAAP") requires the Company to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, the reported amounts of revenues and expenses, cash flows and the related footnote disclosures during the period. On an on-going basis, the Company reviews and evaluates its estimates and assumptions, including, but not limited to, those that relate to the fair value of stock based compensation, the fair value of derivative liabilities and convertible bridge notes, and the assessment and recognition of income taxes and contingencies. Actual results could differ from these estimates.

**Recent Accounting Pronouncements**

In February 2016, the FASB issued ASU No. 2016-02, "*Leases (Topic 842)*", requiring management to recognize any right-to-use-asset and lease liability on the statement of financial position for those leases previously classified as operating leases. The criteria used to determine such classification is essentially the same as under the previous guidance, but it is more subjective. The lessee would classify the lease as a finance lease if certain criteria at lease commencement are met. This ASU is effective for fiscal years beginning after December 15, 2018. Effective January 1, 2019 the Company adopted ASU 2016-02 which did not have an impact on the consolidated financial statements of the Company as the Company has no leases that meet the scope of ASC 842.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation – Stock Compensation (Topic 718), Improvements to Nonemployee Share-Based Payment Accounting*, which is intended to simplify the accounting for nonemployee share-based payment transactions by expanding the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. The guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2018. Early adoption is permitted, but no earlier than an entity's adoption date of ASC 606. Effective January 1, 2019 the Company adopted ASC 2018-07 and it did not have an impact on the Company's consolidated financial statements.

In August 2018, the FASB issued guidance that amends fair value disclosure requirements. The guidance removes disclosure requirements on the transfers between Level 1 and Level 2 of the fair value hierarchy in addition to the disclosure requirements on the policy for timing of transfers between levels and the valuation process for Level 3 fair value measurements. The guidance clarifies the measurement uncertainty disclosure and adds disclosure requirements for Level 3 unrealized gains and losses and significant unobservable inputs used to develop Level 3 fair value measurements. The guidance is effective for fiscal years beginning after December 15, 2019. Entities are permitted to early adopt any removed or modified disclosures upon issuance and delay adoption of the additional disclosures until the effective date. The Company is currently evaluating the impact of this new guidance on its consolidated financial statements and disclosures.

**Reclassifications**

Certain reclassifications of prior year amounts have been made to conform to the 2019 presentation. These reclassifications had no effect on net loss or loss per share as previously reported.

**Concentration of Risk**

The Company expects cash to be the asset most likely to subject the Company to concentrations of credit risk. The Company's bank deposits may at times exceed federally insured limits. The Company's policy is to maintain its cash with high credit quality financial institutions to limit its risk of loss exposure.

Approximately 75% of the Company's revenue for the year ended December 31, 2019 was from fees earned from its equity method investment, EPH, under a management agreement. This is currently the Company's primary source of on-going revenue, and that agreement is terminable at will by EPH. See Note 5. The remaining 25% of revenues was earned under the Company's services agreement with CECO in the year ended December 31, 2019. During the years ended December 31, 2019 and 2018, all revenue of the Company was earned from related parties.

## NOTE 4 –PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following:

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Furniture and computers | $ - | $ 1,328 |
| Total | - | 1,328 |
| Accumulated depreciation | - | (974) |
| Net property and equipment | $ - | $ 354 |

Depreciation expense for the years ended December 31, 2019 and 2018 was $354 and $199 respectively.

## NOTE 5 – EQUITY METHOD INVESTMENT

During November 2018, the Company invested $50,000 for a 19.9% Class B limited liability membership interest in EPH and recorded this transaction as an equity method investment due to the Company's ability to exercise significant influence over EPH. The carrying value of the investment in EPH was reduced to zero after recording the proportionate share of the investee's net loss for the 2018 fiscal year. In January 2019, the Company committed an additional $21,588 through a subscription payable to maintain its 19.9% Class B limited liability interests in EPH, after additional Class A units were sold to investors. The Class B units only receive value after all Class A unit holders receive a full return on their investment plus an 8% annual PIK dividend. The $21,588 remains due at December 31, 2019 and is included in accounts payable and accrued expenses on the consolidated balance sheets. The carrying value of the investment remains at zero at December 31, 2019 due to continued losses incurred by EPH. The loss in equity investment has been presented on the consolidated statement of operations for the years ended December 31, 2019 and 2018. There were no distributions received from the equity method investment in 2019 or 2018.

