

PERVASIP CORP. AND SUBSIDIARIES
UNAUDITED
CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE
YEAR ENDED NOVEMBER 30, 2019

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PERVASIP CORP. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED BALANCE SHEET
AS OF NOVEMBER 30, 2019

	<u>2019</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 758
Note receivable	522,667
Other current assets	<u>1,814</u>
Total current assets	525,239
Investments	<u>-</u>
Total assets	<u>\$ 525,239</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT	
Current liabilities:	
Current portion of long-term debt, net of discounts of \$59,899	\$ 10,210,935
Accounts payable and other current liabilities	3,203,781
Accounts payable and other current liabilities - related party	1,139,713
Related party debt	1,092,651
Derivative liabilities	118,025
Total current liabilities	<u>15,765,105</u>
Long-term debt less current portion	<u>-</u>
Total liabilities	<u>15,765,105</u>
Commitments and contingencies	<u>-</u>
Stockholders' deficit:	
Preferred stock, \$0.00001 par value; 634,551 shares authorized,	
Convertible preferred stock, \$0.00001 par value; 20,634,561 authorized	
Series E: 10 and 0 shares issued and outstanding, respectively	1
Series F: 10,000,000 and 0 shares issued and outstanding	100
Series G: 10,000,000 and 0 shares issued and outstanding	100
Common stock, \$0.00001 par value; 8,978,999,990 shares authorized, 4,778,006,249 shares issued and outstanding	47,780
Capital in excess of par value	44,491,660
Accumulated deficit	(59,779,507)
Total stockholder's deficit	<u>(15,239,866)</u>
Total liabilities and stockholders' deficit	<u>\$ 525,239</u>

See accompanying notes to consolidated financial statements.

PERVASIP CORP. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED NOVEMBER 30, 2019

	<u>2019</u>
Revenues	\$ 64,301
Costs of services	<u>53,704</u>
Gross profit	10,597
Cost and expenses:	
Professional services	5,400
Selling, general and administrative	<u>6,842</u>
Total costs and expenses	<u>12,242</u>
Operating income (loss)	<u>(1,645)</u>
Other income (expense):	
Interest expense	(1,407,218)
Interest income	118,767
Net gain on extinguishment of liabilities	2,583,988
Gain on disposal of subsidiary	<u>1,145,082</u>
Total other income	<u>2,440,619</u>
Net income before taxes	2,438,974
Income taxes	-
Net income	<u>\$ 2,438,974</u>
Basic earnings per share	<u>\$ 0.00</u>
Diluted earnings per share	<u>\$ 0.00</u>
Weighted average number of shares outstanding:	
Basic	<u>4,778,006,249</u>
Diluted	<u>9,409,494,608</u>

See accompanying notes to consolidated financial statements.

PERVASIP CORP. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT
FOR THE YEAR ENDED NOVEMBER 30, 2019

	<u>Preferred Stock</u>		<u>Common Stock</u>					
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Capital in Excess of Par Value</u>	<u>Accumulated Deficit</u>	<u>Total Stockholders' Deficit</u>	
Balance, December 1, 2018	20,100,000	\$ 201	4,778,006,249	\$ 47,780	\$ 44,491,660	\$ (62,218,481)	\$ (17,678,840)	
Net income						2,438,974	2,438,974	
Balance, November 30, 2019	<u>20,100,000</u>	<u>\$ 201</u>	<u>4,778,006,249</u>	<u>\$ 47,780</u>	<u>\$ 44,491,660</u>	<u>\$ (59,779,507)</u>	<u>\$ (15,239,866)</u>	

See accompanying notes to consolidated financial statements.

PERVASIP CORP. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED NOVEMBER 30, 2019

	Year Ended November 30, 2019
Cash flows from operating activities	
Net income	\$ 2,438,974
Adjustments to reconcile net income to net cash used in operating activities:	
Amortization of debt discount	102,644
Gain on settlement of liabilities	-
Extinguishment of liabilities	(2,583,988)
Gain on divestiture of subsidiary	(1,145,082)
Changes in operating assets and liabilities:	
Note receivable	345,729
Other receivables	-
Accounts payable, other current liabilities	723,988
Accounts payable, other current liabilities – related party	117,970
Net cash provided by operating activities	235
Cash flows from investing activities:	
	-
Net cash provided by investing activities	-
Cash flows from financing activities	
	-
Net cash provided by financing activities	-
Net increase in cash	235
Cash at beginning of the year	523
Cash at end of the year	\$ 758
Supplemental disclosure of cash flow information:	
Cash paid during the period for:	
Income taxes	\$ —
Interest	\$ —

See accompanying notes to consolidated financial statements.

PERVASIP CORP. AND SUBSIDIARIES

UNAUDITED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED NOVEMBER 30, 2019

1. Description of Business and Summary of Accounting Policies

Description of Business

Pervasip Corp. (“Pervasip”, or the “Company”) operates a website at privateequitymarkets.us that features publicly traded companies and highlights the mining, technology bio-tech, greentech and cannabis industries. It sells advertising space to these companies and provides other services such as press release distribution, news feeds and online marketing. As of November 30, 2019, it owned three subsidiaries, Canalytix WA LLC, AVI Holding Corp and Telcosoftware.com Corp.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries after elimination of significant intercompany balances and transactions. The Company uses the accrual basis of accounting and accounting principles generally accepted in the United States of America. The Company has a November 30 fiscal year end.

Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The most significant estimates relate to the derivative liabilities, the income tax valuation allowance, and the allowance for doubtful notes and accounts receivable. On a continual basis, management reviews its estimates, utilizing currently available information, changes in facts and circumstances, historical experience and reasonable assumptions. After such reviews, and if deemed appropriate, those estimates are adjusted accordingly. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less to be cash equivalents. The Company has no cash equivalents. The Company uses one financial institution for its cash balances and has not maintained cash balances that exceed federally insured limits.

Investments

The Company adopted FASB ASU No. 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* (“ASU 2016-01”), which updates certain aspects of the recognition, measurement, presentation and disclosure of financial instruments. The adoption of ASU 2016-01 did not have a material impact on the Company’s consolidated financial statements.

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)." Topic 606 established that the Company recognize revenue using the following five-step model:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;

- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when or as, the Company satisfies a performance obligation.

The Company identifies performance obligations in contracts with customers, which primarily are professional services. The transaction price is determined based on the amount the Company expects to be entitled to receive in exchange for transferring the promised services to the customer. The transaction price in the contract is allocated to each distinct performance obligation in an amount that represents the relative amount of consideration expected to be received in exchange for satisfying each performance obligation. Revenue is recognized when performance obligations are satisfied. The Company usually bills its customers before it provides any services and begins performing services after the first payment is received. Contracts are typically one year or less. For larger contracts, in addition to the initial payment, the Company may allow for progress payments throughout the term of the contract.

Judgments and Estimates

The estimation of variable consideration for each performance obligation requires the Company to make subjective judgments. The Company occasionally enters contracts with customers that regularly include promises to transfer multiple services, such as digital marketing and consulting services. For arrangements with multiple services, the Company evaluates whether the individual services qualify as distinct performance obligations. In its assessment of whether a service is a distinct performance obligation, the Company determines whether the customer can benefit from the service on its own or with other readily available resources, and whether the service is separately identifiable from other services in the contract. This evaluation requires the Company to assess the nature of each individual service offering and how the services are provided in the context of the contract, including whether the services are significantly integrated, highly interrelated, or significantly modify each other, which may require judgment based on the facts and circumstances of the contract.

If an agreement involves multiple distinct performance obligations, the Company allocates arrangement consideration to all performance obligations at the inception of an arrangement based on the relative standalone selling prices (“SSP”) of each performance obligation. Where the Company has standalone sales data for its performance obligations which are indicative of the price at which the Company sells a promised service separately to a customer, such data is used to establish SSP. In instances where standalone sales data is not available for a particular performance obligation, the Company estimates SSP by the use of observable market and cost-based inputs. The Company continues to review the factors used to establish list price and will adjust standalone selling price methodologies as necessary on a prospective basis.

Service Revenue

Service revenue from the Company's web-based advertising service is recognized when the service has been provided. The service is the building of a tombstone ad and a separate web page for the customer and the service typically takes less than one day to provide. Payments received in advance of subscription services being rendered are recorded as a deferred revenue. When a contract with a customer is entered, the Company assesses whether collection of the fees under the arrangement is probable. The Company estimates the amount to reserve for uncollectible amounts based on the aging of the contract balance, current and historical customer trends, and communications with its customers. These reserves are recorded as operating expenses against the contract asset.

Contract Assets

Contract assets are recorded for those parts of the contract consideration not yet invoiced but for which the performance obligations are completed. The revenue is recognized when the customer receives services. Contract assets are included in other current or non-current assets in the consolidated balance sheets, depending on if their reduction will be recognized during the succeeding twelve-month period or beyond.

Deferred Revenue

Deferred revenues represent billings or payments received in advance of revenue recognition and are recognized upon transfer of control. Balances consist primarily of prepaid services not yet provided as of the balance sheet date. Deferred revenues that will be recognized during the succeeding twelve-month period are recorded as current deferred revenues in the consolidated balance sheets, with the remainder recorded as other non-current liabilities in the consolidated balance sheets.

Costs to Obtain a Customer Contract

Sales commissions and related expenses are considered incremental and recoverable costs of acquiring customer contracts. These costs are capitalized as other current or non-current assets and amortized on a straight-line basis over the life of the contract, which approximates the benefit period. The benefit period was estimated by taking into consideration the length of customer contracts, technology lifecycle, and other factors. All sales commissions are recorded as consulting fees within the Company's consolidated statement of operations.

Remaining Performance Obligations

The Company's subscription terms are typically less than one year. All of the Company's revenues are considered contract revenues. As of November 30, 2019 there is no contract revenue which has not yet been recognized.

Cost of Services

Cost of services consist of direct costs that we pay to third parties in order to provide the services that generate revenue.

Fair Value of Financial Instruments

Under the Fair Value Measurements Topic of the FASB Accounting Standards Codification, the Company bases its fair value on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is the Company's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy. Fair value measurements for assets and liabilities where there exists limited or no observable market data and, therefore, are based primarily upon management's own estimates, are often calculated based on current pricing policy, the economic and competitive environment, the characteristics of the asset or liability and other such factors. Therefore, the results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset or liability. Additionally, there may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, that could significantly affect the results of current or future value.

Impairment of long-lived assets

The Company periodically reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. The Company recognizes an impairment loss when the sum of expected undiscounted future cash flows is less than the carrying amount of the asset. The amount of impairment is measured as the difference between the asset's estimated fair value and its book value. During the year ended November 30, 2019, the Company did not record any impairment expense.

Income Taxes

The Company accounts for income taxes under the asset and liability method. 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. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and the reversal of deferred tax liabilities during the period in which related temporary differences become deductible. A valuation allowance has been established to eliminate the Company's deferred tax assets as it is more likely than not that any of the deferred tax assets will be realized.

