CLOUDCOMMERCE, INC.
Form 10-K
April 01, 2019
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended: December 31, 2018

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

FOR THE TRANSITION PERIOD FROM __________ TO __________

Commission file number 000-13215

CLOUDCOMMERCE, INC.

(Exact name of registrant as specified in its charter)

Nevada	**K0-0050402**
(State of Incorporation)	(I.R.S. Employer Identification No.)

<u>321 Sixth Street, San Antonio, TX 78215</u>
(Address of principal executive offices) (Zip Code)

<u>(805) 964-3313</u>
Registrant's telephone number, including area code

<u>1933 Cliff Drive, Suite 1, Santa Barbara, CA 93109</u>
(Former name, former address and former fiscal year, 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 $0.001 par value**

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 Section 15(d) of the 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 Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 (§ 229.405 of this chapter) 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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company x
	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided 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

The aggregate market value of voting stock held by non-affiliates of the registrant was approximately $2,504,622 as of June 28, 2018, the last business day of the registrant's most recently completed fourth fiscal quarter (computed by reference to the last sale price of a share of the registrant's Common Stock on that date as reported by OTC Bulletin Board).

There were 137,512,588 shares outstanding of the registrant's Common Stock as of April 1, 2019.

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PART I

ITEM 1. BUSINESS

General

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

To better serve our customers and create value for our shareholders, we strategically acquire profitable cloud commerce solutions providers with strong management teams.

Core Services

Our core solutions are data analytics, digital marketing, branding and creative services, and development managed infrastructure support.

Data Analytics

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

Digital Marketing

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

Branding and Creative Services

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

Development and Managed Infrastructure Support

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

Revenue Model

We have a variety of revenue-generating models. We charge fixed or variable implementation fees to design, build and launch websites. In addition, we have several retainer arrangements for other services that vary in term length that provides reliable income. Our professional services are billed at hourly or monthly rates, depending on the customer's needs. We believe this flexibility allows us to attract customers while maximizing profits based on billable hours.

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Benefits to Clients

Our complete solution of providing robust technology along with complementary professional services delivers many benefits to our customers.

Reduced Total Cost of Ownership and Risk

Utilizing our services, businesses can dramatically reduce or eliminate upfront and ongoing hardware, software, maintenance and support costs associated with developing, customizing, deploying and upgrading sophisticated solutions and campaigns. They can have a global digital presence without assuming the costs and risks of developing it themselves and take immediate advantage of the investments we continually make in our digital systems and associated services. Our commitment to the latest technologies helps ensure that our clients maintain pace with industry advances.

Revenue Growth

We help our clients grow their businesses by leveraging our experience to (i) increase the acquisition, retention and lifetime value of new customers; (ii) extending their businesses into new geographic markets; and (iii) expanding the visibility and sales of their products through new online sales channels. We have developed substantial expertise in digital marketing which we apply to help our clients enhance their brands and increase interest and traffic, all of which are designed to generate higher revenues for our clients' businesses and greater revenue for the Company.

Deployment Speed

Businesses can reduce the time required to develop their digital presence by utilizing our outsourced business model. Typically, a new client can have their digital properties live much more quickly than if they decided to build, test and deploy resources in-house. Once they are operational, clients can make real-time changes to their digital properties, allowing them to address issues and take advantage of opportunities without technical assistance.

Focus on Core Competency

By utilizing our outsourced-agency model, businesses can focus on developing, marketing and selling their products rather than devoting time and resources to building and maintaining an internal infrastructure. Management can focus their time on their core business while ensuring they have access to the latest technologies, tools and expertise for running a successful digital operation.

Sales and Marketing

Our objective is to be the leading global provider of data-driven solutions. To achieve this objective, we have assembled a team of experts working collectively for the best interest of our customers.

During the client sales process, our team delivers demonstrations, presentations, proposals and contracts. Many new customers have been retained through email marketing, direct sales, and word-of-mouth referrals. Our direct sales efforts are aimed at senior marketing and information technology (IT) executives within Consumer, B2B and political organizations who are looking to create or expand their digital operations. Word-of-mouth referrals have been very valuable to us and we intend to continue nurturing our customer and industry relationships to maximize these referrals.

In addition to our direct sales efforts and referrals, we have established and continue to explore channel partnerships to expand our customer base. Prospective channel partners include existing Technology companies, hosting providers, ERP vendors, and e-commerce marketing professionals.

Industry Overview

Growth of Mobile, Digital and Social

We believe there are a number of factors that are contributing to the growth of mobile, digital and social commerce, including the following: (i) accessibility and adoption of smartphone devices throughout the world; (ii) rapid advancements in high-speed internet and 4G cellular networks making the internet more available, reliable, and efficient; (iii) consumers are more comfortable with the process of consuming information and buying products from their mobile devices; (iv) the functionality of both mobile and desktop website continues to improve, a greater range of mobile payment options are available, and special offers and shipping discounts are making online shopping more attractive; (v) businesses are placing more emphasis on their digital commerce strategies as mobile, desktop and social channels can reach a larger audience at a comparatively lower cost than the methods used to drive traffic to

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traditional brick-and-mortar retail stores. As a result of these growth drivers, we believe retailers and wholesalers have begun to build large, global customer bases that can be reached cost-effectively, potentially resulting in higher sales and profitability.

Opportunities for Outsourced Digital Solutions

We believe there are advantages to outsourcing data analytics, digital marketing, creative and development solutions like those of CloudCommerce as an attractive alternative to building and maintaining this capability in-house. These advantages include: (i) eliminating the substantial up-front and ongoing costs of computer hardware, network infrastructure and specialized application software and personnel; (ii) reducing the time it takes to get digital products and properties live and productive; (iii) shifting the ongoing technology, financial, regulatory and compliance risks to a proven service provider; (iv) leveraging the expertise of a digital solutions provider to accelerate growth of a business; and (v) allowing businesses to focus on their specific core competencies.