In 2019, EPH issued an additional 70,057 Class A Units in consideration for $616,500 additional investments. The Company did not purchase additional Class B Units during this time, and as a result, its equity stake in EPH was diluted to 18.5%. Management expects this equity percentage to be significantly diluted in the following reporting periods as EPH raises additional capital to further its acquisition strategy. While the Company can invest alongside these new investments, management does not anticipate the Company will have the funds to do so.

For the year ended December 31, 2019, EPH generated unaudited revenue of $10,975,935 and recorded an unaudited net loss of $1,390,292. The net loss was due in material part from fees paid to the Company under its Management Agreement, as well as expenses incurred in connection with an acquisition closing on January 18, 2019, and related funding activities.

See Note 7 for transactions with our equity method investment during the years ended December 31, 2019 and 2018.

## NOTE 6 – CONTRACT LIABILITIES

The Company had no contract liabilities as of December 31, 2019. As of December 31, 2018, the Company had $117,667 of contract liabilities in connection with its management agreement with EPH.

## NOTE 7 – RELATED PARTY TRANSACTIONS

The Company currently maintains an executive office in Florida, which is leased by an investment firm in which the Company's President previously served as an officer but never held any equity or voting rights. The Company has no formal agreement for this space and pays no rent.

In May 2018, the Company received $12,500 from its Chief Executive Officer and a Director in the Follow-On Bridge Offering (see Note 9).

During the years ended December 31, 2019 and 2018, the Company received an additional $549,000 and $151,000 from its equity method investee (see Note 5) for prepaid management fees. As of December 31, 2019 and 2018, $0 and $117,667 of these prepaid management fees remain as contract liabilities. During the years ended December 31, 2019 and 2018, the Company recognized $666,667 and $33,333 as revenues based on the service period which have been presented as revenues – related parties on the consolidated statement of operations.

During the year ended December 31, 2019, the Company received $788,500 from EPH under multiple demand notes payable with interest payable at 6% annually. This has been presented as note payable – related party on the consolidated balance sheets. As of December 31, 2019, accrued interest on these notes payable was $15,426 as presented on the consolidated balance sheets.

During the year ended December 31, 2019, the Company earned $250,000 in service fees under its management agreement with CECO which have been presented as revenues – related parties on the consolidated statement of operations. Two of the Company's officers and directors each own minority equity stakes in CECO.

During the years ended December 31, 2019 and 2018, the Company incurred approximately $12,00 and $48,000, in legal fees with a law firm in which the Company's audit committee chair is an employee. As of December 31, 2019 and 2018, accounts payable and accrued expenses include $10,575 and $30,000, respectively, for legal fees due to the law firm for services.

In May 2019, the Company signed a worldwide, exclusive license agreement with Agrarian Technologies LLC and its affiliates ("Agrarian") to sell Agrarian's proprietary bio-stimulant. The license also provides the Company with the exclusive rights to market soil and mulch products under the Wild Earth® and Mulch Masters® federally registered trademarks. As part of the transaction, the Company hired the principal owner of Agrarian and inventor of its technology to serve as the Company's vice president of product development ("VP"). The license agreement provides the Company exclusivity for the Agrarian technology for the longer of two years or the term of the VP with the Company plus an additional two years; provided however, if VP is terminated without cause, such exclusivity would concurrently terminate. The license agreement requires quarterly licensing fees based on a percentage of sales and a minimum fee of $30,000 per year paid quarterly. As of December 31, 2019, $15,000 of license fees have been accrued and included in accounts payable and accrued expenses on the consolidated balance sheets.