The Company records uncertain tax positions in accordance with ASC 740 on the basis of a two-step process whereby (1) we determine whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority.

Based on the Company's history of losses, it has been concluded that there are no significant uncertain tax positions requiring recognition in the Company's financial statements. The Company believes that its income tax positions would be sustained on audit and does not anticipate any adjustments that would result in a material change to its financial position.

The Company may in the future become subject to foreign, federal, state and local income taxation though it has not been since inception. The Company is not presently subject to any income tax audit in any taxing jurisdiction.

Basic Income Per Share

Basic income per share is calculated by dividing the Company's net income or loss applicable to common shareholders by the weighted average number of common shares during the period. A diluted earnings per share is calculated by dividing the Company's net income available to common shareholders by the diluted weighted average number of shares outstanding during the year. The diluted weighted average number of shares outstanding is the basic weighted number of shares adjusted for any potentially dilutive debt or equity.

Stock-Based Compensation

The Company utilizes the Black-Scholes option pricing model to estimate the fair value of warrant issuances or stock option awards at the date of grant, which requires the input of highly subjective assumptions, including expected volatility and expected life. Changes in these inputs and assumptions can materially affect the measure of estimated fair value of share-based compensation. These assumptions are subjective and generally require significant analysis and judgment to develop. The Company estimates volatility by considering the historical stock volatility. The Company has opted to use the simplified method for estimating expected term.

Convertible Instruments

The Company evaluates and accounts for conversion options embedded in convertible instruments in accordance with ASC 815 "Derivatives and Hedging Activities".

Accounting standards require companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments according to certain criteria. The Company accounts for convertible instruments (when we have determined that the embedded conversion options should not be bifurcated from their host instruments) as follows: We record when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their stated date of redemption.

The Company accounts for the conversion of the underlying derivative of a convertible debt instrument as a gain or loss. The decrease in debt that results from a debt conversion is calculated and compared to the then-current fair value of shares issued with any difference recorded as a gain or loss.

Concentrations

No customer concentrations existed at November 30, 2019.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02 – “Leases (Topic 842).” Under ASU 2016-02, entities will be required to recognize lease asset and lease liabilities by lessees for those leases classified as operating leases. Among other changes in accounting for leases, a lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. When measuring assets and liabilities arising from a lease, a lessee (and a lessor) should include payments to be made in optional periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. Similarly, optional payments to purchase the underlying asset should be included in the measurement of lease assets and lease liabilities only if the lessee is reasonably certain to exercise that purchase option. The amendments in ASU 2016-02 will become effective for fiscal years beginning after December 15, 2018, including interim periods with those fiscal years, for public business entities. We are currently evaluating the effect of the adoption of ASU 2016-02 will have on our consolidated results of operations, financial position or cash flows.

In January 2017, the FASB issued ASU No. 2017-01, clarifying the Definition of a Business, which narrows the definition of a business. This ASU provides a screen to determine whether a group of assets constitutes a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. This screen reduces the number of transactions that need to be further evaluated as acquisitions. If the screen is not met, this ASU (1) requires that to be considered a business, a set must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create an output and (2) removes the evaluation of whether a market participant could replace missing elements. Although outputs are not required for a set to be a business, outputs generally are a key element of a business; therefore, the FASB has developed more stringent criteria for sets without outputs. The ASU is effective for annual periods beginning after December 15, 2018. Management determined that the adoption of this guidance will not have a material impact on the financial statements.

In March 2017 the FASB issued ASU 2017-04 Intangibles—Goodwill and Other (Topic 350) Simplifying the Test for Goodwill Impairment. This amendment simplifies the measurement of goodwill by eliminating Step 2 from the goodwill impairment test. This update is effective for fiscal years beginning after December 15, 2021. The adoption of ASU No. 2017-04 is not expected to have a material impact on the Company’s financial statements.

In May 2017, the FASB issued ASU 2017-09 which clarifies the guidance on the modification accounting criteria for share-based payment awards. The new guidance requires registrants to apply modification accounting unless three specific criteria are met. The three criteria are 1) the fair value of the award is the same before and after the modification, 2) the vesting conditions are the same before and after the modification and 3) the classification as a debt or equity award is the same before and after the modification. This update is effective for fiscal years beginning after December 15, 2017 and are to be applied prospectively to new awards granted after adoption. Management determined that the adoption of this guidance will not have a material impact on the financial statements.

Management does not believe that any other recently issued, but not yet effective, accounting standards could have a material effect on the accompanying financial statements. As new accounting pronouncements are issued, we will adopt those that are applicable under the circumstances.

The Company does not expect the adoption of recently issued accounting pronouncements to have a significant impact on the Company’s results of operations, financial position or cash flow.

2. Going Concern Matters and Realization of Assets

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the ordinary course of business. However, the Company has had negative working capital and a stockholders' deficit. In addition, the Company is unable to meet its obligations as they become due and sustain its operations. The Company believes that its existing cash resources are not sufficient to fund its debt payments and working capital requirements.

The Company may not be able to raise sufficient additional debt, equity or other cash on acceptable terms, if at all. Failure to generate sufficient revenues, achieve certain other business plan objectives or raise additional funds could have a material adverse effect on the Company's results of operations, cash flows and financial position, including its ability to continue as a going concern, and may require it to significantly reduce, reorganize, discontinue or shut down its operations.

In view of the matters described above, recoverability of a major portion of the recorded asset amounts shown in the accompanying balance sheet is dependent upon continued operations of the Company which, in turn, is dependent upon the Company's ability to meet its financing requirements on a continuing basis, and to succeed in its future operations. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Company be unable to continue in its existence. Management's plans include efforts to develop new revenue sources and negotiate further debt reductions with creditors.