Competition

The market for digital marketing solutions providers is highly fragmented with vendors providing expertise in specific areas. Usually, merchants or brands must manage multiple vendors that supply specific services. We compete with other outsourced digital providers as well as with companies that maintain their own internal teams and build their solutions themselves. The competition we encounter includes:

In-house development of digital capabilities using tools or applications available for a fee or through open-source models;

Digital capabilities custom-developed by global solutions providers including, but not limited to, IBM Digital, Accenture Interactive, WPP, Omnicom, Publicis;

Other providers of outsourced strategy or development who specialize in technologies such as Drupal, Adobe, Magento, Demandware, WordPress, etc.

Web hosting, web services and infrastructure companies that offer portions of our solution and are seeking to expand the range of their offering, including, but not limited to, Network Solutions, LLC, Akamai Technologies, Inc., Yahoo! Inc., eBay Inc. and Hostopia.com Inc.

Government Regulation

We are subject to various federal, state, and local laws affecting e-commerce and communication businesses. The Federal Trade Commission and equivalent state agencies regulate advertising and representations made by businesses in the sale of their products, which apply to us. We are also subject to government laws and regulations governing health, safety, working conditions, employee relations, wrongful termination, wages, taxes and other matters applicable to businesses in general.

Employees

As of December 31, 2018, we had 65 full time employees, 6 of whom are employed in administrative positions, 2 in sales and marketing positions, and 57 in technical positions. Fifty-four employees are in Texas, 5 in Florida, 2 in Utah, 1 in California, 1 in New Jersey, 1 in Washington, DC, and 1 in New York.

All of our employees have executed agreements that impose nondisclosure obligations on the employee and assign to us (to the extent permitted by state and federal laws) all copyrights and other inventions created by the employee during his employment with us. Additionally, we have a trade secret protection policy in place that management believes to be adequate to protect our intellectual property and trade secrets.

Seasonality

We do not anticipate that our business will be substantially affected by seasonality.

Trademarks

We have registered trademarks for CloudCommerce®.

Company History

The Company was incorporated in Nevada on January 22, 2002 and was formerly known as Warp 9, Inc., Roaming Messenger, Inc., and Latinocare Management Corporation ("LMC"). On July 9, 2015, we changed the name

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of the Company from Warp 9, Inc. to CloudCommerce, Inc. to reflect a new plan of strategically acquiring profitable data driven marketing solutions providers with strong management teams. The Company, based in San Antonio, Texas, began operations on October 1, 1999. We develop solutions that help our clients acquire, engage, and retain their customers by leveraging cutting edge digital strategies and technologies. We focus intently on using data analytics to drive the creation of great user experiences and effective digital marketing campaigns. Whether it is creating omni-channel experiences, engaging a specific audience, or energizing voters in political campaigns, we believe data is the key to digital success. Our goal is to become the industry leader by always applying a “data first” strategy and acquiring other companies that can help us achieve this vision. The Company consists of five subsidiaries, CLWD Operations, Inc. (formerly Indaba Group, Inc.), Parscale Digital, Inc., which merged with Parscale Creative, Inc., as a result of an acquisition dated August 1, 2017, WebTegrity, LLC (“WebTegrity”), which was acquired November 15, 2017, Data Propria, Inc., which the Company launched February 1, 2018, and Giles Design Bureau, Inc., which spun out from Parscale Digital in May, 2018. On January 17, 2018, the board of directors of the Company elected to change its year end from June 30 to December 31. The Company focuses on four main areas, data analytics, digital marketing, branding and creative services, and web development.

Recent Developments

None

ITEM 1A. RISK FACTORS

RISKS RELATED TO OUR BUSINESS

We have a history of losses and can provide no assurance of our future operating results.

We have experienced net losses and negative cash flows from operating activities, and we expect such losses and negative cash flows to continue in the foreseeable future. As of December 31, 2018, and 2017, we had working capital deficit of $4,146,991 and $1,835,714, respectively. For the year ended December 31, 2018, the six months ended December 31, 2017, and the year ended June 30, 2017, we incurred net losses of $2,870,013, $2,486,114, and $2,042,504, respectively. The opinion of our independent registered public accountants on our audited financial statements as of and for the years ended December 31, 2018 and 2017 contains an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern is dependent upon raising capital from financing transactions and future sales.

A significant portion of our total assets consists of goodwill, which is subject to a periodic impairment analysis and a significant impairment determination in any future period could have an adverse effect on our results of operations even without a significant loss of revenue or increase in cash expenses attributable to such period.

We have goodwill totaling $4,575,000 at December 31, 2018 resulting from the acquisitions of Parscale Creative, WebTegrity and Parscale Media. We evaluate this goodwill for impairment based on the fair value of the operating business units to which this goodwill relates at least once a year. This estimated fair value could change if we are unable to achieve operating results at the levels that have been forecasted, the market valuation of those business units decreases based on transactions involving similar companies, or there is a permanent, negative change in the market demand for the services offered by the business units. These changes could result in an impairment of the existing goodwill balance that could require a material non-cash charge to our results of operations.

We operate with significant levels of debt and rely on funding to operate.

As of December 31, 2018, our total outstanding debts were approximately $1,500,000. In addition, a large portion of the outstanding debt is owed to an entity controlled by our Chief Financial Officer. Due to operational losses, we continue to require funding from our lenders to cover operational expenses. Although we are not required to make quarterly or annual payments on the outstanding balance of our debt, interest accrues on the principal amount of such debt and the balance is required to be repaid at some point in the future. There is no guarantee that we will have sufficient funds to pay our obligations, nor is there a guarantee that our lenders will re-finance the debts or extend the maturity dates.

There is no guarantee that our lenders will continue to support us.

We may require additional capital to fund operations, finance additional acquisitions, purchase computer equipment, expand into additional markets, initiate advertising campaigns, or hire key personnel. Although we have positive working relationships with our lenders, there is no guarantee that the lenders will continue to support us in all

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the ways we choose to spend our capital. If our lenders choose not to fund the Company, then our operations may be halted, our growth may decrease or we may need to scale back on our expenditures.

We are operating at a loss and may incur additional losses in the future.

Our net loss for the year ended December 31, 2018 was $(2,870,013). To reach our business growth objectives, we currently expect to increase our operating, sales, and marketing expenses, as well as capital expenditures. To offset these expenses, we will need to generate additional profitable revenue. If our revenue declines or grows slower than either we anticipate or our clients' projections indicate, or if our operating, sales and marketing expenses exceed our expectations or cannot be reduced to an appropriate level, we may not generate sufficient revenue to be profitable or be able to sustain or increase profitability on a quarterly or annual basis in the future.