**NOTE 8 – NOTES PAYABLE AND DEBENTURES**

In March 2017, the Company entered into a Modification and Extension Agreement with two holders of its Original Issue Discount Senior Secured Convertible Debentures (the "Debentures") to extend the maturity date to July 31, 2017, reset the conversion price from $0.21 to $0.15, and waive any defaults under the Debentures from the expiration of the maturity date or otherwise. In March 2018, the Company and holders extended the maturity date of the Debentures until July 31, 2018 in return for a reduction of the conversion price to $0.10 per share. In March 2019, the Company and the holders again extended the maturity date of the debentures to July 1, 2019 for no additional consideration. The exercise price of the warrants that were issued with the Debentures (the "Warrants"), which had been reset to $0.50 per verbal agreement of the parties in the third quarter of 2016, was formally documented under the March 2017 modification agreement. The Debentures do not bear interest but contain an Original Issue Discount of $20,750. All assets of the Company are secured under the Debentures, including our Subsidiary and its assets. The Debentures and Warrants contain certain anti-dilutive protection provisions in the instance that the Company issues stock at a price below the stated conversion price of the Debentures, as well as other standard protections for the holder. As of December 31, 2019 and 2018, the aggregate outstanding principal amount of the two Debentures was $165,000. The Debentures are currently in default and the Company is in negotiations with the holders to reach a new modification agreement or other resolution. If a resolution cannot be reached, the holder can accelerate all payments due, demand default interest, foreclose on the assets of the Company, or pursue other legal remedies available to it. The Warrants expired in 2019.

On March 31, 2017, the Company closed the initial $1,050,000 tranche in a convertible promissory note (the "Bridge Notes") offering (collectively, the "Bridge Offering"). In addition, as part of that initial closing, three of the Company's directors converted $156,368 and one shareholder converted $11,784 of prior notes and cash advances, including interest thereon, into the Bridge Offering. As of the end of 2017, an additional $600,000 was raised under the Bridge Offering and $23,756 of additional prior notes were converted into this round. In 2018, the Company raised an additional $980,000 in Follow-On Bridge Offering notes on substantially same terms as the Bridge Offering (but with a two-year maturity) with three accredited investors, one being our Chief Executive Officer and another a Director who each entered into a $12,500 Bridge Note, and one institutional investor. In 2019, one of these investors provided an additional $30,000 in Bridge Notes. In June 2018, one of the original Bridge Notes for $50,000 plus $7,664 accrued interest was converted by its holder into 613,451 shares of common stock.

The Bridge Notes from the Bridge Offering and the Follow-On Bridge Offering conducted in 2018 and 2019 convert at a 50% discount to the post-funding valuation of the Company at the closing of its next offering in the minimum amount of $5,000,000 (the "Equity Offering"). The conversion valuation has a ceiling of $12,000,000, and a "floor" company value of $6,000,000 in the event there is no Equity Offering before the Bridge Notes are able to be converted. As of the date of filing, the Company has not completed an Equity Offering defined in the Bridge Notes.

Pursuant to ASC 825-10-25-1, Fair Value Option, the Company made an irrevocable election at the time of issuance to report the Bridge Notes at fair value, with changes in fair value recorded through the Company's consolidated statements of operations as other income (expense) in each reporting period. The fair value recorded as of December 31, 2019 was $2,473,000 (see Note 9) and the principal amount due was $2,801,908. The change in fair value resulted in a gain for the year ended December 31, 2019 of $1,057,877. The fair value recorded as of December 31, 2018 was $2,960,000 (see Note 9) and the principal amount due was $2,771,908. The change in fair value resulted in a gain for the year ended December 31, 2018 of $1,576,482.

The Bridge Notes are currently convertible into common stock, or preferred stock if received by investors in the Equity Offering, at the discretion of each holder based on the conversion formula provided in the Bridge Notes. Maturity is 36 months from issuance (24 for the subsequently issued Follow-On Bridge Notes) with 15% annual interest which will be capitalized each year into the principal of the Bridge Notes and paid in kind.

As of March 31, 2020, approximately 23 of the Bridge Notes with a principal balance of $1,743,256 were due to mature. The Company received extensions from the holders of the maturity date until June 15, 2020. No additional consideration was paid to the holders for their agreement to extend the maturity date.