There can be no assurance that the Company will be able to achieve its business plan objectives or be able to achieve or maintain cash-flow-positive operating results. If the Company is unable to generate adequate funds from operations or raise sufficient additional funds, the Company may not be able to repay its existing debt, continue to operate its network, respond to competitive pressures or fund its operations. As a result, the Company may be required to significantly reduce, reorganize, discontinue or shut down its operations. Accordingly, the management of the Company has concluded that there is substantial doubt about the Company's ability to continue as a going concern within one year after the issuance date of these financial statements.

3. Accounts Payable and Accrued Expenses

The following table summarizes components of accounts payable and accrued expenses as of November 30, 2019.

Trade payables	\$ 819,080
Accrued interest payable	2,384,701
	<u>\$ 3,203,781</u>

4. Debt

The following table summarizes components of debt as of November 30, 2019:

Senior secured debt	\$ 8,884,325
Convertible subordinated debt	970,759
Convertible debt due to various lenders	320,750
Other short-term debt	95,000
Total debt	<u>10,270,834</u>
Less: current portion of long-term debt	(10,210,935)
Less: discount on debt	(59,899)
Total long-term debt, net of discounts	<u>\$ -</u>

Senior Secured Debt

On October 14, 2015 the Company entered into a Securities Purchase Agreement (“SPA”) with a senior secured lender (the “Lender”) pursuant to which Lender agreed to loan the Company up to a maximum of \$5 million for working capital and general operating expenses. An initial amount of \$500,000 was funded by Lender on October 14, 2015 (“Lender Debenture 1”). The repayment of Lender Debenture 1 was secured by a first position security interest in substantially all of the Company’s assets and in substantially all of the assets of the Company’s subsidiaries, as evidenced by a security agreement between the Company and its subsidiaries and Lender.

The Company also borrowed \$100,000 from Lender on November 18, 2015, under a debenture with similar terms, except that the \$100,000 debenture matured on November 18, 2016 (“Lender Debenture 2”).

On June 30, 2017 (the “Effective Date”), Zen Organization, Inc. (“Zen”), EXO Opportunity Fund LLC (“EXO”), Pervasip and Canalytix WA LLC, (“CWA”), a wholly-owned subsidiary of Pervasip, entered into a share purchase agreement in which EXO purchased from Zen 10,000 shares of common stock, or 10% of Zen’s equity, in exchange for the assignment by EXO to Zen of a restated convertible debenture (the “Zen Debenture”) in the original principal amount of \$250,000. The Debenture matures on December 31, 2020 and has an interest rate of 8% per annum. It converts into common stock, subject to certain conversion restrictions, at the lesser of \$0.001 per share or 50% of the average closing market price of the Company’s common stock for the 5 days preceding conversion.

On the Effective Date, FLUX and Lender entered into a Securities Purchase Agreement (the “FLUX Purchase Agreement”) pursuant to which FLUX shall issue and Lender shall purchase senior secured, redeemable, debentures up to a maximum principal amount of \$5,000,000. Pursuant to the terms and conditions of the FLUX Purchase Agreement, the proceeds from the debentures issued pursuant thereto shall be used by FLUX for the purpose of making subsequent loans to Pervasip pursuant to a Securities Purchase Agreement by and between Pervasip and FLUX, as lender (the “Pervasip Purchase Agreement”). Pursuant to the terms and conditions of the Pervasip Purchase Agreement, the proceeds from the debentures issued pursuant thereto shall be advanced to Pervasip or directly to Pervasip’s subsidiaries, and used, among other things, for the purposes of making subsequent loans, including pursuant to a Securities Purchase Agreement by and between Zen and CWA, as lender (the “Zen Purchase Agreement” and together with the FLUX Purchase Agreement and the Pervasip Purchase Agreement, the “Purchase Agreements”), pursuant to which, utilizing \$1,000,000 of the proceeds advanced directly from FLUX to CWA, CWA agreed to purchase from Zen, and Zen agreed to sell and issue to CWA a senior secured, redeemable debenture in the principal amount of \$1,000,000.

Payments under the Zen Purchase Agreement are subject to repayment pursuant to the terms of the debenture issued by Zen and purchased by CWA on June 30, 2017. Pursuant to the terms thereof, Zen is required to pay to CWA on or before June 30, 2020 (i) the principal amount of \$1,000,000; together with (ii) interest on the unpaid principal balance at the rate of sixteen percent (16%) per annum commencing on the Effective Date; together with all other obligations due, owing and payable under the terms of the Zen Purchase Agreement and all other related transaction documents. Pursuant to the terms of the debenture issued to Zen, no payments are due for a period of six (6) months from the Effective Date (however, interest shall accrue on the obligations from the Effective Date). Zen shall make monthly payments on the total obligations equal to the greater of: (a) Thirty-Five Thousand Dollars (\$35,000.00); or (b) fifty percent (50%) of the monthly consolidated EBITDA, as defined. Pervasip agreed that all payments from Zen would be made directly to the Lender to reduce Pervasip’s obligations to Lender. As of November 30, 2019, Zen owed Pervasip \$522,667.