We are dependent on key personnel for our operations. If those key personnel were to leave the Company, operations may suffer.

Our performance is highly dependent on the continued services of our executive officers and other key personnel, the loss of any of whom could materially adversely affect our business. In addition, we need to attract and retain other highly-skilled, technical and managerial personnel for whom there is intense competition. For example, if we are unable to hire or continually train our employees to keep pace with the rapid and continuing changes in technology and the markets we serve or changes in the types of services our clients are demanding, we may not be able to develop and deliver new services and solutions to fulfill client demand. Our inability to attract and retain qualified technical and managerial personnel could materially adversely affect our ability to maintain and grow our business significantly.

If labor rates for key personnel increases, the increase may strain cash flows further.

Competition for labor could substantially increase our labor costs. Although we seek to preserve the contractual ability to pass through increases in labor costs to our clients, not all of our current contracts provide us with this protection, and we may enter into contracts in the future which limit or prohibit our ability to pass through increases in labor costs to our clients. If we are unable to pass costs through to our clients, our financial condition may be materially affected.

Even though the Company incurs significant costs while attempting to acquire other businesses, there is no guarantee that the transactions will be consummated

The Company incurs significant costs associated with both searching for companies to acquire and in closing a transaction. These costs include, but are not limited to, airfare, legal, audit and consulting fees. Because the merger/acquisition is not only dependent on both parties being dedicated to the completion of the transaction, but also the operational fit must be right, we may not close on all transactions we pursue. Incomplete transactions may result in significant capital out flows with no benefit to the Company.

If there is a triggering event that adversely affects the Company, then our intangible assets may be impaired, resulting in significant write offs.

Goodwill and identifiable intangible assets represented approximately 85% of our total assets as of December 31, 2018. The carrying value of goodwill represents the fair value of an acquired business in excess of identifiable assets and liabilities as of the acquisition date. We are required to test goodwill and intangible assets for impairment annually, as well as on an interim basis to the extent that factors or indicators become apparent that could reduce the fair value below its book value. Such factors requiring an interim test for impairment include loss of key employees, pending bankruptcy, loss of a significant client, declining sales, significant cost increases, change in management or declining spend in the industry. If it is determined that there has been an event that may reduce the fair value of our intangible assets, then we would be required to write off all, or a portion, of the balance recorded as intangible assets. Such a write off would reduce earnings during the period of the write off.

We may become a party to litigation involving intellectual property rights, employment violations, breach of contract, or other lawsuit, which may place a burden on management and cash flows.

Third parties may, in the future, assert that our business, the technologies we use, or the business practices we use, infringe on their intellectual property rights or employment rights or that we are in violation of other rights or laws. Defending the Company against such actions may require significant time of management and substantial amounts of money. We cannot predict whether third parties will assert claims in the future or whether any future

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claims will prevent us from offering our products or services. If we are found to be in the wrong, we may be required to pay a significant amount of money which could include damages and attorneys' fees.

A portion of our services are provided by third parties which we do not control. Such third parties may provide poor service which may harm the relationships we have with our clients.

We currently, and may in the future, rely on third party providers to provide various portions of our service offering. If our business relationship with a third-party provider is negatively affected, or is terminated, we might not be able to deliver the corresponding service offering to our clients, which could cause us to lose clients and future business, reducing our revenues. Any such failure on the part of the third party, may damage our reputation and otherwise result in a material adverse effect upon our business and financial condition.

A large portion of our revenue is concentrated with a small number of clients.

For the year ended December 31, 2018, five clients represented approximately 38% of our service fee revenue and we currently expect these clients will represent approximately 30% of our service fee revenue during the year ended December 31, 2019, as we add additional clients and acquire companies. Termination, reduction, or delay of our services under a contract could result from factors unrelated to our work product or the progress of the project such as factors related to business or financial conditions of the client, changes in client strategies or the domestic or global economy generally. Termination, reduction or substantial delay of services any significant client, or nonrenewal of any significant client contract, or the nonpayment of a material amount of our service fees by a significant client, could have a material adverse effect upon our business, results of operation and financial condition.

If a larger number of companies compete with us, it may be difficult to grow or maintain our revenue.

Many companies offer, on an individual basis, one or more of the same services we do, and we face competition from many different sources depending upon the type and range of services requested by a potential client. Many of these companies have greater capabilities and resources than we do for the single or multiple functions they provide. In addition, we compete against other professional service firms that have substantial offshore operations with lower labor costs, which enable them to offer lower pricing to potential clients. We cannot be certain we will be able to compete successfully against these or other competitors in the future.

In addition, growth in our clients' e-commerce businesses may cause a client to consider making the necessary investments to process their e-commerce operations in-house. In such event, unless we can provide a more cost-effective solution to the client, the client may choose to terminate our services. There is no assurance that we will be able to provide a more cost-effective solution, or that any such solution will not reduce our profitability or be accepted by the client.

If we do not accurately price our fixed fee projects, the Company may suffer from decreased cash flows.

When making a proposal for, or managing, a fixed-price engagement, we rely on our estimates of costs and timing for delivering our services, which may be based on limited data and could be inaccurate. If we do not accurately estimate our costs and the timing for completion of a fixed-price project, the contract for such a project could prove unprofitable or yield a profit margin that is lower than expected. Losses, if any, on fixed-price contracts are recognized when the loss is determined. Any increased or unexpected costs or unanticipated delays in connection with the performance of fixed-price contracts, including delays caused by factors outside of our control, could make these contracts less profitable or unprofitable and may affect the amount of revenue, profit, and profit margin reported in any period.

Our industry is dependent on quickly evolving technologies and knowledge. If we do not maintain proper technology or knowledge, then our operations may be adversely affected.

To remain competitive, we must continue to enhance and improve the responsiveness, functionality and features of our services and the underlying network infrastructure. If we are unable to adapt to changing market conditions, client requirements or emerging industry standards, our business could be adversely affected. The internet and e-commerce environments are characterized by rapid technological change, changes in user requirements and preferences, frequent new product and service introductions embodying new technologies and the emergence of new industry standards and practices that could render our technology and systems obsolete. We must continue to address the increasingly sophisticated and varied needs of our clients and respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis.