**NOTE 9 – FAIR VALUE MEASUREMENT**

The Company measures fair value in accordance with a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure 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). The three levels of the fair value hierarchy are described below:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

As disclosed in Note 8, the Bridge Notes are reported at fair value, with changes in fair value recorded through the Company's consolidated statements of operations as other income (expense) in each reporting period.

The following tables set forth the Company's consolidated financial assets and liabilities measured at fair value by level within the fair value hierarchy at December 31, 2019 and 2018. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

| | Fair value at December 31, 2019 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Convertible Bridge Notes | $ 2,473,000 | $ - | $ - | $ 2,473,000 |
| Total | $ 2,473,000 | $ - | $ - | $ 2,473,000 |

| | Fair value at December 31, 2018 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Convertible Bridge Notes | $ 2,960,000 | $ - | $ - | $ 2,960,000 |
| Total | $ 2,960,000 | $ - | $ - | $ 2,960,000 |

The following tables present a reconciliation of the beginning and ending balances of items measured at fair value on a recurring basis that use significant unobservable inputs (Level 3) and the related realized and unrealized gains (losses) recorded in the consolidated statement of operations during the periods.

| | | Year Ended December 31, 2019 |
|---|---|---|
| Fair value, December 31, 2018 | $ | 2,960,000 |
| Issuances of debt | | 30,000 |
| Accrued interest | | 535,877 |
| Amortization of debt issuance costs | | 5,000 |
| Net unrealized gain on convertible bridge notes | | (1,057,877) |
| Fair value, December 31, 2019 | $ | 2,473,000 |

| | | Year Ended December 31, 2018 |
|---|---|---|
| Fair value, December 31, 2017 | $ | 3,270,000 |
| Issuances of debt | | 980,000 |
| Accrued interest | | 339,146 |
| Conversions of debt and accrued interest to shares of common stock | | (57,664) |
| Amortization of debt issuance costs | | 5,000 |
| Net unrealized gain on convertible bridge notes | | (1,576,482) |
| Fair value, December 31, 2018 | $ | 2,960,000 |

The Company's convertible Bridge Notes are valued by using Monte Carlo Simulation methods and discounted future cash flow models. Where possible, the Company verifies the values produced by its pricing models to market prices. Valuation models require a variety of inputs, including contractual terms, market prices, yield curves, credit spreads, measures of volatility and correlations of such inputs. These convertible Bridge Notes do not trade in liquid markets, and as such, model inputs cannot generally be verified and do involve significant management judgment. Such instruments are typically classified within Level 3 of the fair value hierarchy. The following assumptions were used to value the Company's convertible Bridge Notes at December 31, 2019: dividend yield of -0-%, volatility of 160.8%, risk free rate of 1.55% and an expected term of .25 years. The fair value of the Bridge Note was estimated based on the present value expected future cash flows using a discount rate of 20%. The following assumptions were used to value the Company's convertible Bridge Notes at December 31, 2018: dividend yield of -0-%, volatility of 170%, risk free rate of 2.59% and an expected term of 1.25 years. The fair value of the Bridge Note was estimated based on the present value expected future cash flows using a discount rate of 20%.

## NOTE 10 – INCOME TAXES

A reconciliation of the differences between the effective income tax rates and the statutory federal tax rates for the years ended December 31, 2019 and 2018 (computed by applying the U.S. Federal corporate tax rate of 21 percent to the loss before taxes) is as follows:

| | 2019 | 2018 |
|---|---|---|
| Tax benefit at U.S. statutory rate | $ 143,216 | $ 72,924 |
| State taxes, net of federal benefit | 35,189 | 15,088 |
| Change in fair value of convertible bridge notes and derivatives | 222,129 | 339,559 |
| Other permanent differences | 37,509 | 2,551 |
| Change in valuation allowance | (438,042) | (490,122) |
| | $ — | $ — |