On June 30, 2017, loans of \$2,400,000 (the “New Debenture”) were made to FLUX, Pervasip, CWA, and Canalytix CO LLC (the “Companies”) and the Companies were required to pay Lender on or before June 30, 2020, (i) the principal amount of \$2,400,000; together with (ii) interest on the unpaid principal balance at the rate of sixteen percent (16%) per annum commencing as of the Effective Date; together with (iii) all other obligations due, owing and payable under the terms of the Purchase Agreements and all other related transaction documents, including Lender Debenture 1, Lender Debenture 2 and accrued interest thereon, which amounted to \$885,676, making the total amount due under the New Debenture \$3,285,676. All payments of principal and interest to Lender pursuant to the FLUX Purchase Agreement and the Pervasip Purchase Agreement are payable pursuant to a master payment agreement (the “Master Payment Agreement”). Pursuant to the Master Payment Agreement, no payments are due for twelve (12) months from the Effective Date (however, interest accrues on the New Debenture from the Effective Date).

Pervasip also issued to Lender a thirty-six (36) month fee debenture in the principal amount of \$5,275,000 (the “Fee Debenture”). The principal amount of the Fee Debenture outstanding shall bear interest at a rate of ten percent (10%) per annum commencing on the Effective Date. Payments of principal and interest under the Fee Debenture are also payable pursuant to and subject to the terms of the Master Payment Agreement. All previously owed obligations to Lender from Pervasip, including unpaid principal, interest and advisory fees from previous financings such as Lender Debenture 1 and Lender Debenture 2, were included as part of the above noted Master Repayment Schedule.

As of November 30, 2019, The Company owed Lender \$5,538,750 for the Fee Debenture and \$3,285,676 for the New Debenture. In addition, as of November 30, 2019, the Company owed Lender \$1,276,102 and \$1,344,474 in accrued interest payable for the New Debenture and the Fee Debenture, respectively.

Convertible Subordinated Debt

As of November 30, 2019, the Company owed convertible subordinated debt holders the following amounts:

Amended Note 1	\$	250,000
EXO 102		25,000
FLUX Debenture		26,000
EXO 103		279,759
Zen Debenture		250,000
FLUX Note 1		140,000
Total convertible subordinated debt	\$	<u>970,759</u>

In March 2013, 112359 Factor Fund, LLC (the “Fund”), was assigned \$6,368,078 of outstanding debt owed to Laurus Master Fund (“Laurus”), which the Fund could satisfy in full by making certain payments to Laurus.

On February 15, 2013, the Company entered into a securities purchase agreement with the Fund pursuant to which the Company issued to the Fund (i) an amended convertible debenture in the principal amount of \$1,000,000 (“Amended Note 1”) and (ii) a second amended convertible debenture in the principal balance of \$1,000,000 (“Amended Note 2” and together with Amended Note 1, the “Amended Notes”). The Amended Notes were sold to the Fund by the Company in exchange for the Fund’s assumption and payment of the Laurus assignment agreement (which required the Fund to make payments totaling \$350,000, of which \$250,000 was paid, to Laurus), payment to the Company of \$150,000, and the agreement to purchase from another lender and cancel an existing convertible debenture in the amount of approximately \$35,000.

The conversion price of Amended Note 1 is based on a variable that is not an input to the fair value of a “fixed-for-fixed” option as defined under FASB ASC Topic No. 815 - 40. The fair value of the note was recognized as a derivative instrument at the issuance date and was measured at fair value at each reporting period. The Company determined that the fair value of the Amended Notes was \$1,874,169 at the issuance dates. The value of the debt of \$1,000,000 was recorded as a debt discount and was amortized to interest expense over the term of the Notes. The variance to the fair value of \$874,169 was recognized as an initial loss and recorded to change in fair value of derivative liabilities.

Effective January 20, 2015, the Company signed a debt modification agreement with the Fund. The modification reduced the outstanding balance on Amended Note 1 from \$280,190 to \$250,000, and provided that the outstanding balance of Amended Note 2 would be reduced to from \$1,000,000 to \$0. The Fund subsequently assigned the remaining balance of Amended Note 1 and the related security agreements to EXO. As of November 30, 2019, The company owed \$250,000 in principal and \$125,296 in accrued interest payable for Amended Note 1.

The Company also received \$25,000 in cash in conjunction with a January 27, 2015 variable rate convertible debenture payable to EXO (“EXO 102”), which matured on December 31, 2015, bears interest at an annual rate of 6%, and is subject to the same security agreements as Amended Note 1.

The conversion price of the EXO 102 note is based on a variable that is not an input to the fair value of a “fixed-for-fixed” option as defined under FASB ASC Topic No. 815 - 40. The fair value of the notes was recognized as a derivative instrument at the issuance date and is measured at fair value at each reporting period. The Company determined that the fair value of the note was \$74,990 at the issuance date. Debt discount was recorded up to the \$25,000 face amount of the note and is

amortized to interest expense over the term of the note. The fair value of the conversion feature in excess of the principal amount allocated to the notes in the aggregate amount of \$49,990 was expensed immediately as additional interest expense.

As of November 30, 2019, The company owed \$25,000 in principal and \$7,282 in accrued interest payable for EXO 102.

During the year ended November 30, 2013, the Fund also loaned the Company amounts of \$50,000, \$35,000 and \$12,000 (the “Bridge Notes”). On June 19, 2013 the Fund refinanced the Bridge Notes with additional funding into another note for \$665,000 (the “FLUX Debenture”). The additional funding under the FLUX Debenture provided cash to purchase two outstanding convertible debentures for an aggregate price of \$99,360; cash for operations of \$60,000 in June 2013; and \$40,000 in cash each month for the months of July 2013 through December 2013. The Company incurred \$68,640 in finder fees and legal fees in connection with the FLUX Debenture, and a \$100,000 original issuance discount. The FLUX Debenture bears interest at 6% per annum and was due December 31, 2014. The Fund can elect at any time to convert any portion of the New Note into shares of common stock of the Company at 60% of the volume weighted average price of the common stock for the 20 trading days immediately prior to the conversion date. The Company received an aggregate of \$300,000 in cash under the FLUX Debenture in the months of June through December 2013.