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We may not realize the anticipated benefits of past or future acquisitions, and integration of these acquisitions may disrupt our business and management.

Our growth strategy is dependent on the success of these acquisitions and in the future we may acquire additional companies, products or technologies or enter into joint ventures or other strategic initiatives. We may not realize the anticipated benefits of these acquisitions or any other future acquisition, and any acquisition has numerous risks. These risks include the following:

- difficulty in assimilating the operations and personnel of the acquired company;
- difficulty in effectively integrating the acquired technologies or products with our current technologies;
- difficulty in maintaining controls, procedures and policies during the transition and integration;
- disruption of our ongoing business and distraction of our management and employees from other opportunities and challenges due to integration issues;
- inability to retain key technical and managerial personnel of the acquired business;
- inability to retain key customers, vendors and other business partners of the acquired business;
- inability to achieve the financial and strategic goals for the acquired and combined businesses;
- incurring acquisition-related costs or amortization costs for acquired intangible assets that could impact our operating results;
- potential failure of the due diligence processes to identify significant issues with product quality, intellectual property infringement and other legal and financial liabilities, among other things; and
- potential inability to assert that internal controls over financial reporting are effective.

Mergers and acquisitions of companies are inherently risky and, if we do not complete the integration of acquired businesses successfully and in a timely manner, we may not realize the anticipated benefits of the acquisitions to the extent anticipated, which could adversely affect our business, financial condition or results of operations.

Our acquisitions may not achieve expected benefits, and may increase our liabilities, disrupt our existing business and harm our operating results.

As part of our strategy, we seek to acquire other businesses and technologies to complement our current products, expand the breadth of our markets, or enhance our technical capabilities. For example, in August 2017, we acquired Parscale Creative. The benefits we expect to receive from these and other acquisitions depend on our ability to successfully conduct due diligence, negotiate the terms of the acquisition and integrate the acquired business into our systems, procedures and organizational structure. Any inaccuracy in our acquisition assumptions or any failure to uncover liabilities or risks associated with the acquisition, make the acquisition on favorable terms, integrate the acquired business or assets as and when expected or retain key employees of the acquired company may reduce or eliminate the expected benefits of the acquisition to us, increase our costs, disrupt our operations, result in additional liabilities, investigations and litigation, and may also harm our strategy, business and operating results. The failure to achieve expected acquisition benefits may also result in impairment charges for goodwill and purchased intangible assets.

Future acquisitions may include an equity component that may dilute the positions of current stockholders.

We have traditionally used our equity to finance our acquisitions. As we search for additional companies to acquire, the components of the purchase price may include a combination of cash, debt and equity. The issuance of a substantial amount of equity may have a dilutive effect on our current shareholders upon such equity being deemed free-trading. Although this dilution may result in higher trading volume, it may result in lower market prices, which may limit an investor’s ability to obtain a return on their investment.

In addition, the incurrence of debt could have a variety of negative effects, including:

- default and foreclosure on our assets if our operating revenues are insufficient to repay our debt obligations;
- acceleration of our obligations to repay the indebtedness even if we make all principal and interest payments when due if we breach certain covenants that require the maintenance of certain financial ratios or reserves without a waiver or renegotiation of that covenant;
- our immediate payment of all principal and accrued interest, if any, if the debt security is payable on demand;
- our inability to obtain necessary additional financing if the debt security contains covenants restricting our ability to obtain such financing while the debt security is outstanding;

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- increased vulnerability to adverse changes in general economic, industry and competitive conditions and adverse changes in government regulation; and
- limitations on our ability to borrow additional amounts for expenses, capital expenditures, acquisitions, debt service requirements, execution of our strategy and other purposes and other disadvantages compared to our competitors who have less debt.

There is a significant amount of exposure to the Company due to Bradley Parscale being on the board of directors.

As recently announced, Bradley Parscale was named as campaign manager for Donald Trump's 2020 presidential election run. As soon as the announcement was made, opponents to Mr. Parscale and President Trump made a connection to Parscale Digital and CloudCommerce, resulting in negative press articles, vindictive message through social media, and angry direct messages to some of our employees. We expect these types of activities to continue, and potentially increase in intensity as we near the 2020 elections. There is a potential that employees who do not want to be associated with Mr. Parscale or President Trump will terminate their employment or attempt to cause harm to the Company. Further, there may be customers who may also want to reduce their business with us because of the relationship with Mr. Parscale. We could also lose customers, and if we are not able to replace the revenue from those lost customers, total revenue could decline.

Our largest customer, Parscale Strategy, is owned and controlled by Bradley Parscale.

A large portion of our revenue (19%) comes from digital marketing, design and website development activities for Parscale Strategy, which is owned by Bradley Parscale. It is uncertain whether Mr. Parscale's presidential campaign management activities will increase or decrease the amount of work we receive from Parscale Strategy. If Mr. Parscale uses other vendors for his digital advertising work, then we may see a decline in revenue. This decline may result in a cash flow shortage and losses of the operations.

RISKS RELATED TO OUR COMMON STOCK

Due to the low price and volume of our stock, a shareholder may be unable to sell shares, or may lose money on their investment.

The trading price of our common stock may be subject to wide fluctuations in response to quarter-to-quarter fluctuations in operating results, announcements of material adverse events, general conditions in our industry or the public marketplace and other events or factors, including the thin trading of our common stock. In addition, stock markets have experienced extreme price and trading volume volatility in recent years. This volatility has had a substantial effect on the market prices of securities of many technology-related companies for reasons frequently unrelated to the operating performance of the specific companies. These broad market fluctuations may adversely affect the market price of our common stock. In addition, if our operating results differ from our announced guidance or the expectations of equity research analysts or investors, the price of our common stock could decrease significantly.

Our principal stockholders, officers and directors own a controlling interest in its voting stock and investors have a limited voice in our management.