The tax effect of temporary differences that give rise to significant portions of the deferred tax assets and liabilities for the years ended December 31, 2019 and 2018 consisted of the following:

| | 2019 | 2018 |
|---|---|---|
| Net operating loss carry-forward | $ 2,229,303 | $ 1,830,186 |
| Accrued expenses | 87,888 | 46,069 |
| Stock based compensation | 44,861 | 44,861 |
| Deferred revenue | — | 2,551 |
| Depreciation expense | — | 343 |
| Net deferred tax assets | 2,362,052 | 1,924,010 |
| Valuation allowance | (2,362,052) | (1,924,010) |
| Total net deferred tax asset | $ — | $ — |

On December 22, 2017, the United States signed into law the Tax Cuts and Jobs Act (the "Act"), a tax reform bill which, among other items, reduces the current federal income tax rate to 21% from 34%. The rate reduction is effective January 1, 2018, and is permanent.

At December 31, 2019 and 2018, the Company had net deferred tax assets of $2,362,052 and $1,924,010 principally arising from net operating loss carry-forwards for income tax purposes ("NOLs"). As management of the Company cannot determine that it is more likely than not that the Company will realize the benefit of the net deferred tax asset, a valuation allowance equal to the net deferred tax asset has been established at December 31, 2019 and 2018. At December 31, 2019, the Company has net operating loss carry forwards totaling approximately $8,795,000. The potential tax benefit arising from the NOLs of approximately $5,474,000 from the period prior to the Act's effective date will begin to expire in 2034. The potential tax benefit arising from the net operating loss carryforward of approximately $3,321,000 generated from the period following the Act's effective date can be carried forward indefinitely within the annual usage limitations. The Company is delinquent in filing its federal tax returns for several of the previous year periods since inception. Therefore, all tax years since the Company's inception remain open for examination. Management has retained a tax professional to assist in bringing these filings current.

The Company's NOL and tax credit carryovers may be significantly limited under the Internal Revenue Code ("IRC"). NOL and tax credit carryovers are limited under Section 382 when there is a significant "ownership change" as defined in the IRC. During the year ended December 31, 2019 and in prior years, the Company may have experienced such ownership changes, which could impose such limitations.

The limitations imposed by the IRC would place an annual limitation on the amount of NOL and tax credit carryovers that can be utilized. When the Company completes the necessary studies, the amount of NOL carryovers available may be reduced significantly. However, since the valuation allowance fully reserves for all available carryovers, the effect of the reduction would be offset by a reduction in the valuation allowance.

**NOTE 11 – COMMON STOCK, PREFERRED STOCK AND WARRANTS**

**Common Stock**

The Company did not issue any common shares in 2019. In 2018, the Company issued 3,000,000 fully vested shares of common stock in connection with a seven-month services agreement that ended March 31, 2019. The Company measured the fair value of the common stock issued based on the market price on contract execution date as no specific performance by the grantee is required to retain the issued shares. For the years ended December 31, 2019 and 2018, we recognized $115,714 and $154,286 of compensation expense for this service agreement based on the total fair value of shares issued of $270,000 and the term of the service agreement.

The Company also issued 613,451 shares of common stock in 2018 in connection with the conversion of $50,000 of principal plus $7,664 of interest on the Bridge Notes (see Note 8).

**Redeemable Convertible Preferred Stock**

The Company has 600 shares of Preferred Stock issued and outstanding, which currently are convertible at $0.10 per share of the Company's common stock (the "Conversion Price"), as per the terms of a March 2018 Modification and Extension Agreement (the "2018 Modification"). The Preferred Stock bears a 6% dividend per annum, calculable and payable per quarter in cash or additional shares of common stock as determined in the Certificate of Designation. The Preferred Stock has no voting rights until converted to common stock and has a liquidation preference equal to the aggregate purchase price of $600,000 plus accrued dividends. In December 2017 and January 2018, the Company was obligated to redeem all of the then outstanding Preferred Stock, for an amount in cash equal to the Two Year Redemption Amount (such redemption, the "Two Year Redemption"). The Company extended the redemption date to July 1, 2019 pursuant to a new modification agreement signed in March 2019. The Preferred Stock is currently in default, and the Company is negotiating a modification with the holders. If a resolution cannot be reached, the holder can accelerate the redemption due, foreclose on the assets of the Company, or pursue other legal remedies available to it. Each share of Preferred Stock received warrants (the "Warrants") equal to one-half of the Purchase Price to purchase common stock in the Company exercisable for five years following closing, currently exercisable at a price of $0.50 per share.