The conversion price of the \$665,000 of variable conversion price note is based on a variable that is not an input to the fair value of a “fixed-for-fixed” option as defined under FASB ASC Topic No. 815 - 40. The fair value of the conversion feature was recognized as a derivative instrument at the issuance date and is measured at fair value at each reporting period. The Company determined that the fair value of the conversion feature was \$1,103,940 at the issuance date. Debt discount was recorded up to the \$625,000 face amount of the note and was amortized to interest expense over the term of the note. The fair value of the conversion feature in excess of the principal amount allocated to the notes in the aggregate amount of \$478,940 was expensed immediately as additional interest expense.

As of November 30, 2019, The company owed \$26,000 in principal and \$71,657 in accrued interest payable for FLUX Debenture.

On April 21, 2015, EXO purchased a \$63,000 convertible note, with a minimum conversion price of \$0.00005 per share, that the Company originally issued to Diamond Remark LLC (“Diamond”) on September 4, 2014. EXO can elect at any time to convert any portion of the debt into shares of common stock of the Company at a discount of 49% of the price of the common stock as defined in the agreement, subject to a minimum conversion price of \$0.00005 per share. On March 3, 2015, Diamond notified the Company that the Company was in default and that in accordance with the default provisions of the lending agreement, the amount of money that the Company was required to pay back to Diamond had increased due to default fees. The note was due on June 26, 2015. EXO purchased the note for \$97,675. In conjunction with the penalty clauses in the note and default fees due to EXO, on September 8, 2015, the Company issued an amended and restated convertible promissory note to EXO in the amount of \$209,847, with the same conversion terms and conditions as the original note issued to Diamond. On May 10, 2017, after default and negotiation with the lender, the note was restated and amended in the amount of \$529,750, and divided into two notes; EXO 103 with a principal amount of \$279,759 and an annual interest rate of 8% and the Zen Debenture, with a principal amount of \$250,000 and an interest rate of 8%. As of November 30, 2019, The company owed \$279,750 in principal and \$69,137 in accrued interest payable for EXO 103 and \$250,000 in principal and \$51,290 in interest payable for Zen Debenture.

On May 11, 2015, the Company signed a \$140,000 convertible note agreement with FLUX Carbon Starter Fund (the “FLUX Note 1”), which matured on December 31, 2015, and bears interest at an annual rate of 6%. The FLUX Note 1 can be converted into the Company’s common stock at a price of \$0.002 per share. In conjunction with the FLUX Note, the Company received \$68,000 in cash and recorded an original issuance discount of \$72,000 as interest expense. As of November 30, 2019, The company owed \$140,000 in principal and \$38,410 in accrued interest payable on FLUX Note 1.

The holders of convertible subordinated debt did not convert any debt into equity in fiscal 2019. All of the convertible notes were in default and were settled on November 30, 2020. See Note 13.

Convertible Debt due to various lenders

Convertible debt with a fixed conversion rate

At November 30, 2019 the Company owed a lender \$138,000 in connection two notes that are past due, are in default, bear a default interest rate of 18% per annum, and are convertible at prices of \$0.015 and \$0.02 cents per share. No debt conversions occurred during fiscal 2019.

Convertible debt with a variable conversion rate issued for cash

At November 30, 2019, the Company owed a lender \$115,000 in connection a note that is past due, in default, bears an interest rate of 8% per annum, and is convertible at a price of 70% of the average closing price of the Company's common stock during the five trading days prior to conversion. No debt conversion occurred in fiscal 2019.

Convertible debt with a variable conversion rate assigned to lenders.

During the years ended November 30, 2016 and 2015, no debt with a variable conversion rate was assigned to a lender. At November 30, 2016 and 2015, the Company owes one lender \$67,750 as a result of an assignment in fiscal 2012. The convertible debt bears interest at 0% and is past due. The lender can elect at any time to convert any portion of the debt into shares of common stock of the Company at a price discount of 55% of the market price of the Company's common stock as defined in the agreements.

During the year ended November 30, 2019, none of this debt was converted into shares of common stock of the Company.

At November 30, 2019, a total of \$320,750 of other convertible debt was outstanding and was in default.

Other short-term debt

At November 30, 2019, the Company owed a single lender \$95,000 for a demand note that does not bear interest.

5. Derivative Liabilities

The Company evaluated their convertible note agreements pursuant to ASC 815 and due to there being no minimum or fixed conversion price resulting in an indeterminate number of shares to be issued in the future, the Company determined an embedded derivative existed and ASC 815 applied for their convertible notes. The Company valued the embedded derivatives using the Black-Scholes valuation model.

Convertible debt with a variable conversion feature

In 2019, we estimated the fair value of the derivatives using the Black-Scholes valuation method with assumptions including: (1) term of 0 to 1.38 years; (2) a computed volatility rate of 372 to 787% (3) a discount rate of 1% and (4) zero dividends. Upon settlement the valuation of this embedded derivative was recorded as gain/loss on derivative liability.

6. Stockholders' Equity

The Company has authorized 8,978,999,990 shares of common stock, \$0.00001 par value, and has 4,778,006,249 shares issued as of November 30, 2019. The Company has 21,000,010 shares authorized of preferred stock.

No stock was issued in fiscal 2019.