Our principal stockholders, officers and directors, in the aggregate, beneficially own approximately 74% of our outstanding common stock. As a result, these stockholders acting together, have the ability to control substantially all matters submitted to the Company's stockholders for approval, including the election of directors and approval of significant corporate transactions. In addition, sales of significant amounts of shares held by our principal stockholders, directors and executive officers, or the prospect of these sales, could adversely affect the market price of our common stock. Their stock ownership may discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of the Company, which could deprive our stockholders of an opportunity to receive a premium for their capital stock as part of a sale of our company and might ultimately affect the market price of our common stock.

Our common stock is subject to the "penny stock" rules of the sec and the trading market in our securities is limited, which makes transactions in our stock cumbersome and may reduce the value of an investment in our stock.

The Securities and Exchange Commission (the "SEC") has adopted Rule 15g-9 which establishes the definition of a "penny stock," for the purposes relevant to us, as any equity security that has a market price of less than

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$5.00 per share or with an exercise price of less than $5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require:

- that a broker or dealer approve a person's account for transactions in penny stocks; and
- the broker or dealer receives from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person's account for transactions in penny stocks, the broker or dealer must:

- obtain financial information and investment experience objectives of the person; and
- make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the SEC relating to the penny stock market, which:

- sets forth the basis on which the broker or dealer made the suitability determination; and
- that the broker or dealer received a signed, written agreement from the investor prior to the transaction.

Generally, brokers may be less willing to execute transactions in securities subject to the "penny stock" rules. This may make it more difficult for investors to dispose of our common stock and cause a decline in the market value of our stock

We have never paid dividends and have no plans to pay dividends in the future. As a result, our common stock may be less valuable because a return on an investor’s investment will only occur if our stock price appreciates.

Holders of shares of our common stock are entitled to receive such dividends as may be declared by our Board of Directors. To date, we have paid no cash dividends and we do not expect to pay cash dividends in the foreseeable future. We intend to retain future earnings, if any, to provide funds for operations of our business. Therefore, any return investors in will be in the form of appreciation, if any, in the market value of our shares of common stock. There can be no assurance that shares of our common stock will appreciate in value or even maintain the price at which our stockholders have purchased their shares.

If we fail to remain current on our reporting requirements, we could be removed from the OTCQB which would limit the ability of broker-dealers to sell our securities and the ability of stockholders to sell their securities in the secondary market.

If we fail to remain current in our reporting requirements, we could be removed from the OTCQB. As a result, the market liquidity of our securities could be severely adversely affected by limiting the ability of broker-dealers to trade our securities and the ability of stockholders to sell their securities in the secondary market. In addition, we may be unable to get re-listed on the OTCQB which may have an adverse material effect on our Company.

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

Our independent public accounting firm in their report dated December 31, 2018 included an explanatory paragraph expressing substantial doubt in our ability to continue as a going concern without additional capital becoming available. Going concern contemplates the realization of assets and the satisfaction of liabilities in the normal course of business over a reasonable length of time. Our ability to continue as a going concern ultimately is dependent on our ability to generate a profit which is dependent upon our ability to obtain additional equity or debt financing, attain further operating efficiencies and, ultimately, to achieve profitable operations. As a result, our financial statements do not reflect any adjustment which would result from our failure to continue to operate as a going concern. Any such adjustment, if necessary, would materially affect the value of our assets.

Because there is a limited market in our common stock, stockholders may have difficulty in selling our common stock and our common stock may be subject to significant price swings.

There is a very limited market for our common stock. Since trading commenced on the OTCQB, there has been little activity in our common stock and on some days there is no trading in our common stock. Because of the limited market for our common stock, the purchase or sale of a relatively small number of shares may have an exaggerated effect on the market price for our common stock. We cannot assure stockholders that they will be able to

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sell common stock or, that if they are able to sell their shares, that they will be able to sell the shares in any significant quantity at the quoted price.

We have a substantial number of convertible securities outstanding. The exercise of our outstanding warrants and conversion of our outstanding convertible notes can have a dilutive effect on our common stock.

We have a substantial number of convertible securities outstanding. The exercise of our outstanding options and conversion of our outstanding convertible notes and convertible preferred stock can have a dilutive effect on our common stock. As of December 31, 2018, we had (i) outstanding options to purchase 151 million shares of our common stock at a weighted average exercise price of $0.017 per share, (ii) outstanding convertible notes that, upon conversion without regard to any beneficial ownership limitations, would provide note holders with an aggregate of 24 million shares of our common stock; and (iii) outstanding shares of our Series, A, B C, D and E Preferred Stock that, upon conversion without regard to any beneficial ownership limitations or advance conversion notice, would provide the holders with an aggregate of 1,156 million shares of our common stock. The issuance of shares of common stock upon exercise of outstanding options or conversion of outstanding convertible notes and preferred stock could result in substantial dilution to our stockholders, which may have a negative effect on the price of our common stock.

ITEM 2. PROPERTIES

On April 15, 2016, the Company signed a lease for approximately 1,800 square feet of office space at 1933 Cliff Dr., Suite 1, Santa Barbara, California 93109 for approximately $3,000 per month, on a month-to-month basis which lease commenced on March 1, 2016. On September 7, 2018, this lease was assigned to another tenant and we vacated the space.

On February 12, 2018, the management of CLWD Operations signed a month-to-month lease which commenced on that date, for a shared office space, at a cost of $800 per month. This lease was cancelled on June 30, 2018.

On August 1, 2017, the Company signed a lease for approximately 8,290 square feet at 321 Sixth Street, San Antonio, TX 78215, for $9,800 per month, expiring July 31, 2022. This office space is primarily used by our subsidiaries, Parscale Digital and Giles Design Bureau.

As a result of the Company’s acquisition of WebTegrity, we assumed a lease for office space used by the WebTegrity employees, at 14603 Huebner Road, Suite 3402, San Antonio, TX 78230. The lease was executed on March 20, 2017 for a period of 36 months, commencing March 20, 2017, at a rate of $2,750 per month.

ITEM 3. LEGAL PROCEEDINGS

The Company may be involved in legal actions and claims arising in the ordinary course of business from time to time in the future. However, at this time there are no current legal proceedings to which the Company or any of its subsidiaries is a party or of which any of their property is the subject.

ITEM 4. MINE SAFETY DISCLOSURES.

Not Applicable.