The Preferred Stock has price protection provisions in the case that the Company issues any shares of stock not pursuant to an "Exempt Issuance" at a price below the Conversion Price. Exempt Issuances include: (i) shares of Common Stock or common stock equivalents issued pursuant to the original merger of the company or any funding contemplated by that transaction; (ii) any common stock or convertible securities outstanding as of the date of closing; (iii) common stock or common stock equivalents issued in connection with strategic acquisitions; (iv) shares of common stock or equivalents issued to employees, directors or consultants pursuant to a plan, subject to limitations in amount and price; and (v) other similar transactions. The Certificate of Designation contains restrictive covenants not to incur certain debt, repurchase shares of common stock, pay dividends or enter into certain transactions with affiliates without consent of holders of 67% of the Preferred Stock. The holders of the Preferred Stock consented to the Bridge Offering.

Management has determined that the Preferred Stock is more akin to a debt security than equity primarily because it contains a mandatory 2-year redemption at the option of the holder, which only occurs if the Preferred Stock is not converted to common stock. Therefore, management has presented the Preferred Stock outside of permanent equity as mezzanine equity, which does not factor into the totals of either liabilities or equity.

The Preferred Stock carries a 6% per annum dividend calculated on the stated value of the stock and is cumulative and payable quarterly beginning July 1, 2016. These dividends are accrued at each reporting period. They add to the redemption value of the stock; however, as the Company shows an accumulated deficit, the charge has been recognized in additional paid-in capital.

**Warrants**

During the year ended December 31, 2019 and 2018, the Company did not issue any warrants and 2,033,500 and 0 warrants expired, respectively.The following is a summary of all outstanding common stock warrants as of December 31, 2019:

| | Number of Warrants | Exercise price per share | Average remaining term in years |
|---|---|---|---|
| Warrants issued in connection with issuance of Preferred Stock | 1,153,845 | $ 0.50 | 0.95 |
| Warrants issued in connection with a services contract | 1,000,000 | $ 0.20 | 0.48 |
| Warrants issued in connection with a services contract | 1,000,000 | $ 0.35 | 0.48 |

During the year ended December 31, 2018, we committed to issuing warrants to purchase 150,000 shares of common stock at $.04 per share and expiring in five years, to one of our consultants prior to the consummation of any merger or equity financing of more than $1,000,000. These warrants are provisional and are not considered outstanding or granted as of December 31, 2019.

**NOTE 12 – STOCK OPTIONS AND RESTRICTED STOCK UNITS**

On July 31, 2014, the Board of Directors of Q2P approved the Founders Stock Option Plan ("Founders Plan") and the 2014 Employee Stock Option Plan (the "2014 Plan"), collectively the "Option Plans". The Option Plans were developed to provide a means whereby directors and selected employees, officers, consultants, and advisors of the Company may be granted incentive or non-qualified stock options to purchase restricted common stock of the Company. On February 25, 2016, to accommodate the appointment of new Board members and additional incentive stock options and stock grants to key employees of the Company, the Board approved the 2016 Omnibus Equity Incentive Plan ("2016 Plan"), which allowed for an additional four million shares of common stock, stock options, stock rights (restricted stock units), or stock appreciation rights to be granted by the Board in its discretion. This authorized amount was increased to 10 million shares by Board resolution and amendment to the 2016 Plan in 2017. The 2016 Plan, as amended, was approved by the Company's shareholders in January 2020.

The Company did not issue any stock options or equity compensation in 2019.In June 2018, the Company issued a total of 1,600,000 common stock options under the 2016 Plan to three independent Board members and one Board observer. The options vested one-half immediately and the balance in 6 months, with a 10-year term and exercisable at $0.10 per share. The options were valued at $64,440 (pursuant to the Black Scholes valuation model, and as shown in the table detailing the calculation of fair value below), based on an exercise price of $0.10 per share and estimated expected term of 3.0 years.