Outstanding Series of Preferred Stock

Series E, F and G Preferred Stock

On January 13, 2015, 10 shares of Series E Preferred, 10,000,000 shares of Series F Preferred and 10,000,000 shares of Series G preferred were issued to our chief executive officer in exchange for \$100,000 in debt. The Series E Preferred has voting rights equal to 400% of the sum of the common stock, Series D Preferred, Series F Preferred and Series G Preferred, but no dividend rights and no liquidation rights. The Series E Preferred is convertible into the number of common shares equal to its voting rights.

The Series F Preferred has voting rights equal to 100 million common shares and a liquidation preference of \$10,000,000 over junior securities. Each share of Series F Preferred Stock is convertible by the holder into shares of the Company's Common Stock. Shares of Series F Preferred Stock are anti-dilutive to reverse splits, so that in the event of a reverse split, the shares are convertible into the same number of common shares after the reverse split as would have been issued before the reverse split. The conversion rate of Series F Preferred Stock, however, increases proportionately in the case of forward splits, and may not be diluted by a reverse split following a forward split.

The Series G Preferred has voting rights equal to 10 million common shares and a liquidation preference of \$10,000,000 over junior securities. Each share of Series G Preferred Stock is convertible into shares of the Company's Common Stock. Shares of Series G Preferred Stock are anti-dilutive to reverse splits, so that in the event of a reverse split, the shares are convertible into the same number of common shares after the reverse split as would have been issued before the reverse split. The conversion rate of Series G Preferred Stock, however, increases proportionately in the case of forward splits, and may not be diluted by a reverse split following a forward split.

The following tables summarize information about warrants outstanding at November 30, 2019:

Range of Exercise Prices	Number Outstanding	Warrants Outstanding			Warrants Exercisable	
		Weighted- Average Remaining Contractual Life (Years)	Weighted- Average Exercise Price		Number Outstanding	Weighted- Average Exercise Price
As of November 30, 2019						
\$0.001 - \$1.00	53,123,333	3.23	\$ 0.019		53,123,333	\$ 0.019

	Number of Shares	Exercise Price Per Share	Average Exercise Price
Outstanding December 1, 2018	53,123,333	\$ 0.005 - \$0.20	\$ 0.019
Issued during year ended November 30, 2019	-	-	\$ -
Exercised/canceled during year ended November 30, 2019	-	-	\$ -
Outstanding November 30, 2019	53,123,333	\$ 0.005 - \$0.20	\$ 0.019
Warrants outstanding November 30, 2019	51,533,333	\$ 0.005 - \$0.20	\$ 0.019
Warrants exercisable, November 30, 2019	51,533,333	\$ 0.005 - \$0.20	\$ 0.019

7. Income Taxes

The Company has accumulated net operating losses of approximately \$22 million for United States federal tax purposes at November 30, 2019. These losses expire in fiscal years 2021 through 2039.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities as of November 30, 2019 were as follows:

	<u>2019</u>
Deferred tax assets, net:	
Net operating loss carry forwards	\$ 4,600,000
Valuation allowance	(4,600,000)
Net deferred assets	<u>\$ —</u>

The following is a reconciliation of the tax provisions for the year ended November 30, 2019 with the statutory Federal income tax rates:

	<u>Percentage of Pre-Tax Income</u>
Statutory federal income tax rate	21.0%
Net operating loss carryforwards	(21.0)
	<u>—</u>
Effective tax rate	<u>—</u>

The Company did not have any material unrecognized tax benefits as of November 30, 2019. The Company does not expect the unrecognized tax benefits to significantly increase or decrease within the next twelve months. The Company recorded no interest and penalties relating to unrecognized tax benefits as of and during the year ended November 30, 2019. The Company is subject to United States federal income tax, as well as taxes by various state jurisdictions. The Company is currently open to audit under the statute of limitations by the federal and state jurisdictions for the years ending November 30, 2016 through 2019.

8. Fair Value Measurements

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures of financial instruments on a recurring basis.

Fair Value Hierarchy

The Fair Value Measurements Topic of the FASB Accounting Standards Codification establishes 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 measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

Determination of Fair Value

Under the Fair Value Measurements Topic of the FASB Accounting Standards Codification, the Company bases its fair value on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is the Company's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy. Fair value measurements for assets and liabilities where there exists limited or no observable market data and, therefore, are based primarily upon management's own estimates, are often calculated based on current pricing policy, the economic and competitive environment, the characteristics of the asset or liability and other such factors. Therefore, the results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset or liability. Additionally, there may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, that could significantly affect the results of current or future value.

Following is a description of valuation methodologies used for assets and liabilities recorded at fair value and for estimating fair value where it is practicable to do so for financial instruments not recorded at fair value (disclosures required by the Fair Value Measurements Topic of the FASB Accounting Standards Codification).

Cash and cash equivalents, accounts receivable, and accounts payable

In general, carrying amounts approximate fair value because of the short maturity of these instruments.

Debt

At November 30, 2019, long-term debt was carried at its face value plus accrued interest due to the fact that the debt is fully callable by the lender. Based on the financial condition of the Company, it is impracticable for the Company to estimate the fair value of the short and long-term debt.

Investments and Liabilities Measured and Recognized at Fair Value on a Recurring Basis

The following table presents the amounts of available-for-sale securities and liabilities measured at fair value on a recurring basis as of November 30, 2019.

The fair value of investments are measured with quoted prices in active markets. The fair value of the derivatives that are traded in less active over-the-counter markets are generally measured using pricing models with no observable inputs. These measurements are classified as Level 3 within the fair value of hierarchy.

	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
<u>November 30, 2019</u>				
Derivative liabilities	\$ 118,025	-	-	\$ 118,025

The Company has no instruments with significant off balance sheet risk.