PART II

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

Common Stock

The Company's common stock trades on the OTCQB under the symbol "CLWD", and previously traded under the symbol "WNYN" until September 30, 2015. The range of high and low bid prices for each fiscal quarter within the last two fiscal years is set forth below. These high and low bid prices represent prices quoted by broker-dealers on the OTCQB. These prices represent inter-dealer quotations without retail markup, markdown, or commission and may not necessarily represent actual transactions.

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Year Ended December 31, 2018	High	Low
First Quarter ended March 31, 2018	$0.040	$0.020
Second Quarter ended June 30, 2018	$0.034	$0.013
Third Quarter ended September 30, 2018	$0.028	$0.011
Fourth Quarter ended December 31, 2018	$0.020	$0.009

Six Ended December 31, 2017	High	Low
Quarter ended September 30, 2017	$0.063	$0.006
Quarter ended December 31, 2017	$0.062	$0.020

Year Ended June 30, 2017	High	Low
First Quarter ended September 30, 2016	$0.021	$0.011
Second Quarter ended December 31, 2016	$0.020	$0.011
Third Quarter ended March 31, 2017	$0.017	$0.005
Fourth Quarter ended June 30, 2017	$0.029	$0.006

The Company is authorized to issue 2,000,000,000 shares of common stock, par value $0.001 per share, and 5,000,000 shares of preferred stock, par value $0.001 per share. The rights, preferences and privileges of the holders of the preferred stock will be determined by the Board of Directors prior to issuance of such shares.

As of December 31, 2018, there were approximately 2,000 holders of the Company's common stock, not including shares held in "street name" in brokerage accounts, which are unknown. As of December 31, 2018, there were 137,512,588 shares of common stock outstanding on record.

Dividends

The Company has not declared or paid any cash dividends on its common stock and does not anticipate paying dividends for the foreseeable future.

Warrants

During the fiscal year ended December 31, 2018 the Company did not issue any warrants to purchase shares of the Company's capital stock. As of December 31, 2018, the Company has no issued or outstanding warrants.

Equity Compensation Plan Information

The Company has not adopted any compensation plans. However, the Company has from time to time issued non-qualified stock options to its officers and directors as set forth below.

On August 13, 2012, we granted nonqualified stock options to purchase up to 2,500,000, 5,000,000 and 5,000,000 shares of our common stock to Greg Boden, our Chief Financial Officer, Andrew Van Noy, our Chief Executive Officer and Zachary Bartlett, our Vice President of Communications, respectively, in consideration for services. The stock options are exercisable at a price of $0.0053 per share for a period of seven years from the date of grant and vest at a rate of 1/36 per month commencing on the date of grant until all of the options are vested.

On February 3, 2015, we granted nonqualified stock options to purchase up to 30,000,000, 20,000,000, 10,000,000 and 3,000,000 shares of our common stock to Andrew Van Noy, our Chief Executive Officer, Zachary Bartlett, our Vice President of Communications, Greg Boden, our Chief Financial Officer and three employees, respectively, in consideration for services. The stock options are exercisable at a price of $0.0131 per share for a period of seven years from the date of grant and vest at a rate of 1/36 per month commencing on the date of grant until all of the options are vested. During the third quarter of the year ended June 30, 2016, three employees separated from the Company and during the fourth quarter their 3,000,000 options were unexercised and expired.

On March 20, 2015, we granted nonqualified stock options to purchase up to 15,000,000 shares of our common stock to Andrew Van Noy, our Chief Executive Officer, in consideration for services. The stock options are exercisable at a price of $0.013 per share for a period of seven years from the date of grant and vest at a rate of 1/36 per month commencing on the date of grant until all of the options are vested.

On August 25, 2015, we granted nonqualified stock options to purchase up to 20,000,000, 10,000,000 and

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5,000,000 shares of our common stock to Andrew Van Noy, our Chief Executive Officer, Zachary Bartlett, our Vice President of Communications, and Greg Boden, our Chief Financial Officer, respectively, in consideration for services. The stock options are exercisable at a price of $0.015 per share for a period of seven years from the date of grant and vest at a rate of 1/36 per month commencing on the date of grant until all of the options are vested.

On August 1, 2017, we granted non-qualified stock options to purchase up to 10,000,000 shares of our common stock to a key employee, at a price of $0.01 per share. The stock options vest equally over a period of 36 months and expire August 1, 2022. On September 30, 2018, the employee exercised, on a cashless basis, 3,324,201 options, resulting in 1,233,509 shares of common stock.

On September 18, 2017, we granted non-qualified stock options to purchase up to 1,800,000 shares of our common stock to three key employees, at a price of $0.05 per share. The stock options vest equally over a period of 36 months and expire September 18, 2022.

On January 3, 2018, we granted non-qualified stock options to purchase up to 20,000,000 shares of our common stock to three key employees, at a price of $0.04 per share. The stock options vest equally over a period of 36 months and expire January 3, 2023.

Recent Sales of Unregistered Securities

There were no sales of unregistered securities during the fiscal year ended December 31, 2018 other than those transactions previously reported to the SEC on our quarterly reports on Form 10-Q and current reports on Form 8-K.

ITEM 6. SELECTED FINANCIAL DATA.

None.

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

The following Management's Discussion and Analysis should be read in conjunction with our consolidated financial statements and the related notes thereto included elsewhere herein. The Management's Discussion and Analysis contains forward-looking statements that involve risks and uncertainties, such as statements of our plans, objectives, expectations and intentions. Any statements that are not statements of historical fact are forward-looking statements. When used, the words "believe," "plan," "intend," "anticipate," "target," "estimate," "expect," and the like, and/or future-t conditional constructions ("will," "may," "could," "should," etc.), or similar expressions, identify certain of these forward-looking statements. These forward-looking statements are subject to risks and uncertainties that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements in this annual report. Our actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of several factors including, but not limited to, those noted under "Risk Factors" of the reports filed with the Securities and Exchange Commission. We do not undertake any obligation to update forward-looking statements to reflect events or circumstances occurring after the date of this annual report on Form 10-K.