**Option Repricing**

On July 13, 2018, the compensation committee of the Company's Board of Directors, approved a one-time stock option repricing program (the "Option Repricing") to permit the Company to reprice certain options to purchase the Company's Common Stock held by its current directors, officers and employees (the "Eligible Options"), which actions became effective on July 13, 2018. Under the Option Repricing, as of the date the Option Repricing became effective, Eligible Options with an exercise price at or above $0.21 per share (representing an aggregate of 5,331,000 options, or 59% of the total outstanding) were amended to reduce such exercise price to $0.10.

The impact of the repricing was a one-time incremental non-cash charge of approximately $49,722, which was recorded as stock option expense in 2018. An additional $333 of expense is being charged to operations over the remaining term of the options.

Total stock-based compensation to employees and non-employees for the year ended December 31, 2018 was $177,178. There was no stock-based compensation recognized in 2019 related to stock options.

A summary of the common stock options issued under the Option Plans and the 2016 Plan for the period from December 31, 2018 through December 31, 2019 follows:

| | Number Outstanding | Weighted Avg. Exercise Price | Weighted Avg. Remaining Contractual Life (Years) |
|---|---|---|---|
| Balance, December 31, 2017 | 6,915,480 | $ 0.21 | 4.6 |
| Options issued | 1,600,000 | 0.10 | 8.3 |
| Options exercised | - | | |
| Options cancelled | - | | |
| Balance, December 31, 2018 | 8,515,480 | $ 0.12 | 5.5 |
| Balance, December 31, 2019 | 8,515,480 | $ 0.12 | 4.5 |

The vested and exercisable options at period end follows:

| | Exercisable/ Vested Options Outstanding | Weighted Avg. Exercise Price | Weighted Avg. Remaining Contractual Life (Years) |
|---|---|---|---|
| Balance, December 31, 2019 | 8,515,480 | $ 0.19 | 5.00 |

The fair value of new stock options granted and repriced stock options using the Black-Scholes option pricing model was calculated using the following assumptions for the year ended December 31, 2018:

| | Year Ended December 31, 2018 |
|---|---|
| Risk free interest rate | 2.61 – 2.66% |
| Expected volatility | 131.4% |
| Expected dividend yield | 0% |
| Expected term in years | 3.0 |
| Average value per options | $ 0.04 – 0.05 |

Expected volatility is based on historical volatility of a group of 5 comparable companies, due to the low trading volume of the Company's own stock. Short Term U.S. Treasury rates were utilized as the risk-free interest rate. The expected term of the options was calculated using the alternative simplified method codified as ASC 718 "*Accounting for Stock Based Compensation,*" which defined the expected life as the average of the contractual term of the options and the weighted average vesting period for all issuances.

**NOTE 13 – COMMITMENTS AND CONTINGENCIES**

When the Company sold the ESI subsidiary to three former shareholders following the 2015 Merger, that company had a judgment against it from a litigation brought in the Superior Court of the County of Iredell, North Carolina, seeking payment of wages of approximately $25,000, together with vacation pay, the value of health insurance benefits and medical expenses. On April 10, 2015, the Court entered judgment against ESI in favor of the plaintiff. Claims made by the plaintiff against AnPath (the Company at that time) and certain of the officers and directors of Anpath at that time were dismissed by the Court. The Company does not believe it has any liability in this matter, and that the judgment was properly retained by ESI in the sale; however, the judgment is to the knowledge of management still outstanding and management cannot guaranty that it will not be brought back into the litigation or collection efforts in the future.

In April 2017, the Company entered into two Employment Agreements, the first with its Chairman and, as of July 2017, CEO; and the second with its previous CEO and, as of July 2017, President and General Counsel. The annual salaries under these Employment Agreements are $350,000 and $220,000, respectively, and agreements have provisions for severances in the instance either executive is terminated without cause or after a change in control (24 months for the CEO and 12 months for the President).

Pursuant to a services agreement signed in 2018, an additional 150,000 warrants with a five-year term and exercisable at $0.04 per share are issuable to the provider but were not formally issued in 2018 or 2019 and are not considered outstanding.