9. Commitments and Contingencies

A novel strain of coronavirus, or COVID-19, has spread throughout the world and has been declared to be a pandemic by the World Health Organization. As of the date this report was issued, our operations have not been significantly impacted by the COVID-19 outbreak. However, we cannot at this time predict the specific extent, duration, or full impact that the COVID-19 outbreak will have on our financial condition, operations, and business plans for 2021. Our operations have adapted social distancing practices, and the next expected milestones of our product may be impacted, and we may experience delays in anticipated timelines and milestones.

Operating Leases

For its office space, the Company shares its office with an affiliate and pays no rent.

Litigation

The Company is subject to legal proceedings and claims that arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability, if any, is not likely to have a material effect on the financial condition, results of operations or liquidity of the Company. However, as the outcome of litigation or legal claims is difficult to predict, significant changes in the estimated exposures could occur.

10. Net Earnings Per Common Share

Basic net income per share is computed by dividing net income available to common stockholders (numerator) by the weighted average number of vested, unrestricted common shares outstanding during the period (denominator). Diluted net income per share is computed on the basis of the weighted average number of shares of common stock outstanding plus the effect of dilutive potential common shares outstanding during the period using the if-converted method. Dilutive potential common shares include shares issuable upon exercise of outstanding stock options, warrants and convertible debt agreements.

Net income per common and diluted share were calculated as follows for the year ended November 30, 2019

Net income attributable to common stockholders – numerator basic	\$ 2,438,974
Interest expense attributable to convertible notes, net	<u>104,064</u>
Net income plus interest expense attributable to convertible notes, net – numerator diluted	\$ 2,543,038
Weighted average common shares outstanding – denominator basic	4,778,006,249
Effect of dilutive securities, stock warrants and preferred stock	<u>4,611,488,539</u>
Weighted average dilutive common shares outstanding	<u>9,389,494,608</u>
Net income per common share – basic	\$ 0.00
Net income per common share – diluted	\$ 0.00
	<u>-</u>

11. Related Party Transactions

At November 30, 2019, the total notes payable due to our chief executive officer amounted to \$1,092,641. \$190,000 of the notes payable are convertible into common stock at a price of \$0.0025 per share. All notes payable are due on demand or are past their maturity date. Unpaid wages, interest and reimburseable expenses as of November 30, 2019 amounted to \$1,207,670 and \$1,139,712, respectively.

12. Other Income

The Company recorded other income of \$2,583,988 for the year ended November 30, 2019. The income resulted from the expiration of time limits on certain aged liabilities.

13. Subsequent Events

Debt Settlement for \$250,000 in Cash

Effective November 30, 2020, the Company entered into a debt settlement agreement with FLUX Carbon Corporation (“FCC”), FLUX Carbon Starter Fund LLC (“FCSF”) and EXO Opportunity Fund LLC, pursuant to which the Company agreed to settle and fully satisfy the following seven debentures in exchange for \$250,000 in U.S. cash funds:

	<u>Principal Amount</u>	<u>Interest Payable</u>
Amended Note 1	\$ 250,000	\$ 140,378
EXO 102	25,000	8,790
FLUX Debenture	26,000	73,226
EXO 103	279,759	92,545
Zen Debenture	250,000	71,400
FLUX Note 1	140,000	46,856
Fee Debenture	5,538,750	1,901,384
Total amount settled and satisfied	<u>\$ 6,509,509</u>	<u>\$ 2,334,579</u>

Debt Exchange for \$250,000 Amended Debenture

Effective November 30, 2020, the Company entered into a debt settlement agreement with FCC, pursuant to which the Company agreed to discount, amend, and restate that certain secured convertible debenture originally issued by the Company on June 30, 2017 (“FLUX Debenture”), with a current principal balance of \$3,285,676 and an accrued interest balance of \$1,804,691, in exchange for the issuance of an amended and restated convertible debenture to FCSF with a restated principal balance of \$250,000 (“Amended Debenture”). The Amended Debenture bears interest moving forward at a rate of 6% per annum, has an amended maturity date of December 31, 2022, tacks back to the original issuance date of the FLUX Debenture, and is convertible into the Company’s common stock at a fixed rate of \$0.001 per share, unless the Company is in default on the Amended Debenture, in which case it is convertible at the stated default rate, if such rate is lower than \$0.001. As a result of this transaction, the Company eliminated a total of \$3,035,676 in outstanding principal and \$1,804,691 in outstanding accrued interest.

On November 30, 2020, the company exchanged all of its ownership in Canalytix WA LLC (“CWA”) for 1,425,800 shares of Series C Preferred stock of IDGlobal Corp., a publicly traded company on OTC Markets under the symbol IDGC. The transaction resulted in other income in the amount of \$903,133. The primary asset in CWA was a note receivable of \$522,667. The IDGC preferred stock was recorded at its market value of \$1,425,800 at November 30, 2020.

In January 2021, the Company issued 300,000,000 shares of its common stock as stock-based compensation. From February 17, 2021 to March 29, 2021, it sold an aggregate of 76,685,714 shares of its common stock for proceeds of \$146,000. In February 2021 the Company issued 131,040,000 shares of common stock to its Chief Executive Officer for a debt conversion of \$327,600.

In February 2021, the Company formed a wholly owned subsidiary, Transcendence Age Corp., to manage and operate a health and wellness consulting firm focused on psychedelic-inspired treatments.

In February 2021 the Company issued 5,000,000 warrants to purchase shares of common stock at an above-market price of \$0.0008 per share as stock-based compensation for future services.

In March 2021 the Company issued warrants to purchase 135,000,000 shares of common stock at an above-market price of \$0.0029 per share as stock-based compensation for future services.