Current Overview

We are a leading provider of data driven solutions. We develop solutions that help our clients acquire, engage, and retain their customers by leveraging cutting edge digital strategies and technologies. We focus intently on using data analytics to drive the creation of great user experiences and effective digital marketing campaigns. Whether it is creating omni-channel experiences, engaging a specific audience, or energizing voters in political campaigns, we believe data is the key to digital success. Our goal is to become the industry leader by always applying a “data first” strategy and acquiring other companies that can help us achieve this vision.

To better serve our customers and create value for our shareholders, we strategically acquire profitable cloud commerce solutions providers with strong management teams.

We believe our products and services allow our clients to lower costs and focus on promoting and marketing their brand, product line and website while levera2.6% 2.38 1/29/06 147,949 326,928

Edward H. Codispoti(2)
10,000 0.6% 0.60 10/18/06 1,658 3,663
Edward H. Codispoti(2)
45,000 2.5% 0.33 12/19/06 4,103 9,066
Michelle M. Miller(3)
225,000 12.6% 2.38 1/29/06 147,949 326,928
Kenbian A. Ng(4)
95,000 5.3% 2.38 1/29/06 62,467 138,036

(1) The 5% and 10% assumed annual rate of stock price appreciation are set forth by the Securities and Exchange Commission and therefore, are not intended to forecast possible future appreciation.

(2) Mr. Codispoti served as Senior Vice President, Finance and Principal Accounting Officer from September 2001 to March 2002.

(3) Ms. Miller served as Chief Operating Officer from October 1999 to July 2001 and as President from January 2001 to July 2001.

(4) Mr. Ng served as Chief Financial Officer from March 1999 to September 2001.

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Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

The following table provides information about the number of aggregated option exercises during the last fiscal year and value of options held by the Company s executive officers at December 31, 2001:

			Number of Securities Underlying Unexercised Options at Fiscal Year-End(#)		Value of Unexercised In-the-Money Options At Fiscal Year-End ($)(1)	
Name	Shares Acquired on Exercise	Value Realized	Exercisable	Unexercisable	Exercisable	Unexercisable
David A. Schwedel			725,000	180,000	21,000	
Edward H. Codispoti(2)			10,500	52,000	1,620	6,480
Kenbian A. Ng(3)			76,000			

(1) The option value is based on the difference between the fair market value of the shares on December 31, 2001, which was $0.51 per share, and the option exercise price per share, multiplied by the number of shares of Common Stock subject to the option.

(2) Mr. Codispoti served as Senior Vice President, Finance and Principal Accounting Officer from September 2001 to March 2002.

(3) Mr. Ng served as Chief Financial Officer from March 1999 to September 2001.

Employment Contracts

David A. Schwedel, Chief Executive Officer, has an employment agreement with the Company effective on January 1, 1999. Under the agreement, the Company will pay Mr. Schwedel a minimum annual salary of $265,000 during each of the years ended December 31, 2002, 2003 and 2004. In the event that he is terminated without cause, Mr. Schwedel will receive his base salary, benefits, vesting of outstanding stock options through December 31, 2004 and a bonus amount pro-rated for the current year of employment. Upon a change in control, Mr. Schwedel is entitled to a lump sum payment equal to $600,000 after deducting applicable income and payroll taxes. Following a change in control, if Mr. Schwedel s employment is terminated without cause or for good reason, the Company shall pay to Mr. Schwedel a bonus amount pro-rated for the current year employment and a lump sum payment equal to three times the prior year s total cash compensation including the value of fringe benefits. All of Mr. Schwedel s options shall vest immediately upon a change in control.

Stock Option Plans

1996 Incentive Stock Option Plan. The Company s 1996 Incentive Stock Option plan, as amended, allows the Company to issue, in the aggregate, options for up to 900,000 shares of the Company s Common Stock to selected employees. The options may be exercised at a price that is the greater of one dollar per share, the fair market value of the Common Stock on the date of grant, or the book value per share on the date of grant. Each option is 100% vested as of the date of the grant and expires on the fifth anniversary of the date of grant unless terminated earlier. As of March 28, 2002, 710,000 options had been awarded and 290,000 were outstanding under the 1996 Incentive Stock Option Plan.

Amended and Restated 1997 Stock Option Plan. The Company s Amended and Restated Plan, allows the Company to issue, in the aggregate, options for up to 4,000,000 shares of the Company s Common Stock to selected employees, directors or consultants of the Company. The options may be exercised at a price that is the greater of thirty-three cents per share or the fair market value of the Common Stock on the date of grant. In general, options have vesting terms of 4 to 5 years and expire 5 years after date of grant. As of March 28, 2002, 4,803,685 options had been awarded and 1,999,335 options were outstanding under the Amended and Restated 1997 Incentive Stock Option Plan.

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Performance Graph

The following graph compares the cumulative total shareholder return on the Company s Common Stock between February 4, 1998 (the date the Company s Common Stock commenced public trading) and December 31, 2001, with the cumulative total shareholder return of companies comprising the Nasdaq Stock Market (U.S.) Index, the JP Morgan Hambrecht & Quist Internet Index and the JP Morgan Hambrecht & Quist Computer Software Index. The graph assumes an initial investment of $100 and reinvestment of all dividends.

COMPARISON OF 47-MONTH CUMULATIVE TOTAL RETURN*
AMONG MAREX, INC., THE NASDAQ STOCK MARKET (U.S.) INDEX,
THE JP MORGAN H & Q INTERNET INDEX
AND THE JP MORGAN H & Q COMPUTER SOFTWARE INDEX

Comparison of 47-month Cumulative Total Returns*

Company/Index	February 4, 1998	Year Ended December 31, 1998	Year Ended December 31, 1999	Year Ended December 31, 2000	Year Ended December 31, 2001
Marex, Inc.	$ 100	$ 659	$ 531	$ 172	$ 31
Nasdaq Stock Market (U.S.) Index	100	132	245	147	117
JP Morgan Hambrecht & Quist Internet Index	100	219	758	292	188
JP Morgan Hambrecht & Quist Computer Software Index	100	120	274	205	134

* Reflects $100 invested on February 4, 1998 in Marex, Inc. stock and each index, including reinvestment of dividends.