As disclosed in Note 7, in May 2019, the Company signed a worldwide, exclusive license agreement with Agrarian Technologies LLC and its affiliates ("Agrarian") to sell Agrarian's proprietary ABS bio-stimulant, an organic, natural compound designed to enhance root formation, increase vascular strength and promote overall plant health through the entire growth cycle. The license also provides the Company with the exclusive rights to market soil and mulch products under the Wild Earth® and Mulch Masters® federally registered trademarks. The agreement is 10-years with renewal terms, and provides Agrarian royalties based on the sale of the ABS formula including minimum annual guarantees of $30,000 paid quarterly.

**NOTE 14 - SUBSEQUENT EVENTS**

In January 2020, the Board hereby authorized an award of 1 million common stock options each to two of the Company's independent directors, and 500,000 common stock options each to another independent director and Board observer, all at an exercise strike price of $0.02, vesting immediately and with a 10 year term. In addition the Board approved a reduction of the exercise price for all outstanding stock options held by the Board and executive officers to $0.02 per share, and an amendment to their terms to provide that such options shall not terminate or expire if such individuals are removed, resign or are otherwise replaced on the Board or in their officer positions, unless such removal is for cause.

In January 2020, the Board appointed Douglas R. Baum as a director of Q2Earth, effective immediately. Mr. Baum was granted a 5-year option to purchase 200,000 shares of the Company's commons stock exercisable at $0.02 per share. The options vest one-half in 12 months and the balance in 24 months.

In January 2020, the Company issued 5 million restricted common shares to a service provider pursuant to a six month investor relations agreement.

On February 7, 2020, the Company held a Special Meeting of Stockholders (the "Special Meeting") in Florida. The final results of voting for each matter submitted to a vote were as follows:

- The proposal to amend the Company's Certificate of Incorporation (the "Charter") to increase the authorized number of our shares of Common Stock from 100,000,000 to 300,000,000 shares was approved with a vote of 30,938,676 shares FOR and 4,172,313 shares AGAINST the proposal.

- The proposal to amend the Company's Charter to effect a reverse stock split of the outstanding shares of the Company's Common Stock by a ratio of not less than 1:2 shares and not more than 1:25 shares, with the exact ratio to be set at a whole number within this range by the Board of Directors of the Company in its sole discretion, was approved with a vote of 32,034,165 shares FOR and 3,072,686 shares AGAINST the proposal.

- The proposal to adopt the Amended Omnibus Equity Incentive Plan was approved with a vote of 25,594,768 shares FOR and 2,333,068 shares AGAINST the proposal, with 455,735 shares abstaining from the vote.

As of April 14, 2020, the Company has not yet filed amendments to its Charter to increase the number of authorized Common Stock or to institute a reverse split.

Exhibit 21.1

**Subsidiaries**

Q2Power Corp., a Delaware corporation

**Exhibit 31.1**

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Kevin Bolin, certify that:

1. I have reviewed this annual report on Form 10-K of Q2Earth Inc. for the year ending December 31, 2019;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: April 14, 2020

*By: /s/ Kevin Bolin*
Kevin Bolin
Chief Executive Officer
(Principal Executive Officer)

**Exhibit 31.2**

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER**
**PURSUANT TO 18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO SECTION 302 OF THE**
**SARBANES-OXLEY ACT OF 2002**

I, Kevin Bolin, certify that:

1. I have reviewed this annual report on Form 10-K of Q2Earth Inc. for the year ending December 31, 2019;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: April 14, 2020

By: */s/ Kevin Bolin*
Kevin Bolin
Principal Accounting Officer

**Exhibit 32.1**

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND
PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K for Q2Earth Inc., (the "Company") for the year ended December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Kevin Bolin, Chief Executive Officer and Principal Accounting Officer of the Company, certifies pursuant to 18 U.S.C. section 1350 of the Sarbanes-Oxley Act of 2002 that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

April 14, 2020

By: */s/ Kevin Bolin*
Kevin Bolin
Chief Executive Officer
(Principal Executive Officer and Principal Accounting Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.