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PROPOSAL NO. 2

RATIFICATION OF THE APPOINTMENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Audit Committee has the responsibility to recommend to the Board annually, and at other appropriate times, the selection, retention or termination of the Company s independent certified public accountants. The Audit Committee has appointed Kaufman, Rossin & Co., P.A. to audit and express an opinion on the Company s financial statements for 2002, and this firm has advised the Company that it is willing to serve. The Board has approved this appointment, and the shareholders are being asked to ratify this selection. Representatives of Kaufman, Rossin & Co., P.A. are expected to be present at the Annual Meeting, will have the opportunity to make a statement at the Annual Meeting if they desire to do so and are expected to be available to respond to appropriate questions.

Audit Fees

The aggregate fees billed for professional services rendered by Arthur Andersen LLP for its audit of the Company s annual financial statements for the year ended December 31, 2001 and for its reviews of unaudited quarterly financial statements contained in the reports on Form 10-Q filed by the Company during the year amounted to $43,060.

All Other Fees

The aggregate fees billed for all services rendered by Arthur Andersen LLP other than the audit fees described above, during the year ended December 31, 2001 amounted to $5,700. Arthur Andersen LLP did not provide any financial systems design or implementation fees during the year. The Company s Audit Committee did consider whether Arthur Andersen LLP s provision of such non-audit-related services was compatible with maintaining the independence of Arthur Andersen LLP and concluded that it was compatible with maintaining such independence.

THE BOARD RECOMMENDS A VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF KAUFMAN, ROSSIN & CO., P.A.

SHAREHOLDER PROPOSALS

As of the date of this proxy statement, the Company knows of no business that will be presented for consideration at the annual meeting other than the items referred to above. If any other matter is properly brought before the meeting for action by shareholders, proxies in the enclosed form returned to the Company will be voted in accordance with the recommendation of the Board of Directors or, in the absence of such a recommendation, in accordance with the judgment of the proxy holder.

Under the Company s bylaws, no business may be brought before an annual meeting unless it is specified in the notice of the meeting (which includes shareholder proposals that the Company is required to include in its proxy statement pursuant to Rule 14a-8 under the Exchange Act) or is otherwise brought before the meeting by or at the discretion of the Board or by a shareholder entitled to vote who has delivered notice to the Company (containing certain information specified in the bylaws) not less than 60 or more than 90 days prior to the meeting date. These requirements are separate from and in addition to the Securities and Exchange Commission s requirements that a shareholder must meet in order to have a shareholder proposal included in the Company s proxy statement.

Shareholders interested in submitting a proposal for inclusion in the proxy materials for the Company s annual meeting of shareholders in 2003 may do so by following the procedures prescribed in Rule 14a-8. To be eligible for inclusion, shareholder proposals must be received by the Company s Corporate Secretary no later than December 31, 2002. All proposals and nominations should be directed to the Corporate Secretary, Marex, Inc., 5835 Blue Lagoon Drive, 4th Floor, Miami, Florida 33126. It is urged that any shareholder proposals or nominations be sent certified mail, return-receipt requested.

ANNUAL REPORT

The Company s 2001 Annual Report to shareholders, including financial statements for the year ended December 31, 2001, is being distributed to all shareholders of the Company together with this Proxy Statement, in satisfaction of the requirements of the SEC. Additional copies of such report are available upon request. Such requests should be directed to Investor Relations, Marex, Inc., 5835 Blue Lagoon Drive, 4th Floor, Miami, Florida 33126.

OTHER MATTERS

The Company is not aware of any matters that may be presented for action by the shareholders at the Annual Meeting other than those set forth above. If any other matter shall properly come before the Annual Meeting, the persons named in the accompanying form of proxy intend to vote thereon in accordance with their best judgment.

SHAREHOLDERS ARE URGED TO IMMEDIATELY MARK, DATE, SIGN AND RETURN THE ENCLOSED PROXY IN THE ENVELOPE PROVIDED, TO WHICH NO POSTAGE NEED BE AFFIXED IF MAILED IN THE UNITED STATES.

By Order of the Board of Directors,

/s/ David A. Schwedel
DAVID A. SCHWEDEL
Chairman of the Board of Directors
and Chief Executive Officer

April 30, 2002
Miami, Florida

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MAREX, INC.

Annual Meeting of Shareholders June 5, 2002

P R O X Y

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned shareholder of MAREX, INC. does hereby nominate, constitute and appoint David A. Schwedel, the true and lawful proxy, agent and attorney of the undersigned, with full power of substitution, to vote for the undersigned all of the Common Stock or Preferred Stock of said corporation standing in the name of the undersigned at the close of business on March 28, 2002 at the Annual Meeting of Shareholders to be held at the Sonesta Hotel & Suites Coconut Grove, 2889 McFarlane Road, Coconut Grove, Florida 33133, on June 5, 2002 at 10:00 a.m. or at any adjournment or postponement thereof, with all of the powers which would be possessed by the undersigned if personally present as follows on the reverse side.

SEE REVERSE SIDE

CONTINUED AND TO BE SIGNED ON REVERSE SIDE

SEE REVERSE SIDE

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x Please mark votes as in this example.

IF NO CONTRARY INSTRUCTION IS INDICATED, THIS PROXY WILL BE VOTED FOR ALL DIRECTOR NOMINEES AND FOR THE PROPOSALS.

1. Election of Directors.

   Nominees:

   David A. Schwedel

   Clifford Grossman

   Jeffrey Peck

   o For all nominees listed, except as marked

   o Withhold authority to vote for all nominees listed

   TO WITHHOLD AUTHORITY TO VOTE FOR ANY INDIVIDUAL NOMINEE STRIKE A LINE THROUGH THAT NOMINEE S NAME

2. Proposal to ratify the appointment of Kaufman, Rossin & Co., P.A. as independent certified public accountants for the year ending December 31, 2002.

   FOR AGAINST ABSTAIN

   o o o

3. In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting.

NOTE: Please sign name exactly as your name (or names) appears hereon. When signing as attorney, executor, administrator, trustee or guardian please give full title. If more than one trustee, all should sign. All joint owners must sign.

Signature:______________________ Date:_________

Signature:______________________ Date:_________

PLEASE FILL IN, DATE, SIGN AND MAIL THIS PROXY PROMPTLY IN THE ENCLOSED ENVELOPE, WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES